Pietari Inkinen Music Director
New Zealand Symphony Orchestra
Te Tira Pūoro o Aotearoa

Annual Report 2013

FOR THE YEAR ENDED
31 DECEMBER 2013

Presented to Hon. Christopher Finlayson
Minister for Arts, Culture and Heritage

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Annual Report

The Board have pleasure in presenting the Annual Report for the New Zealand Symphony Orchestra for the year ended 31 December 2013.

Donald Best
Board Chair
3 March 2014

Roger Taylor
Board Member,
Chair of Audit Committee
3 March 2014

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Performance Reporting Framework 2013

Manatū Taonga / Ministry for Culture & Heritage (sector)

Sector Vision

New Zealand's distinctive culture enriches our lives

Sector Outcomes

- *Create: Cultural activity flourishes*
- *Preserve: Culture can be enjoyed by future generations*
- *Engage: Engagement in cultural activities is increasing*

New Zealand Symphony Orchestra (external)

NZSO Vision

World-class musical experiences that inspire all New Zealanders

NZSO Outcomes

NZSO Impact Indicators

QUALITY
(Preserve & Engage)

√ **New Zealanders inspired by high quality symphonic music**

- Audience surveys rate NZSO performances as high quality
- Reviews of recordings rate NZSO performances highly

(Statement of Service Performance on pages 36-41)

COVERAGE
(Engage)

√ **New Zealanders have ready access to symphonic music**

- Attendances for NZSO live performances continue to expand
- NZSO performances engage with audiences from more communities

(Statement of Service Performance on pages 36-41)

DEVELOPMENT
(Create & Engage)

√ **New Zealanders create new symphonic music**

- New New Zealand works are created and performed
- New New Zealand student compositions are created and workshopped

(Statement of Service Performance on pages 36-41)

NZSO Outputs *Orchestral Services*

NZSO (internal)

NZSO Values

We value excellent engagement. We value creative excellence. We value excellent relationships.

Organisational Health & Capability

Targets

- NZSO players perform at outstanding levels
- NZSO operating income is sufficient to deliver a full calendar of quality artistic programmes
- NZSO has a strong, positive image with stakeholders

New Zealand Symphony Orchestra: Vision & Mission

The Vision

Providing world class musical experiences that inspire all New Zealanders.

achieved by

The Mission

Deepening and expanding musical connections and engagement with our communities.

through

A national fulltime full size symphony orchestra

which
Performs to an international standard

is
Excellent in performance

has
Relevant and engaging programming,
Reaches large and diverse audiences

and asserts
Musical and artistic leadership.

A symphony orchestra which has
Best practice operations,
A shared and productive organisational culture,
Sustainable management of all resources

and
Excellent systems and processes.

New Zealand Symphony Orchestra: Values

WHAT WE DO	We value excellent engagement.	We identify strongly with one another and with New Zealanders. We ensure that our work is relevant to our audiences. We communicate openly and honestly with one another and with New Zealanders.
HOW WE DO IT	We value creative excellence.	We are passionate about our music and strive to share it widely. We are innovative and creative in all aspects of our activities. We are inspired to be excellent in all our performances.
HOW WE BEHAVE	We value excellent relationships.	We always act with fairness, honesty and transparency. We trust, respect, acknowledge and support each other. We always act with integrity.

FUNCTIONS OF THE ORCHESTRA

The functions of the orchestra are outlined in Section 9 of the *New Zealand Symphony Orchestra Act 2004*, as follows:

- to ensure that the orchestra presents a broad repertoire of orchestral performance including New Zealand works and recent works
- to encourage the development of New Zealand musicians
- to encourage the development of New Zealanders' knowledge and appreciation of orchestral music
- to develop and expand the audience of the orchestra on a national basis
- to provide a touring orchestra (which may also include international performances)
- to carry out any other functions consistent with its principal objectives, as agreed to by the Minister after consultation with the orchestra
- to co-operate with other similar institutions and organisations having objectives similar to those of the orchestra.

OBJECTIVES OF THE ORCHESTRA

The objectives of the orchestra are outlined in Section 8 of the *New Zealand Symphony Orchestra Act 2004*, as follows:

- to provide the public of New Zealand with live and recorded performances of symphonic music performed to an international standard:
- to provide an orchestra that—

  (i) is highly skilled and artistically imaginative; and
  (ii) has strong community support:
- to be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment:
- to promote and encourage New Zealand musical composition and composers:
- to provide performance opportunities for New Zealand musicians, whether as members of the orchestra or as soloists.

Chair's Preface

The NZSO had a very busy and rewarding concert schedule in 2013. In addition to the regular national tours it included two extended tours in both the North and South Islands in the latter part of the year. This gave the Orchestra the opportunity to present world class performances with outstanding New Zealand and international artists in nineteen smaller centres. The focus on masterpieces of the repertoire in two Mozart programmes and a Beethoven symphony programme was especially appreciated by local audiences and concerts were well attended.

The touring schedule for the year was rich in highlights making it difficult to single out specific programmes. Music Director Pietari Inkinen's leadership of the Verdi *Requiem* was particularly memorable with strong performances in each of the four tour centres. Notable amongst these was Dunedin where a striking performance fittingly marked the NZSO's return to the magnificent and newly refurbished Town Hall.

Another significant event was the Bryn Terfel gala, an *Evening with the NZSO*, presented in Wellington and Auckland. This was an opportunity to hear a great singer at the height of his powers in a programme which demonstrated his artistry and versatility from Wagner through to folksongs and Broadway musicals.

Our own musicians also made a major contribution. Principal Viola Julia Joyce and Concertmaster Vesa-Matti Leppänen were superb soloists in Mozart's *Sinfonia Concertante* in a Magnificent Mozart programme which sold out in Wellington before commencing its South Island tour.

The Orchestra continued to support and develop the work of New Zealand composers. In addition to an extensive range of recording and workshop activities two substantial New Zealand works featured in the concert season. Eve de Castro-Robinson's *The glittering hosts of heaven* was an impressive large scale work commissioned by the NZSO and an important addition to our New Zealand orchestral repertoire. It was also a pleasure to present further performances of a milestone of the choral repertoire *Orpheus in Rarohenga* by John Psathas.

These highlights illustrate the range and breadth of the NZSO's performance and touring activities and the contribution it makes to the experience and enjoyment of orchestral music in New Zealand.

This was acknowledged in the findings of the New Zealand Professional Orchestra Sector Review which were released in February 2013. It was pleasing to see that the Review affirmed the NZSO's position as New Zealand's national orchestra, confirmed its continued ownership by the people of New Zealand and role in delivering performances of an international standard in its annual touring programmes as required under its existing legislation.

As I said when the Review was released, 'The quality of the NZSO is recognised internationally and New Zealand audiences are rightfully proud of the Orchestra and its achievements. We are pleased that our leadership has been recognised and endorsed by the Review.'

The quality of the NZSO is recognised internationally and New Zealand audiences are rightfully proud of the Orchestra and its achievements.

Since the release of the Review the NZSO has worked to develop responses to the relevant recommendations. These include changes to future touring patterns to give precedence to larger population centres and further strengthening its leadership role in the sector. Orchestras have long planning horizons and 2015 will be the first full year incorporating the recommendations of the Review following a transition year in 2014.

The financial recommendations present the most substantial of the challenges arising from the Review. The NZSO has had fixed government funding of $13.45 million since 2008. Review recommendations confirm that it will remain at this level now and for the future. The Board has responded strongly, implementing plans and strategies during the year to secure the NZSO's long term future.

An important step has been to establish the financial framework for the NZSO that best achieves the requirements of the Review and supports the Orchestra in fulfilling its legislative obligations. As a result an annual year end equity target has been set at a minimum of $1.5 million.

The Board has adopted a strategy to boost income from non government sources and make savings to achieve balanced annual operating budgets as a minimum to maintain this target equity. Required income targets have been set for box office, corporate and private philanthropy as well as for fees from recording, commercial and accompaniment work.

Savings are being sourced from three areas; exploring a new business model, as required by the Review; a management review; and, improvements to the productivity of the Orchestra through simplifying and streamlining employment arrangements.

It is pleasing to note the improved financial performance of the NZSO against forecast during 2013. The improvement can be attributed to an increase in income relating to two unbudgeted film score projects and lower expenditure resulting from cost controls and concert cancellations arising from adverse weather and schedule changes. As a result the budgeted deficit was improved by $574,000 from $632,000 to $58,000. This provides a strong foundation for achieving the NZSO's future financial goals but much work remains to be done to meet the substantial challenge they present.

One of the film scoring projects *The Hobbit: The Desolation of Smaug* produced significant additional income. It provided an important opportunity to showcase the NZSO's skill and experience in such work and the capabilities of the New Zealand film industry. It also underlined the need for a permanent scoring stage capability in Wellington to add to the high quality post production unit and international standard orchestra if New Zealand's post production facilities are to be internationally competitive. The NZSO is continuing to explore options for its future accommodation that will include such a permanent film scoring capability.

Each year the NZSO enjoys strong support from its sponsors and donors. The Wellington City Council is now in its 15th year as a major contributor to the Orchestra. In 2013 Principal Sponsors Newstalk ZB, Audi and TV33 supported a number of touring programmes including *Requiem*, *The Planets*, *Echoes of Home* and *Tan Dun Martial Arts Trilogy*.

Circle Sponsors Crowne Plaza, ANZ Private, Ryman Healthcare and the New Zealand Listener also provided welcome support to the NZSO National Youth Orchestra, the Bryn Terfel Gala and the *Bold Worlds*, *Lark Ascending*, *Heroic Beethoven* and South Island *Magnificent Mozart* tours. Pub Charity was our partner in the North Island *Magnificient Mozart* tour. In addition the NZSO has the support of 30 Concerto and Overture Sponsors across its activities.

This vital support helps us to take the highest quality live orchestral music to audiences around New Zealand and I am pleased to acknowledge the important contribution our sponsors make and to thank them for their support.

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The NZSO is also supported in other ways. Personal giving through the NZSO Foundation is a major contributor. The Foundation provides direct grants and contributions to the Orchestra each year and facilitates the employment of the Fundraising Manager. This gives the NZSO the capacity to build income from non-government sources which is a requirement of the Review. Income from this source has enjoyed strong growth over the course of the year.

The Review also proposes that the NZSO focus more on the development of young and emerging musicians which aligns well with the Orchestra's work with young people. This area is also well supported by sponsors and donors.

The Adam Foundation has been a major contributor to the NZSO National Youth Orchestra for nearly 15 years. The FAME Trust is also a committed ongoing source of support. These contributions enable young musicians to participate in the NYO and to continue to maximise the benefits of their involvement. The Todd Corporation also provided vital support to young composers in 2013 through their longstanding contribution to the NZSO Todd Corporation Young Composers Awards. The Tindall Foundation and the Wellington Community Trust are also committed supporters of our work with young and emerging musicians.

Each year we continue to experience the superb musicianship of our players and the talent and skill of our Music Director and the international artists engaged.

We are privileged to enjoy such fine music making in New Zealand at a truly international level and I congratulate all those involved in presenting these programmes during the year.

It has been a year of challenge and change. The management team under the leadership of Christopher Blake continue to work constructively with the members of the orchestra with a view to improving all aspects of the operation of the organisation. The financial results for the year are a reflection of the dedication, skill and commitment of the management team and on behalf of the Board I thank them for their efforts and the results achieved.

I would also like to thank the Board for their work during the year in meeting the challenges of governing this unique and special organisation and ensuring that the NZSO continues to flourish and grow as a world class symphony orchestra.

Donald Best

Chief Executive's Overview

2013 was characterised by an unusually wide variety of activities which demonstrated the NZSO's adaptability and provided opportunities for diverse audiences to enjoy its work. In addition to its concert tours the Orchestra recorded two film scores, three CDs, presented Music for Schools programmes on tour and accompanied seasons of ballet and opera with the Royal New Zealand Ballet and Opera New Zealand.

In advancing the Orchestra Sector Review's recommendations that the NZSO focus on the development of young and emerging musicians the NZSO National Youth Orchestra was convened twice during the year, a practice first initiated in 2009.

Performance activity extended to 96 orchestral concerts and performances over the course of the year including concert tours, music in schools, special concerts and accompaniment for opera and ballet.

> It is an important function of the NZSO to bring the great performers of the age to New Zealand.

Concert tours are the principal means by which the NZSO fulfils its legislative objective to provide the public of New Zealand with live performances of symphonic music performed to an international standard. These tours are the backbone of performance activity each year.

The main 2013 touring season was an exciting and attractive mix of repertoire and artists involving 61 concerts covering 25 centres across the country. This included 26 performances in smaller communities in two pairs of North Island *Heartland* and South Island *Mainland* tours in the latter part of the year. The main season's performances comprised 17 separate concert programmes with four led by Music Director Pietari Inkinen. They also included 20 international and 19 New Zealand artists and city choirs were engaged in Auckland, Wellington, Christchurch and Dunedin.

Pietari Inkinen launched the main season with a colourful programme featuring the music of Ravel and Scriabin. New Zealand pianist Stephen de Pledge was the soloist in the Ravel *Piano Concerto in G Major* and the concert attracted a capacity audience. This was the prelude to the first national tour of the year where Pietari Inkinen teamed up with German cellist Daniel Müller-Schott in six outstanding performances of the Dvorak *Cello Concerto*. These concerts opened with New Zealand composer Larry Pruden's *Soliloquy for Strings*, one of the most beautiful works for string orchestra in the New Zealand repertoire and executed to perfection by the NZSO strings under Pietari Inkinen's direction. Rachmaninov's *Symphonic Dances*, his last major orchestral work, concluded this highly successful touring concert programme.

On Anzac Eve was the NZSO's inaugural presentation of a concert designed to commemorate Anzac Day in music. The programme comprised three works by composers from New Zealand, Australia and Britain. Each work was a powerful portrayal of conflict and its consequences. Actor Peter Elliott presented appropriate readings during the concert which was well attended by members of the diplomatic corps, senior RSA officers, Defence Force representatives, Members of Parliament and local authority councillors. New Zealand conductor Tecwyn Evans directed the concert which also featured Australian tenor James Egglestone. This was a successful first step in establishing this presentation as an annual commemoration of Anzac Day.

Tecwyn Evans was also the conductor for the two performances of the gala concert with Bryn Terfel in May. The first part of the programme was devoted to the music of Wagner which gave both soloist and orchestra an opportunity to demonstrate their strengths in this repertoire. The second half of the programme took a more populist approach with familiar music superbly played and sung and ending with a Welsh folk song morphing into *Pōkarekare ana* much to the delight of the capacity audiences.

It is an important function of the NZSO to bring the great performers of the age to New Zealand and this visit was a good demonstration of the benefits of having an orchestra of international standard in New Zealand capable of attracting and supporting such artists.

2013 was the second year of our new Modern Masters format *Hear & Far* which programmes major contemporary works of the international and New Zealand repertoire. This concert format is designed to put the best of contemporary classical New Zealand music with the best of the world as a way of contextualising our New Zealand voice.

There were performances in Wellington and Auckland with two works, American composer John Adams' late 20th century masterpiece for large orchestra *Harmonielehre* and *Orpheus in Rarohenga* a major work by New Zealand composer John Psathas. The latter featured the Orpheus Choir of Wellington and three New Zealand singers. The concert was conducted by Tecwyn Evans. This was a strong and demanding programme which enjoyed a substantially larger audience than the contemporary concert format it replaced. Work is underway to further refine and develop this approach to presenting contemporary orchestral music.

The Lark Ascending proved the most popular of the national tours for the year. It featured two soloists, pianist Yevgeny Sudbin in Beethoven's Piano Concerto No. 2 and NZSO concert master Vesa-Matti Leppänen in Vaughan Williams nostalgic masterpiece *The Lark Ascending*, one of the most popular works in the repertoire. Returning British conductor Mark Wigglesworth capped off this attractive programme with masterly readings of Elgar's *Symphony No. 1.*

Music Director Pietari Inkinen returned for his second tour in June directing two programmes. *The Planets*, in addition to Gustav Holst's monumental orchestral work of the same name, included a large new work *The glittering hosts of heaven* commissioned by the NZSO from composer Eve de Castro-Robinson.

The concert was subtitled *Music for Matariki* to celebrate that time of the year when winter begins to wane and there is promise of new life and opportunities. It is characterised by the rise of the Pleiades constellation or Seven Sisters in the night sky. Eve de Castro-Robinson's innovative and highly coloured music used seven soloists from the orchestra to represent each of the seven stars of Matariki. The work received a committed and engaging performance from the orchestra under the strong advocacy and leadership of Pietari Inkinen.


Bryn Terfel

This was a superb and well attended concert and it was disappointing that adverse weather conditions prevented the NZSO from travelling to Auckland to repeat the programme in a sold out Auckland Town Hall.

The Music Director's second programme was a four concert tour of Verdi's *Messa da Requiem*. In many ways this was the centrepiece of the NZSO's 2013 season. It was presented in Auckland, Christchurch, Dunedin and Wellington and featured three New Zealand artists in the quartet of soloists and the city choirs in each of the tour centres. 60 members of the City Choir Dunedin joined their colleagues in the Auckland, Christchurch and Wellington performances to mark their 150th anniversary.

This was a highly successful tour. Performances were well received by critics and audiences alike and Pietari Inkinen's direction of the work was tight, well paced and beautifully judged.

The adverse weather which prevented the Orchestra from travelling to Auckland for the performance of *The Planets* nearly led to the cancellation of the *Requiem* performance scheduled for Auckland on the same tour the following evening. However, the NZSO was rescued by the Defence Force. They flew the entire Orchestra plus artists and Music Director to Auckland on the day of the concert and a sold out audience enjoyed a spirited and uplifting performance from the full complement of artists comprising over 100 orchestral musicians, 200 choristers and four soloists. The Orchestra is highly appreciative of this support which enabled a concert nearly two years in the planning to overcome the exigencies of New Zealand's unpredictable weather.

The *Bold Worlds* programmes are an opportunity to present more adventurous repertoire and the programme for 2013 was one of the most artistically satisfying of the year. It was directed by renowned Finnish conductor Osmo Vänskä, who debuted with the NZSO on this tour, with percussion soloist Colin Currie.

This was an exciting tour with exhilarating and rewarding music-making featuring three works, two by living composers – Kalevi Aho's *Siedi: Concerto for Solo Percussion and Orchestra* in its southern hemisphere premiere and Arvo Pärt's *Cantus in Memoriam Benjamin Britten* and an unknown masterpiece, the Nielsen *Symphony 5*. This was a challenging programme but particularly rich musically with the music, conductor and soloist all linked by a common regional geography and ethos.

The first pair of simultaneous split tours was undertaken during August with the *Magnificent Mozart* programme touring to eight centres in the South Island under American conductor Andrew Grams. This culminated in a performance at the Christchurch Arts Festival at the end of the month. The *Heroic Beethoven* programme toured to six centres in the North Island directed by American-based Bulgarian conductor Danail Rachev.

These concerts were very well received and audiences appreciative of the substantial repertoire and high standards of performance. The *Magnificent Mozart* tour featured consistently superb performances from Concertmaster Vesa-Matti Leppänen and Section Principal Viola Julia Joyce as soloists in the Mozart *Sinfonia Concertante*. Each tour also included an education programme which was performed in a number of the touring centres to enthusiastic audiences.

The second season of split tours involved a further *Magnificent Mozart* programme which toured to six centres in the North Island under conductor Nicholas McGegan with NZSO soloists Bridget Douglas and Carolyn Mills. Nicholas

McGegan is a specialist in this repertoire and the music was beautifully directed and performed. The South Island split tour took a different approach, exploring varied repertoire and presentation. The *Tall Tales & Tangos* programme under New Zealand conductor Tecwyn Evans toured to five centres following an initial Wellington performance with former All Blacks captain Anton Oliver as narrator in *Peter and the Wolf*.

Fireworks & Fantasy brought the touring season to an end in fine style with three large popular works. Britten's *A Young Person's Guide to the Orchestra* marking the anniversary of his birth opened the programme and soloist Plamena Mangova proved a virtuosic and powerful soloist in the Tchaikovsky *Piano Concerto No. 1*, enjoying extended acclamation in each centre. The final work was Berlioz' *Symphonie Fantastique*, a work which the NZSO has made its own over recent years. It provided a rousing finale to the touring season. These concerts were directed by Canadian conductor Julian Kuerti who did excellent work in replacing the indisposed scheduled conductor at short notice.

The 2013 Chinese New Year was marked by multi media performances of Tan Dun's *Martial Arts Trilogy* in Wellington and Auckland under the direction of the composer. This attracted a diverse audience which enjoyed a stimulating blend of music and film. The Chinese New Year concerts are mounted early in the year before the concert season commences and the Orchestra is considering options that better integrate this activity with the main season.


Julia Joyce, Section Principal Viola

Two courses were held for the NZSO National Youth Orchestra. The first was a summer residency with a performance in the Wellington Town Hall in February which was a popular and critical success. It was directed by New Zealand conductor Kenneth Young and featured a selection of works for each section of the orchestra and a performance of Brahms *Symphony No. 2*.

The second course in August was led by Australian conductor Richard Gill with young British pianist Lara Melda and culminated in performances in Auckland and Wellington. A work by the Orchestra's Composer-in-Residence Sam Logan was premiered and the concert included the Tchaikovsky *Symphony No. 5* and Beethoven's *Piano Concerto No. 3*. For both courses there was warm appreciation of the talent and energy of the young performers who enjoyed protracted applause at the conclusion of all their concerts.

There has been ongoing consideration about the longer term strategies for the development of the Orchestra following the release of the recommendations of the Orchestra Sector Review. One important function is to provide opportunities for young musicians to perform large symphonic repertoire in a professional environment and this approach will guide decisions in future planning.

In addition to the programme of the National Youth Orchestra, the NZSO presented a wide range of educational programmes and activities for young audiences and musicians. In the Music for Schools programme the NZSO, in partnership with Capital E National Theatre for Children, presented 15 performances of *Sky Dancer* based on the writings of Witi Ihimaera with music by New Zealand composer Gareth Farr attended by over 10,000 students.

In the latter part of the year the Music for Schools programme presented education performances as a part of the Orchestra's split tours. *Little Red Riding Hood* featured in a North Island tour and South Island concerts focused on sections of the orchestra in a specially devised programme. All performances were fully subscribed in itineraries which included New Plymouth, Gisborne, Whakatane, Nelson and Westport.

As in previous years the NZSO Todd Corporation Young Composers Award attracted many high quality submissions and provided an important opportunity for young composers to work with professional musicians and to hear their music performed. In 2013 there were nine participants from Auckland, Dunedin and Wellington along with three observers who worked with conductor Hamish McKeich and composer mentor Anthony Ritchie. The winner of the Young Composers Award was Salina Fisher and the Orchestra's Choice recipient was David Grahame.

A number of other programmes enabled young musicians to benefit from the experience of working directly with NZSO personnel. 11 students participated in the mentoring programme during the year and four; a violinist, cellist, clarinettist and double bass player, were a part of the Fellowship programme.

The 2013 annual Conductor Workshops included three participants and one observer. These young conductors prepared selected repertoire over the course of the workshops before working directly with the NZSO under the tutelage of NZSO Music Director Pietari Inkinen.

Visiting artists also gave master classes during their engagements with the NZSO. Percussionist Colin Currie presented at the New Zealand School of Music, cellist Daniel Müller-Schott at the University of Waikato and pianist Yevgeny Subdin at Auckland University. Over the year NZSO players provided coaching assistance to youth orchestras in Wellington, Taranaki and Dunedin.

The NZSO also undertook important collaborations with two national performing arts companies during the year. The Orchestra accompanied the Wellington performances of the Royal New Zealand Ballet's 60th anniversary production of *Swan Lake*. This was a memorable production and the musicians enjoyed the opportunity to perform Tchaikovsky's superb score and to once again be involved in theatre work. The Orchestra also recorded the music for the RNZB to use on tour.

In September the NZSO returned to the theatre accompanying the NZ Opera production of Wagner's *The Flying Dutchman* in Wellington. The orchestra's experience in performing the music of Wagner was readily apparent and the collaboration enabled a high quality production to mark the bicentenary of Wagner's birth.

The diversity of activity in 2013 was particularly evident in the recording area. The Orchestra recorded music for three CDs and two films. A major recording project was undertaken for Naxos over the first week in June, one featuring the music of contemporary Chinese composer Zhou Long and the other music of the 19th century composer Meyerbeer. A third CD *Waiata* was recorded for Sony Music by Dame Kiri Te Kanawa directed by arranger/conductor Carl Doy.

Two film score projects were undertaken. As is common with this work it came at short notice and the Orchestra adjusted its activities and schedules to accommodate it. The soundtrack for *Escape Plan* starring Sylvester Stallone and Arnold Schwarzenegger was recorded at the beginning of the year under the direction of conductor/composer Alex Heffes.

Recording for the second film, *The Hobbit: The Desolation of Smaug* was undertaken in September and October. This was a large and complex project. A substantial creative team comprising sound technicians and engineers, copyists, music librarians and operations staff as well as a film crew and film production staff worked on the recording at the Wellington Town Hall over a period of seven weeks. In addition to the large complement of local staff there were a number of specialist personnel from the United States and the United Kingdom.

This was an exciting project and demonstrated the NZSO's experience and capability in the recording of film scores. Accommodating this recording in the required timeframes necessitated some changes to the NZSO's published schedules.

The NZSO maintained its focus on New Zealand composers and their work during the year through a number of initiatives and schemes. In addition to the concert performances of *Orpheus in Rarohenga* by John Psathas, NZSO commission *The glittering hosts of heaven* by Eve de Castro-Robinson and Larry Pruden's *Soliloquy for Strings*, the Orchestra recorded works for broadcast by seven New Zealand composers under the ongoing initiative with the Centre for New Zealand Music, SOUNZ in association with Radio New Zealand. Recordings of works by nine young composers were made as a part of the Todd Corporation Young Composers Award.

New Zealand work included Gareth Farr's *Sky Dancer* and a Te Papa Day NZSO commission for loop artist Adam Page to write a work for orchestra and members of the public. This work titled *Moventum* was presented at the NZSO Te Papa Day to a large and appreciative audience.

2013 concluded with the annual performance of *Messiah* to an enthusiastic capacity audience completing an unusually diverse year of performance activity.

It was a year of progress and accomplishment. By year's end the Orchestra had developed a comprehensive response to the recommendations of the Orchestra Sector Review and taken steps to strengthen its financial position. It continued to grow and develop artistically with memorable performances and strong contributions to the New Zealand film industry and the national opera and ballet companies. The NZSO provided opportunities and a platform for New Zealand work and significant support to the growth of young and emerging musicians.

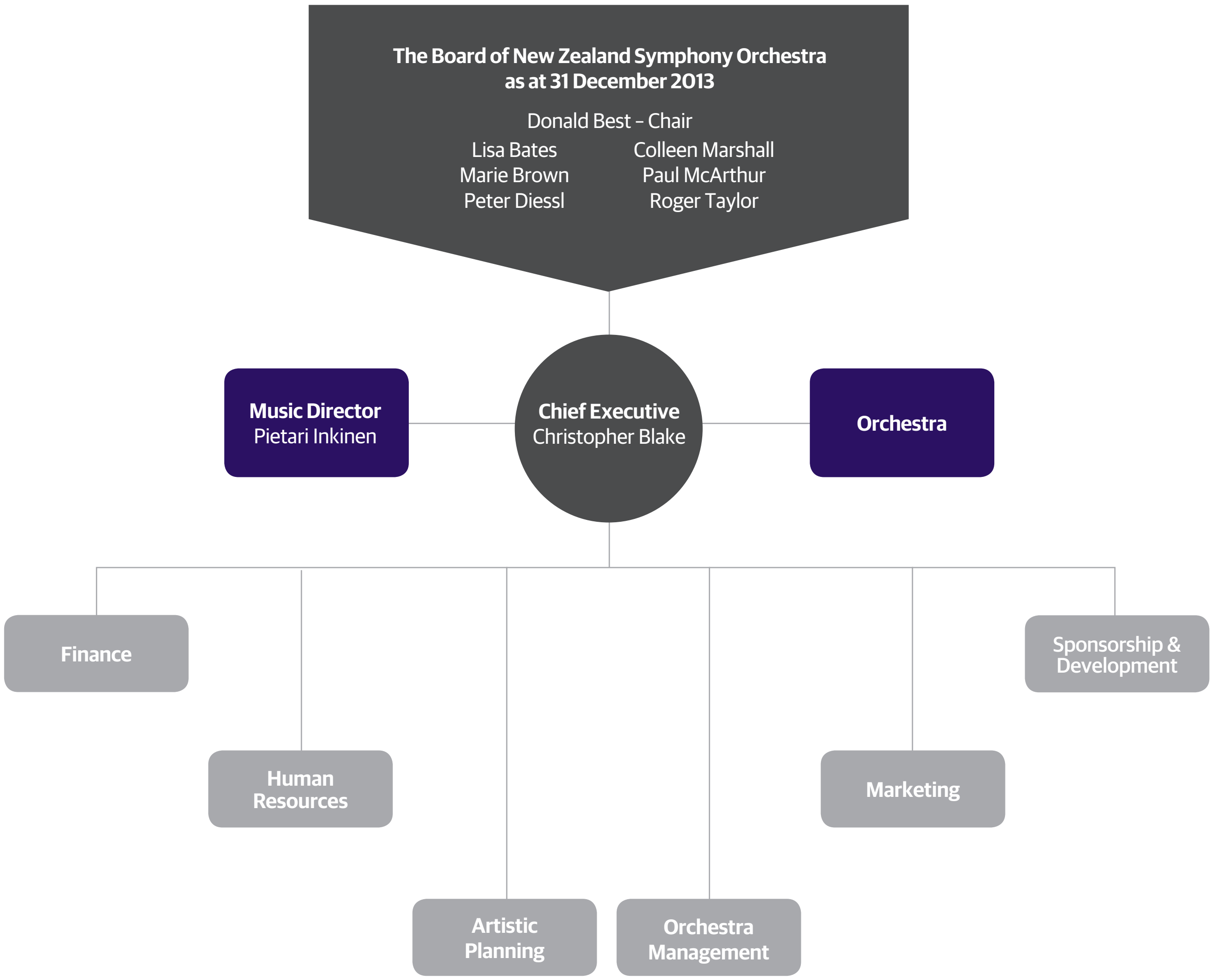
I would like to acknowledge and thank all those who make this possible especially the NZSO family of musicians and staff who work tirelessly to constantly ensure the excellence of our music making in all of its myriad forms.

I would like to thank the NZSO Board under the leadership of Chair Donald Best for their support and encouragement and their astute governance of one of New Zealand's most significant and iconic performing arts organisations.

Christopher Blake

Christopher Blake

NZSO Organisation



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 (Christopher Blake):

- **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)**
  All artistic planning matters including programming & artist contract negotiations.
- **Head of Orchestra Management (Craig Thorne)**
  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, until 5 December 2013)**
  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.

Organisational Health & Capability

The following targets were set before the start of 2013 for organisational health and capability under the heading *NZSO Players Perform at Outstanding Levels.*

Process	**Target**	**Measurement**	**Results**
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) exist within the orchestra's establishment of 90.	As at 31 December 2013, there were eight vacancies in the orchestra's establishment of 90.
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 than 7.5% p.a. (seven positions).	12 performances were conducted by the Music Director in 2013. The total number of players that retired or resigned during the year was six and NZSO welcomed three new players.

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 2013 and the results of its operation and service performance for the year ended on that date.

Signed: ……………….. ………………..

Donald Best
Board Chair
3 March 2014

Roger Taylor
Board Member,
Chair of Audit Committee
3 March 2014

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

FOR THE YEAR ENDED 31 DECEMBER 2013

The Auditor-General is the auditor of the New Zealand Symphony Orchestra (the NZSO). The Auditor-General has appointed me, John O'Connell, 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 18 to 35, that comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of commitments for the year 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 on pages 37 to 41 and the report about outcomes on page 36.

Opinion

In our opinion:

- The financial statements of the NZSO on pages 18 to 35:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect the NZSO's:
        - financial position as at 31 December 2013; and
        - financial performance and cash flows for the year ended on that date.
- The non-financial performance information of the NZSO on pages 36 to 41:
    - complies with generally accepted accounting practice in New Zealand; and
    - fairly reflects the NZSO's service performance and outcomes for the year ended 31 December 2013, 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 year; and
        - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 3 March 2014. 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, in our judgement, are likely to influence 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. Also we did not evaluate the security and controls over the electronic publication 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 is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

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 External Reporting Board.

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

John O'Connell

John O'Connell,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
INCOME				
Concert Income		2,499	2,617	2,058
Interest Income		152	177	169
Other Income	1	2,496	2,246	1,933
INCOME EARNED BY THE NZSO		**5,147**	**5,040**	**4,160**
Government Funding	2	13,446	13,446	13,446
TOTAL INCOME		**18,593**	**18,486**	**17,606**
Less: TOTAL EXPENDITURE	3	**18,651**	**19,118**	**17,744**
NET SURPLUS/(DEFICIT)		**(58)**	**(632)**	**(138)**
Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		**(58)**	**(632)**	**(138)**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Net Surplus/(Deficit)	**(58)**	**(632)**	**(138)**
Total Comprehensive Income for the Year	(58)	(632)	(138)
Opening Balance of Equity	1,692	1,290	1,830
Closing Balance of Equity	**1,634**	**658**	**1,692**

The accompanying notes and policies on pages 23 to 35 form an integral part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	Actual	Budget	Actual
		2013	2013	2012
		$000	$000	$000
Total Equity		**1,634**	**658**	**1,692**
CURRENT ASSETS				
Cash & Cash Equivalents	**4**	3,197	2,300	2,975
Trade Receivables & Other Receivables	**5**	394	325	383
Prepayments		89	105	76
Investments		-	500	-
Derivative Financial Instruments	**9**	-	-	2
TOTAL CURRENT ASSETS		**3,680**	**3,230**	**3,436**
NON - CURRENT ASSETS				
Property, Plant & Equipment	**6**	1,096	1,116	1,184
Intangible Assets	**6**	65	49	88
TOTAL NON - CURRENT ASSETS		**1,161**	**1,165**	**1,272**
TOTAL ASSETS		**4,841**	**4,395**	**4,708**
CURRENT LIABILITIES				
Trade Creditors and Accruals	**7**	1,811	2,298	1,697
Employee Entitlements	**8**	1,203	1,237	1,133
Derivative Financial instruments	**9**	-	-	-
TOTAL CURRENT LIABILITIES		**3,014**	**3,535**	**2,830**
NON - CURRENT LIABILITIES				
Employee Entitlements	**8**	193	202	186
TOTAL NON - CURRENT LIABILITIES		**193**	**202**	**186**
TOTAL LIABILITIES		**3,207**	**3,737**	**3,016**
NET ASSETS		1,634	658	1,692

The accompanying notes and policies on pages 23 to 35 form an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Actual	Budget	Actual
		2013	**2013**	**2012**
		$000	**$000**	**$000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers		4,443	4,265	3,413
Interest Received		152	177	164
Government Funding		13,446	13,446	13,446
Payments to and on behalf of employees		(10,559)	(10,367)	(10,321)
Payments to Suppliers		(7,214)	(7,623)	(6,744)
Net Goods and Services Tax		36	-	64
NET CASH FLOWS FROM OPERATING ACTIVITIES		**304**	**(102)**	**22**
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of Property, Plant & Equipment		11	-	7
Purchases of Property, Plant & Equipment		(89)	(100)	(82)
Purchases of intangible assets		(4)	-	(15)
Term Deposits > 3 months		-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(82)**	**(100)**	**(90)**
NET INCREASE / (DECREASE) IN CASH HELD		222	(202)	(68)
ADD: CASH AT BEGINNING OF THE YEAR		2,975	3,002	3,043
CASH AT END OF THE YEAR		**3,197**	**2,800**	**2,975**
Represented by: Cash & Cash Equivalents				
Bank		2,197	2,300	1,975
Term Deposits <= 3 months		1,000	500	1,000
		3,197	**2,800**	**2,975**

The accompanying notes and policies on pages 23 to 35 form an integral part of these financial statements.

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

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Actual	Budget	Actual
		2013	**2013**	**2012**
		$000	**$000**	**$000**
NET SURPLUS/(DEFICIT)		**(58)**	**(632)**	**(138)**
Add / (Deduct) Non-Cash Items:				
Depreciation & Amortisation		193	195	182
Property, Plant & Equipment received under sponsorship		-	-	-
Property, Plant & Equipment written off		1	-	2
Net (gains) / losses on derivative financial instruments		2	-	(12)
Changes in Doubtful Debt Provision		52	-	-
		190	**(437)**	**34**
Add / (Deduct) Movements in Other Working Capital Items:				
Decrease/(Increase) in Receivables		(63)	58	82
Decrease/(Increase) in Prepayments		(13)	45	85
Increase/(Decrease) in Creditors & Accruals		(191)	191	(355)
Increase/(Decrease) in Leave Provisions		77	15	122
Increase/(Decrease) in Revenue in Advance		123	26	26
Increase/(Decrease) in PAYE		145	-	(36)
Increase/(Decrease) in Net GST		36	-	64
		114	**335**	**(12)**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**304**	**(102)**	**22**

The accompanying notes and policies on pages 23 to 35 form an integral part of these financial statements.

Statement of Commitments

AS AT 31 DECEMBER 2013

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:	2013 $000	2012 $000
Less than One Year	131	313
Between One and Two Years	-	131
Between Two and Five Years	-	-
Greater than Five Years	-	-
TOTAL NON - CANCELLABLE OPERATING LEASE	**131**	**444**

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:	2013 $000	2012 $000
Less than One Year	4	14
Between One and Two Years	-	4
Between Two and Five Years	-	-
Greater than Five Years	-	-
TOTAL NON - CANCELLABLE OPERATING LEASE	**4**	**18**

At balance date the NZSO had entered into contracts covering fees with various artists and contractors as follows:	2013 $000	2012 $000
Less than One Year	1,319	1,323
Between One and Two Years	144	-
Between Two and Five Years	-	-
Greater than Five Years	-	-
TOTAL ARTISTS CONTRACTS	**1,463**	**1,323**

The NZSO is also committed to an operating lease of musical instruments, payable to the New Zealand Symphony Orchestra Foundation Trust as follows:	2013 $000	2012 $000
Less than One Year	14	17
Between One and Two Years	11	10
Between Two and Five Years	30	30
Greater than Five Years	62	67
TOTAL MUSICAL INSTRUMENTS LEASE COMMITMENTS	**117**	**124**

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 23 to 35 form an integral part of these financial statements.

Notes to & Forming Part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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 mission is "Deepening and expanding musical connections and engagement with our communities" 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 year ended 31 December 2013, and were approved by the Board on 3 March 2014.

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 closes on 31 December as approved by the Minister of Finance.

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.

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 3 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/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, NZSO is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS).

These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means NZSO expects to transition to the new standards in preparing its 31 December 2015 financial statements. As the PAS are still under development, NZSO is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities.

Therefore, the XRB has effectively frozen the financial reportingrequirements for public benefit entities up until the new Accounting Standard Framework is effective. 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 noncash 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.

The NZSO has two employees who participate in the Defined Benefit Plan Contributors Scheme which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Employer contributions to this scheme were suspended in April 2011. Insufficient information is available to use defined benefit accounting. The scheme is therefore accounted for as a defined contribution scheme.

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.

1. Other Income

	Actual 2013 $000	Actual 2012 $000
Sponsorship Income *	1,273	1,525
Recording Income and Cost Recoveries	1,024	190
Merchandising Receipts	13	11
Gains on Derivative Financial Instruments	5	-
Sundry Income	181	207
TOTAL OTHER INCOME	**2,496**	**1,933**

* $664,000 of Sponsorship Income is contra sponsorship (2012: $665,000). 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.

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 2013 $000	Actual 2012 $000
Government Funding (GST exclusive)	13,446	13446

3. Expenditure

	Actual 2013 $000	Actual 2012 $000
Direct Expenses from Orchestral activity	5,586	4,934
Personnel Costs	10,781	10,436
Occupancy Costs	366	380
Audit Fees for financial statements audit	51	49
Depreciation & Amortisation	193	182
Loss on Disposal of Assets	1	4
Board Members fees	103	106
Losses on Derivative Financial Instruments	6	6
General Operating Costs	1,564	1,647
TOTAL EXPENDITURE	**18,651**	**17,744**

PERSONNEL COSTS	Actual 2013 $000	Actual 2012 $000
Salaries & wages *	9,876 **	9,704
ACC Levy	40	39
Contribution to Superannuation Schemes	317	329
Allowances	377	198
Recruitment & Training	171	166
	10,781	10,436

* As at 31 December 2013, the NZSO has a staff establishment of 118 Full-Time Equivalent employees made up of 28 administration staff and 90 musicians (this was the same as 31 December 2012). At balance date, there were 10 vacancies in the establishment (2012: 8).

** Payments totalling $45,708 were made in relation to the cessation of employment of one employee (2012: $99,240, 3 employees).

4. Cash & Cash Equivalents

Cash is held at bank, at call or in fixed term interest bearing deposits:	Actual 2013 $000	Actual 2012 $000
Cash at Bank and at Call	2,197	1,975
Fixed Term Deposits < = 3 months	1,000	1,000
TOTAL CASH & CASH EQUIVALENTS	**3,197**	**2,975**

5. Trade Receivables & Other Receivables

As at 31 December 2013 all overdue receivables have been assessed for impairment and irrecoverable amounts. A Provision for Doubtful Debts has been established for $51,500 (excl GST) in relation to debts owed to NZSO by Solid Energy New Zealand Ltd and assessed as probably irrecoverable. The carrying value of receivables approximates their fair value. All receivables greater than 30 days in age are considered to be past due.

TRADE & OTHER RECEIVABLES	Actual 2013 $000	Actual 2012 $000
Current	435	341
Past Due 1 – 30 Days	-	13
Past Due 31 – 90 Days	-	3
Past Due > 90 Days	11	26
Gross Trade & Other Receivables	446	383
Less: Provision for Impairment	(52)	-
TOTAL TRADE & OTHER RECEIVABLES *	**394**	**383**
* Represented by:		
Trade Receivables	37	80
Other Receivables	357	303
	394	**383**

6. Property, Plant & Equipment / Intangible Assets

PROPERTY, PLANT & EQUIPMENT	Leasehold Alterations	Computer Equipment	Studio Equipment	Furniture & Fittings	Musical Instruments	Music Library
COST	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at 1 January 2012	769	213	374	369	680	573
Additions	-	14	43	3	7	15
Transfers	-	-	-	-	-	-
Disposals	-	(9)	-	(7)	(7)	-
Balance at 31 December 2012	769	218	417	365	680	588
Balance at 1 January 2013	769	218	417	365	680	588
Additions	-	8	20	4	16	12
Transfers	-	-	-	-	-	-
Disposals	-	(50)	-	(6)	(22)	-
Balance at 31 December 2013	769	176	437	363	674	600
ACCUMULATED DEPRECIATION						
Balance at 1 January 2012	639	188	227	296	371	-
Depreciation expenses	52	13	28	19	40	-
Depreciation-Disposals	-	(9)	-	(4)	(1)	-
Balance at 31 December 2012	691	192	255	311	410	-
Balance at 1 January 2013	691	192	255	311	410	-
Depreciation expenses	69	15	30	18	34	-
Depreciation-Disposals	-	(49)	-	(6)	(12)	-
Balance at 31 December 2013	760	158	285	323	432	-
NET BOOK VALUE						
At 1 January 2012	130	25	147	73	309	573
At 31 December 2012	78	26	162	54	270	588
At 31 December 2013	9	18	152	40	242	600

Capital Work-in-Progress	TOTAL
$000	$000
6	2,984
-	82
-	-
-	(23)
6	3,043
6	3,043
29	89
-	-
-	(78)
35	3,054
-	1,721
-	152
-	(14)
-	1,859
-	1,859
-	166
-	(67)
-	1,958
6	1,263
6	1,184
35	1,096

INTANGIBLE ASSETS	Computer Software	Capital Work-in-Progress	TOTAL
COST	**$000**	**$000**	**$000**
Balance at 1 January 2012	265	32	297
Additions	9	6	15
Transfers	-	-	-
Disposals	-	-	-
Balance at 31 December 2012	274	38	312
Balance at 1 January 2013	274	38	312
Additions	4	-	4
Transfers	6	(6)	-
Disposals	(5)	-	(5)
Balance at 31 December 2013	279	32	311
Accumulated Depreciation			
Balance at 1 January 2012	194	-	194
Amortisation expenses	30	-	30
Amortisation-Disposals		-	-
Balance at 31 December 2012	224	-	224
Balance at 1 January 2013	224	-	224
Amortisation expenses	27	-	27
Amortisation-Disposals	(5)	-	(5)
Balance at 31 December 2013	246	-	246
Net Book Value			
At 1 January 2012	71	32	103
At 31 December 2012	50	38	88
At 31 December 2013	33	32	65

There has been no indication of impairment to any item of Property, Plant and Equipment or Intangible Assets.

7. Trade Creditors & Accruals

"Other Creditors and Payables" includes Net GST Payable of $76,392 as at 31 December 2013 (2012: $40,836).

All trade creditors are paid within 30 days as the payment terms used by NZSO are 20th of the month following invoice date. Therefore the carrying value of creditors approximate their fair value.

	Actual	Actual
	2013	**2012**
	$000	**$000**
Revenue in Advance	966	843
PAYE Payable	353	208
Other Creditors and Payables	328	457
Trade Creditors	164	189
TOTAL TRADE CREDITORS AND ACCRUALS	**1,811**	**1,697**

8. Employee Entitlements

Provision for Employee Entitlements are as follows:

	Actual	Actual
	2013	**2012**
	$000	**$000**
CURRENT:		
Accrued Salary & Wages	24	8
Annual Leave	842	757
Sick Leave	47	48
Long Service Leave	179	212
Deferred Leave	16	16
Retiring Leave	95	92
	1,203	**1,133**
TERM:		
Long Service Leave	193	186
NET LIABILITY FOR EMPLOYEE ENTITLEMENTS	**1,396**	**1,319**

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 2013.

A discount rate of 5.5% (2012: 6%) and an inflation factor of 3.50% (2012: 3.50%) 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 $9,000 higher/lower (2012: $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 $11,000 higher/lower (2012: $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 2013 totaling $39,982 (2012: $39,555). Artist contracts with foreign exchange exposure as at 31 December 2013 totalled $498,987 (2012: $566,779). Of this amount, nil is covered by foreign exchange contracts held by the NZSO as at 31 December 2013 (2012: $315,209).

All forward exchange contracts have been reported at fair value as at 31 December 2013 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 2013 are $839 (2012: $6,298). This includes unrealised losses of nil (2012: $523) and unrealised gains of nil (2012: $1,554) calculated on forward foreign exchange contracts as at 31 December 2013.

Sensitivity Analysis

The NZSO held bank accounts denominated in foreign currency as at 31 December 2013 totaling $39,982 (2012: $39,555); 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:

- $3,635 (2012: $3,596) lower if the NZ dollar had weakened;
- $4,442 (2012: $4,395) 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 2013.

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
31/12/2013	**$000**	**$000**	**$000**
Forward Foreign Exchange Contracts			
Outflow	-	-	-
Inflow	-	-	-
31/12/2012			
Forward Foreign Exchange Contracts			
Outflow	183	126	-
Inflow	182	126	-

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
31/12/2013	**$000**	**$000**	**$000**
Creditors and Accruals (Note 7)	1,811	-	-
31/12/2012			
Creditors and Accruals (Note 7)	1,697	-	-

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 2013 or 31 December 2012.

Credit Facilities

The NZSO did not have bank overdraft or other credit facilities as at 31 December 2013 or 31 December 2012 .

Letter of Credit

NZSO is party to a Letter of Credit from ANZ Bank New Zealand for the sum of $300,000 to cover payroll direct credits (2012: $300,000).

10. Categories of Financial Assets & Liabilities

The carrying amounts of the financial assets & liabilities	Actual 2013 $000	Actual 2012 $000
LOANS & RECEIVABLES		
Cash & cash equivalents	3,197	2,975
Trade & other receivables	394	383
	3,591	**3,358**
FINANCIAL ASSETS AT FAIR VALUE THROUGH SURPLUS/(DEFICIT)		
Derivative - Forward Exchange contract	-	2
	-	**2**
FINANCIAL LIABILITIES AT AMORTISED COSTS		
Trade Creditor & Accruals	1,811	1,697
	1,811	**1,697**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH SURPLUS/(DEFICIT)		
Derivative - Forward Exchange contract	-	-
	-	**-**

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 nil (2012: $1,554) and liability derivatives of nil (2012: nil) above, all fall under level 2.

11. Contingencies

The NZSO has no contingent liabilities (2012: nil). The NZSO has no contingent assets (2012: nil).

Superannuation schemes

The NZSO is a participating employer in the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation. If the other participating employers ceased to participate in the Scheme, the NZSO could be responsible for any deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the NZSO could be responsible for an increased share of any deficit. As at 31 March 2013, the Scheme had a past service surplus of $17.4 million (7.7% of the liabilities) exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on net assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

The actuary of the Scheme has advised that the employer contributions are suspended with effect from 1 April 2011.

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 $13.446m (2012: $13.446m) from Vote: Arts, Culture & Heritage for its ongoing operations.

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, PAYE, FBT 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 these government-related entities for the year ended 31 December 2013 totalled $1.012m (2012: $1.047m).

These purchases included air travel from Air New Zealand, power from Genesis Energy, postal services from New Zealand Post and Express Couriers.

Transactions with non-government related parties

i) 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) 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.

iii) The NZSO transacts with The NZSO Foundation a separate registered charitable trust in which NZSO board members Lisa Bates and Peter Diessl are current Trustees. All transactions were carried out on an arms length basis. Total amounts paid to The NZSO Foundation were $24,920 (2012: $23,935) and received were $222,660 (2012: $279,568).

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 Marketing, Head of Orchestral Management and the Head of Development.

	Actual 2013 $000	Actual 2012 $000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Short Term employment benefits	1,131	1,035
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	1,131	**1,035**

14. Board Members' Fees

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

	Actual 2013 $000	Actual 2012 $000
D Best (Chair)	24	24
L Bates	13.5	13.5
M Brown	13.5	13.5
P Diessl	13.5	13.5
G Farmer *	5.5	13.5
P McArthur **	4.5	-
C Marshall	13.5	13.5
R Taylor	14.5	14.5
TOTAL	**103**	**106**

* G Farmer resigned as a Board member effective from 31 May 2013.
** P McArthur was appointed as a Board member effective from 19 August 2013.

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 $6,000,000 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 year ended 31 December 2013 within $10,000 bands are as follows:

	Actual 2013	Actual 2012
$100,000 - $109,999	4	3
$110,000 - $119,999	3	1
$120,000 - $129,999	1	-
$140,000 - $149,999	1	2
$170,000 - $179,999	1	-
$180,000 - $189,999	-	1
$190,000 - $199,999	-	1
$200,000 - $209,999	-	1
$210,000 - $219,999	1	-
$250,000 - $259,999	1	-

The Chief Executive's remuneration fell within the range $250,000 to $259,999 for the 2013 year. In 2012 the Chief Executive's remuneration fell within the range $190,000 to $199,999 and covered the period from appointment on 7 February 2012 until 31 December 2012.

18. Capital Management

The NZSO's capital is its equity which comprises accumulated funds. Equity is represented by net assets. The NZSO is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.The NZSO manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure that the NZSO effectively achieves its objectives and purpose, while remaining a going concern.

19. Explanations of Major Variances Against Budget

Explanations of major variations from the NZSO's published budget figures for 2013 are as follows:

Statement of Comprehensive Income

a) Other Income was $250,000 (11%) higher than budgeted. The favourable variance was most substantially due to higher levels of Recording Income than were budgeted. The NZSO recorded two film score projects in 2013 (neither were budgeted), one of which *The Hobbit: The Desolation of Smaug* produced significant additional income.

b) Total Expenditure was $467,000 (2.4%) lower than budgeted. The favourable variance was most substantially due to fewer performances than were budgeted. In 2013, one concert was unable to proceed in Auckland due to weather disruptions to scheduled travel and a series (of four concerts) was cancelled in order to accommodate the *The Hobbit: The Desolation of Smaug* recording project.

Statement of Financial Position

a) The balance of Trade Creditors and Accruals were $487,000 (21%) lower at year-end than budgeted. 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 below). A significant value of creditors and other payables were settled in December 2013 ahead of their normally expected due date in January 2014 (due to the holiday period). Additionally, the value of Subscription Revenue-in-Advance for the 2014 season was lower than budgeted.

b) Cumulatively the balances of Cash & Cash Equivalents and Investments were $397,000 (14%) higher at year end than budgeted. This reflects the favourable year-end deficit vs. budget (of $574,000) but partially offset by the lower Creditors and Accruals balance noted in (a) above.

20. Events After The Balance Date

There were no significant events after the balance date.

Performance Reporting: Impacts & Outcomes

OUTCOME: Quality — New Zealanders inspired by high-quality symphonic music

Impact indicator	Impact measure	2013 Actual	2013 Budget	2012 Actual	Target Achievement
Audience surveys rate NZSO performances as high quality	Average grading achieved for quality of performance in surveys of NZSO audiences	9/10	9/10	9/10	Yes
Reviews of recordings rate NZSO performances highly	Average grading achieved for NZSO recordings released and reviewed	9/10	9/10	9/10	Yes

OUTCOME: Coverage — New Zealanders have ready access to symphonic music

Impact indicator	Impact measure	2013 Actual	2013 Budget	2012 Actual	Target Achievement
NZSO performances engage with audiences from more communities	Total number of communities represented in NZSO audiences for live performances	67	32	44	Yes, +35
	Number of communities represented in NZSO audiences for education and outreach activities	26	17	17	Yes, +9
Attendances for NZSO live performances continue to expand	Total audience attendances for NZSO performances	101,000	105,000	93,808	No, -4,000
	Audience attendances for NZSO education and outreach activities	26,177	25,000	34,518	Yes, +1,177

OUTCOME: Development — New Zealanders create new symphonic music

Impact indicator	Impact measure	2013 Actual	2013 Budget	2012 Actual	Target Achievement
New New Zealand works are created and performed	Number of new New Zealand works performed by the NZSO	4	3	10	Yes, +1
New New Zealand student compositions are created and workshopped	Number of new New Zealand student compositions workshopped by NZSO	9	10	8	No, -1

Outputs

OUTPUT SERVICES REVENUE & EXPENDITURE

The New Zealand Symphony Orchestra has one output class – Orchestral Services.

	2013 Actual Cost of Service	2013 Budget Cost of Service	2012 Actual Cost of Service
	$000	**$000**	**$000**
Government Funding	13,446	13,446	13,446
Interest & Sundry Income	322	408	336
Overhead Expenses (incl. salaries)	(12,872)	(12,675)	(12,624)
Depreciation & Amortisation	(193)	(195)	(186)
Surplus / (Deficit) before Orchestral Services	**703**	**984**	**972**
Orchestral Services			
Concert Income	2,499	2,617	2,058
Sponsorship	1,273	1,571	1,525
Other Orchestral Services Income	1,053	444	241
Orchestral Services Expenses	(5,586)	(6,248)	(4,934)
Surplus / (Deficit) from Orchestral Services	**(761)**	**(1,616)**	**(1,110)**
Net Surplus / (Deficit) and Total Comprehensive Income	**(58)**	**(632)**	**(138)**
Government Funding % of Total Income	72%	73%	76%

Statement of Service Performance

NEW ZEALAND SYMPHONY ORCHESTRA ACT 2004 - SECTION 8	SPECIFIC OBJECTIVES	OUTCOME	2013 SERVICE PERFORMANCE ACTUAL
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	Coverage	NZSO presented 49 full orchestra concerts and there were 47 reduced orchestra concerts undertaken during the period. Total performances: 96
	• Ensure that as many concerts as possible are broadcast	Coverage	21 new NZSO concerts were broadcast (live or recorded), during the year by Radio New Zealand Concert.
	• Produce high quality music and film recordings	Coverage	7 new recordings were undertaken during the period including two for international film scores, three for international CD release, one for broadcast only (for Radio New Zealand) and one for performance accompaniment (for Royal New Zealand Ballet).
	• Performances are of international quality	Quality	Refer performance quality measures on Page 40.
Provide an orchestra that: • is highly skilled and artistically imaginative; and	• Provide Professional Development opportunities for existing NZSO musicians	Development (and Capability)	The June Violet Commons Scholarship was awarded to second violinist Megan Molina and Oboe player Peter Dykes and Horn player David Moonan received Mary Fitzwilliam study awards.
	• Live performances include a wide variety of programmes	Development	NZSO presented full orchestra concerts of 13 different programmes and reduced orchestra concerts of 12 different programmes during the period.
• has strong community support	• Live performances reach as many communities as possible	Coverage	The NZSO performed full-orchestra or reduced-orchestra concerts in 25 different centres with a further 12 centres being reached with NZSO educational and outreach programmes. Total communities reached: 37
Be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment	• Provide an education programme that accommodates the cultural and socio-economic diversity and geographical spread of New Zealand society	Development	NZSO invested 483.75 hours for the development of young New Zealand musicians. In total, there were 26,177 participants from 26 different communities involved in the various activities. The NZSO's activities reached 171 different schools and the schools involved were from all 10 deciles.
	• Work collaboratively with other performing arts companies in New Zealand	Development	During the period, NZSO worked with the Royal NZ Ballet, NBR NZ Opera, Capital-E National Theatre for Children and the Museum of New Zealand Te Papa.
Promote and encourage New Zealand musical composition and composers	• Create workshop opportunities for New Zealand composers	Development	Nine compositions were workshopped during the NZSO/Todd Corporation Young Composer Awards in November 2013.
	• Profile New Zealand composition in public concerts and recordings	Development	The NZSO played a total of 35 New Zealand compositions in 2013.
		Development	No such recordings were made in 2013.
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	Development	In total, 26 different New Zealand artists performed with the NZSO during the period with 25 different overseas artists also engaged.

2013 SERVICE PERFORMANCE BUDGET	2012 SERVICE PERFORMANCE ACTUAL
At least 70 full-orchestra performances presented throughout New Zealand with at least 30 reduced-orchestra performances	NZSO presented 43 full orchestra concerts and there were 30 reduced orchestra concerts undertaken during the period. A further 50 performances were made as visits to schools, rest-homes and hospitals as part of educational and outreach activities.
Total performaces target 100	Total performances: 123
At least 25 new NZSO performances broadcast nationally on radio or television.	35 new NZSO concerts were broadcast (live or recorded), during the year by Radio New Zealand Concert.
At least six music or film score recordings undertaken.	9 new recordings were undertaken during the period including two for international film scores, two for international CD release and two CD's of New Zealand music and three for broadcast or archive.
Refer performance quality measures on Page 40.	Refer performance quality measures on Page 40.
At least two professional development activities and/or bursaries awarded to musicians each year.	The June Violet Commons Scholarship was awarded to second violinist Andrew Thomson and double-bass players Vicki Jones and Alexander Gunchenko received Mary Fitzwilliam study awards.
Full orchestra performances presented of at least 25 different programmes with at least 8 different reduced orchestra programmes.	NZSO presented full orchestra concerts of 20 different programmes and reduced orchestra concerts of 14 different programmes during the period.
	The NZSO performed full-orchestra or reduced-orchestra concerts in 8 different centres with a further 13 centres being reached with NZSO educational and outreach programmes.
Total communities reached: 25	Total communities reached: 21
The Music for Schools, Young Originals, NZSO National Youth Orchestra and NZSO Community Programmes will invest over 600 hours in the development of young New Zealand musicians, composers and conductors. It will present activities to over 25,000 participants from more than 17 communities and involve at least 150 schools.	NZSO invested 563 hours for the development of young New Zealand musicians. In total, there were 34,518 participants from 17 different communities involved in the various activities. The NZSO's activities reached 202 different schools and the schools involved were from all 10 deciles.
At least 4 collaborations with other arts/cultural organisations are undertaken annually.	During the period, NZSO worked with the Royal NZ Ballet, Museum of New Zealand Te Papa Tongarewa, Auckland Choral Society and the NZ International Festival of the Arts.
At least 10 student compositions workshopped through our education programme.	Eight compositions were workshopped during the NZSO/Todd Corporation Young Composer Awards in November 2012.
At least 20 New Zealand works performed.	The NZSO played a total of 41 New Zealand compositions in 2012.
The orchestra is available for one CD and one film score of New Zealand music without charge for the players' services.	Two recordings were completed during the year of NZ music for CD release but no NZ film scores were undertaken (without charge for the players' services).
Orchestra performance include at least 20 New Zealand artists.	In total, 34 different New Zealand artists performed with the NZSO during the period with 27 different overseas artists also engaged.

Measurement of Performance Quality

PROCESS	TARGET	2013 SERVICE PERFORMANCE ACTUAL
Regular audience surveys are conducted and the results carefully assessed.	Audiences appreciate NZSO quality.	In surveys conducted between January and December, 9/10 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.	101,000 people attended NZSO performances in the year. On average, this is less than a 1% increase vs. the average of the previous three years*. It was an 8% increase on 2012, a 16% decrease vs. 2010/11* and a 23% increase vs. 2009/10.
Independent international reviewing rates quality of orchestra performance.	Excellent artistic performances.	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 9/10 satisfaction rating by independant international reviewers.
Critical reviews are collected and analysed after every New Zealand performance.	Excellent artistic performances	All media coverage including concert reviews, are collated and accorded a satisfaction / favorability rating on a scale of 1-10. A summary or articles and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 9/10 satisfaction rating
International artists rate quality of orchestra and performances	NZSO recognized as an excellent orchestra by international standards.	Between January and December 2013, nine international artists completed exit polling. All rated the orchestra s exteremely good or excellent. On average a 10/10 satisfaction grading was achieved.
International broadcasters increase their programming of NZSO recordings recognizing the quality.	NZSO recognized as an excellent orchestra by international standards.	9 NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks (2012: Six 2011: fourteen).

* Excludes audiences for the NZSO's European tour in November 2010.

2013 SERVICE PERFORMANCE BUDGET	2012 SERVICE PERFORMANCE ACTUAL
Audience surveys rate NZSO performance quality as at least 9/10.	In surveys conducted between January and December, 9/10 of the respondents had an overall satisfaction rate at the NZSO concerts they had attended.
Average attendances (over a three year period) increase. Total audience target: 105,000	93,808 people attended NZSO concerts in the year. This was a 2% decrease on three years ago (2009 NZSO Annual Report).
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 8.5/10 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 9/10 satisfaction rating by independant international reviewers.
Reviews collected and analysed (i) for salient issues, and (ii) statistically for overall quality indicators. At least 9/10 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 1-10. A summary or articles and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 8.9/10 satisfaction rating
'Exit' polling of guest conductors and soloists about their experience with the orchestra gains at least 8.8/10 satisfaction.	Between January and December 2012, nine international artists completed exit polling. All rated the orchestra s exteremely good or excellent. On average a 99% satisfaction grading was achieved.
Number of broadcasts of the NZSO on overseas networks (over a three year period) increase. Target: 13	6 NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks (2011: fourteen 2010: ten).

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