Pietari Inkinen Music Director

New Zealand Symphony Orchestra

Te Tira Pūoro o Aotearoa

Annual Report

New Zealand Symphony Orchestra

Te Tira Pūoro o Aotearoa

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2011

Elgar's Cello Concerto of 1919 introduces a darker palette of post-war disillusionment into his music, evoking society's collective grief for the monumental loss of life, and the desolation of a victory without triumph.

Here NZSO Section Principal Cello Andrew Joyce represents Elgar. Behind him falls away the untamed majesty of a sunlit Hebridean coast, symbolising everything he stands to lose against his opponent, first violinist Kristina Zelinska.

Annual Report

The Board have pleasure in presenting the Annual Report for the New Zealand Symphony Orchestra for the six month period ended 31 December 2011.

Donald Best
Board Chair
6 March 2012

Roger Taylor
Board Member,
Chair of Audit Committee
6 March 2012

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Our wandering musicians celebrate terra firma with ***Beethoven's glorious Seventh Symphony.*** *With dancing rhythms inspired by Homer's epic The Odyssey – Beethoven's favourite book – the symphony is replete with soaring melodies and a funeral march that remains unsurpassed.*

The Vision

An NZSO proudly supported by New Zealanders as a world class symphony orchestra – the flag-bearer of New Zealand's musical life, nationally and internationally.

The Mission

To enrich the lives of New Zealanders through artistically excellent performances, presented nationally and abroad, by a full-time, full-strength, professional symphony orchestra of international standing.

We Value

EXCELLENCE
in artistry
operations
all aspects of management

ENRICHMENT
through musical experience

EDUCATION
empowering a love for the arts
developing future audiences
nurturing the development of the music profession in New Zealand

THE SYMPHONIC HERITAGE
of great music that speaks directly and powerfully to our audiences

INNOVATION
encouraging a responsiveness to artistically excellent new music

THE ART OF MUSIC
the cultural heritage of all New Zealanders contributing to the health of the nation

Chair's Preface

This report covers the six month period from 1 July until 31 December 2011. In September 2011, the Minister of Finance, acting on the recommendation of the Minister for Arts, Culture and Heritage, approved a change to the NZSO's financial year-end from 30 June to 31 December. While most organisations operating under the *Crown Entities Act 2004* have a reporting date of 30 June, exceptions exist most obviously for educational institutions and, now, for the NZSO. The logic in these cases is similar, a reporting period based on a calendar year which relates directly to the cycle of activity, in the NZSO's case, the annual concert season. Having a financial year-end of 31 December will be beneficial in enabling the approval of annual budgets to be synchronised with final planning for the relevant concert season.

For many New Zealanders, the period under review has been dominated by the Rugby World Cup 2011. We were proud that, at the beginning of every World Cup game, the anthems of the competing teams were performed by the New Zealand Symphony Orchestra. The Orchestra also made a substantial contribution to the REAL New Zealand Festival, culminating in a gala evening with Dame Kiri Te Kanawa the night before the World Cup Final.

For those within the profession, the past six months have been dominated by our Minister's Review of the Professional Orchestra sector. Given New Zealand's changing demography and the current economic climate, such a review is timely and we hope that it will provide a clear plan for sustainable development over the next few years. For the NZSO, there is a slight sense of *déja vu* about the review. There have been a number of external reviews of our artistic and financial rationale since the *Scott Report* of 1996 (and I include here the scrutiny that accompanied the passage of the *New Zealand Symphony Orchestra Act* through Parliament in 2004). What each of those reviews has concluded is that having a full-size national symphony orchestra, of an international standard, operating from a central hub in Wellington remains a cost-effective way of providing New Zealanders access to the riches of symphonic music. This is a model that suits New Zealand's distinctive demography. I am confident that the NZSO will emerge from the current review with all stakeholders having a renewed appreciation of what it has to offer New Zealand society.

These are, of course, challenging times for orchestras (globally) and for the entire arts sector in New Zealand. NZSO government funding has traditionally been predicated on the expectation that the NZSO will break even across the period for which the funding has been allocated. Our most recent Statement of Intent shows that, actually, we did slightly better than that in the 1 July 2008-30 June 2011 triennium. But with no funding increase at the end of that triennium, it is becoming increasingly difficult to absorb costs that are imposed externally (venue hire and servicing, artist travel and accommodation and so on). While we are working assiduously to increase non-government sources of revenue, we hope that the government will sustain their investment in the NZSO at a level that enables it to deliver on the functions and objectives spelled out in our Act.

In the long term, the NZSO's capacity to increase earned income would be significantly enhanced through the construction of studios that would be both a permanent rehearsal home for the orchestra and a studio capable of recording large-scale film scores. The board places a high priority on the objective of acquiring such a facility.

As usual, our sponsors have played a vital role in helping us present an exciting and diverse programme. I was especially pleased to hear that The Radio Network (principal sponsors since 2003) have just renewed their agreement with the NZSO for a further three years. Solid Energy provided outstanding support to make the Dame Kiri Te Kanawa gala evening such a celebratory event. The Sunday Star Times got in behind both of our Christmas Pops tours. Our overall programme is underpinned by all of our principal sponsors, including Audi, Pacific Blue, TV33 and NZ House and Garden. ANZ National Bank and Ryman Healthcare have supported the various NZSO Soloists' tours in this period. Crowne Plaza Hotels and Resorts have assisted with the NZSO National Youth Orchestra standing alongside Denis and Verna Adam through the Adam Foundation which has now been principal sponsor of the NYO for over a decade. Many of our sponsors help us with skills and expertise that are uniquely theirs. Our design company, The Church, for example, has helped us capture the imagination of so many new concertgoers who have been attracted by their sense of fantasy and adventure.

The Orchestra made a substantial contribution to the REAL New Zealand Festival

We are enormously grateful to those who provide for the Orchestra through personal giving. As I noted in our last Annual Report, there is an increasing emphasis on philanthropy as a way of supporting the arts in New Zealand and for that reason it is important that our NZSO Supporters' programme continues to grow. As part of this growth, the activities of the Wellington Friends of the NZSO will now be managed directly by the NZSO's Development team after a decade of dedicated, tireless voluntary work from a very able committee led by Valerie Rhodes. Our thanks go to Valerie and her colleagues for their contribution.

Once again, I must thank our players and Concertmaster Vesa-Matti Leppänen for their commitment to the NZSO's mission. They are perfectionists, always striving for the highest artistic standards – and as we read in the international reviews of NZSO recordings –

achieving them. In this they are aided by our talented Music Director, Pietari Inkinen. It was a particular pleasure for me to hear Pietari and the NZSO perform all of Brahms's major orchestral works, including the Double Concerto with our own Principal Cello, Andrew Joyce, as an outstanding soloist.

This has been a particularly busy period for NZSO management. James Henry, our Chief Financial Officer, and his team have had to cope with the extra work created by the change in the organization's reporting date. And despite the workload, our Head of Artistic Planning, Melissa King, and her team seem only to have been excited by the extra opportunities opened up by the Rugby World Cup 2011 and the REAL New Zealand Festival. I would like to thank all of management for their hard work and initiative.

In November I was delighted to be able to announce the appointment of Christopher Blake as the Orchestra's new Chief Executive. Christopher has had a long history of involvement with the arts, including a period as Chief Executive of the Auckland Philharmonia and as the first Chief Executive of the Ministry for Culture and Heritage. His roles as Chief Executive of the Departments' of Internal Affairs and (most recently) Labour, mean that he brings a wealth of state sector knowledge and experience to the NZSO. It is impressive that he has remained active as a composer throughout his career. (Coincidentally, the NZSO recorded a CD of his music earlier in 2011.) I look forward to working with Christopher. Christopher will inherit a committed and diversely talented management team which has been built up by Peter Walls who stepped down from the position of Chief Executive on 31 December.

Peter Walls has been Chief Executive since August 2002 and prior to that served on the board as deputy chair for six years, a great record of service and commitment to the NZSO. It was pleasing that this service, along with his long service to music education at Victoria University of Wellington, was recognised by government in the 2012 New Years Honours List by awarding him an ONZM. Peter is a musician who has demonstrated a deep commitment to the future of the NZSO and has provided the orchestra with stable and inspired management over a long period. Peter has relentlessly strived to build a better orchestra, an orchestra with an international reputation. In this he has truly succeeded as was proven beyond any doubt during the 11 concert tour of Europe at the end of 2010, a tour which enabled discerning audiences to compare the NZSO with the best orchestras in the world. It is also appropriate to record our appreciation to Peter's wife Kathryn, who has provided real support to Peter during his time with the NZSO. We wish them both the best for the future and look forward to their continuing association and attendance at NZSO concerts.

In the June 2011 Annual Report, I thanked Bill Falconer for his eight years service as an NZSO board member (his tenure expired in July 2011). In August we welcomed Lisa Bates to the Board. Lisa brings valuable experience as a fundraiser in the arts and has a proud record of achievement in the Auckland arts scene. I would like to thank all of my colleagues on the board for their absolute commitment to the welfare of this great orchestra.

Donald Best

With sellout concerts in Auckland and Wellington, the NZSO's contribution to the Rugby World Cup hit the ground running with the Odes to Joy concert tour.

Chief Executive's Overview

This has been a busy six months for the NZSO.

The Orchestra was a major participant in the REAL New Zealand Festival, presented three national subscription tours, three NZSO Soloists' tours, made two CDs for international release and recorded a significant amount of New Zealand music for Radio New Zealand Concert.

The NZSO contributed three projects to the REAL New Zealand Festival – the showcase for culture that ran in parallel to the Rugby World Cup 2011. First there were performances in Auckland, Wellington, Christchurch and Dunedin of Beethoven's "Choral Symphony" (a work that, in keeping with the spirit of the Rugby World Cup, celebrates the coming together of all humanity) and of *Kaitiaki*, a work that we commissioned from Gareth Farr and Witi Ihimaera. Music Director Pietari Inkinen conducted these performances, which featured four distinguished New Zealand soloists: Madeleine Pierard, Sarah Castle, Simon O'Neill and Jonathan Lemalu. For these concerts we were joined by Voices New Zealand Chamber Choir reinforced in each centre respectively by the Auckland Choral Society, Wellington's Orpheus Choir, the Christchurch City Choir and the City of Dunedin Choir.

The second REAL New Zealand Festival project was *Brahmissimo* – a mini-festival presented in Wellington from 12-15 October in which the complete Brahms symphonies, concertos and concert overtures were presented under the baton of Pietari Inkinen. New Zealand's two pre-eminent pianists, Michael Houstoun and Diedre Irons were soloists in Piano Concertos No. 1 and 2 respectively. Our recently-appointed Principal Cello, Andrew Joyce, was soloist in the Brahms Double Concerto where he was joined by Mikhail Ovrutsky (who also featured as soloist in the Brahms Violin Concerto). These concerts were webcast and watched in 19 countries including the USA, Malaysia, China, Korea and Bulgaria. A high proportion of New Zealand viewers were from Auckland.

On the night before the Rugby World Cup 2011 Final we presented a gala concert with Dame Kiri Te Kanawa before a large crowd in Auckland's Vector Arena. Dame Kiri was joined by New Zealand singers Teddy Tahu Rhodes and Kawiti Waetford, a promising young Māori baritone. The concert was conducted by Pietari Inkinen.

There have been three other national subscription tours. Veteran maestro, Pinchas Steinberg, presented a programme in Auckland, Hamilton, Napier and Wellington entitled *Russian Soul* with music by Mussorgsky and Tchaikovsky, with the brilliant Macedonian pianist Simon Trpceski as soloist in Prokofiev's Third Piano Concerto. There was more harrowing Russian music when Maestro Vasily Petrenko took Shostakovich's "Leningrad" Symphony to Auckland, Wellington and Christchurch. The emotional impact of this work – about a city under siege – was especially palpable in Christchurch. (Michael Houstoun performed Rachmaninov's Fourth Piano Concerto in the same programme.) Later in August Conductor Christoph König and guitarist Xufei Yang took a programme of Spanish-inspired repertoire to Wellington, Napier, Hamilton and Auckland.

The most unusual performances involving the full 90-player NZSO were the screenings of the classic 1927 Fritz Lang film, *Metropolis,* with Gottfried Huppertz's original score. The restoration of the film had been made possible thanks to the discovery in New Zealand of a print containing scenes cut in other surviving versions. Maestro Frank Strobel (who had worked on the project from its inception), Frank Stark (Chief Executive of the New Zealand Film Archive), and Stephan Prock (New Zealand School of Music) provided a fascinating pre-concert introduction. The performances attracted a new, film-loving audience to the NZSO.

There were three NZSO Soloists' tours: *Brass Splendour* in July, *Back to Bach* in August, and *Strings Possessed* in November – the latter featuring our Principal Double Bass, Hiroshi Ikematsu, who delighted audiences with his extraordinary virtuosity and his engaging sense of humour. The *Back to Bach* tour was planned as a way of reaching some smaller South Island centres but, after successful concerts in Ashburton, Timaru and Oamaru, fell victim to freak weather conditions that prevailed for several days. The final concert in Dunedin had to be cancelled and a number of our players spent a night at Christchurch airport before they were able to get a flight back to Wellington.

Two CDs were recorded for Naxos. The first completed the cycle of Piano Concertos by Ferdinand Ries with Christopher Hinterhuber as soloist and Uwe Grodd conducting. The other CD, conducted by Carolyn Kuan, was of the Chinese classics, *The Yellow River Concerto* and the piano concerto version of *Butterfly Lovers* and featured Chen Jie as soloist.

The NZSO made the first ever Booktrack recordings in August with Marc Taddei conducting. Booktrack is the brainchild of Mark Cameron. It allows those who purchase books for their i-pads to download an accompanying sound track that is synchronised to their reading speeds. John Psathas accepted the challenge of composing the first Booktrack score, for a story by Salman Rushdie. The NZSO also recorded a selection of classical works that will provide an accompaniment for a Jane Austen novel.

The NZSO Soloists Brass Splendour audience gathers in New Plymouth.

Our annual Todd Corporation Young Composer Awards took place in September. In addition to rehearsing and recording works by twelve young New Zealand composers (who were mentored by Ross Harris), NZSO players presented workshops on writing for double reed, brass and percussion instruments.

Since 1998 the NZSO has held rehearsed readings of New Zealand music that have been organized in conjunction with SOUNZ. In the past, Radio New Zealand Concert recorded these sessions primarily for reference purposes as a benefit to the composers. This year we changed the format so that these readings are now treated as formal recording sessions, enabling us to increase the stock of fine recordings of New Zealand music available for broadcast on Radio New Zealand Concert. Thus, in September, we recorded works by David Farquhar, Kit Powell, Juliet Palmer and Ross Harris.

The year drew to a close with a pair of (split-orchestra) Christmas Pops tours. Australian conductor Alexander Briger and well-loved mezzo Helen Medlyn performed in Wellington and various South Island centres while Kenneth Young and entertainer Frankie Stevens headed North to Hastings, Rotorua, Tauranga, Manukau, Whangarei and Kerikeri. We were pleased, too, when The Radio Network (NZSO Principal Sponsors) asked the NZSO to join them in presenting a benefit concert in Auckland for the Fred Hollows Foundation.

There has been constant education and outreach activity during these six months – some of it involving small groups of players going into schools, rest care facilities, and hospitals. Full orchestra concerts in Napier, Hamilton and Manukau delighted children with presentations of Nathaniel Stookey's work *The Composer is Dead*, which has a libretto by Lemony Snicket, narrated for us by Nigel Collins with Hamish McKeich conducting.

The NZSO National Youth Orchestra has had a stimulating year. Music Director Emeritus James Judd worked intensively with these talented young players for a week in August culminating in memorable performances of the Rachmaninov Symphony No. 2 in both Auckland and Wellington. The concerts began with *An Atlas of Unfixed Stars* by the 2011 NYO Composer-in-Residence, Alexandra Hay. It also featured the flamboyant young American organist, Cameron Carpenter in Samuel Barber's *Toccata Festiva*.

Then on 6 October the NZSO National Youth Orchestra performed in front of over 8000 people at the CBS Canterbury Arena in Christchurch, accompanying Placido Domingo and Katherine Jenkins for their one New Zealand concert.

The NZSO's year ended with three outreach projects. I had the pleasure of conducting two hour-long *Close Encounters* programmes presented in Wellington at the end of the year. These were offered as free concerts sponsored by the Wellington Community Trust and were as introductions to the music of the Classical (Mozart and Beethoven) and Romantic (Schubert, Mendelssohn, Wagner) periods respectively.

On the 17 December, we had our annual Family Open Day at Te Papa with players presenting entertaining and informative instrument demonstrations. The Orchestra accompanied two of our Michael Monaghan Scholars (both year 13 students and both NYO members) in concerto performances: William McNeill performed the first movement of the Strauss Horn Concerto while Julian Baker was soloist in Dvorak's *Romance*. The Orchestra gave a family concert and performed Francis Poulenc's *The Story of Babar* with Nigel Collins as narrator. I conducted these performances – an absolutely lovely way to round off a long association with these wonderful musicians.

Media interest in the NZSO has been intense recently. This reached something of a peak after the screening of *The Grand Tour*, the Perendale Productions' documentary about the NZSO's 2010 international tour. While some viewers were offended by presenter Jeremy Wells' sense of humour, the unconventional approach taken by the film's makers was what was needed to overcome television programmers' reluctance to screen arts programmes in prime time. While it is easy to see why some felt that the humour was incongruous in this context, the film captured over an hour of the actual music recorded in the tour and I couldn't help but be moved by the succession of standing ovations that rolled across the screen in the closing moments.

There have been some key appointments in the past six months. Julia McCarthy has been confirmed as our Principal Viola and Robert Weeks as Principal Bassoon. Sam Jacobs has been appointed to the position of Principal Horn, replacing Ed Allen (who retired on 30 June). We were, however, sorry to lose our Assistant Concertmaster, Lyndon Johnston-Taylor, who left at the end of the year to return to the Los Angeles Philharmonic. Hannah Anderson, our Fundraising Manager, and Leah McFall, our Publicity & Communications Manager, are both currently on parental leave and have been replaced for this period by Jamie Grady and Janina Nicoll. Craig Thorne will join the NZSO as Head of Orchestra Management early in 2012.

I would like to pay tribute to our players for their musicianship and skill and, above all, for their commitment to ensuring that New Zealanders have access to the symphonic music played at the highest level. In management, I have been surrounded by gifted and dedicated people. Our senior management team – James Henry (Chief Financial Officer), Thierry Pannetier (Head of Marketing), Sarah Glasgow (Human Resources Manager), Claire Hewitt (Head of Development) and Melissa King (Head of Artistic Planning) – has

Placido Domingo greets the 8000 or so Christchurch audience members at the NZSO National Youth Orchestra performance.

PHOTO CREDIT: Wayne Williams TVNZ © 2011

It has been an immense privilege to be entrusted with the welfare of this remarkable orchestra

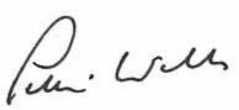
been outstandingly collegial, imaginative and focused group. During Melissa's absence abroad (on a French Government funded fact-finding mission) Usha Bhana and Jessica Reese dealt admirably with the succession of little surprises that make life interesting in a major orchestra's planning department. Claire Lewis does an excellent job as Education Manager which, in the period under review, included organizing the NYO's involvement in the Domingo concert with less than two months' notice. I would like to record my sincere thanks to all my wonderful colleagues in management.

Similarly, I would like to thank the NZSO board and its chair, Donald Best, for their vigilance in looking after the interests of the Orchestra and for the strong support that they have given me personally.

The Domingo concert had come about thanks to the enthusiasm of Christopher Doig, who sadly passed away a few days later after a struggle with cancer. Chris, a truly great New Zealander who had himself had a big career in Europe as a tenor, made an enormous contribution to the welfare of the Orchestra, directing our corporate sponsorship programme since 2002. A dear friend, he is sorely missed by all of us at the NZSO.

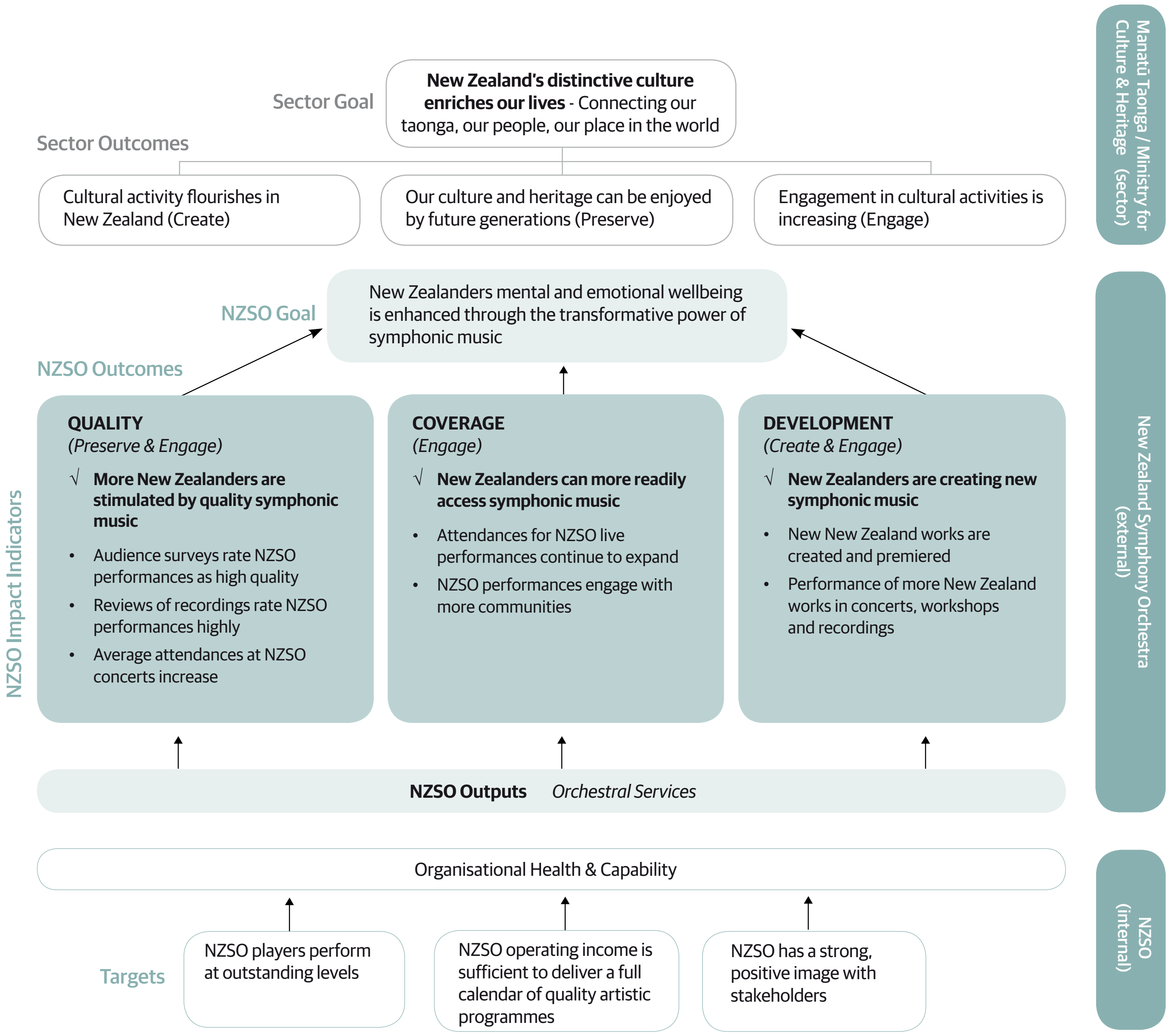
I am stepping down now as Chief Executive, a position that I have held since 1 August 2002. It has been an immense privilege to be entrusted with the welfare of this remarkable orchestra for nearly a decade. I am delighted that this role will now be filled by Christopher Blake, a composer who brings an enormous amount of relevant experience both in the arts and in the state sector.

The New Zealand Symphony Orchestra is a priceless asset for this country. By international standards, our total operating budget is exceedingly small. The NZSO's quality is recognized around the globe. World-class orchestras are not created overnight. What I have been able to see through an association with the NZSO that goes back to attending concerts as a student in the 1960s is a steady development (admittedly one that has had peaks and troughs). The government's sustained investment in the orchestra has been an important part in that development – but it is not the whole story. This Orchestra, with a commitment to touring live symphonic music to New Zealand's major centres that goes right back to 1947, has developed a quite unique, almost familial, culture that translates musically into a superb sense of ensemble. I can only hope that all New Zealanders who love music and who want this country to have sophisticated, inclusive and vibrant cultural life will value and preserve the taonga that we have in the NZSO.



Peter Walls

Performance Reporting Framework



The NZSO adopted the above non-financial Performance Reporting Framework on 20 June 2011. The three NZSO Outcomes feed positively into the Ministry for Culture & Heritage's sector outcomes under the *Create, Preserve, Engage* headings. A full list of Outcome measures and performance is included in this report on page 35.

Governance Statement

Introduction

The NZSO's primary activity is to present live concerts throughout the country. Various subsidiary activities are compatible with this primary business and together they enhance New Zealand's cultural life and provide artistic development and satisfaction for the members of the orchestra.

The NZSO is a Crown Entity and operates under the *New Zealand Symphony Orchestra Act 2004*, which defines the orchestra's functions and objectives.

Governing Board

The Board is appointed by the Responsible Minister and is comprised of seven non-executive members. The appointments are made having regard to the need for members to have among them, an appropriate balance of governance and financial skills and an awareness of artistic matters, as relevant to the role of the Board.

The Board meets regularly in accordance with a schedule prepared in advance at the start of each calendar year.

Remuneration

The remuneration of the various board members is detailed in Note 14 of the financial statements.

Management Delegations & Governance

Within the guidelines of the *New Zealand Symphony Orchestra Act 2004*, the governing Board has been authorised by the Responsible Minister to manage the business of the NZSO and has delegated the day to day operational authority to the Chief Executive Officer (CEO), to do this in the best artistic and commercial interests of the organisation. The CEO's terms and conditions of employment are determined by the Board in consultation with the State Services Commission.

Management

The Senior Management Team meets on a regular basis to discuss various operational and policy issues and is a platform where key functional decisions are made

The following managers report to the CEO (Peter Walls):

- **Chief Financial Officer (CFO) (James Henry)**
  Strategic planning; liaison with the Ministry for Culture and Heritage; all finance issues including budgets & forecasts; information technology.
- **Human Resources Manager (Sarah Glasgow)**
  All personnel related issues; performance management; employment contract negotiation; training & recruitment and payroll.
- **Head of Artistic Planning (Melissa King)**
  Artists contract negotiations; liaison with international artists and international artist management agencies; management of all other artistic activities.
- **Head of Orchestra Management (vacant, role currently being overseen by the Head of Artistic Planning)**
  Day-to-day management of the orchestra; venue issues; artist liaison; stage management.
- **Head of Marketing (Thierry Pannetier)**
  All Marketing and ticket sales matters; media relationships; customer service.
- **Head of Development (Claire Hewitt)**
  All sponsorship and fundraising matters.

Approval Process

The CEO's expenses are approved by the CFO and later countersigned by the Chair of the Board; The CFO's expenses are approved by the CEO and all other senior managers' expenses are reviewed and approved by the CEO or CFO

All operational spending is monitored through a budget system which is approved by the Board before the commencement of the financial year. Performance against these budgets is reviewed on a monthly basis by the CFO and CEO and reported to the Board.

Holders of delegated authorities (managers) are responsible to alert the CEO or CFO where it is likely that budget allocations will not be adequate and gain approval for additional funds before commitment is made to incur costs. Where changing, or unforeseen circumstances require unbudgeted expenditure, approval must be gained from the CEO or CFO. If the request for additional funds is seen to be justified and can be accommodated within the total budget result (or variance from the total budget result is less than $50,000) the additional funds may be approved at the discretion of the CEO or CFO. If such approval would cause the total budget result to deteriorate by an amount greater than $50,000, the Board will be consulted.

NZSO management work closely with senior staff at the Ministry for Culture and Heritage to ensure that, on the one hand, the Minister for Arts, Culture & Heritage is kept well informed and that, on the other hand, the orchestra is responsive to government policy as it affects the orchestra's operations.

Remuneration

The Board remuneration is agreed with the Responsible Minister in accordance with government guidelines and the CEO's remuneration is set by the Board after consultation with the State Services Commission. The Senior Management Team's remuneration is set by the CEO in consultation with the Chair of the Board.

Audit Committee

The Audit Committee comprises three non-executive board members, one of whom is appointed as Chair by the Board. The committee reports to the Board and has direct and unrestricted access to the external auditors and to all senior management of the NZSO.

The objective of the committee is to assist in discharging the Board's responsibilities relative to financial reporting and regulatory compliances. It must also monitor and help in the establishment of sound risk management and internal control systems. The committee meets at least twice a year and any member of the committee, the CEO, the CFO or the external auditors may request a meeting at any time if they consider it necessary.

Personnel & Equal Employment Opportunity Policy

The NZSO adheres to the principles of being a good employer.

Specifically, we strive to provide employees with a safe working environment and we have systems in place to ensure that hazards are identified and their impact minimized. The NZSO has retained its tertiary level requirements for ACC Workplace Management Practices.

The NZSO is committed to providing equality in its employment policies. All permanent positions are advertised externally to attract a wide range of candidates. The best candidates are appointed to positions after following a strict selection process. The NZSO ensures that gender balance is achieved on all appointment panels. For the selection of players, all applicants are invited to audition, and to ensure impartiality the first and second rounds of auditions are held behind screens.

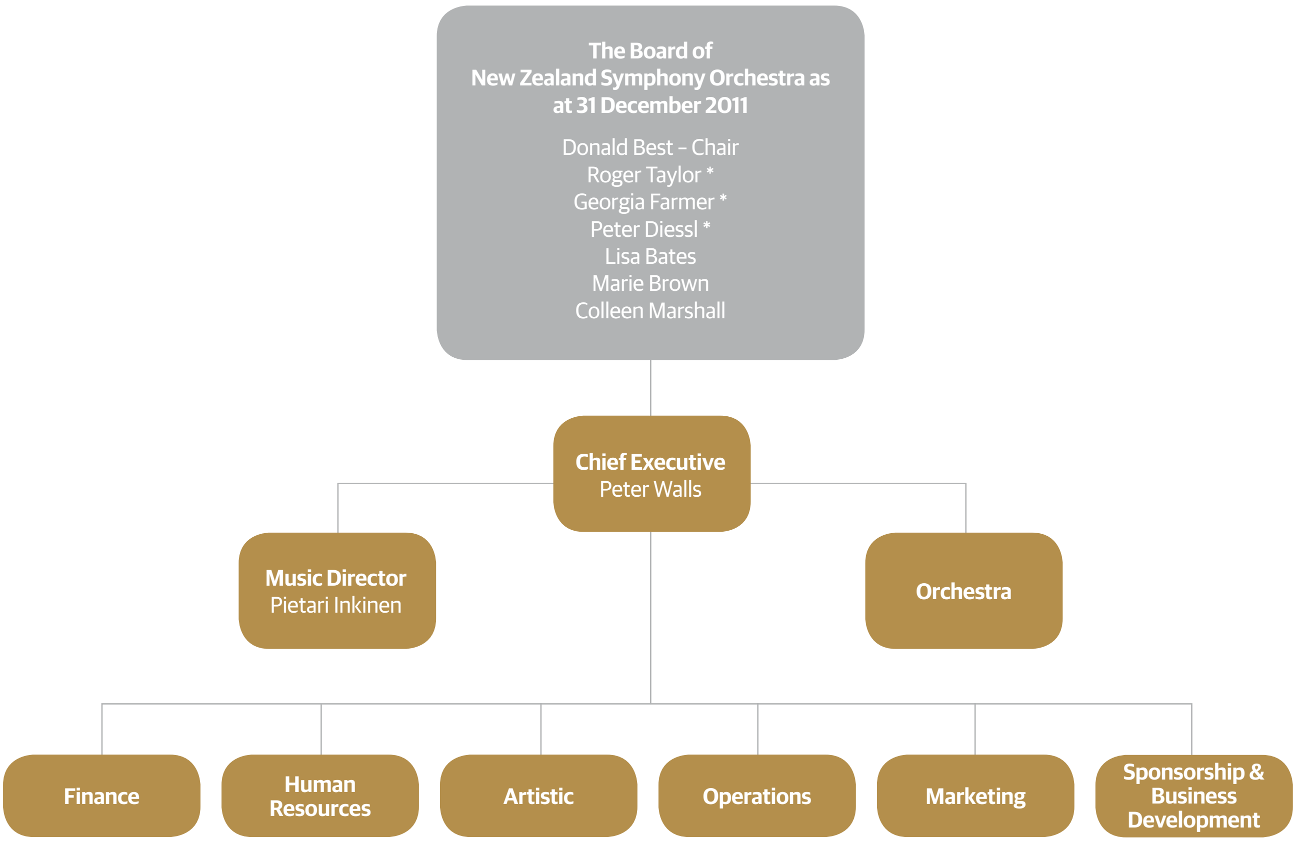
The players and some management staff of the NZSO are employed under collective employment agreements. The NZSO enters negotiations with the Service and Food Workers Union (SFWU) adhering to the principles of good faith bargaining. The NZSO provides fair and reasonable terms and conditions of employment. Many entitlements exceed the statutory minimums as set out in NZ legislation.

Management positions are formally evaluated so that salaries remain competitive with the NZ general market (while being mindful of the government's expectations for pay and conditions in the public sector). Every year salaries are reviewed and training and development opportunities are accessible to all employees. Study awards and/or Bursaries are awarded to a number of employees. The NZSO has introduced a Professional Development System for players, which continues to be improved.

The NZSO has a commitment to consultation to allow employees to have an opportunity to participate in decision making. Consultative committees are set up to ensure regular consultation with employees.

The NZSO subscribes to the public sector code of conduct. It also notes the government's expectations for pay and employment conditions in the state sector and provides information to the State Services Commission as required. The board of the NZSO consults with the State Services Commission with regards review and remuneration of the Chief Executive.

NZSO Organisation



* Roger Taylor (Chair), Georgia Farmer & Peter Diessl are the members of the NZSO's Audit Committee as at 31 December 2011.

Financial Statements

Statement Of Responsibility

The Board of the New Zealand Symphony Orchestra is responsible for the preparation of the attached Financial Statements and Statement of Service Performance and the judgements used therein.

The Board is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting contained in the financial statements.

In the opinion of the Board, the attached financial statements fairly reflect the NZSO's financial position as at 31 December 2011 and the results of its operation and service performance for the six month period ended on that date.

Signed:

Donald Best
Board Chair
6 March 2012

Roger Taylor
Board Member,
Chair of Audit Committee
6 March 2012

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of the New Zealand Symphony Orchestra (NZSO) for the six months to December 2011 included on the NZSO's website. The Board members of NZSO are responsible for the maintenance and integrity of the NZSO's website. We have not been engaged to report on the integrity of the NZSO's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 6 March 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the New Zealand Symphony Orchestra's financial statements and non financial performance information

FOR THE 6 MONTHS ENDED 31 DECEMBER 2011

The Auditor General is the auditor of the New Zealand Symphony Orchestra (NZSO). The Auditor General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the NZSO on her behalf.

We have audited:

- the financial statements of the NZSO on pages 16 to 32, that comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the NZSO that comprises the statement of service performance and the report about outcomes on pages 33 to 38

Opinion

In our opinion:

- The financial statements of the NZSO on pages 16 - 32:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the NZSO's:
    - financial position as at 31 December 2011; and
    - financial performance and cash flows for the six months ended on that date.
- The non financial performance information of the NZSO on pages 33 - 38:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the NZSO's service performance and outcomes for the 6 months ended 31 December 2011, including for each class of outputs:
    - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial period; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial period.

Our audit was completed on 6 March 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of Opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the NZSO's preparation of the financial statements and non financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NZSO's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non financial performance information within the NZSO's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non financial performance information; and
- the overall presentation of the financial statements and non financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the NZSO's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non financial performance information that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the NZSO.

Clare Helm

Clare Helm, Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Comprehensive Income

FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2011

	Notes	Actual* for 6mths to 31/12/2011 $000	Budget+ for 6mths to 31/12/2011 $000	Budget++ for the year 2011/12 $000	Actual** for the year 2010/11 $000
INCOME					
Concert Income		1,667	1,600	2,428	2,429
Interest Income		83	73	152	183
Other Income	1	1,283	1,430	2,152	2,950
INCOME EARNED BY THE NZSO		**3,033**	**3,103**	**4,732**	**5,562**
Government Funding	2	6,723	6,723	13,446	13,446
TOTAL INCOME		**9,756**	**9,826**	**18,178**	**19,008**
Less: TOTAL EXPENDITURE	3	**10,126**	**10,164**	**18,425**	**18,939**
NET SURPLUS/(DEFICIT) & TOTAL COMPREHENSIVE INCOME		**(370)**	**(338)**	**(247)**	**69**

Statement of Changes in Equity

FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2011

	Actual* for 6mths to 31/12/2011 $000	Budget+ for 6mths to 31/12/2011 $000	Budget++ for the year 2011/12 $000	Actual** for the year 2010/11 $000
Net Surplus/(Deficit)	**(370)**	**(338)**	**(247)**	**69**
Total Comprehensive Income for the Year	(370)	(338)	(247)	69
Opening Balance of Equity	2,200	2,051	2,051	2,131
Balance as at 30 June	**1,830**	**1,713**	**1,804**	**2,200**

* Actual results are for the six-month period from 1 July 2011 to 31 December 2011.
** Comparative Actual Results are for the 12-month period from 1 July 2010 to 30 June 2011.
+ 6-month budget figures are those used internally by NZSO as extracted from the 12-month budget.
++ Budget is for the 12-month period from 1 July 2011 to 30 June 2012 as published in the Statement of Intent.

The accompanying notes and policies on pages 21 to 32 form an integral part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2011

	Notes	Actual* at 31/12/2011 $000	Budget+ at 31/12/2011 $000	Budget++ at 30/6/2012 $000	Actual** at 30/6/2011 $000
Total Equity		**1,830**	**1,713**	**1,804**	**2,200**
CURRENT ASSETS					
Cash & Cash Equivalents	4	3,043	2,332	2,437	4,109
Trade Receivables	5	57	180	180	191
Other Receivables	5	408	150	150	85
Prepayments		161	50	175	200
Investments		-	1,000	750	-
Derivative Financial Instruments	9	2	-	-	-
TOTAL CURRENT ASSETS		**3,671**	**3,712**	**3,692**	**4,585**
NON - CURRENT ASSETS					
Property, Plant & Equipment	6	1,263	1,407	1,371	1,336
Intangible Assets	6	103	28	26	13
TOTAL NON - CURRENT ASSETS		**1,366**	**1,435**	**1,397**	**1,349**
TOTAL ASSETS		**5,037**	**5,147**	**5,089**	**5,934**
CURRENT LIABILITIES					
Trade Creditors and Accruals	7	1,998	2,214	2,121	2,416
Employee Entitlements	8	998	1,042	984	1,126
Derivative Financial instruments	9	12	-	-	3
TOTAL CURRENT LIABILITIES		**3,008**	**3,256**	**3,105**	**3,545**
NON - CURRENT LIABILITIES					
Employee Entitlements	8	199	178	180	189
TOTAL NON - CURRENT LIABILITIES		**199**	**178**	**180**	**189**
TOTAL LIABILITIES		**3,207**	**3,434**	**3,285**	**3,734**
NET ASSETS		1,830	1,713	1,804	2,200

* Actual figures are as at 31 December 2011.
** Comparative Actual figures are as at 30 June 2011.
\+ 6-month budget figures are those used internally by NZSO as extracted from the 12-month budget.
\++ Budget figures are as at 30 June 2012 as published in the Statement of Intent.

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Statement of Cash Flows

FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2011

	Notes	Actual*	Budget+	Budget++	Actual**
		for 6mths to 31/12/2011 $000	for 6mths to 31/12/2011 $000	for the year 2011/12 $000	for the year 2010/11 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers		2,254	2,393	3,651	4,224
Interest Received		84	73	152	201
Government Funding		6,723	6,723	13,446	13,446
Payments to and on behalf of employees		(5,279)	(5,078)	(10,157)	(10,029)
Payments to Suppliers		(4,798)	(4,276)	(7,347)	(7,733)
Net Goods and Services Tax		41	-	-	(35)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(975)**	**(165)**	**(255)**	**74**
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Property, Plant & Equipment		15	-	-	-
Purchases of Property, Plant & Equipment		(29)	(100)	(155)	(74)
Purchases of Intangible Assets		(77)	(25)	(25)	-
Term Deposits > 3 months		-	(1,000)	(750)	1,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(91)**	**(1,125)**	**(930)**	**926**
NET INCREASE / (DECREASE) IN CASH HELD		(1,066)	(1,290)	(1,185)	1,000
ADD: CASH AT BEGINNING OF THE YEAR		4,109	3,622	3,622	3,109
CASH AT END OF THE YEAR		**3,043**	**2,332**	**2,437**	**4,109**
Represented by: Cash & Cash Equivalents					
Bank		2,043	2,332	2,437	3,099
Term Deposits <= 3 months		1,000	-	-	1,010
		3,043	**2,332**	**2,437**	**4,109**

The "Net Goods and Services Tax" component of Cash Flows from Operating Activities reflects the net amount of GST paid and received with the Inland Revenue Department. This component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

* Actual results are for the six-month period from 1 July 2011 to 31 December 2011.
** Comparative Actual Results are for the 12-month period from 1 July 2010 to 30 June 2011.
\+ 6-month budget figures are those used internally by NZSO as extracted from the 12-month budget.
\++ Budget is for the 12-month period from 1 July 2011 to 30 June 2012 as published in the Statement of Intent.

The accompanying notes and policies on pages 21 to 32 form an integral part of these financial statements.

Reconciliation of Net Cash Flows From Operating Activities with Net Surplus / (Deficit)

FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2011

	Notes	Actual*	Budget+	Budget++	Actual**
		for 6mths to 31/12/2011 $000	**for 6mths to 31/12/2011 $000**	**for the year 2011/12 $000**	**for the year 2010/11 $000**
NET SURPLUS/(DEFICIT)		**(370)**	**(338)**	**(247)**	**69**
Add / (Deduct) Non-Cash Items:					
Depreciation & Amortisation		86	90	183	176
Property, Plant & Equipment received under sponsorship		(20)	-	-	-
Property, Plant & Equipment written off		7	-	-	2
Net (gains) / losses on derivative financial instruments		7	-	-	(82)
Changes in Doubtful Debt Provision		-	-	-	-
		(290)	**(248)**	**(64)**	**165**
Add / (Deduct) Movements in Other Working Capital Items:					
Decrease/(Increase) in Receivables		(189)	(60)	(60)	27
Decrease/(Increase) in Prepayments		39	125	-	(93)
Increase/(Decrease) in Creditors & Accruals		(411)	157	64	209
Increase/(Decrease) in Leave Provisions		(118)	72	16	195
Increase/(Decrease) in Revenue in Advance		(187)	(211)	(211)	(378)
Increase/(Decrease) in PAYE		140	-	-	(16)
Increase/(Decrease) in Net GST		41	-	-	(35)
		(685)	**83**	**(191)**	**(91)**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(975)**	**(165)**	**(255)**	**74**

* Actual results are for the six-month period from 1 July 2011 to 31 December 2011.
** Comparative Actual Results are for the 12-month period from 1 July 2010 to 30 June 2011.
+ 6-month budget figures are those used internally by NZSO as extracted from the 12-month budget.
++ Budget is for the 12-month period from 1 July 2011 to 30 June 2012 as published in the Statement of Intent.

The accompanying notes and policies on pages 21 to 32 form an integral part of these financial statements.

Statement of Commitments

AS AT 31 DECEMBER 2011

The value of non cancellable rental lease commitments to Wellington City Council for the lease of specified areas of the Municipal Offices Building and the Michael Fowler Centre are as follows:	As at 31/12/2011 $000	As at 30/6/2011 $000
Less than One Year	313	313
Between One and Two Years	313	313
Between Two and Five Years	130	287
Greater than Five Years	-	-
TOTAL NON - CANCELLABLE OPERATING LEASE	**756**	**913**

The value of non cancellable rental lease commitments to Robt Jones Holdings Limited for the lease of NZSO's Auckland office space in the Southern Cross Building, High Street, Auckland are as follows:	As at 31/12/2011 $000	As at 30/6/2011 $000
Less than One Year	14	10
Between One and Two Years	14	-
Between Two and Five Years	4	-
Greater than Five Years	-	-
TOTAL NON - CANCELLABLE OPERATING LEASE	**32**	**10**

At balance date the NZSO had entered into contracts covering fees with various artists and contractors as follows:	As at 31/12/2011 $000	As at 30/6/2011 $000
Less than One Year	962	1,083
Between One and Two Years	355	423
Between Two and Five Years	-	186
Greater than Five Years	-	-
TOTAL ARTISTS CONTRACTS	**1,317**	**1,692**

The NZSO is also committed to an operating lease of musical instruments, payable to the New Zealand Symphony Orchestra Foundation Trust as follows:	As at 31/12/2011 $000	As at 30/6/2011 $000
Less than One Year	14	14
Between One and Two Years	9	13
Between Two and Five Years	17	19
Greater than Five Years	29	31
TOTAL MUSICAL INSTRUMENTS LEASE COMMITMENTS	**69**	**77**

The Lease period is for 15 years from the original lease start date, on an individual instrument basis.

The accompanying notes and policies on pages 21 to 32 form an integral part of these financial statements.

Notes to & Forming Part of the Financial Statements

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2011

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity and Statutory Base

The New Zealand Symphony Orchestra (NZSO) was established on the 6 April 2004 by the *New Zealand Symphony Orchestra Act 2004.* The NZSO is an autonomous Crown entity for the purposes of Section 7 of the *Crown Entities Act 2004.* The terms of that Act apply to the NZSO except to the extent that the *New Zealand Symphony Orchestra Act 2004* expressly provides otherwise. The NZSO is wholly owned by the Crown and is responsible to the Minister for Arts, Culture and Heritage, Hon Christopher Finlayson.

NZSO's primary mission is "to enrich the lives of New Zealanders through artistically excellent performances, presented nationally and abroad" and as such the NZSO is a Public Benefit Entity for reporting purposes under New Zealand International Financial Reporting Standards (NZ IFRS).

The financial statements for the NZSO are for the six month period ended 31 December 2011, and were approved by the Board on 6 March 2012.

BASIS OF PREPARATION

The financial statements of the NZSO have been prepared in accordance with the *Crown Entities Act 2004,* which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Under the *Crown Entities Act 2004* Part 4, Section 136 (1), the **financial year** for a crown entity (other than a school board of trustees or a tertiary education institution) is defined as "the 12 months ending on the close of 30 June or any other date determined for that entity by the Minister of Finance". As of 9 September 2011, the NZSO's financial year will close on 31 December as approved by the Minister of Finance. To give effect to this change the NZSO has prepared this Annual Report for the six month period from 1 July 2011 to 31 December 2011. More information on the presentation of the Annual Report for this period is included in Note 20.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of the operating results, cash flows and the financial position under the historical cost method have been followed in the preparation of these financial statements, except in the case of derivative financial instruments which are measured at fair value.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of the NZSO is New Zealand Dollars.

Early adopted amendments to standards

The following amendments to standards have been early adopted:

- NZ IAS 24 Related Party Disclosures (Revised 2009) – The effect of early adopting the revised NZ IAS 24 is:
    - more information is required to be disclosed about transactions between the NZSO and entities controlled, jointly controlled, or significantly influenced by the Crown;
    - commitments with related parties require disclosure;
    - information is required to be disclosed about any related party transactions with Ministers of the Crown.

Standards amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the NZSO are:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement.* NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. The NZSO has not yet assessed the effect of the new standard and expects it will not be early adopted.
- FRS-44 *New Zealand Additional Disclosures* and *Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 31 December 2012. The NZSO has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

As the External Reporting Board is consulting on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Critical accounting estimates and assumptions

In preparing these financial statements the NZSO has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Property, plant and equipment useful lives and residual value

At each balance date the NZSO reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the NZSO to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Orchestra, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the balance sheet.

The NZSO minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- review of second hand market prices for similar assets where available and appropriate; and
- analysis of prior asset sales.

The NZSO has not made significant changes to past assumptions concerning useful lives and residual values.

The carrying amounts of property, plant and equipment are disclosed in note 6.

Long service leave
Note 8 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which significantly affect the measurement of the operating result and financial positions have been applied.

a) Property, Plant and Equipment

The costs of property, plant and equipment are the value of consideration given to acquire assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Property, plant and equipment are measured at costs less accumulated depreciation and impairment losses.

b) Depreciation

Depreciation is provided on a straight line (SL) basis on all items of property, plant and equipment at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives. Leasehold alterations are depreciated over the remaining period of the lease agreement.

Major depreciation rates are:

Leasehold Alterations	15 years	6.67%	SL
Computer Equipment	3 years	33.33%	SL
Studio Equipment	10 years	10.00%	SL
Furniture and Fittings	15 years	6.67%	SL
Musical Instruments – percussion	10 years	10.00%	SL
Musical Instruments – all others	25 years	4.00%	SL
Library – Music Manuscripts	Not depreciated		

c) Intangibles assets & Amortisation

Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the NZSO, are recognised as an intangible asset. Direct costs include the software development and directly attributable employee costs. Staff training costs are recognised as an expense when incurred.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired Computer Software	3 years	33.33%
Developed Computer Software	3 years	33.33%

d) Impairment of Property, Plant and Equipment and Intangible assets

Property, Plant and Equipment and Intangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value will exceed the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement costs for the assets.

Impairment losses are recognised in the Statement of Comprehensive Income.

e) Debtors and Other Receivables

Debtors and receivables are initially measured at fair value and subsequently measured at amortised cost. All receivables are for less than 12 months and the effect of discounting is immaterial. Allowances for estimated irrecoverable amounts are recognised after reviewing every item of receivables.

f) Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. NZSO normally pays its creditors on the 20th of the month following invoice date and all payables are non interest bearing. Consequently, the effect of discounting is immaterial.

g) Currency Conversions

All Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

h) Income Tax

The NZSO is a public authority for the purposes of the Inland Revenue Acts. A public authority is exempt from income tax under the *Income Tax Act 2007.*

i) Accounting for Non Cash Transactions

The NZSO recognises non-cash transactions in which there is an exchange of goods and services or acquisition of assets. Consideration is valued at the lower of assessed cost or market value. There is usually a nil effect on the net surplus/ (deficit) as transactions of equal value are recorded in both income and expenditure categories.

Where items of property, plant and equipment are provided in non-cash transactions and ownership passes to the NZSO, the full value of the assets is recognised as income and the asset written off by depreciation in accordance with the NZSO's depreciation policy.

j) Financial Instruments

The NZSO is party to financial instrument arrangements including cash and bank, short term investments, trade receivables and creditors and accruals which have been recognised in the Balance Sheet. The NZSO does not hold or issue financial instruments for trading purposes. Income, expenditure and movements in fair value in relation to all financial instruments are recognised in the Statement of Comprehensive Income.

Derivative Financial Instruments
The NZSO uses derivative financial instruments to reduce its exposure to foreign exchange risk arising from its normal operating activities. These instruments are measured at fair value and movements recognised in the Statement of Comprehensive Income. NZSO has not adopted hedge accounting.

k) Budget Figures

The budget figures are those approved by the NZSO Board at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the NZSO Board for the preparation of these financial statements.

l) Income

The NZSO derives income through the provision of outputs to the Crown, for services to third parties and income from its investments. Such income is recognised when earned and is reported in the financial year to which it relates. Accordingly, income related to future concerts is deferred until the period in which those concerts take place.

Revenue from the Crown is received quarterly in advance and is recognised in the quarter the fund relates to.

m) Investments

Investments are initially valued at fair value. After initial recognition investments are measured at amortised cost using the effective interest method.

n) Operating Leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the years in which they are incurred.

o) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which NZSO invests as part of its day-to-day cash management. Term deposits with maturity of three months or less are classified as cash and cash equivalents and those greater than three months are classified as investments. Operating activities include cash received from all income sources of the NZSO and records the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets and investments. Financing activities comprise the change in equity and debt capital structure of NZSO.

p) Goods and Services Tax ("GST")

These financial statements are prepared on a GST exclusive basis with the exception of trade receivables and trade creditors which are stated inclusive of GST. The net amount receivable in respect of GST is included as part of other receivables.

The Net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

q) Employee Entitlements

Provision is made in respect of NZSO's liability for Annual Leave, Long Service Leave, Deferred Leave, Retiring Leave and Sick Leave. Annual Leave, Retiring Leave and Deferred Leave has been calculated on an actual entitlement basis at current rates of pay. Long Service Leave has been calculated on an actuarial basis. The liability for sick leave has been calculated as the extent to which actual leave taken in the coming year is expected to be greater than the sick leave entitlements earned in the year, based on historic analysis. NZSO's contribution to superannuation schemes are accounted for as defined contribution schemes and are recognised as expenses in the Statement of Comprehensive Income as incurred.

r) Provisions

Provision for future expenses of an uncertain amount and timing are recognised when there exists a present obligation as a result of a past event and it is probable that expenditure would be required to settle that obligation. Where the effect of discounting is material the amount of expenditure will be the present value of the future expenditure.

s) Changes in Accounting Policies

There have been no changes in accounting policies during the financial period other than the adoption of a different balance date.

1. Other Income

	Actual for 6mths to 31/12/2011 $000		Actual for the year 2010/11 $000	
Sponsorship Income *	727		1,691	
Radio Broadcast Fee	-		32	
Recording Income and Cost Recoveries	78		232	**
REAL New Zealand Festival Funding	350	***	-	
International Tour Funding	-		738	***
Merchandising Receipts	22		19	
Sundry Income	106		238	
TOTAL OTHER INCOME	**1,283**		**2,950**	

* $280,000 of Sponsorship Income is contra sponsorship (2010/11: $823,000). This represents non-cash income and an equivalent amount is expensed or capitalised when NZSO receives goods and/or services from sponsors. In return, sponsors receive various benefits from NZSO.

** 2010/11 Recording Income included $75,000 received from the New Zealand Lottery Grants Board (NZ 2011 Festival Lottery Fund) to record the music for the Anthems of all 20 nations competing in the Rugby World Cup 2011.

*** $350,000 was received from the Cultural Diplomacy International Programme for the NZSO's events in the REAL New Zealand Festival during the Rugby World Cup 2011 period. The 2010/11 International Tour Funding included $500,000 received from the Cultural Diplomacy International Programme for the NZSO's 2010 tour to Shanghai and Europe. The Cultural Diplomacy International Programme is funded through the Ministry for Culture and Heritage.

2. Government Funding

Government Funding for the NZSO's ongoing expenditure is provided through Vote: Arts, Culture and Heritage. The funding is remitted to the NZSO under the terms and conditions of a Memorandum of Understanding negotiated each year with the Minister for Arts, Culture and Heritage.

	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
Government Funding (GST exclusive)	6,723	13,446

3. Expenditure

	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
Direct Expenses from Orchestral activity	3,741	6,309
Personnel Costs	5,161	10,224
Occupancy Costs	176	379
Audit Fees for financial statements audit	49	47
Depreciation & Amortisation	86	176
Loss on Disposal of Assets	7	2
Board Members fees	53	106
Losses on Derivative Financial Instruments	8	8
General Operating Costs	845	1,688
TOTAL EXPENDITURE	**10,126**	**18,939**

PERSONNEL COSTS	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
Salaries & Wages *	4,742 **	9,364
ACC Levy	27	69
Contribution to Superannuation Schemes	173	321
Allowances	121	196
Recruitment & Training	98	274
	5,161	**10,224**

* As at 31 December 2011, the NZSO has a staff establishment of 118 Full-Time Equivalent employees made up of 28 administration staff and 90 musicians. At balance date, there were four vacancies in the establishment.

** There were no payments made relating to the cessation of employment of any employees (2010/11: nil).

4. Cash & Cash Equivalents

Cash is held at bank, at call or in fixed term interest bearing deposits:

	Actual at 31/12/2011 $000	Actual at 30/6/2011 $000
Cash at Bank and at Call	2,043	3,099
Fixed Term Deposits < = 3 months	1,000	1,010
TOTAL CASH & CASH EQUIVALENTS	**3,043**	**4,109**

5. Trade Receivables & Other Receivables

As at 31 December 2011 all overdue receivables have been assessed for impairment and irrecoverable amounts.

	Actual at 31/12/2011 $000	Actual at 30/6/2011 $000
TRADE & OTHER RECEIVABLES		
Current	393	233
Past Due 1 – 30 Days	32	32
Past Due 31 – 90 Days	24	-
Past Due > 90 Days	16	11
TOTAL	**465**	**276**

"Other Receivables" includes Net GST Receivable of $23,256 as at 31 December 2011 (2010/11: $64,283).

6. Property, Plant & Equipment / Intangible Assets

PROPERTY, PLANT & EQUIPMENT	Leasehold Alterations	Computer Equipment	Studio Equipment	Furniture & Fittings	Musical Instrument	Music Library
COST	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at 1 July 2010	769	352	364	369	657	564
Additions	-	19	6	3	16	4
Disposals	-	(167)	-	(4)	-	-
Balance at 30 June 2011	769	204	370	368	673	568
Balance at 1 July 2011	769	204	370	368	673	568
Additions	-	9	4	1	-	5
Transfers	-	-	-	-	15	-
Disposals	-	-	-	-	(8)	-
Balance at 31 December 2011	769	213	374	369	680	573
ACCUMULATED DEPRECIATION						
Balance at 1 July 2010	561	328	186	268	309	-
Depreciation expenses	52	17	28	21	41	-
Depreciation-Disposals	-	(165)	-	(4)	-	-
Balance at 30 June 2011	613	180	214	285	350	-
Balance at 1 July 2011	613	180	214	285	350	-
Depreciation expenses	26	8	13	11	21	-
Depreciation-Disposals	-	-	-	-	-	-
Balance at 31 December 2011	639	188	227	296	371	-
NET BOOK VALUE						
At 30 June 2010	208	24	178	101	348	564
At 30 June 2011	156	24	156	83	323	568
At 31 December 2011	130	25	147	73	309	573

There has been no indication of impairment to any Property, Plant and Equipment during the year.

Capital Work-in-Progress	TOTAL
$000	$000
-	3,075
26	74
-	(171)
26	2,978
26	2,978
10	29
(15)	-
(15)	(23)
6	2,984
-	1,652
-	159
-	(169)
-	1,642
-	1,642
-	79
-	-
-	1,721
-	1,423
26	1,336
6	1,263

INTANGIBLE ASSETS	Computer Software	Capital Work-in-Progress	TOTAL
COST	$000	$000	$000
Balance at 1 July 2010	196	4	200
Additions	4	-	4
Transfers	-	(4)	(4)
Disposals	-	-	-
Balance at 30 June 2011	200	-	200
Balance at 1 July 2011	200	-	200
Additions	65	32	97
Transfers	-	-	-
Disposals	-	-	-
Balance at 31 December 2011	265	32	297
ACCUMULATED AMORTISATION			
Balance at 1 July 2010	170	-	170
Amortisation expenses	17	-	17
Amortisation-Disposals	-	-	-
Balance at 30 June 2011	187	-	187
Balance at 1 July 2011	187	-	187
Amortisation expenses	7	-	7
Amortisation-Disposals	-	-	-
Balance at 31 December 2011	194	-	194
NET BOOK VALUE			
At 30 June 2010	26	4	30
At 30 June 2011	13	-	13
At 31 December 2011	71	32	103

There has been no indication of impairment to any intangible assets during the year.

7. Trade Creditors & Accruals

All trade creditors are paid within 30 days as the payment terms used by NZSO are 20th of the month following invoice date.

	Actual at 31/12/2011 $000	Actual at 30/6/2011 $000
Revenue in Advance	817	971
PAYE Payable	244	107
Other Creditors and Payables	613	878
Trade Creditors	324	460
TOTAL TRADE CREDITORS AND ACCRUALS	**1,998**	**2,416**

8. Employee Entitlements

Provision for Employee Entitlements are as follows:

	Actual at 31/12/2011 $000	Actual at 30/6/2011 $000
CURRENT:		
Annual Leave	765	891
Sick Leave	51	51
Long Service Leave	70	68
Deferred Leave	16	16
Retiring Leave	96	100
	998	**1,126**
TERM:		
Long Service Leave	199	189
NET LIABILITY FOR EMPLOYEE ENTITLEMENTS	**1,197**	**1,315**

The present value of the term long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. The NZSO has used an actuarial model issued for this purpose by The Treasury, effective for 31 December 2011.

A discount rate of 6% (30/06/2011: 6%) and an inflation factor of 2.50% (30/06/2011:2.50%) were used.

If the discount rate were to differ by 1% from the estimates, with all other factors held constant, the carrying amount of the liability would be an estimated $8,000 higher/lower (30/06/2011: $9,000).

If the salary inflation factor were to differ by 1% from the estimates, with all other factors held constant, the carrying amount of the liability would be an estimated $12,000 higher/lower (30/06/2011: $11,000).

9. Financial Instruments

NZSO is party to financial instruments as part of its everyday operations. These include instruments such as cash and bank balances, investments, trade receivables and trade creditors.

MARKET RISK

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. This could particularly impact on the return from investments. The Board do not consider there is any significant exposure to interest rate risk on its investments.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The NZSO has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal operating activities. It is the NZSO's policy to reduce these risks if it is considered prudent, using foreign exchange contracts and foreign currency denominated bank accounts. The NZSO held bank accounts denominated in foreign currency as at 31 December 2011 totaling $572 (30/06/2011: $3,912). Artist contracts with foreign exchange exposure as at 31 December 2011 totalled $730,948 (30/06/2011: $924,507). Of this amount, $207,954 is covered by foreign exchange contracts held by the NZSO as at 31 December 2011 (30/06/2011: $33,589).

These forward exchange contracts have been reported at fair value as at 31 December 2011 and the unrealised losses/gains are shown in the Statement of Comprehensive Income. The net losses relating to forward exchange contracts for the period ended 31 December 2011 are $8,156 (30/06/2011: $7,766). This includes unrealised losses of $11,731 and unrealised gains of $1,658 calculated on forward foreign exchange contracts as at 31 December 2011 (30/06/2011: losses, $2,942 : gains, nil).

Sensitivity Analysis

The NZSO held bank accounts denominated in foreign currency as at 31 December 2011 totaling $572 (30/06/2011: $3,912); consisting of US dollars, Euros, British Pounds and Australian dollars. If the NZ dollar had weakened/strengthened by 10% against these currencies with all other variables held constant, the gain on valuation of these accounts would have been:

- $52 (30/06/2011: $356) lower if the NZ dollar had weakened;
- $64 (30/06/2011: $435) higher if the NZ dollar had strengthened.

This movement is attributable to the valuation of amounts held in foreign currency accounts as at 31 December 2011.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZSO, causing the NZSO to incur a loss.

Financial instruments that potentially subject the NZSO to risk consist of cash and bank, investments and trade receivables. The NZSO invests funds only with registered banks with satisfactory credit ratings. Exposure to any one financial institution is restricted.

The table below analyses the derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months and a year	Greater than 1 year
31/12/2011	**$000**	**$000**	**$000**
Forward Foreign Exchange Contracts			
Outflow	105	309	-
Inflow	103	281	-
2010/11			
Forward Foreign Exchange Contracts			
Outflow	595	-	-
Inflow	485	-	-

Trade creditors and other payable matured within a short period and are non interest bearing.

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months and a year	Greater than 1 year
31/12/2011	**$000**	**$000**	**$000**
Creditors and Accruals (Note 7)	1,998	-	-
2010/11			
Creditors and Accruals (Note 7)	2,416	-	-

Liquidity Risk

Liquidity risk is the risk that the NZSO will encounter difficulty raising liquid funds to meet commitments as they fall due. The cash and bank balances are reviewed on a daily basis.

Fair Values

There were no significant differences between the fair value and carrying amounts of financial instruments shown in the financial statements as at 31 December 2011 and 30 June 2011.

Credit Facilities

The NZSO did not have bank overdraft or other credit facilities as at 31 December 2011 and 30 June 2011.

Letter of Credit

NZSO is party to a Letter of Credit from The National Bank of New Zealand for the sum of $300,000 to cover payroll direct credits (30/06/2011: $300,000).

10. Categories of Financial Assets & Liabilities

The carrying amounts of the financial assets & liabilities	Actual at 31/12/2011 $000	Actual at 30/6/2011 $000
LOANS & RECEIVABLES		
Cash & cash equivalents	3,043	4,109
Trade & other receivables	465	276
	3,508	**4,385**
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT		
Derivative - Forward Exchange contract	2	-
	2	**-**
FINANCIAL LIABILITIES AT AMORTISED COSTS		
Trade Creditor & Accruals	1,998	2,416
	1,998	**2,416**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH INCOME STATEMENT		
Derivative - Forward Exchange contract	12	3
	12	**3**

FAIR VALUE HIERARCHY DISCLOSURES

NZ IFRS 7 requires financial instruments recognised at fair value to be disclosed according to the following hierarchy:

1. Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
2. Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
3. Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The NZSO has recognised derivative financial instruments at fair value and the asset derivatives of $1,658 (2010/11: nil) and liability derivatives of $11,731 (2010/11: $2,942) above, all fall under level 2.

11. Contingencies

The NZSO has no contingent liabilities (30/06/2011: nil). The NZSO has no contingent assets (30/06/2011: nil).

12. Related Parties

All related party transactions have been entered into on an arms' length basis. The NZSO is an autonomous crown entity, wholly-owned by the Crown.

Significant transactions with government-related entities

The NZSO was provided with funding from the Crown of $6.723m (2010/11: $13.446m) from Vote: Arts, Culture & Heritage for its ongoing operations. In addition the NZSO received funding from the Cultural Diplomacy International Programme (through the Ministry for Culture & Heritage) for specific projects totalling $0.350m (2010/11: $0.500m).

Collectively, but not individually, significant, transactions with government-related entities

In conducting its activities, the NZSO is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The NZSO is exempt from paying income tax.

The NZSO also purchases goods and services from and sells services to entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases and sales from/to these government-related entities for the six month period ended 31 December 2011 totalled $0.701m (2010/11: $1.136m). The purchases included air travel from Air New Zealand and postal services from New Zealand Post and sales of sponsorship to Solid Energy New Zealand.

Key management personnel

i) The NZSO has the use of a violin owned by Diessl Investments Limited at no cost. NZSO board member Peter Diessl is also a director of Diessl Investments Limited.

ii) The NZSO has the use of a violin owned by The Cranfylde Charitable Trust at no cost. NZSO board member Roger Taylor is also a Trustee of The Cranfylde Charitable Trust.

13. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NZSO. This includes the Board, Chief Executive, Chief Financial Officer, Human Resources Manager, Head of Artistic Planning, Head of Operations, Head of Marketing and Head of Development.

	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Short Term Employment Benefits	654	817
Post Employment Benefits	-	-
Other Long Term Benefits	10	8
Termination Benefits	-	-
	664	**825**

14. Board Members' Fees

Board members' remuneration received or due and receivable during the year is as follows:

	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
D Best (Chair)	12	24
L Bates	5	-
M Brown	7	13.5
P Diessl	7	13.5
W Falconer *	1	13.5
G Farmer	7	13.5
C Marshall	7	13.5
R Taylor	7	14.5
TOTAL	**53**	**106**

* W Falconer's term as a Board member expired on 31 July 2011.

15. Board & Officers' Liability Insurance

The NZSO has arranged policies of "Directors' and Officers' Liability Insurance" which ensures that generally board members and officers will incur no monetary loss to the limit of indemnity of $5,000,000 for any one claim or in all, as a result of actions undertaken by them as board members or officers.

16. Employee Insurance

Musical instruments owned by the players and used within the orchestra are subsidised by the NZSO at 40% of the premium under a Material Damage policy.

17. Employee Remuneration

The number of employees whose remuneration and other benefits was above $100,000 for the 6-month period ended 31 December 2011 within $10,000 bands are as follows:

	Actual for 6mths to 31/12/2011	Actual for the year 2010/11
$100,000 - $109,999	-	1
$110,000 - $119,999	-	1
$120,000 - $129,999	-	1
$140,000 - $149,999	-	1
$160,000 - $169,999	-	2
$230,000 - $239,999	-	1
$240,000 - $249,999	1	-

The Chief Executive Officer's remuneration fell within the range $240,000 to $249,999 (2010/11: $230,000-$239,999). The Chief Executive Officer retired on 31 December 2011 and remuneration includes the payout of unused leave as at that date.

18. Donations

No donations were made during the year (2010/11: nil).

19. Explanations of Major Variances Against Budget

The NZSO considers there is no useful purpose served in explaining variances between the published budget for the year ending 30 June 2012 and the actual results for the six months ending 31 December 2011. The following explanations therefore compare the actual results for the six months with the NZSO's internally distributed 6-month budget (as extracted from the published full year's budget, see Note 20).

Explanations for major variations from NZSO's budget figures for 2011 are as follows:

Statement of Comprehensive Income

a) Total Income was $70,000 less than budgeted with Concert Income $67,000 more than budgeted and Other Income $147,000 below budget. The favourable Concert Income variance represents the steadily increasing audience attendance figures being achieved by the NZSO while the lower Other Income total reflects a continuation of the challenging sponsorship environment. One major tour during the period had a budgeted sponsor which was not realised.

Statement of Financial Position

a) Cumulatively, Cash & cash equivalents and Investments were $289,000 less than budgeted. This reflects higher levels of Receivables and Prepayments for NZSO than forecast. It also reflects the lower than budgeted value of Trade Creditors and Accruals. Prepayments were higher than budgeted due to the early settlement (on 30 December 2011) of the first payday due in 2012. This payment was made early due to the timing of statutory New Year holidays. Receivables were higher than budgeted because of the high number of 2012 season subscribers which deferred their ticketing payment until the beginning of the concert season.

b) Trade Creditors and Accruals were $216,000 less than budgeted and were $418,000 less than 30 June 2011. The timing of settlement of Creditors has a significant impact on this variance and is consequently reflected in lower than budgeted cash balances (as noted above). A significant value of creditors and other payables were settled in December 2011 ahead of their normally expected due date in January 2012. There were a higher number of payables with 7 day and 14 day payment terms (rather than 20th of the month) due to the smaller centre Christmas tour which happened in December.

20. Financial Year Change and Budgets & Comparative Figures

On 9 September 2011, the NZSO was advised by the Minister for Arts, Culture & Heritage, Hon. Christopher Finlayson that the Minister of Finance, Hon. Bill English, had approved a change to the NZSO's financial year-end date from 30 June to 31 December. As part of the approval, the NZSO agreed to complete this Annual Report for the six-month period, 1 July 2011 to 31 December 2011, no later than 31 March 2012. The NZSO had requested the year-end change primarily to better align the financial year with the calendar-year concert season and simplify and improve business planning.

The NZSO's Prospective Financial Statements and Forecast Statement of Service Performance were included in the Statement of Intent tabled in Parliament on 23 June 2011, and were for the expected full 12 month period, 1 July 2011 to 30 June 2012. The NZSO is required to include these budgets in the Annual Report, but in the board and management's opinion they provide little useful basis for comparison of the actual results achieved.

The NZSO believes the six month budget figures provide the most relevant basis to compare the actual results. For this reason we have included both the full year published budget (to 30 June 2012) and the extracted six-month budget (to 31 December 2011). The six-month financial budget figures, although not published, were prepared before the beginning of the financial year and are directly extracted from the published full year figures.

The last year actual comparative figures included in the financial statements are the full year figures as per the NZSO's last Annual Report. In the opinion of the board and management there is no sound basis to present six-month actual comparative results in the same way as the budget numbers.

Statement of Service Performance

The mission of the New Zealand Symphony Orchestra is:

To enrich the lives of New Zealanders through artistically excellent performances, presented nationally and abroad by a full-time, full-strength professional symphony orchestra of international standing.

Performance Targets

For the 6-month period ended 31 December 2011 the NZSO achieved the following results (compared with targets established in the Statement of Intent).

	Actual for 6mths to 31/12/2011 $000	Target for the year 2011/12 $000
Government Funding	6,723	13,446
Interest & Sundry Income	187	393
Overhead Expenses (incl. salaries)	(6,299)	(12,643)
Depreciation & Amortisation	(86)	(183)
Operating Surplus before Orchestral Services	**525**	**1,013**
ORCHESTRAL SERVICES		
Concert Income	1,667	2,428
Sponsorship	727	1,446
Other Orchestral Services Income	452	465
Orchestral Services Expenses	(3,741)	(5,599)
Total Deficit from Orchestral Activity	**(895)**	**(1,260)**
NET SURPLUS / (DEFICIT)	**(370)**	**(247)**

Concert Activity

Quantity The NZSO presented 57 concerts (2010/11: 102) during the six months to audiences totalling 65,038 (2010/11: 145,329).

Categories Concerts were presented in the following categories:

	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
International Tour (China & Europe)	-	12
Subscription Concerts	30	39
Special Concerts	17	24
Education Concerts	7	23
NZSO National Youth Orchestra	3	2
International Festival of the Arts	-	-
Auckland Festival	-	2
TOTAL	**57**	**102**

Location Concerts were presented in the following 21 locations (2010/11: 26):	Actual for 6mths to 31/12/2011 $000	Actual for the year 2010/11 $000
Alexandra	1	-
Ashburton	1	-
Auckland	12	23
Balclutha	1	-
Christchurch	3	7
Dunedin	2	3
Gore	1	-
Hamilton	4	6
Hastings	1	-
Huntly	-	5
Invercargill	1	1
Kerikeri	1	-
Masterton	-	1
Napier	4	6
Nelson	1	-
New Plymouth	1	1
Oamaru	1	-
Palmerston North	-	2
Rotorua	1	2
Tauranga	1	1
Timaru	1	-
Wanaka	1	-
Wellington	17	31
Whanganui	-	1
Whangarei	1	-
Shanghai, China	-	1
Freiburg, Germany	-	1
Stuttgart, Germany	-	1
Mannheim, Germany	-	1
Frankfurt, Germany	-	1
Essen, Germany	-	1
Dusseldorf, Germany	-	1
Hamburg, Germany	-	1
Maribor, Slovenia	-	1
Lucerne, Switzerland	-	1
Geneva, Switzerland	-	1
Vienna, Austria	-	1
TOTAL	**57**	**102**

Performance Reporting: Impacts & Outcomes

OUTCOME: Quality	More New Zealanders stimulated by quality symphonic music.					
Impact indicator	**Impact measure**	**Actual* for the 6mths to 31/12/2011**	**Budget+ for the 6mths to 31/12/2011**	**Budget++ for the year 2011/12**	**Actual** for the year 2010/11**	**Target Achievement^**
Audience surveys rate NZSO performances as high quality	Average grading achieved for quality of performance in surveys of NZSO audiences	8.8/10	8/10	8/10	8.5/10	Yes, +0.8
Reviews of recordings rate NZSO performances highly	Average grading achieved for NZSO recordings released and reviewed	8.7/10	8/10	8/10	Avg 9/10	Yes, +0.7

OUTCOME: Coverage	New Zealanders can more readily access symphonic music					
Impact indicator	**Impact measure**	**Actual* for the 6mths to 31/12/2011**	**Budget+ for the 6mths to 31/12/2011**	**Budget++ for the year 2011/12**	**Actual** for the year 2010/11**	**Target Achievement^**
NZSO performances engage with more communities	Total communities reached by NZSO performances	27	Min 22	Min 22	26	Yes, +5
Attendances for NZSO live performances continue to expand	Total audience attendances for NZSO performances	65,038	Min 45,000	Min 90,000	145,329	Yes, +20,038

OUTCOME: Development	New Zealanders are creating new symphonic music					
Impact indicator	**Impact measure**	**Actual* for the 6mths to 31/12/2011**	**Budget+ for the 6mths to 31/12/2011**	**Budget++ for the year 2011/12**	**Actual** for the year 2010/11**	**Target Achievement^**
New New Zealand works are created and premiered	Number of new New Zealand works premiered in performances by the NZSO	2	Min 2	Min 3	3	Yes
Performance of more New Zealand works in concerts, workshops and recordings	Total number of existing or new New Zealand works performed by the NZSO	17	15	30	42	Yes, +2

* Actual results are for the six-month period from 1 July 2011 to 31 December 2011.
** Comparative Actual Results are for the 12-month period from 1 July 2010 to 30 June 2011.
+ 6-month budget figures are those used internally by NZSO as extracted from the 12-month budget.
++ Budget is for the 12-month period from 1 July 2011 to 30 June 2012 as published in the Statement of Intent.
^ Target achievement is measured by actual results for the six months against the six months' budget.

Statement of Service Performance (cont.)

The NZSO's primary activity is to present live concerts throughout the country. Various subsidiary activities are compatible with this primary business and together they enhance New Zealand's cultural life and provide artistic development and satisfaction for the members of the orchestra.

New Zealand Symphony Orchestra Act 2004 – SECTION 8	SPECIFIC OBJECTIVES	SERVICE TARGET*	SERVICE PERFORMANCE
Provide the public of New Zealand with live and recorded performances of symphonic music performed to an international standard	Provide quality live performances throughout the country	At least 40 {20} full-orchestra performances presented throughout New Zealand with at least 30 {15} reduced-orchestra performances and at least 20 {10} performances made to audiences by visits to their own venues (e.g. schools, marae).	NZSO presented 28 full orchestra concerts and there were 29 reduced orchestra concerts undertaken during the period. A further 32 performances were made as visits to schools, rest-homes and hospitals as part of educational and outreach activities.
		Total performances target: 90 to 110 {45 to 55}	Overall NZSO presented 57 concerts and 32 other performances, total 89, for the six month period.
	Ensure that as many concerts as possible are broadcast	At least 12 {6} new NZSO performances broadcast nationally on radio or television.	17 new NZSO concerts were broadcast (live or recorded), during the six months by Radio New Zealand Concert and the NZSO performance with Dame Kiri Te Kanawa in October 2011 was broadcast on Maori Television.
	Produce high quality music and film recordings	At least six {3} music or film score recordings undertaken.	Five new recordings were undertaken during the period including two for international CD release and one for the new Booktrack company.
	Performances are of international quality	Refer performance quality measures on Page 38.	Refer performance quality measures on Page 38.
provide an orchestra that:			
is highly skilled and artistically imaginative;	Provide Professional Development opportunities for existing NZSO musicians	At least two professional development activities and/or bursaries awarded to musicians each year. Recipients report back on performance against objectives set when activity and/or bursary awarded.	The June Violet Commons Scholarship was awarded to first violinist Cristina Vaszilcsin and timpanist Thomas Guldborg received a Mary Fitzwilliam Scholarship.
	Live performances include a wide variety of programmes	Full orchestra performances presented of at least 20 {10} different programmes with at least eight {4} different reduced orchestra programmes.	NZSO presented full orchestra concerts of 12 different programmes and reduced orchestra concerts of 10 different programmes during the period.
and has strong community support	Live performances reach as many communities as possible	Total communities reached target: Minimum of 22	The NZSO performed concerts in 21 different centres (refer list on page 34) with a further 6 centres being reached with NZSO educational and outreach programmes. Total communities reached: 27

* Service Performance targets are for the 12-month period from 1 July 2011 to 30 June 2012 as published in the Statement of Intent.
The relevant 6-month target figures are provided in { } and were used internally by NZSO as extracted from the 12-month target.

New Zealand Symphony Orchestra Act 2004 – SECTION 8	SPECIFIC OBJECTIVES	SERVICE TARGET*	SERVICE PERFORMANCE
be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment	Ensure that the NZSO's programming includes the best of composition by New Zealanders	At least three {2} premieres of New Zealand works. Total New Zealand works performed target: Minimum of 15	There were 2 premieres of New Zealand works performed in concert during the period. NZSO played a total of 17 NZ compositions.
	Provide an education programme that accommodates the cultural and socio-economic diversity and geographical spread of New Zealand society	The Music for Schools, Young Originals, NZSO National Youth Orchestra and NZSO Community Programmes will invest over 180 {90} hours in the development of young New Zealand musicians, composers and conductors. It will present activities to over 25,000 {12,500} participants from more than 15 communities and involve at least 100 {50} schools.	NZSO invested 309 hours for the development of young New Zealand musicians. In total, there were 22,479 participants from 18 different communities involved in the various activities. The NZSO's activities reached 93 different schools and the schools involved were from all 10 deciles.
	Work collaboratively with other performing arts companies in New Zealand	At least two collaborations with other arts/cultural organisations are undertaken annually.	During the period, NZSO worked with the Museum of New Zealand Te Papa Tongarewa presenting activities and concerts in both August and December 2011. In July 2011 we worked with both Telstra Clear and The Edge in education and outreach activities. We also assisted with KBB Music Festival Adjudication in August 2011.
Promote and encourage New Zealand musical composition and composers	Create workshop opportunities for New Zealand composers	A minimum of four days of rehearsed readings of New Zealand compositions programmed in conjunction with SOUNZ.	Two days of rehearsed and recorded readings of New Zealand works were undertaken in September 2011 in conjunction with SOUNZ.
		At least 8 student compositions workshopped through our education programme.	Thirteen compositions were workshopped during the NZSO/Todd Corporation Young Composer Awards in September 2011.
	Profile New Zealand composition in public concerts and recordings	At least one {0} Made in New Zealand concert presented which includes only New Zealand works.	The Made in New Zealand performances are always scheduled during New Zealand Music month in May and therefore no concerts were presented in the six-month period. (Two such concerts were performed in May 2011).
		The orchestra is available for one CD and one {0} film score of New Zealand music without charge for the players' services.	Although the Orchestra was made available, no such recordings were completed in the six-month period. (Two such CD recordings were completed in the first half of 2011).
provide performance opportunities for New Zealand musicians, whether as members of the orchestra or as soloists	Ensure that New Zealand artists perform with the orchestra as often as possible	Orchestra performance include at least 20 {10} New Zealand artists.	In total, 17 different New Zealand artists performed with the NZSO during the period with 11 different overseas artists also engaged.

* Service Performance targets are for the 12-month period from 1 July 2011 to 30 June 2012 as published in the Statement of Intent. The relevant 6-month target figures are provided in { } and were used internally by NZSO as extracted from the 12-month target.

Measurement of Performance Quality

PROCESS	TARGET	MEASUREMENT	PERFORMANCE
Regular audience surveys are conducted and the results carefully assessed.	Audiences appreciate NZSO quality.	Audience surveys rate NZSO performance quality as at least 8/10.	In surveys conducted between July and December, 8.8/10 of the respondents had an overall satisfaction rate at the NZSO concerts they had attended.
Audiences for full-orchestra performances increase over time.	Audiences appreciate NZSO quality.	Average attendances (over a three year period) increase. Total audience target: 90,000 to 110,000	65,038 people attended NZSO concerts in the six month period. On a pro-rated basis, this is a 24% increase on three years ago (2008 NZSO Annual Report).
Independent international reviewing rates quality of orchestra performance.	Excellent artistic performances.	Reviews of internationally released recordings and where possible live performances, collected and analysed (i) for salient issues, and (ii) statistically for overall quality indicators. At least 8/10 of applicable grading scale achieved on average.	All available recording reviews are collated and a summary and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 8/10 satisfaction rating by independant international reviewers.*
Critical reviews are collected and analysed after every New Zealand performance.	Excellent artistic performances	Reviews collected and analysed (i) for salient issues, and (ii) statistically for overall quality indicators. At least 8/10 of applicable satisfaction/favorability scale achieved on average.	All media coverage including concert reviews, are collated and accorded a satisfaction / favorability rating on a scale of 0-10. A summary or articles and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 8.8/10 satisfaction rating**
International artists rate quality of orchestra and performances	NZSO recognized as an excellent orchestra by international standards.	Exit polling of guest conductors and soloists about their experience with the orchestra gains at least 75% satisfaction (very good or better).	Between August and December 2011, four international and one New Zealand conductor(s) completed exit polling. All rated the orchestra s extremely good or excellent. On average a 94% satisfaction grading was achieved.**
International broadcasters increase their programming of NZSO recordings recognizing the quality.	NZSO recognized as an excellent orchestra by international standards.	Number of broadcasts of the NZSO on overseas networks (over a three year period) increase.	14 NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks (2011: eleven, 2010: ten).

* These reviews have all used a 5-star grading system by the reviewer.

** Satisfaction gradings are reached through analysis of the written (or verbal) content of a review/poll based on a framework established before the beginning of the year (as a "5-star" grading is usually unavailable).
There is therefore an element of judgement made by the NZSO in these gradings. The framework has been applied consistently throughout the period.
The lowest grade assigned was 0 and the highest was 10.

Organisational Health & Capability

PROCESS	TARGET	MEASUREMENT	PERFORMANCE
Establish quality ensemble through maintaining a full time full size orchestra	Full size orchestra establishment of 90 players maintained	Fewer than 5% vacancies (four positions) exists within the orchestra's establishment of 90.	As at 31 December 2011, the Assistant Concertmaster and Associate Principal Bassoon positions were vacant along with one first violin and one second violin section player positions. (Total four vacancies)
The NZSO follows a preparation and rehearsal process that accords with leading international practice. All performances of the NZSO are thoroughly rehearsed to ensure that public performances are of the highest possible standard.	Excellent artistic performances.	A minimum of two days of rehearsals and a dress rehearsal are undertaken for all NZSO full-orchestra performances.	At least two days of rehearsals and a dress rehearsal have been undertaken before all full orchestra performances.
Maintain quality ensemble through continuity of musicians and conductor.	Low player turnover and regular Music Director visits.	Music Director conducts at least 15 performances annually for at least three years. Player turnover at less that 7.5% p.a. (seven positions).	9 performances were conducted by the Music Director between July and December 2011. *The total number of players that retired or resigned during the six months was one and NZSO welcomed two new players. As at 31 December 2011 there were four vacancies in the Orchestra.*

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* Current musicians with the NZSO.
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Season 2012 will be an exotic adventure, epic in both scale and imagination. Carolyn Mills (Harp), Hiroshi Ikematsu (Double Bass) and Cristina Vaszilicsin (First Violin) are among the many ready to bring these stories to life.

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