New Zealand Symphony Orchestra
Te Tira Pūoro o Aotearoa

G69

2023/24

Statement of Performance Expectations

Tauākī Whāinga Mahi

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

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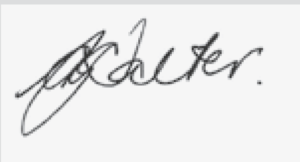
Contents

Ngā Ihirangi

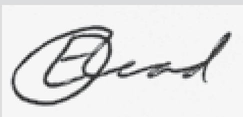
This Statement of Performance Expectations reflects the NZSO's planned performance targets and forecast financial information for the year ending 30 June 2024.

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.



Ainsley Walter
Board Chair/Heamana
30 June 2023



Edwin Read
Chair: Audit Committee/Heamana Komiti Arotake
30 June 2023

COVER: Gemma New – who was appointed as the NZSO's Principal Conductor and Artistic Advisor in February 2022

Introduction
He Kupu Arataki

Hilary Hahn, *Truth and Beauty*

E tīorooro ana te manu kōrihi i te ata hei tohu i te rā hou.

Ka rere atu ia me te reo o mihi ki te iwi kia ara, kia tangi, kia mihi ki te ao hou

E rere nei te reo mihi hoki ki a koutou ngā kaitautoko i Te Tira Puoro o Aotearoa.

Tēnā tatou, talofa lava, mālō e lelei, greetings

Note: The Statement of Performance Expectations (2023/24) should be read in conjunction with the half-year Statement of Performance Expectations (2023) in order to provide a complete picture of the NZSO's Te Tira Pūoro o Aotearoa's activities (particularly its 2023 performance season).

Over the 2023-24 period, The NZSO will continue to progress towards the fulfilment of its vision - "To be Aotearoa New Zealand's most loved entertainment brand", guided by the four strategic priorities set out in the NZSO's Statement of Intent: 2021–2024:

- The NZSO: Playing a leading role in rebuilding Aotearoa 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 2023/24 period will reflect a transitional period for the NZSO as the Orchestra:

[Hillary Hahn] treated Wellington audiences to a feast of violin-playing across a wide range of repertoire in a perfect partnership with conductor Gemma New and the New Zealand Symphony Orchestra.

—The Dominion Post

- Nears the completion of its 2021 –2024 Statement of Intent transformation cycle
- Prepares to develop a new Statement of Intent (for the period 2024/25 to 2027/28)
- Manages the shift to a Crown Financial Year (1st July to 30th June) which is challenging given it is a calendar year-orientated entertainment delivery organisation and its 2024 performance season (although well developed) will not be fully finalised given the required lag time involved in finalising and co-ordinating with venues, international artists and co-production partners
- Reorientates its delivery model to realise the full benefits of NZSO's significant investment in digital technology, prepares for the opportunities which will be opened up by the completion of the National Music Centre in 2026 and fully leverages the Orchestra's education and community outreach capabilities
- Adopts a three-year financial outlook, focussing on sustainable retained earnings and smoothing the NZSO financial position over time.

The Orchestra is acutely aware of the difficult economic outlook for 2023 and beyond, including rising inflation and prices, slow economic growth and monetary tightening weighing on domestic demand. Disposable income will be tight and entertainment consumers will continue to make careful choices. Consequently, given this environment – and conscious that the Orchestra needs to be financially stable over the medium and long-term, the NZSO will be focused on ensuring the Orchestra delivers maximum impact to the diverse populations of Aotearoa New Zealand and their communities, within available funding and resource levels.

The Orchestra is also very mindful that Aotearoa New Zealand may continue to experience ongoing waves of COVID-19 cases and / or future pandemics – which may present the Orchestra with additional challenges and complexity. The NZSO is now deeply experienced in managing its activities within a COVID-19 context, including proven planning and strategic option processes and the provision of online streaming of concerts and performances.

Given the environment of medium-term financial challenges, including cost pressures arising from inflation, and touring costs, the NZSO intends to smooth its financial position over the three year period 2023/24 to 2025/26 – with stable retained earnings and a modest and manageable 2023/24 projected deficit and thereafter modest surpluses generated by a combination of realised internal operating savings, a re-orientated Orchestra season and increasing third party revenue.

In the face of these challenges, the NZSO will deliver an innovative, vibrant and forward-looking programme of activity in 2023-24 – which advances the Orchestra's core purpose: We are world-class music-makers who share the greatest music ever made and are crucial agents of positive change in communities, shaping a better Aotearoa New Zealand.

The key focus areas for the Orchestra in 2023-24 include:

- Exploring a new national engagement model for 2025 and beyond with a greater focus on impact. This will enable the Orchestra to continue to be a truly national orchestra which takes into account changing audience demographics and entertainment choices, and maximises the NZSO's recent investment in digital technology to drive increased impact and efficiencies
- Giving greater recognition to the diverse needs of New Zealanders – in particular, those who are and feel underrepresented and underserved when it comes to accessing and participating in live orchestral music
- Adding innovation and resource to the Orchestra's highly popular education and community engagement programmes which nurture emerging music making talents and uplift individuals and communities
- Supporting the health and wellbeing of New Zealanders through musical experiences which provide individual fulfilment while strengthening social cohesion

Mana Moana

- Seeking to collaborate across the cultural sector and more widely to delight, surprise and excite audiences
- Opening up diverse revenue opportunities to ensure the ongoing financial sustainability of the Orchestra
- Ensuring the NZSO remains an international standard symphony orchestra and enables all New Zealanders to experience both performance and • learning environments and the best conductors and musicians the world has to offer
- Progressing its Te Tiriti journey – Te Ara Tū Roa – so that Te Ao Māori is at the heart of the Orchestra's mahi and that the Orchestra's Māori language strategy and plan is developed by the end of the financial year
- Advancing planning and preparation for taking up residence in the NZSO's first-ever permanent home in the Wellington Town Hall and, with partners the Wellington City Council and the New Zealand School of Music / Te Kōkī, ensuring the National Music Centre is transformative for music-making in Aotearoa New Zealand
- Continuing to provide collegial leadership to the Association of Professional Orchestras Aotearoa (APOA) and the wider orchestral sector
- Progressing a reduction in the Orchestra's carbon emissions in order to help Aotearoa New Zealand respond to the challenges of climate change
- Continuing to improve the NZSO's operational capabilities, including management and control systems, and accurate forecasting and budgeting processes.

The NZSO has undertaken a revision of its performance measures in this Statement of Performance Expectations to align with these focus areas.

Over its more than 75 years of existence, the NZSO has come to hold a special place in the hearts of all New Zealanders. We are committed to continuing to live up to the honour of being regarded as one of our country's taonga and to helping all New Zealanders and their diverse communities flourish.

Over the year ahead – and beyond, we renew our dedication, as expressed in the Orchestra's waiata, to gather hearts together and inspire them to beat as one:

Ka tau, ka ū…
Patuki tahi ai
Manawakura e rere

Noho ora mai

Ainsley Walter
Board Chair/Heamana
New Zealand Symphony Orchestra Te Tira Pūoro o Aotearoa

In 2023, the NZSO launched their new streaming platform – NZSO+

The newly-refurbished Wellington Town Hall, a core part of the National Music Centre, is on-track to be completed by the end of 2025

The NZSO's annual *Young Artists Showcase* highlights Aotearoa New Zealand's emerging musical talent

Statement of Performance Expectations

Tauākī Whāinga Mahi

The NZSO's *Open Doors* programme creates hands-on opportunities for communities to engage personally with the Orchestra

Our Vision, Mission and Values

Matawhānui/Whakatakanga/ Matawhānui/Whai Painga

Our Vision
Tā Mātou Matakite

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

Our Mission
Tā Mātou Whakatakanga

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

Our Values
Ō Mātou Uara

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.

Objectives and Functions of the New Zealand Symphony Orchestra

Objectives of the Orchestra
Ngā Whāinga o te Tira Puoro

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
Ngā Kawenga a te Tira Puoro

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

Jubliee: The NZSO's 75th Anniversary concert

Non-Financial Measures
He Hua Kē

The performance of the NZSO is measured across four key areas as follows – as set out in the NZSO's Statement of Intent: 2021–2024:

- 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 substantially changed to ensure they align to the Government's new non-financial reporting standards [PBE FRS48], including meaningful outcome-orientated measures and an auditable reporting framework. The measures will be reviewed regularly through the year to ensure they are appropriate, with the options to add or delete measures after the reviews.

STRATEGIC PRIORITY #1 – Reach, Contribution and Engagement **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.	2023/24 Target Measures
Number of geographic centres reached through live concerts/performances/events	21
Number of ticketed concerts	59
Total audience numbers at ticketed concerts	68,540
Number of education and community engagement performances	23
Total audience numbers at education and community engagement performances	9,150
Number of live/digital education & community engagement events	92
Total participant numbers at live/digital education & community engagement events	5,351
STRATEGIC PRIORITY #2 – Innovation, Resilience and Relevance **The NZSO: Future-proofed, resilient and relevant.** These measures focus on how the NZSO is working to ensure its sustainability, engagement and relevance to diverse audiences across a variety of experiences and channels.	
Audience satisfaction survey ratings (target average for 2023/24 – 9/10)	90%
Non-Crown revenue: as a percentage of total revenue	18%
Total number of new digital content releases across all NZSO-owned channels	148
Total views of digital content releases across all NZSO-owned channels	518,000
STRATEGIC PRIORITY #3 **The NZSO: Delivering internationally Renowned Quality and Orchestral 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.	
Maintain net carbon zero	Net carbon zero maintained
Number of New Zealand artists performing with the NZSO	61
Number of New Zealand works performed/recorded/streamed	66
Number of new New Zealand works performed/recorded/streamed	15
Number of new New Zealand student compositions performed/recorded/streamed by the NZSO and NYO	8
Total New Zealand works performed/recorded/streamed as a percentage of the 2023-24 programme	9%
Number of APOA meetings led/facilitated by the NZSO	6
STRATEGIC PRIORITY #4 **The NZSO: A high performing and inclusive workplace.** These measures focus on the NZSO's commitment to being an employer of quality which keeps every employee healthy and safe – and ensures that all employees are provided with timely and useful information so that their working environment is fulfilling and transparent.	
Annual employee engagement	>60%
Streamlining processes and improving internal reporting	2
Lost-time injury frequency rate	0

Financial Forecast Statements

Tauākī Matapae Ahumoni

Teeks and the NZSO performed three sold-out concerts to celebrate the inaugural Matariki holiday

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 1 July 2023 – 30 June 2024 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 Aotearoa.
- 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.

Statement of Forecast Comprehensive Revenue and Expense

for the year ending 30 June 2024

Revenue	2023/2024 Forecast $000	6 months to 30 June 2023 Forecast $000
Government Funding	18,131	9,866
Concert Revenue	2,250	1,036
Interest Revenue	150	130
Other Revenue	1,564	755
Total Revenue	**22,095**	**11,787**
Expenditure		
Personnel	14,116	6,790
Other	7,938	3,748
Depreciation and amortisation	200	52
Total Expenditure	**22,254**	**10,590**
NET SURPLUS / (DEFICIT)	**(159)**	**1,197**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**(159)**	**1,197**

Statement of Forecast Changes in Equity

for the year ending 30 June 2024

	2023/2024 Forecast $000	6 months to 30 June 2023 Forecast $000
Balance 1 July	2,669	1,472
Total Comprehensive Revenue and Expense	(159)	1,197
Equity injection – General Funds	6,999	6,999
Balance at 30 June	**9,509**	**9,668**

Statement of Forecast Financial Position

for the year ending 30 June 2024

Current Assets	2023/2024 Forecast $000	6 months to 30 June 2023 Forecast $000
Cash and cash equivalents	6,727	6,719
Trade receivables and Other receivables	1,166	1,187
Prepayments	189	189
Total Current Assets	**8,082**	**8,095**
Non-Current Assets		
Property, plant and equipment	3,954	4,068
Intangibles	–	2
Total Non-Current Assets	**3,954**	**4,070**
Total Assets	**12,036**	**12,165**
Current Liabilities		
Trade payables and Other payables	904	924
Revenue in advance	631	631
Employee entitlements	957	907
Total Current Liabilities	**2,492**	**2,462**
Non-Current Liabilities		
Employee entitlements	35	35
Total Non Current Liabilities	**35**	**35**
TOTAL LIABILITIES	**2,527**	**2,497**
NET ASSETS	**9,509**	**9,668**
Equity		
General Funds	9,509	9,668
TOTAL EQUITY	**9,509**	**9,668**

Statement of Forecast Cash Flows

for the year ending 30 June 2024

Cash flows from operating activities	2023/2024 Forecast $000	6 months to 30 June 2023 Forecast $000
Government funding	18,131	9,866
Receipts from customers	3,836	2,040
Interest received	150	130
Payment to and on behalf of employees	(14,066)	(6,762)
Payments to suppliers	(7,959)	(3,468)
Net cash flows from operating activities	**92**	**1,806**
Cash flows from investing activities		
Purchase of property, plant and equipment	(84)	(341)
Purchases of intangible assets	–	–
Net cash flows from investing activities	**(84)**	**(341)**
Cash flow from financing activities		
Equity injection – General Funds	–	–
Net cash flow from financing activities	**–**	**–**
Net increase / (decrease) in cash and cash equivalents	**8**	**1,465**
Cash and cash equivalents at beginning of the year	**6,719**	**5,254**
Cash and cash equivalents at end of the year	**6,727**	**6,719**

Notes to the Forecast Financial Statements

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

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 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.

Under the Crown Entities Act 2004 Part 4, section 136 (1), the financial year for a Crown Entity (other than a school board 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." The NZSO moves from a calendar financial year ending 31 December to a Crown financial year ending 30 June, the first year being 2023/24.

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 and 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 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 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.

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	10%
Furniture and Office Equipment	15 years	6.67%
Musical Instruments percussion only	10 years	10%
Musical Instruments all other	25 years	4%
Library Music Manuscripts		Not depreciated

Intangibles Assets

Software Acquisition and Development

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining software are recognised as an expense when incurred. Costs 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 Software	3 years	33.33%
Developed 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 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 as 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 Income Tax Act 2007. A public authority is exempt from income tax under the Income Tax Act 2007 and, accordingly, no provision has been made for income tax.

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.

Notes to the Forecast Financial Statements

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.

The NZSO creates memorable musical experiences for all ages.

In 2023, the NZSO will perform live Leonard Bernstein's electrifying score to *West Side Story* while the iconic movie is shown on the big screen

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