NZSO
2021

Statement of Performance Expectations 2021

Tauākī Whāinga Mahi

NEW ZEALAND SYMPHONY ORCHESTRA
TE TIRA PŪORO O AOTEAROA

Presented to the Honourable Carmel Sepuloni
Minister for Arts, Culture and Heritage

NEW ZEALAND SYMPHONY ORCHESTRA

Whāngaia ka tupu, ka puawai

That which is nurtured, blossoms and grows

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This Statement of Performance Expectations reflects the NZSO's planned performance targets and forecast financial information for the year ending 31 December 2021.

The forecast financial statements and underlying assumptions in this document have been authorised as appropriate for issue by the Board of the New Zealand Symphony Orchestra in accordance with its role under the Crown Entities Act 2004.

It is not intended to update the forecast financial statements subsequent to presentation.

Laurence Kubiak
Chair/Tuhinga o Mua
23 December 2020

Geoff Dangerfield
Deputy Chair/Heamana o Raro
Chair: Audit Committee/Heamana Komiti Arotake
23 December 2020

Introduction
He Kupu Arataki

The COVID-19 pandemic presented the NZSO with so many challenges that 2020 was arguably the most testing of the Orchestra's almost 75 years of existence. Nonetheless, throughout this difficult time, the Orchestra's commitment to excellence has never wavered. The Players and Support Team have remained steadfast in their mission to bring the greatest music ever made to every community in Aotearoa New Zealand – and the COVID-19 challenge impelled them to find even more innovative ways of carrying out this mission.

Alert Levels and border restrictions meant that the NZSO was unable to tour for much of the year – and was only able to bring a few international artists, conductors and recruited employees who were overseas-based into the country.

The consequences of these challenges in 2020 will resonate into 2021 – and the years beyond.

The NZSO will continue to face these difficult circumstances with resilience, innovation and agility.

Conscious of its requirements under the New Zealand Symphony Orchestra Act 2004 to provide New Zealanders and their communities with live and recorded performances of symphonic music performed to an international standard, along with encouraging the development of New Zealanders' knowledge and appreciation of orchestral music, promoting and encouraging New Zealand musical composition and composers, and offering performance opportunities for New Zealand musicians, the NZSO moved with agility and speed to stream digitally regular concerts and performances – and education initiatives – from the beginning of the nationwide lockdown from 25 March.

The NZSO also drew upon Aotearoa New Zealand's considerable resource of world-class musical talent, including soloists from within the Orchestra, to present its performances during the year.

By doing so, the NZSO demonstrated the special place it has in the cultural life of Aotearoa New Zealand by providing solace, inspiration and connection to a great number of New Zealanders enduring isolation and uncertainty.

This was evidenced by the volume of positive feedback the Orchestra received – such as:

You will have no idea how much more connected that makes me feel to the NZSO now. It is admirable how quickly you responded to the lockdown situation by providing us with wonderful streamed performances to look forward to. When I was able to expand my bubble, I watched some with a friend instead of by myself. I really think these performances helped me get through the period of social isolation on my own.

To date, national and international views total just under four million, with 20 percent of those views coming from international audiences. Existing fully in the digital world is now a way of life for the NZSO. The challenge is how to innovate constantly in terms of digital engagement and how to open-up an additional revenue stream from this new channel.

Digital streaming was only one of a number of innovations actioned by the NZSO in 2020 – which included:

- Successfully piloting a new access platform – *Setting Up Camp*. Over two weeks in March, the NZSO visited five communities – Greater Wellington, Wairarapa, Palmerston North, Tauranga and Hamilton, seeking to deepen the Orchestra's connection with regional communities, including reaching more diverse audiences through community workshops, masterclasses, relaxed concerts, school concerts, intimate performances of traditional repertoire and informal musical engagement.
- Collaborating with Read NZ Te Pou Muramura to launch *Storytime*, a video series of much-loved Aotearoa New Zealand children's books, featuring a well-known narrator and the NZSO accompanying the narration with original music composed by New Zealanders Claire Cowan and Tane Upjohn-Beatson. The series, which introduced children to music and to orchestral instruments in a fun and accessible way, included *Tio Tiamu nā Kurahau* (*The Smelly Giant by Kurahau*) which was told in te reo Māori and made available during Māori Language Week. To date, the series of five stories has received 357,000 views and prompted many favourable comments, including:

  What a fabulous story time and introduction to the wonderful instruments that make up an orchestra. I sent the link to my great niece (3 years old) and great nephew's (6 years old) parents and their Nana (my sister, a retired librarian in Whistler,) and Pops, in Vancouver. They passed the link on too, to their friends, so there were five families that watched it. They loved the close-ups of the instruments. The family and friends want to watch it again. Congratulations on a wonderful occasion to listen to great stories and the wonderful introduction to the orchestra.
- Nationwide mass participation digital events – such as providing music on Anzac Day (which was also used by all of Aotearoa New Zealand's international Embassies and High Commissions) and the online nationwide rendition of *Pōkarekare Ana* by huge numbers of Kiwis both at home and overseas.
- Holding an *Open Doors* pilot activity at the Michael Fowler Centre in Wellington before the *Spectacular* concert in November 2020, designed to broaden the concert experience and engage with diverse local audiences.
- The development of a new Vision/Mission/Values to guide the Orchestra over the next five years as it focuses on being more audience-driven and fit-for-purpose for a changing Aotearoa New Zealand.

The NZSO will seek to build on these innovations in 2021 and introduce further new initiatives – such as the festival touring model and significant collaborations – to increase the well-being of New Zealanders by reinforcing social connections, stimulating local economies and enhancing cultural identity.

Through its Musicians, the NZSO will also continue to engage in and intensify its valuable work at a community level to inspire and teach young musicians – and continue to offer opportunities for young musicians and composers from Aotearoa New Zealand via highly reputable training programmes.

The NZSO will also aggressively pursue non-Crown revenue opportunities, particularly film and digital game scoring – and other commercial partnerships.

As well, the Orchestra will accelerate its bi-cultural journey, guided by its Kaiārahi: Tikanga, Kura Moeahu, and its Kaiārahi: Taonga Pūoro, Dame Gillian Whitehead.

Underpinning all of this activity is the NZSO's commitment to artistic excellence, brought to life by a full component of international standard musicians. The Orchestra remains enduringly committed to sharing the greatest music ever made with all the people of Aotearoa New Zealand and their communities.

The NZSO is forecasting a financial surplus for the year ending 31 December 2020 of $1.3 million. This is a consequence of significantly reduced touring costs and other savings as a result of the one-off specific circumstances of the COVID-19 pandemic. This surplus will be utilised to fund the Orchestra's activities in 2021.

The NZSO and the Ministry will continue to develop options for a more financially stable NZSO. This will include robust consideration of the NZSO's strategy and operating model.

Given the consequences of COVID-19 on the economy and the requirement to operate within its budgeted means, the NZSO's programme for the coming year will be significantly reduced in comparison to previous years.

Nevertheless, the NZSO is fully committed to engaging with all of Aotearoa New Zealand and providing access to musical excellence via live and on-going streaming of concerts and performances. In 2021, the NZSO will present 63 live concerts in 19 centres throughout Aotearoa New Zealand, along with 14 performances in collaboration with the Royal New Zealand Ballet.

The *Setting Up Camp* access platform performing world class quality repertoire will be delivered in February and March across eight centres in the South Island and four North Island centres. Later in the year in June, *Setting Up Camp* will be held in Greater Auckland, Kerikeri and Whangārei. This programme is designed to increase the level of audience engagement and facilitate access to the Orchestra. This will be achieved by providing a mix of orchestral experiences, including performances with community small ensembles, schools, coaching, relaxed concerts and the large orchestra performances.

A festival series will be performed in Tauranga, Napier, Hamilton, Christchurch, Wellington, and Auckland in April, May and July. The festival series will provide the large live symphonic concert experience that audiences love.

There will be Podium concerts held in Auckland and Wellington in 2021. These concerts are designed for the full orchestral repertoire.

In September 2021, the NZSO will perform a new version of Beethoven's Ninth Symphony in te reo Māori. This project was initially planned for 2020 – however, due to the impact of COVID-19 restrictions on live performances, it is now being held in 2021.

The NZSO will continue its educational initiatives and development of young musicians and composers through the NZSO National Youth Orchestra and the NZSO Todd Corporation Young Composers Award.

The NZSO will also pursue collaborations within the cultural sector so that New Zealanders can access innovative artistic experiences. The Orchestra will also continue to play a lead role in the Association of professional Orchestras Aotearoa (APOA), thereby supporting and collaborating within this country's orchestral sector.

The anticipated challenges facing the NZSO in 2021 will mean that the NZSO will be even more focused and entrepreneurial when it comes to pursuing non-Crown revenue opportunities.

In 2022, the NZSO will celebrate 75 years since its first-ever concert in Wellington in March 1947. That historic occasion was summed up as follows "the...Musicians who came together for the first time only five months earlier have achieved their first success, one that will be repeated throughout the country...The applause [was] loud and long..."

It is in this spirit that the NZSO advances into the year ahead – and the years beyond.

Laurence Kubiak
Chair/Tuhinga o Mua

New Zealand Symphony Orchestra
Te Tira Pūoro o Aotearoa

Statement of Performance Expectations

Tauākī Whāinga Mahi

Spectacular, Podium Series: Wellington

Our Vision, Mission and Values
Matawhānui/Whakatakanga/Matawhānui/Whai Painga

Vision

To be Aotearoa New Zealand's most loved entertainment brand.

Mission

To delight, surprise and excite all New Zealanders through memorable musical experiences.

Our Values

Fresh: We play old music like it was written yesterday and inhabit new music in a way that is familiar.

Fearless: We are not constrained by convention or location.

In Front: We are world-class in everything we do.

He Herenga Whenua: Inspired by, and connected to, this awe-inspiring country, we take excellence and turn it into a shared experience for all New Zealanders.

This is a new vision and mission for the NZSO. It takes into account:

- changing audience demographics and entertainment choices;
- competing priorities for audiences' entertainment spending;
- the desire for change within the NZSO;
- changes in the sponsor/donor environment;
- the expectations of our Government stakeholder.

Objectives and Functions of the New Zealand Symphony 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.

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 cooperate with other similar institutions and organisations having objectives similar to those of the Orchestra.

Statement of Forecast Output Service Performance

Tauākī Mahi Ratonga Huaputa Matapae

Schools Concert, NZSO Engage: Palmerston North

Non-Financial Measures
He hua kē

The performance of the NZSO is measured across four key areas as follows:

- **The NZSO: Playing a leading role in rebuilding New Zealand's social infrastructure, including social and economic well-being, during the COVID-19 recovery period.**
- **The NZSO: Future-proofed, resilient and relevant.**
- **The NZSO: Delivering international quality and leadership.**
- **The NZSO: A high performing and inclusive workplace.**

The non-financial measures have been completely reviewed to ensure they are significant and relevant for the NZSO. This has resulted in a reduction in the total number of measures – but with the focus on significance and relevance. The measures will be reviewed annually to ensure they are appropriate, with the option to add or remove measures after the reviews.

The measures have been mapped to the four key areas noted above.

There are new measures for the 2021 year, including digital and social media content and views.

The following are the measures designed to let you know how we are achieving our objectives.

	Budgeted Measure
The NZSO: Playing a leading role in rebuilding New Zealand's social infrastructure, including social and economic well-being, during the COVID-19 recovery period. These measures focus on the NZSO's reach, contribution to communities and audience engagement.	
National/regional stakeholder survey indicating positive contribution of the NZSO	8/10
Number of geographic centres reached	19
Number of NZSO presented concerts (live/streamed)	63/>7
Total audience numbers (at live concerts/performances)	>50,000
Total number of education/community performances/events	>200
Implement benchmark survey process measuring audience experience/satisfaction across NZSO concerts and events	Achieved/Not Achieved
The NZSO: Future-proofed, resilient and relevant. These measures focus on how the NZSO is working to ensure its sustainability and relevance to diverse audiences across a variety of channels.	
Total views of digital content streaming (all channels)	>2.4m
Total social media engagement measures	>580,000
Non-Crown revenue: as a percentage of total revenue	13%
The NZSO: Delivering international quality and leadership. These measures focus on how the NZSO is leading in terms of excellence, commitment to New Zealand work and leadership of the orchestral sector	
Commitment to New Zealand music	
Number of New Zealand artists performing with the NZSO	25
Number of New Zealand works performed/recorded	37
Number of new New Zealand works performed/recorded	24
Number of new New Zealand student compositions workshopped by the NZSO or NZSO-NYO	9
Total New Zealand works performed as a percentage of 2021 programme	>30%
Artistic excellence surveys by international artists and conductors rating NZSO as high quality	9/10
Number of APOA meetings organised and led by the NZSO	10
The NZSO: A high performing and inclusive workplace. These measures focus on the NZSO's commitment to being an employer of quality and to keeping every employee healthy and safe.	
Annual employee engagement: positive scores	>60%
Health and Safety measures	
Lost-time injury frequency rate	0

Financial Forecast Statements

Tauākī Matapae Ahumoni

Storytime Live with Troy Kingi, Wellington

Basis of the preparation of the Forecast Financial Statements

The financial forecast is prepared on the basis of achieving the range and number of concerts and other activities, within the forecast revenues and expenditure.

The financial forecast for 2021 is based on the following key factors:

- External ticket sales revenue based on the size of the audience, and ticket prices;
- Sponsorship revenue received;
- Crown funding;
- Commercial/contract revenue activity that is known;
- Employment expenditure, including conductors and soloists;
- The expenditure required to operate the Orchestra based on the programme of activity – for example, venue hire, and touring expenditure across New Zealand.
- New activities are forecast based on the revenue received including ticket pricing and expenditure incurred from operating previous pilots to test new innovative presentations, and known expenditure from other activities – for example, touring expenditure.

The 2021 financial year includes the estimated surplus that is forecast for the 2020 financial year, to support the initiatives included in the 2021 programme.

The impact on audience numbers and sponsorship revenue due to the COVID-19 pandemic is included in the 2021 financial forecast. This is based on the experience obtained in 2020. However, this has been quite limited due to the period in 2020 when the NZSO was unable to perform public concerts.

Statement of Forecast Comprehensive Revenue and Expense

for the year ending 31 December 2021

Revenue	2021 Budget $000	2021 Forecast $000
Government funding	14,826	16,326
Concert revenue	1,182	879
Interest revenue	30	26
Other revenue	1,468	1,312
Total Revenue	**17,506**	**18,543**
Expenditure		
Personnel	11,877	11,737
Other	6,830	5,361
Depreciation and amortisation	127	117
Total Expenditure	**18,834**	**17,215**
NET SURPLUS / (DEFICIT)	**(1,328)**	**1,328**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**(1,328)**	**1,328**

Statement of Forecast Changes in Equity

for the year ending 31 December 2021

	2021 Budget $000	2021 Forecast $000
Balance 1 January	4,121	2,293
Total Comprehensive Revenue and Expense	(1,328)	1,328
Equity injection - General Funds	250	500
Balance at 31 December	**3,043**	**4,121**

Statement of Forecast Financial Position

for the year ending 31 December 2021

Current Assets	2021 Budget $000	2021 Forecast $000
Cash and cash equivalents	3,619	5,200
Trade receivables and Other receivables	120	110
Prepayments	78	60
Total Current Assets	**3,817**	**5,370**
Non-Current Assets		
Property, plant and equipment	1,494	1,244
Intangibles	50	0
Total Non-Current Assets	**1,544**	**1,244**
Total Assets	**5,361**	**6,614**
Current Liabilities		
Trade payables and Other payables	799	874
Revenue in advance	55	211
Employee entitlements	1,222	1,188
Total Current Liabilities	**2,076**	**2,273**
Non-Current Liabillities		
Employee entitlements	242	220
Total Non Current Liabilities	**242**	**220**
TOTAL LIABILITIES	**2,318**	**2,493**
NET ASSETS	**3,043**	**4,121**
Equity		
General Funds	3,043	4,121
TOTAL EQUITY	**3,043**	**4,121**

Statement of Forecast Cash Flows

for the year ending 31 December 2021

Cash flows from operating activities	2021 Budget $000	2021 Forecast $000
Receipts from customers	2,484	2,538
Interest received	30	26
Government funding	14,826	16,326
Payment to and on behalf of employees	(11,821)	(11,520)
Payments to suppliers	(6,970)	(5,534)
Net Goods and services Tax	0	0
Net cash flows from operating activities	**(1,451)**	**1,836**
Cash flows from investing activities		
Purchases of property, plant and equipment	(320)	(90)
Purchases of intangible assets	(60)	0
Net cash flows from investing activities	**(380)**	**(90)**
Cash flow from financing activities		
Equity injection - General Funds	250	500
Cash flows from financing activities	250	**500**
Net increase / (decrease) in cash and cash equivalents	**(1,581)**	**2,246**
Cash and cash equivalents at beginning of the year	**5,200**	**2,954**
Cash and cash equivalents at end of the year	**3,619**	**5,200**

Notes to the Forecast Financial Statements

STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The NZSO has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Basis of Preparation

The financial statements of the NZSO have been prepared on a going-concern basis.

This is based on the expectation that the Crown will continue funding the NZSO at agreed levels over the next 12 months, and the resulting financial performance and cash flows will be maintained at appropriate operating levels.

The expected impact of COVID-19 on the NZSO for the 12 months from the date the financial statements are adopted and signed is not anticipated to impact negatively the financial performance and cash flows of the NZSO. The accounting policies have been applied consistently throughout the period.

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.

Statement of Compliance

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

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. These financial statements comply with PBE accounting standards.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

The specific accounting policies for significant revenue items are explained below:

Funding from the Crown (Government funding)

The NZSO is significantly funded from the Crown. This funding is restricted in its use for the purpose of the NZSO meeting the objectives specified in its founding legislation (the New Zealand Symphony Orchestra Act 2004) and the scope of the relevant appropriations of the funder.

The NZSO recognises such funding as revenue at the point when control of the resource passes to the NZSO. The NZSO considers the Crown payments made by the Ministry for Culture & Heritage to the NZSO meet the applicable control test for recognition when two events have occurred:
(1) the responsible Minister has formally approved a Crown Payment from the Ministry to the NZSO of all (or a specific portion) of an existing appropriation that relates to an agreed Statement of Performance Expectations; and
(2) the agreed Statement of Performance Expectations is effective. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements. In the NZSO's view, the recognition of Government funding in this way meets the requirements of the applicable accounting standard (PBE IPSAS 23, Revenue from Non-Exchange Transactions).

Grants Received

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grants are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied. Grant revenue is aggregated with other sponsorship revenue.

Contra Sponsorship Received

Sponsorship revenue can be received by the NZSO in cash and/or non-cash (contra) exchange transactions. Revenue is recognised when it becomes receivable except when, in the case of contra sponsorship, there is a realistic expectation that those sponsored services will not be realised.

Where the contra sponsorship generates a physical asset (rather than services) as consideration, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of such assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition and age.

Interest Revenue

Interest revenue is recognised using the effective interest method.

Provision of Services/ Concert Revenue

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date. Concert revenue received for the NZSO's 2020 performances is revenue in advance at balance date and will be fully recognised as revenue in the 31 December 2021 financial statements.

Foreign Currency Transactions

All foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars (the functional currency) using the spot 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Operating leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are recognised as expenses on a straight-line basis over the lease term.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that the NZSO will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Investments

Term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Property, plant, and equipment

Property, plant and equipment consist of the following asset classes: computer hardware, leasehold improvements, musical instruments, studio equipment, furniture and office equipment and music library. All assets classes are measured at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the NZSO and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Notes to the Forecast Financial Statements

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZSO and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment at rates calculated to write-off the cost (or valuation), to their estimated residual value over their estimated useful lives. Leasehold alterations are depreciated over the remaining period of the lease agreement. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Leasehold Alterations	3–15 years	6.67%–33.33%
Computer Hardware	3 years	33.33%
Studio Equipment	10 years	
Furniture and Office Equipment	15 years	
Musical Instruments percussion only	10 years	
Musical Instruments all other	25 years	
Library Music Manuscripts	Not depreciated	

Intangibles Assets

Software acquisition and development

Acquired computer software licences 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 surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired Computer Software	3 years	3.33%
Developed Computer Software	3 years	33.33%

Impairment of Property, Plant and Equipment and Intangible assets

The NZSO does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Property, plant and equipment and intangible assets held at cost that have a finite useful life 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 surplus or deficit.

Payables

Short-term payables are recorded at their face value.

Employee Entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at, balance date, deferred and retiring leave (vested and available to be cashed-in) and sick leave. A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences. A liability and an expense are recognised for bonuses where there is a contractual obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information;
- the present value of the estimated future cash flows.

Sick leave, annual leave, and vested long-service, retiring and deferred leave are classified as a current liability. Non-vested long-service leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as non-current liabilities.

Superannuation Schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, the State Sector Retirement Savings Scheme and the NZSO's Tower Superannuation Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The NZSO makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme 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 surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Equity

Equity is measured as the difference between total assets and total liabilities. There is no basis on which to disaggregate equity, and it is recognised in total as general funds.

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 Forecast Cash Flows.

Income Tax

The NZSO is a public authority for the purposes of the Inland Revenue Act. A public authority is exempt from income tax under the Income Tax Act 2007 and, accordingly, no provision has been made for income tax.

Notes to the Forecast Financial Statements

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 discussed below.

Estimating useful lives and residual values of property, plant and equipment

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

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the Statement of Forecast Financial Position. The NZSO minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

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

Critical Judgements in Applying Accounting Policies

The NZSO has exercised the following critical judgements in applying accounting policies:

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the NZSO. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Forecast Financial Position as property, plant and equipment, whereas, for an operating lease, no such asset is recognised. The NZSO has exercised its judgement on the appropriate classification of equipment leases and has determined no lease arrangements are finance leases.

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