



ANNUAL REPORT
2014
FOR THE YEAR ENDED
31 DECEMBER 2014

NEW ZEALAND SYMPHONY ORCHESTRA
TE TIRA PŪORO O AOTEAROA

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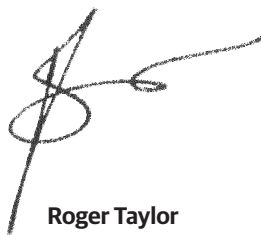
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ANNUAL REPORT

The Board have pleasure in presenting the Annual Report for the New Zealand Symphony Orchestra for the year ended 31 December 2014.



Donald Best
Board Chair
20 March 2015



Roger Taylor
Board Member,
Chair of Audit Committee
20 March 2015

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NZSO: VISION AND 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.

NZSO: VALUES

WHAT WE DO	<i>We value excellent engagement</i> • 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	<i>We value creative excellence</i> • 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	<i>We value excellent relationships</i> • 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

2014 was a stellar year of music making for the NZSO crowned by an outstanding highlight. The festival *Beethoven: The Symphonies* conducted by Music Director Pietari Inkinen presented the nine symphonies in chronological order on four consecutive days in Wellington and Auckland. The concerts culminated in superb performances of *Symphony No 9* with the Orpheus Choir and Auckland Choral Society in Wellington and Auckland respectively and an excellent quartet of soloists which included the renowned New Zealand tenor Simon O'Neill. Large and enthusiastic audiences enjoyed coherent and authoritative readings of these nine masterworks.

This was a triumph for the NZSO and Music Director Pietari Inkinen.

The NZSO performed at the very highest level throughout and the festival will be long remembered as a pinnacle of achievement in the ongoing artistic development of the Orchestra.

This achievement was within a touring programme for the year which featured excellent performances from a number of rising international stars such as Venezuelan conductor Rafael Payare and his wife the virtuoso cellist Alisa Weilerstein, Russian conductor Dmitri Slobodeniouk and the young Armenian cellist Narek Hakhnazaryan.

Established artists were also significant contributors to a season which was richly diverse and rewarding. Returning Dutch maestro Edo de Waart drew on his deep wisdom and experience in moving performances of the Mahler *Symphony 9*, Håkan Hardenberger, one of the greatest living trumpeters, gave us the Southern Hemisphere premiere of Brett Dean's acclaimed new trumpet concerto and conductor Alexander Lazarev brought profound insights to *Symphony No 15* of his compatriot Shostakovich.

The main national touring programme is at the heart of the NZSO's activities each year. It is a showcase for the Orchestra's exceptional qualities and the concerts in which we present the best of local and international conductors and performers. The Orchestra is also involved in a wide range of other activities each year which make important contributions to New Zealanders' understanding and appreciation of music. In 2014 these included participation in the New Zealand Festival, convening the NZSO National Youth Orchestra for two residencies, presenting a *Music in Schools* programme on tour, recording three CDs and providing a range of coaching, mentoring and fellowship opportunities for young musicians.

In the latter part of the year the NZSO recorded the music for the film *The Hobbit: The Battle of the Five Armies*, the final instalment of the Hobbit trilogy. As in the previous year, when the music for the second film was recorded, this was a major undertaking that also contributed significant income at a time when the Orchestra is managing increasing financial pressures following nearly eight years of fixed funding.

The Orchestra has been fortunate to secure these two large film recording contracts in the last two years but this is not a reliable source of income in future years. Third party contracts on this scale are uncommon and unpredictable. Over the last fifteen years the Orchestra has recorded music for approximately twenty films and of these only three contracts were large enough to significantly benefit the NZSO's revenues.

In 2014 this contract income together with careful control of costs and a focus on generating income from philanthropy both private and corporate and the box office enabled the Orchestra to achieve a strong financial result for the year. However, the medium term financial outlook for the NZSO is one of increasing pressure as costs continue to rise and the practical limits of income growth in non-government revenue streams are reached.

It is clear that the sustained period of fixed funding will need to be addressed if the NZSO is to maintain the range of orchestral activity and the international standard set out in its legislation.



The Board is responding strongly to these financial challenges and has reviewed finances and plans in light of the funding recommendations of the New Zealand Professional Orchestra Sector Review which extend the period of fixed funding to 2017.

It has focused on building greater box office, sponsorship and philanthropic income. A number of new initiatives have been launched to strengthen the Orchestra's base of supporters and donors and this has been rewarded with improved growth in the levels of philanthropy.

Over the year the Board worked closely with the NZSO Development team on building relationships with corporate partners and corporate prospects, with the charitable funding agencies that support the work of the NZSO directly and via The NZSO Foundation. It also built on the positive work implemented in previous years with its circle of individual supporters.

A key development has been the introduction of a Members' Lounge in Wellington with an Auckland Lounge scheduled for implementation in 2015. This has provided opportunities to strengthen relationships and introduce new supporters to the NZSO.

Eight new corporate sponsors joined the NZSO during the year. A new two tiered approach to Trust and Foundation fundraising has resulted in eleven trusts and foundations new to the NZSO joining the circle of existing funding agencies. Their support has enabled a number of projects to be implemented that would not otherwise have taken place.

Work has also been undertaken on developing a major gift plan and the potential for increased support identified. Good progress has been made in this area with increases in the value of a number of sponsorships and a notable increase in individual giving in the upper levels of the supporters programme led by Board members.

The work done in setting up a framework for uplift and growth in corporate, individual, charitable agency and foundation income has proved successful in contributing to improved results in this area in 2014. The NZSO is now well placed to expand income from these sources in 2015 and beyond.

Income from non government sources is vital to the future of the orchestra and its ability to take the highest quality live orchestral music to audiences around New Zealand. I take this opportunity of thanking all supporters for their commitment to the NZSO.

A key strategy for the NZSO is the acquisition of a suitably appointed permanent home for the Orchestra. During the year the NZSO engaged with the Wellington City Council about options for the future use of the Wellington Town Hall once decisions were made about its earthquake strengthening.

The Orchestra prepared a background document *A New Future for the Wellington Town Hall: A Proposal in Principle by the NZSO* which sets out a vision for the Wellington Town Hall as the permanent home of the NZSO, a civic building available for public use, a continuing role as a centre for local democracy, a national centre for music and a performance venue for music and other performances.

By the end of the year the Orchestra together with the Wellington City Council and other partners was investigating the feasibility of such a proposal. This is an exciting prospect and opens up a range of new options for the NZSO. There is the potential to provide new sources of income, opportunities for new digital

services in the dissemination of the Orchestra's music to wider audiences and the ability to substantially improve operational flexibility.

I would like to congratulate our musicians for a year of superlative performances and continued artistic development and growth under the leadership of our superb Concertmaster Vesa-Matti Leppänen New Zealand is fortunate to have had the foresight to establish and nurture an orchestra of international standard and as a touring orchestra to ensure that it can be enjoyed by New Zealanders across the country.

The management team continued to work on improvements to the NZSO's operations and the reorganisation of administrative functions. New structures are in place and are being consolidated to ensure that the organisation is both efficient and has the capability and capacity to manage successfully in a rapidly changing environment. I congratulate the management team under the leadership of Christopher Blake for their achievements during 2014.

I would like to thank members of the NZSO Board for their energy, enthusiasm and work to ensure that the Orchestra is successful both artistically and financially. Two members retired during the year and I would like to acknowledge the substantial and sustained contribution Colleen Marshall and Marie Brown have made to the NZSO during their tenures. Two appointments were made during the year and we have been pleased to welcome new Board members Bronwen Holdsworth and Peter Biggs.



Donald Best



CHIEF EXECUTIVE'S OVERVIEW

2014 was again a busy year of music making with extensive concert touring, New Zealand Festival engagements, recording for film and CD and delivering education, coaching and training programmes and schemes. It was also a year of transition as adjustments were made to touring patterns and activities to prepare for 2015, the first full year to incorporate the recommendations of the New Zealand Professional Orchestra Sector Review.

In total, the NZSO presented 84 concerts over the year of 33 different programmes with the core of the season being the national touring calendar. That core season comprised a total of 18 programmes, 13 concert tours, 62 concerts and 14 different centres over the course of the year. Three New Zealand choirs and twenty nine artists were involved in the core season, with the latter including five New Zealand artists. In total, 21 different New Zealand artists performed with the NZSO during 2014. In response to the Orchestra Sector Review the 2014 touring itinerary differed from earlier patterns to concentrate on centres with populations of 50,000 or more. There are currently 13 such centres in New Zealand.

2014 was in many ways the year of the symphony for the NZSO. The national touring calendar featured 17 symphonies anchored by the nine symphonies of Beethoven, the foundation of the modern symphonic repertoire, in the four concert festival *Beethoven: The Symphonies* presented in Wellington and Auckland in June.



Music Director Pietari Inkinen opened the season with a concert entitled *La Dolce Vita*, an orchestral extravaganza featuring the three Respighi Roman tone poems and the premiere of a piano concerto by New Zealand composer Gareth Farr. This was a rousing concert that launched the season in fine style.

Pietari Inkinen then led the Orchestra in its first tour of the year which went to six centres. *Visions of Happiness* was a stimulating journey through late romantic repertoire including the Music Director's first performance of Tchaikovsky's *Symphony No 4* with the NZSO.

The *We Remember* programme was the NZSO's annual contribution to the national commemoration of Anzac Day. In 2014 this also marked the beginning of the four year centenary commemorations of World War 1. There were performances in Wellington and Auckland with music representing the Anzac

dimension by New Zealand composers Jack Body and Australian composer Peter Sculthorpe. The European contribution was provided by Polish composer Henryk Gorecki's *Symphony of Sorrowful Songs*. These concerts were also attended by representatives of the diplomatic corps, local and central government, the defence force and the RSA.

The month of May also featured the NZSO's contemporary music offering *Hear & Far*, performed in Wellington and Auckland. Internationally renowned Scottish composer James MacMillan conducted two of his own works, *Woman of the Apocalypse* and *The Confession of Isobel Gowdie* and the premiere of an NZSO commission *The Clock Stops* by New Zealand composer Lyell Cresswell. The latter was a tribute to Christchurch in the form of brilliant and moving reflection on the fates of cities. This work was a showcase of New Zealand artistry with the text by Fiona Farrell and baritone Jonathan Lemalu as soloist.

The *Russian Fire* tour followed with Russian conductor Alexander Lazarev who galvanised audiences with his energy and enthusiasm. He combined well with fellow countryman Alexander Melnikov in poetic performances of the Schumann *Piano Concerto*.

The festival *Beethoven: The Symphonies* was the outstanding achievement of the year. The Orchestra under the leadership of Music Director Pietari Inkinen presented two complete cycles of the symphonies to wide acclaim in Wellington and Auckland.

Wounded Hearts opened in Wellington in late June and toured to Palmerston North, Napier, Tauranga, Whangarei and Auckland. It was conducted by the young Venezuelan conductor Rafael Payare with cellist Alisa Weilerstein as soloist. Audiences enjoyed this musical couple. Payare is a gifted young conductor with an innate musicality and Weilerstein was a powerful and energised virtuoso in the Prokofiev *Sinfonia Concertante*.

The programme was designed to adapt to the variations in the tour venues by including two symphonies. Mahler's *Symphony 1* was presented in Wellington and Auckland and Tchaikovsky's *Symphony 6* in the smaller centres.

British conductor Alexander Shelley joined the Orchestra in July to conduct the NZSO National Youth Orchestra and then lead the NZSO on its six centre *Shakespeare in Music* national tour. He elicited fine performances of four highly contrasted works and

was a stylish raconteur engaging the audience with entertaining introductions and insights into the music. Audience feedback was enthusiastic and applause prolonged in each centre.

The *Shakespeare in Music* performance in Christchurch was the NZSO's first performance in the Airforce Museum. Although the museum is not an ideal concert space, additional acoustic treatments of the stage area improved the sound quality. Well appointed audience facilities and a unique ambience produced a satisfactory concert experience. A suitable performance venue for the NZSO in Christchurch continues to be an issue.

Conductor Edo de Waart was last with the NZSO in 2007. The programme on this visit was Mozart's *Violin Concerto No 4*, with rising star Simone Lamsma as violin soloist, and Mahler's epic and final *Symphony No 9*. His four tour performances of the Mahler were authoritative and gripping.

This contrasted strongly with the tour which followed, performances in Wellington, Auckland and Dunedin of Haydn's oratorio *The Creation* with three soloists including New Zealanders Jonathan Lemalu and Madeleine Pierard and the choirs Orpheus of Wellington, Auckland Choral and City Choir Dunedin.

These were conducted by baroque and music of the Enlightenment specialist Nicholas McGegan. The performances were marked by his expert knowledge, authoritative understanding of the music and appropriate performance practice which made for rewarding and enjoyable musical experiences for tour audiences.

There was considerable diversity in the final four touring programmes of the year. In *Bold Worlds*, the NZSO's annual adventure in new and less well known music, Swedish trumpet virtuoso Håkan Hardenberger starred in the southern hemisphere premiere of Australian composer Brett Dean's trumpet concerto *Dramatis Personae*. The programme was designed to showcase the brass and included Janacek's *Sinfonietta* and the Mussorgsky-Ravel *Pictures at an Exhibition*.

Conductor Dmitri Slobodeniouk made his debut with the NZSO on this tour and impressed with his strong leadership and the flair he brought to the direction of the music. The programme was a significant critical success with particularly fine performances in Dunedin where it was presented in association with the Otago Festival of the Arts.



There were three performances in the *Opulence* tour (Hamilton, Auckland and Wellington) in early November with American conductor Michael Stern and Uzbek pianist Eldar Nebolsin. Audiences were enthusiastic about this programme and Nebolsin was an outstanding virtuoso who delivered masterly performances of Tchaikovsky's *Piano Concerto No 2*.

The final major concert activity for the year was a split tour with two programmes touring simultaneously and tour itineraries designed to reach the centres identified in the recommendations of the Orchestra Sector Review.

Tuscan Summer with conductor Junichi Hirokami was presented in Palmerston North, Napier, Auckland, New Plymouth, Tauranga and Rotorua. *In the Hall of the Mountain King* with conductor Benjamin Northey and cellist Narek Hakhnazaryan was performed in Wellington, Blenheim, Invercargill, Dunedin, Oamaru and Christchurch.

Conductor Hirokami has an energetic podium style and is a thoroughly musical personality. He quickly developed a rapport with the musicians and audiences alike. We are also indebted to NZSO Concertmaster Vesa-Matti Leppänen who stepped in for an indisposed international soloist on short notice to tour as the soloist in the Mendelssohn *Violin Concerto*.

Australian conductor Benjamin Northey led the NZSO on the South Island leg of the split tour. Again audiences were highly appreciative and were treated to an astonishing display of cello virtuosity by the young Narek Hakhnazaryan in

Tchaikovsky's *Variations on a Rococo Theme*.

As in previous years the NZSO concluded its concert season with a sold-out performance of Handel's *Messiah* in Wellington. This was a large format version with a full Orpheus Choir of Wellington, a quartet of soloists including New Zealand soprano Madeleine Pierard all directed with skill and vigour by Australian conductor Stephen Mould. This concluding concert was a fitting celebration of a year of stimulating and exciting performances.

The year commenced with a busy range of engagements for the New Zealand Festival. The Festival opener, the *Doctor Who Symphonic Spectacular* production was a successful and popular start to the year. The musicians enjoyed their participation which was assisted by the quality of the performance materials and by working with a highly skilled conductor, orchestrator

and commercial composer in Ben Foster, music director of the production.

Ainadamar, a contemporary opera by Osvaldo Golijov presented in a semi-staged performance was an artistic high point of the Festival. The NZSO was fortunate to work with an ensemble of international singers with reputations established in this work and the skills and experience of Miguel Harth-Bedoya on the podium in a work he has directed a number of times. The Orchestra performed superbly and it was a pleasure to participate in such an artistically satisfying venture.

Another NZSO Festival offering, the *Five by Five* series of five lunchtime concerts of five famous fifth symphonies, proved a winning formula and kept the Orchestra engaged with Festival audiences over its duration.

The NZSO's 2014 education activities and development programmes provided a range of musical experiences and opportunities for both young musicians and young concert goers.

The NZSO National Youth Orchestra, a development vehicle for many aspiring professional musicians, held two courses during the year. The first, led by Australian conductor Benjamin Northey, featured Lilburn's *Aotearoa Overture*, Hindson's *Homage to Metallica* with NZSO Concertmaster Vesa-Matti Leppänen as soloist and Rimsky-Korsakov's *Scheherazade*. This culminated in two performances, one on Waitangi Day at Te Papa which was well attended by a diverse and appreciative audience and a second in Napier.

The July course proved especially popular with the young musicians. It provided an unusual opportunity to work with visiting British conductor Alexander Shelley on two famous Richard Strauss tone poems *Don Juan* and *Also Sprach Zarathustra* as well as premiere a new work *Synergos* commissioned from the NZSO NYO Composer-in-residence Sarah Ballard. Well attended performances were given in Wellington and Auckland.

Development activities supporting the Orchestra Sector Review recommendations that NZSO focus on young and emerging musicians included mentoring, fellowships, coaching and collaborations.

Thirteen students participated in the 2014 mentoring programme. There were six from Auckland, three from Christchurch, two from Wellington and one each from Dunedin and Palmerston North

selected from a total of 50 applicants. Students were paired with an NZSO instrumentalist mentor and attended NZSO performances over the course of the year.

The fellowship programme was similarly popular with an applicant pool of 20 and six students enjoying participation during the year. Those selected were from Wellington and Auckland and included two violinists, a clarinettist, trombonist, cellist and flautist.

There was a range of coaching provided by NZSO musicians. With the assistance of Wellington Community Trust, work with the Wellington Youth Sinfonietta and Wellington Youth Orchestra continued over the year. Sessions were also held with Kapiti, Christchurch, Dunedin and Auckland Youth Orchestras along with the Bay of Plenty Symfonia and students from Palmerston North Girls High School.

There were a number of collaborations and special projects.

The NZSO collaborated with the Dame Malvina Major Foundation to provide an opportunity for three singers to understudy the soloist roles in *The Creation* with specialist conductor Nicholas McGegan. Percussion Principal Lenny Sakofsky and Timpani Principal Larry Reese provided professional development to members of the Southern Sinfonia during the year.

NZSO guest conductor Rafael Payare, a distinguished alumni of the Venezuelan El Sistema programme, worked with students from the Taita Sistema Project. He also met with representatives of the

Auckland Sistema project and welcomed participants in Sistema Whangarei to a rehearsal and concert during his tour with the NZSO.

The Todd Corporation Young Composers Award attracted 27 applicants. Nine were accepted into the Award programme and they worked with conductor Tecwyn Evans and composer mentor Victoria Kelly to prepare works that were performed and recorded by the NZSO. The award went to *Blushing Skies* by Salina Fisher. Further support to young composers was provided by visiting composer James MacMillan. He gave specialised tuition sessions for both Salina Fisher and NZSO NYO Composer in Residence Sarah Ballard.

There were four masterclasses in the Orchestra's annual programme presented by visiting artists in three centres. Jonathan Lemalu gave a voice masterclass in Dunedin and



Mikhail Ovrutsky violin in Auckland with Alisa Weilerstein cello and Håkan Hardenberger trumpet both presenting their masterclasses in Wellington.

Education and community performances included a Music for Schools programme presented in association with the Orchestra's national touring programme in Wellington, Napier, Hamilton, Auckland and Christchurch. These concerts were popular with students and well attended. Jessica Cottis conducted and Nigel Collins presented a concert based on the representation of nature in music.

Each year the NZSO mounts a performance day at Te Papa. Te Papa Day 2014 involved two separate programmes. There was a free dance workshop led by dancer and choreographer Lynne Pringle culminating in a performance of music entitled *Dance with Us* and a *Christmas Singalong* featuring popular seasonal music.

The Orchestra's support of New Zealand composers and their music included performances of the NZSO commissioned work *The Clock Stops* by Lyell Cresswell and Gareth Farr's *Piano Concerto* commissioned by Jack Richards. Jack Body's *Little Elegies* was presented in the *We Remember* programme in a performance which also marked his 70th year. The NZSO NYO performed Douglas Lilburn's *Aotearoa Overture* in their Waitangi Day performance at Te Papa.

In April and October the Orchestra recorded eleven works for broadcast by ten New Zealand composers. This is a long running initiative with SOUNZ (Centre for New Zealand Music) in association with Radio New Zealand to provide opportunities for new and existing works to be performed and promoted to presenters for inclusion in concert programmes. Each year it makes a substantial addition to the availability of New Zealand music for wider dissemination.

Two CDs were recorded during the year under the NZSO New Zealand composer recording scheme which makes the Orchestra available without fee. Leonie Holmes' *Solstice* was recorded in Wellington and released on the Atoll label during the year and Jack Body's *Poems of Love and War* released on Naxos.

In all, the NZSO played 37 New Zealand works in concerts, recordings and workshops during 2014.

Other recording work included a CD for Naxos featuring pianist Eldar Nebolsin and conductor Michael Stern in music for piano and orchestra by Tchaikovsky. This recording was coordinated with the NZSO's touring programme which included one of the works to be recorded, *Piano Concerto No 2*.

In the latter part of the year the Orchestra embarked on another major recording project, the score for the final film in *The Hobbit* trilogy, *The Battle of the Five Armies*. As in the previous year, when the score for the second film was recorded, this was a major undertaking and a highly experienced international sound production team worked with the Orchestra under considerable time pressures to create a magnificent sound track for the movie which was released in December 2014. This work is rewarding and contributes to the NZSO's wider profile. It also significantly boosts non government funding which is one of the objectives set for the NZSO under the recommendations of the Orchestra Sector Review.

2014 was a year of musical achievement and a comprehensive contribution to the enjoyment and appreciation of music by people of all ages and to the development of young practitioners as they begin their creative journeys. Despite a challenging operating environment it was a year of achievement for the administrative engine of the NZSO. A strong financial result was achieved, well ahead of forecasts thanks to prudent control of costs and the effort to achieve increases in income.

The NZSO continues to face financial challenges and over the year worked on longer term initiatives to address them. Much remains to be done but good progress has been made.

All of this achievement is a result of a committed orchestra. Its musicians and staff have worked to get the best possible results and I would like to acknowledge their efforts to ensure that our music making and its presentation is excellent and exciting.

The Board under Chair Donald Best have provided strong leadership and direction over the year. I would like to thank them for their support, advice and advocacy which has ensured that our national orchestra remains a flagship cultural organisation of which every New Zealander can be proud.



Christopher Blake



ORGANISATIONAL HEALTH & CAPABILITY

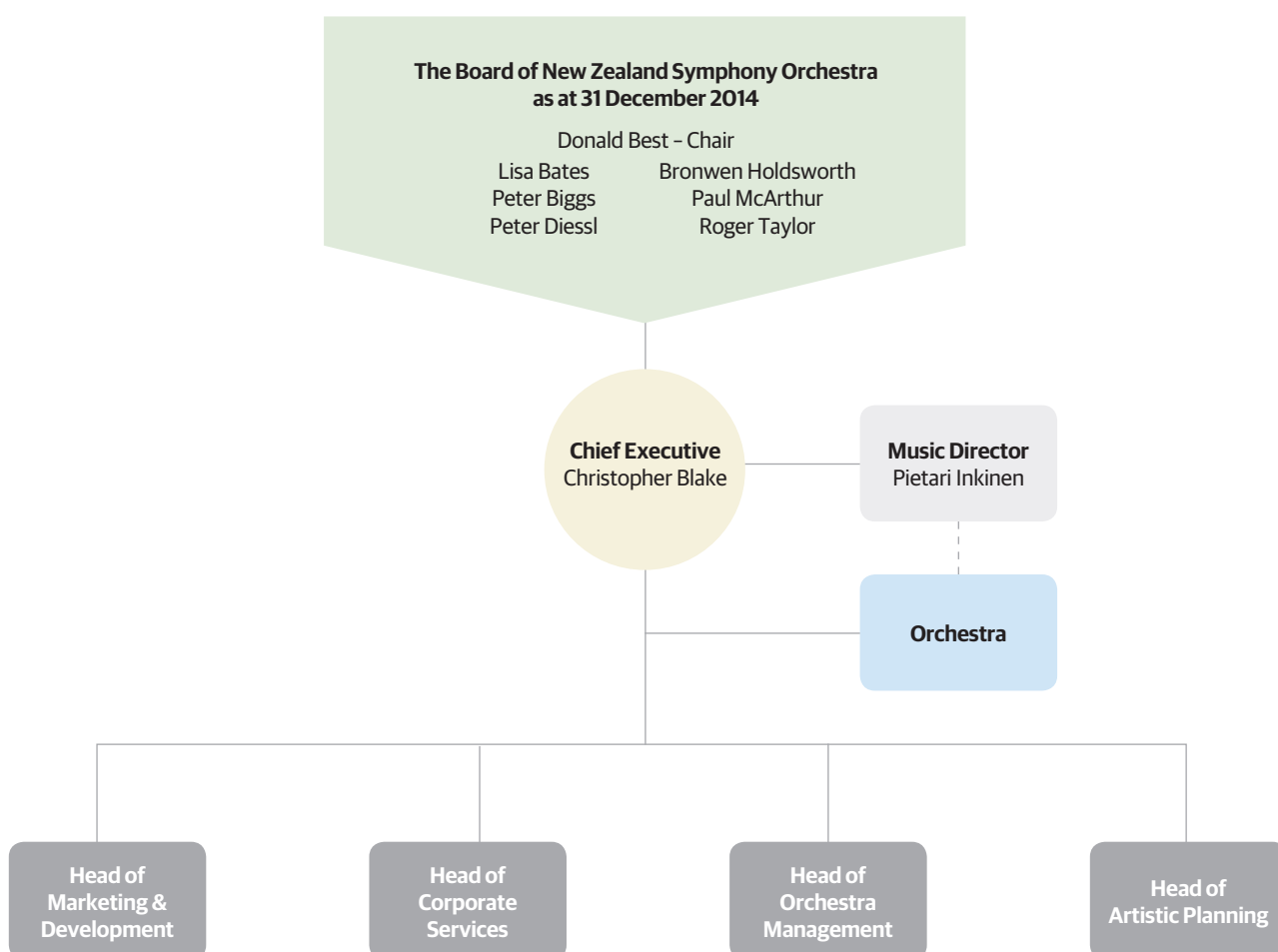
STRUCTURE

The NZSO is a Crown Entity responsible to the Minister for Arts, Culture and Heritage. The Minister appoints members to the Board that have, in the Minister's opinion, the appropriate knowledge, skills, and experience to assist the NZSO to achieve its objectives and perform its functions while taking into account the desirability of promoting diversity in the Board membership.

Within the requirements of the *New Zealand Symphony Orchestra Act 2004* and the *Crown Entities Act 2004* the Board is authorised by the Minister to manage the business of the NZSO and has delegated the day to day operational

authority to the Chief Executive, to do this in the best artistic and commercial interests of the organisation. The Chief Executive's terms and conditions of employment are determined by the Board in consultation with the State Services Commission. The Board has appointed Christopher Blake as Chief Executive.

The NZSO's organisational structure is shown below. The Strategic Leadership Team (SLT) consists of the Chief Executive, Head of Corporate Services (James Henry), Head of Marketing & Development (Sarah Wood), Head of Artistic Planning (Melissa King), Head of Orchestra Management (Craig Thorne) and the Orchestra's Concertmaster (Vesa-Matti Leppänen).



PERSONNEL POLICY

To ensure the NZSO can continue to deliver on its objectives, it must maintain a motivational and positive working environment. The NZSO's financial resources need to be sufficient (and utilized effectively) to deliver a diverse, quality artistic programme.

Employee participation is important to the Orchestra. The NZSO encourages staff to be involved in the development, review and renewal of policies. A comprehensive review of the Personnel Manual commenced in 2014 and the review committee comprises employees from all areas of the organisation. The review is due to be completed in the first quarter of 2015. In 2015, the NZSO will investigate renewing an employee engagement survey which hasn't occurred for a number of years and information gathered from the survey will be included in future Annual Reports.

The NZSO is a good employer, adheres to the principles of being a good employer and the principle and practice of equal employment opportunities in the recruitment, employment, training and promotion of staff, and to the identification and elimination of barriers that cause or perpetuate inequality in employment opportunities. Specifically, the NZSO's has policies and procedures covering the seven key elements of being a 'good employer', as defined by the Human Rights Commission and is committed to demonstrating best practice in those areas.

SAFE AND HEALTHY ENVIRONMENT

The NZSO strives to provide employees with a healthy and safe working environment. Systems are in place to ensure that hazards are identified and their impact minimized. The NZSO operates a Health & Safety Committee with the membership covering all areas of the organisation. In 2014, following the comprehensive audit process, the NZSO retained its tertiary level accreditation for the ACC Workplace Safety Management Practices programme.

RECRUITMENT, SELECTION AND INDUCTION

The NZSO is committed to providing equality of opportunity 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 Orchestra 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 NZSO also follows a structured and formalised induction process for new employees.

FLEXIBILITY AND WORK DESIGN

The NZSO recognises that both the organisation and employees can benefit from flexible working practices, family-friendly initiatives and other assistance to employees to achieve work/life balance. The NZSO seeks workable solutions to help employees achieve work/life balance while at the same time fulfilling the organisation's business and operational needs including the demands of the unique working environment of musicians in an orchestra.

LEADERSHIP, ACCOUNTABILITY AND CULTURE

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. A shared and productive organisational culture is recognised as a key to achieving our Vision and Mission and is reflected in those statements (refer page 2). In 2014 consultative committees have included: the Players Committee; the Health & Safety Committee; the Artistic Planning Forum; Personnel Manual Review Committee; and Hui Matua. At the commencement of negotiations for the renewal of the Players' Collective Employment Agreement, representatives of the Players' Negotiating Committee, the Service and Food Workers Union and the employer representatives including the Chief Executive, jointly attended sessions on interest-based bargaining.

EMPLOYEE DEVELOPMENT, PROMOTION AND EXIT

Every year salaries are reviewed and training and development opportunities are prioritized for 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 also has a structured and formalised exit procedure included in the Personnel Manual which is followed. Each year the NZSO includes as a non-financial performance measure the players receiving professional development awards/bursaries. In 2014 those were: The June Violet Commons Scholarship was awarded to first violinists Anne Loeser and Pam Jiang and second violinists Vanya Mateeva and Simeon Broom; and Trombonist David Bremner and second violinist Andrew Thomson received Mary Fitzwilliam study awards.

REMUNERATION, RECOGNITION AND CONDITIONS

The players and some administration 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 New Zealand legislation.

Administration positions are formally evaluated so that salaries remain competitive with the New Zealand general market (while being mindful of the government's expectations for pay and conditions in the public sector). The Board of the NZSO consults with the State Services Commission with regards review and remuneration of the Chief Executive.

HARASSMENT AND BULLYING PREVENTION

The NZSO is committed to providing a safe workplace that is free from harassment and bullying. All employees are required to behave appropriately in the workplace. This includes treating all people with respect, as well as developing awareness of the impact of behaviour on other people. Policies are included in the NZSO's Personnel Manual in relation to both bullying and harassment.

WORKPLACE PROFILE

The following table shows the workplace profile (including headcount, age ranges, gender, and length of service) of the NZSO (both administration and players and aggregated) as at 31 December 2014. In 2015, the NZSO will look to introduce ethnicity and disability information gathering into this profile.

LENGTH OF SERVICE

	Admin	Players	Total
0-5 years	12	14	26
5-15 years	7	22	29
15-25 years	2	23	25
25-35 years	0	16	16
35+ years	0	7	7
Total	21	82	103

AGE RANGES

	Admin	Players	Total
0-25 years	0	0	0
25-35 years	4	11	15
35-45 years	7	23	30
45-55 years	4	23	27
55-65 years	3	24	27
65+ years	1	1	2
Not declared	2	0	2
Total	21	82	103

GENDER

	Admin	Players	Total
Male	7	48	55
Female	14	34	48
Total	21	82	103

GOVERNANCE STATEMENT

Introduction

The NZSO's primary business is to present live concerts throughout the country. Various other orchestra services are compatible with this primary business and together they enhance New Zealand's cultural life, provide artistic development for the members of the orchestra, engage with communities and inspire New Zealanders.

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

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 (CE), to do this in the best artistic and commercial interests of the organisation. The CE's terms and conditions of employment are determined by the Board in consultation with the State Services Commission.

Management

The Strategic Leadership 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 leaders report to the CE (Christopher Blake):

- **Head of Corporate Services and Chief Financial Officer (CFO) (James Henry)**
Strategic planning; Budget management; Financial planning and management, reporting and policies; Legislative compliance; Human Resources function; Health and Safety; Business continuity and disaster management; Information technology management; Facilities and property management; Records management.
- **Head of Marketing and Development (Sarah Wood)**
Strategic planning; Audience development; Non government revenue generation function (public sources); Box office income generation; Private and corporate philanthropy and partnerships income generation; Marketing and brand strategy and implementation; Communications, public relations and publicity; Customer relations; Support organisations.
- **Head of Artistic Planning (Melissa King)**
Strategic planning; Artistic planning and leadership function; Planning and implementation of all artistic activities; Non government revenue generation function (industry sector fee sources); Programme development including artists, repertoire and touring; National and international artist

negotiation and liaison; Representation, liaison, cooperation with national and international arts organisations; Education and community programmes; NZSO National Youth Orchestra; Titled conductors engagement and relationship management; International tour development and management.

- **Head of Orchestra Management (Craig Thorne)**
Strategic planning; Orchestra operations function; Day to day operations activity; Operations management of national and international touring; Management of contract and casual players; Personnel monitoring and reporting; Auditions; Artists touring management.
- **Concertmaster (Vesa-Matti Leppänen).**

Approval Process

The CE's expenses are approved by the CFO and later countersigned by the Chair of the Board; The CFO's expenses are approved by the CE and all other Heads' of Department expenses are reviewed and approved by the CE 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 CE and reported to the Board.

Holders of delegated authorities are responsible to alert the CE 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 CE 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 CE 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 NZSO's operations.

Remuneration

The Board remuneration is agreed with the Responsible Minister in accordance with government guidelines and the CE's remuneration is set by the Board after consultation with the State Services Commission. The Strategic Leadership Team's remuneration is set by the CE 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 CE, the CFO or the external auditors may request a meeting at any time if they consider it necessary.

FINANCIAL STATEMENTS

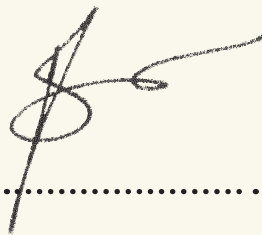
Statement of Responsibility

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 2014 and the results of its operation and service performance for the year ended on that date.

Signed:



Roger Taylor
Board Member,
Chair of Audit Committee
20 March 2015



Peter Diessl
Board Member,
Audit Committee Member
20 March 2015

Independent Auditor's Report

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

FOR THE YEAR ENDED 31 DECEMBER 2014

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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

We have audited:

- the financial statements of the NZSO on pages 16 to 34, that comprise the statement of financial position as at 31 December 2014, 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 38 to 41 and the report about outcomes on pages 36 to 37.

Opinion

In our opinion:

- The financial statements of the NZSO on pages 16 to 34:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the NZSO's:
 - financial position as at 31 December 2014; 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 2014, 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 20 March 2015. 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.



Chrissie Murray
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
INCOME				
Concert Income		2,794	3,379	2,499
Interest Income		185	192	152
Other Income	1	2,503	2,486	2,496
INCOME EARNED BY THE NZSO		5,482	6,057	5,147
Government Funding		13,446	13,446	13,446
TOTAL INCOME		18,928	19,503	18,593
EXPENDITURE				
Personnel Costs	2	10,178	10,547	10,781
Depreciation and Amortisation Expense	6	143	170	193
Other Expenditure	3	8,308	8,773	7,677
TOTAL EXPENDITURE		18,629	19,490	18,651
NET SURPLUS/(DEFICIT)		299	13	(58)
Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		299	13	(58)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Balance as at 1 January		1,634	1,520	1,692
Total Comprehensive Income for the year		299	13	(58)
Balance as at 31 December		1,933	1,533	1,634

The accompanying notes and policies on pages 21 to 34 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
EQUITY				
General Funds		1,933	1,533	1,634
TOTAL EQUITY		1,933	1,533	1,634
CURRENT ASSETS				
Cash and Cash Equivalents	4	3,334	2,511	3,197
Trade Receivables and Other Receivables	5	475	307	394
Prepayments		61	125	89
Investments		-	500	-
Derivative Financial Instruments	9	-	-	-
TOTAL CURRENT ASSETS		3,870	3,443	3,680
NON-CURRENT ASSETS				
Property, Plant and Equipment	6	1,075	1,095	1,096
Intangible Assets	6	70	62	65
TOTAL NON-CURRENT ASSETS		1,145	1,157	1,161
TOTAL ASSETS		5,015	4,600	4,841
CURRENT LIABILITIES				
Trade Creditors and Other Payables	7	1,724	1,762	1,811
Employee Entitlements	8	1,174	1,125	1,203
Derivative Financial Instruments	9	-	-	-
TOTAL CURRENT LIABILITIES		2,898	2,887	3,014
NON-CURRENT LIABILITIES				
Employee Entitlements	8	184	180	193
TOTAL NON-CURRENT LIABILITIES		184	180	193
TOTAL LIABILITIES		3,082	3,067	3,207
NET ASSETS		1,933	1,533	1,634

The accompanying notes and policies on pages 21 to 34 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers		4,750	5,645	4,443
Interest Received		179	192	152
Government Funding		13,446	13,446	13,446
Payments to and on behalf of employees		(10,362)	(10,513)	(10,559)
Payments to Suppliers		(7,688)	(8,571)	(7,214)
Net Goods and Services Tax		(84)	-	36
NET CASH FLOWS FROM OPERATING ACTIVITIES		241	199	304
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of Property, Plant and Equipment		51	-	11
Purchases of Property, Plant and Equipment		(112)	(115)	(89)
Purchases of Intangible Assets		(43)	(35)	(4)
Term Deposits > 3 months		-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(104)	(150)	(82)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		137	49	222
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,197	2,962	2,975
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	3,334	3,011	3,197
Represented by: Cash & Cash Equivalents				
Bank		525	2,511	2,197
Term Deposits <= 3 months		2,809	500	1,000
		3,334	3,011	3,197

The accompanying notes and policies on pages 21 to 34 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 2014

	Notes	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
NET SURPLUS/(DEFICIT)		299	13	(58)
<i>Add / (Deduct) Non-Cash Items:</i>				
Depreciation and Amortisation Expense		143	170	193
Net (gains) / losses on derivative financial instruments		-	-	2
Changes in Doubtful Debts Provision		-	-	52
Total Non-Cash Items		442	183	189
<i>Add / (Deduct) Financing Activity Items:</i>				
Net (gains) / losses on disposal of Property, Plant and Equipment		(23)	-	1
Total Financing Activity Items		(23)	-	1
<i>Add / (Deduct) Movements in Statement of Financial Position Items:</i>				
Decrease/(Increase) in Receivables		(73)	(32)	(63)
Decrease/(Increase) in Prepayments		28	25	(13)
Increase/(Decrease) in Creditors & Accruals		7	(65)	(191)
Increase/(Decrease) in Leave Provisions		(38)	(34)	77
Increase/(Decrease) in Revenue in Advance		128	122	123
Increase/(Decrease) in PAYE		(146)	-	145
Increase/(Decrease) in Net GST		(84)	-	36
Net movement in Working Capital Items		(178)	16	114
NET CASH FLOWS FROM OPERATING ACTIVITIES		241	199	304

The accompanying notes and policies on pages 21 to 34 form an integral part of these financial statements.

STATEMENT OF COMMITMENTS AND OPERATING LEASES

AS AT 31 DECEMBER 2014

	2014 \$000	2013 \$000
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:		
Less than One Year	313	131
Between One and Two Years	313	-
Between Two and Five Years	940	-
Greater than Five Years	2,951	-
Total non-cancellable operating lease	4,517	131

	2014 \$000	2013 \$000
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:		
Less than One Year	16	4
Between One and Two Years	4	-
Between Two and Five Years	-	-
Greater than Five Years	-	-
Total non-cancellable operating lease	20	4

	2014 \$000	2013 \$000
At balance date the NZSO had entered into contracts covering fees with various artists and contractors as follows:		
Less than One Year	1,067	1,319
Between One and Two Years	-	144
Between Two and Five Years	-	-
Greater than Five Years	-	-
Total artists contracts	1,067	1,463

	2014 \$000	2013 \$000
The NZSO is also committed to an operating lease of musical instruments, payable to The New Zealand Symphony Orchestra Foundation as follows:		
Less than One Year	17	14
Between One and Two Years	13	11
Between Two and Five Years	36	30
Greater than Five Years	76	62
Total musical instruments lease commitments	142	117

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

The accompanying notes and policies on pages 21 to 34 form an integral part of these financial statements.

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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. Maggie Barry.

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 2014, and were approved by the Board on 20 March 2015.

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 Sector Public Benefit Entity Accounting Standards (PS PBEs).

These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means NZSO will transition to the new standards in preparing its 31 December 2015 financial statements. The NZSO has reviewed the new Standards and is of the opinion that their will not be any material reclassification adjustments or recognition and measurement adjustments arising out 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 reporting requirements 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) Trade Receivables and Other Receivables

Trade Receivables and Other 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 Statement of Financial Position. 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 funding 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 (or payable) in respect of GST is included as part of other receivables (or other payables). 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 2014 \$000	Actual 2013 \$000
Sponsorship Income and Grants *	1,368	1,273
Recording Income and Cost Recoveries	890	1,024
Merchandising Receipts	-	13
Gains on Derivative Financial Instruments	-	5
Foreign exchange gains, excluding derivatives	11	9
Gains on Disposal of Assets	23	-
Sundry Income	211	172
Total Other Income	2,503	2,496

* \$585,000 of Sponsorship Revenue is contra sponsorship (2013: \$664,000). This represents non-cash revenue 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. The two major classes of contra sponsorship income relate to media advertising agency (36%) and concert/rehearsal venue agency (29%).

2. PERSONNEL COSTS

	Actual 2014 \$000	Actual 2013 \$000
Salaries and wages *	9,552 **	9,876
ACC Levy	37	40
Contribution to Superannuation Schemes	325	317
Allowances	60 ***	377
Recruitment and Training	204	171
Total Personnel Costs	10,178	10,781

* As at 31 December 2014, 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 2013). At balance date, there were 15 vacancies in the establishment (2013: 10). Of the 15 vacancies, 3 have been recruited as at balance date and begin work in 2015.

** Payments totalling \$49,504 were made in relation to the cessation of employment of one employee (2013: \$45,708, 1 employee).

*** Refer Note 19 for explanation of major variances.

3. OTHER EXPENDITURE

	Actual 2014 \$000	Actual 2013 \$000
Direct Expenses from Orchestral activity	6,286	5,586
Occupancy Costs	378	366
Audit Fees for financial statements audit *	53	51
Loss on Disposal of Assets	-	1
Board Members fees	106	103
Losses on Derivative Financial Instruments	-	6
Foreign exchange losses, excluding derivatives	3	4
General Operating Costs	1,482	1,560
Total Other Expenditure	8,308	7,677

* Total fees to Audit New Zealand for financial statements audit. No other services from Audit New Zealand were provided (or charged for) during the year.

4. CASH AND CASH EQUIVALENTS

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

	Actual 2014 \$000	Actual 2013 \$000
Cash at bank and on hand	525	2,197
Term deposits with maturities <= 3 months	2,809	1,000
Total Cash and Cash Equivalents	3,334	3,197

5. TRADE AND OTHER RECEIVABLES

As at 31 December 2014 all overdue receivables have been assessed for impairment and irrecoverable amounts. The carrying value of receivables approximates their fair value. All receivables greater than 30 days in age are considered to be past due.

	Actual 2014 \$000	Actual 2013 \$000
TRADE AND OTHER RECEIVABLES		
Current	450	435
Past Due 1 – 30 Days	-	-
Past Due 31 – 90 Days	-	-
Past Due > 90 Days	25	11
Gross Trade and Other Receivables	475	446
Less: Provision for Impairment	-	(52)
Total Trade and Other Receivables *	475	394
* Represented by:		
Trade Receivables	31	37
Other Receivables	444 **	357
	475	394

** In 2014, "Other Receivables" includes Net GST Receivable of \$7,846. In 2013 a GST payment was due and is included in "Trade Payables and Other Payables" (see Note 7).

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF RECEIVABLES

Balance as at 1 January	52	-
Additional Provisions made during the year	-	52
Receivables written off during the year	(52) *	-
Balance as at 31 December	-	52

* The receivables written off during the year relate to sponsorship due & receivable from Solid Energy New Zealand Limited for the 2012 financial year.

6. PROPERTY, PLANT AND EQUIPMENT / INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Alterations	Computer Hardware	Studio Equipment	Furniture and Office Equipment	Musical Instruments	Music Library
Cost	\$000	\$000	\$000	\$000	\$000	\$000
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
Balance at 1 January 2014	769	176	437	363	674	600
Additions	4	13	35	7	26	10
Transfers	-	25	6	-	4	-
Disposals	(476)	-	-	(1)	(60)	-
Balance at 31 December 2014	297	214	478	369	644	610
Accumulated Depreciation						
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	-
Balance at 1 January 2014	760	158	285	323	432	-
Depreciation expenses	10	22	33	12	28	-
Depreciation-Disposals	(476)	-	-	(1)	(32)	-
Balance at 31 December 2014	294	180	318	334	428	-
Net Book Value						
At 1 January 2013	78	26	162	54	270	588
At 31 December 2013	9	18	152	40	242	600
At 31 December 2014	3	34	160	35	216	610

INTANGIBLE ASSETS

Capital Work-in-Progress	Total
\$000	\$000
6	3,043
29	89
-	-
-	(78)
35	3,054
35	3,054
17	112
(35)	-
-	(537)
17	2,629
-	1,859
-	166
-	(67)
-	1,958
-	1,958
-	105
-	(509)
-	1,554
6	1,184
35	1,096
17	1,075

	Computer Software	Capital Work-in-Progress	Total
Cost	\$000	\$000	\$000
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
Balance at 1 January 2014	279	32	311
Additions	5	38	43
Transfers	32	(32)	-
Disposals	-	-	-
Balance at 31 December 2014	316	38	354
Accumulated Amortisation			
Balance at 1 January 2013	224	-	224
Amortisation expenses	27	-	27
Amortisation-Disposals	(5)	-	(5)
Balance at 31 December 2013	246	-	246
Balance at 1 January 2014	246	-	246
Amortisation expenses	38	-	38
Amortisation-Disposals	-	-	-
Balance at 31 December 2014	284	-	284
Net Book Value			
At 1 January 2013	50	38	88
At 31 December 2013	33	32	65
At 31 December 2014	32	38	70

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

7. TRADE CREDITORS AND OTHER PAYABLES

	Actual 2014 \$000	Actual 2013 \$000
Trade Creditors	175	164
Revenue in Advance	1,094	966
Accrued Expenses	154	146
Other Creditors and Payables	94	106
PAYE Payable	207	353
GST Payable	-	76*
Total Trade Creditors and Other Payables	1,724	1,811

* In 2013, Net GST Payable was \$76,392. In 2014 a GST refund is due and is included in "Other Receivables" (see Note 5).

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.

8. EMPLOYEE ENTITLEMENTS

	Actual 2014 \$000	Actual 2013 \$000
Provision for Employee Entitlements are as follows:		
Current:		
Accrued Salary & Wages	26	24
Annual Leave	855	842
Sick Leave	48	47
Long Service Leave	136	179
Deferred Leave	17	16
Retiring Leave	92	95
	1,174	1,203
Non-Current:		
Long Service Leave	184	193
Total Employee Entitlements	1,358	1,396

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 2014.

A discount rate of 5.5% (2013: 5.5%) and an inflation factor of 3.50% (2013: 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 \$8,000 higher/lower (2013: \$9,000).

If the salary inflation factor were to differ by 1% from the estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$12,000 higher/lower (2013: \$11,000).

9. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities in their financial instrument NZ IAS 39 categories are as follows:

	Actual 2014 \$000	Actual 2013 \$000
Loans & Receivables		
Cash and cash equivalents	3,334	3,197
Trade Receivables and Other Receivables	475	394
Total Loans & Receivables	3,809	3,591
Financial Assets at Fair Value through Surplus / (Deficit)	-	-
Financial liabilities measured at amortised cost		
Trade Creditors and Other Payables (excluding Revenue in Advance)	630	845
Total financial liabilities measured at amortised cost	630	845
Financial Liabilities at Fair Value through Surplus / (Deficit)	-	-

Fair value hierarchy

Where instruments are recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

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

NZSO did not hold any such financial instruments at 31 December 2014 or 31 December 2013.

10. FINANCIAL INSTRUMENT RISKS

NZSO's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. NZSO has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

MARKET RISK

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. NZSO's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest. NZSO does not actively manage its exposure to fair value interest rate risk.

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 2014 totaling \$13,166 (2013: \$39,982). Artist contracts with foreign exchange exposure as at 31 December 2014 totalled \$211,715 (2013: \$498,987). Of this amount, nil is covered by foreign exchange contracts held by the NZSO as at 31 December 2014 (2013: nil).

Sensitivity analysis

The NZSO held bank accounts denominated in foreign currency as at 31 December 2014 totaling \$13,166 (2013: \$39,982); 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:

- \$1,197 (2013: \$3,635) lower if the NZ dollar had weakened;
- \$1,463 (2013: \$4,442) higher if the NZ dollar had strengthened.

This movement is attributable to the valuation of amounts held in foreign currency accounts as at balance date.

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.

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 and cash flow requirements monitored.

Contractual maturity analysis of financial liabilities, excluding derivatives.

The table below analyses derivative financial instrument liabilities that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	Between 6 months - 1 year \$000	Greater than 1 year \$000
31/12/13					
Trade Creditors and Other Payables (excluding Revenue in Advance)	845	845	845	-	-
TOTAL	845	845	845		
31/12/14					
Trade Creditors and Other Payables (excluding Revenue in Advance)	630	630	630	-	-
TOTAL	630	630	630		

CREDIT FACILITIES

The NZSO did not have bank overdraft or other credit facilities as at 31 December 2014 or 31 December 2013.

LETTER OF CREDIT

NZSO is party to a Letter of Credit from ANZ Bank New Zealand Limited for the sum of \$300,000 to cover payroll direct credits (2013: \$300,000).

11. CONTINGENCIES

The NZSO has no contingent liabilities (2013: nil).

The NZSO has no contingent assets (2013: 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 2014, the Scheme had a past service surplus of \$16.2 million (8.0% 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 which were suspended with effect from 1 April 2011 continue to be suspended.

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 (2013: \$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 2014 totalled \$1.137m (2013: \$1.012m).

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. The value of this transaction has been recognised at an assessed market value of \$25,000 in the financial statements.

ii) NZSO has the use of a violin owned by The Cranfrylde Charitable Trust at no cost. NZSO board member Roger Taylor is also a trustee of The Cranfrylde Charitable Trust. The value of this transaction has been recognised at an assessed market value of \$5,000 in the financial statements.

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 \$21,960 (2013: \$24,920) and received were \$313,648 (2013: \$222,660).

iv) The NZSO transacts with Regional Facilities Auckland (an Auckland Council Organisation) in which NZSO board member Lisa Bates is a current director. All transactions were carried out on an arms' length basis. The expenditure is principally in relation to Auckland concert venue rental. Total amounts paid to Regional Facilities Auckland were \$181,116 (2013: \$149,244).

13. KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NZSO. At year-end this includes the seven members of the Board, the Chief Executive, Head of Corporate Services, Head of Marketing & Development, Head of Artistic Planning, Head of Orchestral Management and the Concertmaster. During the year it also included the former Marketing Manager and the former Human Resources Manager.

	Actual 2014 \$000	Actual 2013 \$000
Key management personnel compensation		
Short Term employment benefits	1,210	1,131
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	49	-
	1,259	1,131

14. BOARD MEMBER FEES

	Actual 2014 \$000	Actual 2013 \$000
Board members remuneration received or due and receivable during the year is as follows:		
D Best (Chair)	24.000	24.000
L Bates	13.500	13.500
P Biggs ¹	5.625	-
M Brown ²	7.875	13.500
P Diessl	13.500	13.500
G Farmer ³	-	5.625
B Holdsworth ⁴	5.625	-
P McArthur ⁵	13.500	4.500
C Marshall ⁶	7.875	13.500
R Taylor	14.850	14.850
Total	106.350	102.975

¹ P Biggs was appointed as a board member effective from 1 August 2014.

² M Brown's term as a board member expired on 31 July 2014.

³ G Farmer resigned as a board member effective from 31 May 2013.

⁴ B Holdsworth was appointed as a board member effective from 1 August 2014.

⁵ P McArthur was appointed as a board member effective from 19 August 2013.

⁶ C Marshall's term as a board member expired on 31 July 2014.

15. BOARD & OFFICERS LIABILITY INSURANCE

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

16. EMPLOYEE INSURANCE

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

17. EMPLOYEE REMUNERATION

The number of employees whose remuneration and other benefits was above \$100,000 for the year ended 31 December 2014 within \$10,000 bands are as follows:

	2014	2013
\$100,000 - \$109,999	4	4
\$110,000 - \$119,999	-	3
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	1	-
\$170,000 - \$179,999	-	1
\$190,000 - \$199,999	1	-
\$210,000 - \$219,999	-	1
\$250,000 - \$259,999	2	1

The Chief Executive's remuneration fell within the range \$250,000 to \$259,999 for the 2014 year. In 2013 the Chief Executive's remuneration fell within the same range.

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.

NZSO has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

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 2014 are as follows:

Statement of Comprehensive Revenue and Expense

a) Concert Revenue was \$585,000 (17%) lower than budgeted. The unfavourable variance was more than offset by lower 'Direct Expenses from Orchestral Activity' than were budgeted (by \$733,000), refer Output Services Revenue and Expenditure in the Statement of Service Performance on page 37. Of the unfavourable variances in Concert Revenue by project, the most significant shortfalls were from the 'We Remember', 'Hear & Far' and 'Shakespeare in Music' series' where optimistic box office projections were included in the 2014 budget.

b) Personnel Costs expenditure was \$369,000 (3.5%) lower than budgeted. The favourable variance was most substantially due to the reversal of accrued expenses from 2013 in relation to an audit by Inland Revenue of the NZSO tax treatment of NZSO Players' tax-free dress allowance for concert dress.

At 31 December 2014, the NZSO had agreed a position with IRD for the tax treatment and a prospective (2015) date for implementation. The 2013 accrual which was based on a retrospective (2009) implementation date was therefore reversed in 2014.

Statement of Financial Position

a) The balances of Trade Receivables and Other Receivables were \$168,000 (55%) higher at year-end than budgeted. This is the result of an increase in NZSO subscribers both in total and also the proportion electing to pay for season subscriptions under the instalment options available.

b) Cumulatively the balances of Cash & Cash Equivalents and Investments were \$323,000 (11%) higher at year end than budgeted. This is partially reflective of the favourable year-end surplus vs. budget (of \$286,000) in addition to a higher opening cash position at the beginning of the year than budgeted (\$235,000).

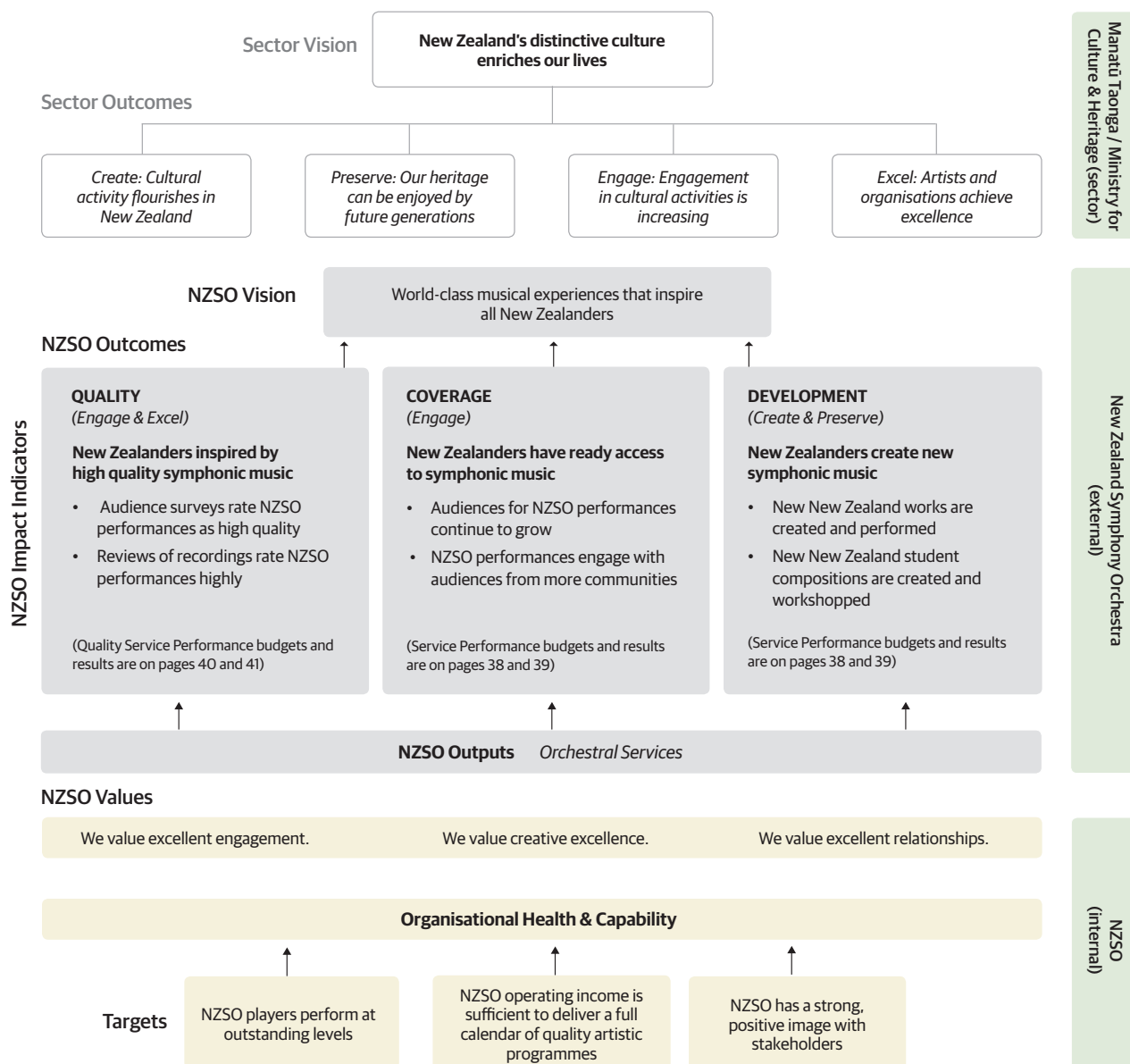
20. EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

21. WELLINGTON REGIONAL AMENITIES FUND

The NZSO gratefully acknowledges the support of the Wellington Regional Amenities Fund who provided \$50,000 to support the Wellington performance of our Anzac programme "We Remember" on 3 May 2014. The support of all our Special Funding Agencies is acknowledged along with our other Partners on page 44.

PERFORMANCE REPORTING FRAMEWORK 2014



PERFORMANCE REPORTING: IMPACTS & OUTCOMES

OUTCOME: Quality

New Zealanders inspired by high quality symphonic music

Impact indicator	Impact measure	2014 Actual	2014 Budget	2013 Actual	Target Achievement
Audience surveys rate NZSO performances as high quality	Average grading achieved for quality of performance in surveys of NZSO audiences	9.6/10	9/10	9/10	Yes
Reviews of recordings rate NZSO performances highly	Average grading achieved for NZSO recordings released and reviewed	9.6/10	9/10	9/10	Yes

OUTCOME: Coverage

New Zealanders have ready access to symphonic music

Impact indicator	Impact measure	2014 Actual	2014 Budget	2013 Actual	Target Achievement
Audiences for NZSO performances continue to grow	Total audience attendances for NZSO performances	100,792	100,000	101,000	Yes, +792
NZSO performances engage with audiences from more communities	Total number of communities represented in NZSO audiences for live performances	45	26	67	Yes, +19

OUTCOME: Development

New Zealanders create new symphonic music

Impact indicator	Impact measure	2014 Actual	2014 Budget	2013 Actual	Target Achievement
New New Zealand works are created and performed	Number of new New Zealand works performed by NZSO	3	3	4	Yes
New New Zealand student compositions are created and workshopped	Number of new New Zealand student compositions workshopped by NZSO	10	10	9	Yes

OUTPUT SERVICES REVENUE & EXPENDITURE

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

	2014 Actual Cost of Service \$000	2014 Budget Cost of Service \$000	2013 Actual Cost of Service \$000
Government Funding	13,446	13,446	13,446
Interest & Sundry Income	384	431	322
Overhead Expenses (incl. salaries)	(12,200)	(12,301)	(12,872)
Depreciation & Amortisation	(143)	(170)	(193)
Surplus / (Deficit) before Orchestral Services	1,487	1,406	703
ORCHESTRAL SERVICES			
Concert Income	2,794	3,379	2,499
Sponsorship	1,368	1,480	1,273
Other Orchestral Services Income	936	767	1,053
Orchestral Services Expenses	(6,286)	(7,019)	(5,586)
Surplus / (Deficit) from Orchestral Services	(1,188)	(1,393)	(761)
Net Surplus / (Deficit) and Total Comprehensive Income	299	13	(58)
Government Funding % of Total Income	71%	69%	72%

STATEMENT OF SERVICE PERFORMANCE

New Zealand Symphony Orchestra Act 2004 – s8	Specific Objectives	Outcome	2014 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 69 full orchestra concerts and there were 15 reduced orchestra concerts undertaken during the period. Total performances: 84	
	• Ensure that as many performances as possible are broadcast	Coverage	25 new NZSO concerts were broadcast (live or recorded), during the year by Radio New Zealand Concert.	
	• Produce high quality music and film recordings	Coverage	4 new recordings were undertaken during the period including one for international film score, one for international CD release and two for New Zealand CD releases.	
	• Performances are of international quality	Quality	Refer performance quality measures on Pages 40–41.	
Provide an orchestra that: • Is highly skilled and artistically imaginative • And has strong community support	• Provide Professional Development opportunities for existing NZSO musicians	Development (and Capability)	The June Violet Commons Scholarship was awarded to first violinist's Anne Loeser, Pam Jiang and second violinist's Vanya Mateeva, Simeon Broom. Trombonist David Bremner and second violinist Andrew Thomson received Mary Fitzwilliam study awards.	
	• Live performances include a wide variety of programmes	Development	NZSO presented full orchestra concerts of 28 different programmes and reduced orchestra concerts of 5 different programmes during the period.	
	• Live performances reach as many communities as possible	Coverage	The NZSO performed full-orchestra or reduced-orchestra concerts in 15 different centres with a further 18 centres being reached with NZSO educational and outreach programmes. Total communities reached: 33	
Be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment	• Provide opportunities for the training and development of young and emerging musicians	Development	NZSO National Youth Orchestra performed 4 NYO concerts, 13 students participated in Mentor programme, 6 students participated in Fellowship programme, 4 Master-Classes were held with NZSO Players or guest artists and coaching of students in 7 Regional Youth Orchestra.	
	• Work collaboratively with other performing arts companies in New Zealand	Development	During the period, NZSO worked with the New Zealand Festival in 10 collaborative performances and the Museum of New Zealand Te Papa in 2 collaborative performances.	
	• Create workshop opportunities for New Zealand composers	Development	One composition was workshopped during the National Youth Orchestra in July 2014 and nine compositions were workshopped during the NZSO/Todd Corporation Young Composer Awards in December 2014.	
	• Profile New Zealand composition in public performances and recordings	Development	The NZSO played a total of 37 New Zealand compositions in 2014.	
		Development	The Orchestra recorded two CD's of New Zealand music without charge for the players' services. No such film recordings were undertaken.	
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, 21 different New Zealand artists performed with the NZSO during the period with 37 different overseas artists also engaged.	

2014 Service Performance Budget	2013 Service Performance Actual
At least 69 full-orchestra performances presented throughout New Zealand with at least 14 reduced-orchestra performances. Total performances target 83	NZSO presented 49 full orchestra concerts and there were 47 reduced orchestra concerts undertaken during the period. Total performances: 96
At least 25 new NZSO performances broadcast nationally on radio or television.	21 new NZSO concerts were broadcast (live or recorded), during the year by Radio New Zealand Concert.
At least four music or film score recordings undertaken.	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).
Refer performance quality measures on Pages 40–41.	Refer performance quality measures on Pages 40–41.
At least two professional development scholarships or bursaries awarded to NZSO musicians each year.	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.
Full orchestra performances presented of at least 30 different programmes with at least 4 different reduced orchestra programmes.	NZSO presented full orchestra concerts of 13 different programmes and reduced orchestra concerts of 12 different programmes during the period.
Performances reached at least 13 different New Zealand communities	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
At least 4 NZSO National Youth Orchestra performances, 8 students in NZSO Mentor programme, 4 students in fellowship programme, 4 master-classes with NZSO Players or guest artists and coaching of students in 6 New Zealand regional Youth Orchestras.	NZSO National Youth Orchestra performed 3 NYO performances, 11 students participated in Mentor programme, 4 students participated in Fellowship programme, 3 Master-Classes were held with NZSO Players or guest coaching and provided coaching to students in 6 Regional Youth Orchestras.
At least 12 collaborations with other arts/cultural organisations.	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 Tongarewa.
At least 10 student compositions workshopped.	Nine compositions were workshopped during the NZSO/Todd Corporation Young Composer Awards in November 2013.
At least 20 New Zealand works performed.	The NZSO played a total of 35 New Zealand compositions in 2013.
The orchestra is available for one CD and one film score of New Zealand music without charge for the players' services.	No such recordings were made in 2013.
Orchestra performance include at least 20 New Zealand artists.	In total, 26 different New Zealand artists performed with the NZSO during the period with 25 different overseas artists also engaged.

MEASUREMENT OF QUALITY SERVICE PERFORMANCE

Process	Target	2014 Service Performance Actual
Regular audience surveys are conducted and the results carefully assessed.	Audiences appreciate NZSO quality.	In surveys conducted between January and December, 9.6/10 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.	100,792 people attended NZSO performances in the year. This was equivalent to 2013, 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 9.6/10 satisfaction rating by independent 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 of articles and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 9.4/10 satisfaction rating.
International artists rate quality of orchestra and performances.	NZSO recognized as an excellent orchestra by international standards.	Between January and December 2014, eleven international artists completed exit polling. All rated the orchestra is extremely good or excellent. On average a 10/10 satisfaction grading was achieved.
International broadcasters increase their programming of NZSO recordings recognising the quality.	NZSO recognised as an excellent orchestra by international standards.	10 NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks (2013: nine 2012: six).

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

2014 Service Performance Budget	2013 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: 100,000	101,000 people attended NZSO performances in the year. It was an 8% increase on 2012, a 16% decrease vs. 2010/11* and a 23% increase vs. 2009/10.
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 9/10 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 independent 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 of articles and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 9/10 satisfaction rating.
'Exit' polling of guest conductors and soloists about their experience with the orchestra gains at least 9/10 satisfaction.	Between January and December 2013, nine international artists completed exit polling. All rated the orchestra s extremely good or excellent. On average a 10/10 satisfaction grading was achieved.
Number of broadcasts of the NZSO on overseas networks (over a three year period) increase. Target: 10	Nine NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks (2012: Six 2011: fourteen).

THE NZSO



PIETARI INKINEN
MUSIC DIRECTOR



VESA-MATTI LEPPÄNEN
CONCERT MASTER





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