



STATEMENT OF PERFORMANCE EXPECTATIONS
**FOR THE YEAR ENDING
31 DECEMBER 2016**

NEW ZEALAND SYMPHONY ORCHESTRA
TE TIRA PŪORO O AOTEAROA

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STATEMENT OF PERFORMANCE EXPECTATIONS

This Statement of Performance Expectations reflects NZSO's proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with Section 149E of the *Crown Entities Act 2004*.

The forecast financial statements and underlying assumptions in this document have been authorised as appropriate for issue by the Board of 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.

A stylized, handwritten signature in black ink, consisting of a large loop and a few sharp strokes.

Donald Best
Board Chair

30 October 2015

A handwritten signature in black ink, featuring a large, sweeping 'P' followed by several smaller, connected strokes.

Peter Diessl
Board Member
Audit Committee Member

30 October 2015

This is the second Statement of Performance Expectations (SPE) prepared by New Zealand Symphony Orchestra (NZSO), and should be read in conjunction with NZSO's previously published Statement of Intent 2015-2018.

This document provides information directly associated with the performance targets which have been set for the year ending 31 December 2016.

All information is provided in accordance with the *Crown Entities Act 2004*. Results of performance against these targets and also against the longer term goals set out in our Statement of Intent will be provided in our Annual Report which will be published by 31 March 2017. Interim results may also be provided on the Publications page of NZSO's website during 2016.

This Statement of Performance Expectations is provided in two parts:

PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

The forecast statements in this section provide performance measures and targets for the year ending 31 December 2016 in accordance with the *Crown Entities Act 2004* in relation to our Orchestral Services outputs. This section explains how our activities contribute to longer-term Outcomes noted in the Performance Framework. As shown in this framework, the three Outcome areas and services we deliver work collectively to contribute to the overarching goal and support the Sector Vision. This section begins with laying out the Functions and Objectives of the NZSO as legislated as well as the NZSO's Vision, Mission and Values.

FORECAST FINANCIAL STATEMENTS

The forecast financial statements provide all appropriate information and explanations needed to fairly reflect the forecast financial operations and financial position of NZSO for the year ending 31 December 2016 in accordance with Section 149G of the *Crown Entities Act 2004*.

2016 BUDGETS AT A GLANCE



90,088

Total
audiences



9 / 10

Audience
gradings of
performances



(\$278,000)

Net
Deficit



26

Communities
represented in
audiences



10

New student
compositions
workshopped

ASSESSING PERFORMANCE AND SUCCESS

There are many ways to assess performance and define and measure success. The NZSO is governed by legislation and is also a member of a large and diverse cultural sector. These two factors are the critical elements in building an appropriate performance framework for the Orchestra and then establishing measures which demonstrate progress using an "investment-to-outcomes" type model. Success to the NZSO means achieving excellence in the delivery of the Functions of the Orchestra, as defined in Section 9 of the *New Zealand Symphony Orchestra Act 2004* ("the Act") and in meeting the Objectives of the Orchestra outlined in Section 8 of the Act. In doing so, the NZSO will contribute to the cultural sector's Vision and Outcomes.

New Zealand's national orchestra has been performing music at the very highest levels for nearly seventy years. The New Zealand Symphony Orchestra (NZSO) was established as an autonomous Crown entity on 6 April 2004 by the Act. Prior to this, the Orchestra was a crown-owned limited liability company from 1998-2004 and before that, from its establishment in 1947 until 1998 was part of New Zealand's various broadcasting agencies - New Zealand Broadcasting Service (NZBS), New Zealand Broadcasting Corporation (NZBC) and Broadcasting Corporation of New Zealand (BCNZ). The continuous pursuit of excellence in performance is a critical determinant of our core business of symphonic music making. Organisational excellence is the key to its achievement.

While the NZSO has a single Output Class (Orchestral Services), there are a wide variety of distinct activities and services (outputs) undertaken each year. The level of Orchestral Services outputs varies from year to year and is restricted to a degree by the amount of funding available. When the level of funding in real terms declines, it is prudent that the outputs also reduce in order to maintain the financial viability of the Orchestra on an ongoing basis. The key output measures are grouped by the Objective they relate to from the Act. Each of these outputs also contribute towards one of the NZSO's three Outcome areas; Quality, Coverage and Development.

In addition to delivering on the Functions and Objectives of the Act, the NZSO is also contributing (along with other New Zealand orchestras) to the full implementation of the recommendations of the New Zealand Professional Orchestra Sector Review (OSR) published by the Ministry for Culture & Heritage in February 2013, available here:

[http://www.mch.govt.nz/files/New%20Zealand%20Professional%20Orchestra%20Sector%20Review%20Final%20Report%20\(D-0466809\).PDF](http://www.mch.govt.nz/files/New%20Zealand%20Professional%20Orchestra%20Sector%20Review%20Final%20Report%20(D-0466809).PDF)

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.

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

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.

PERFORMANCE FRAMEWORK

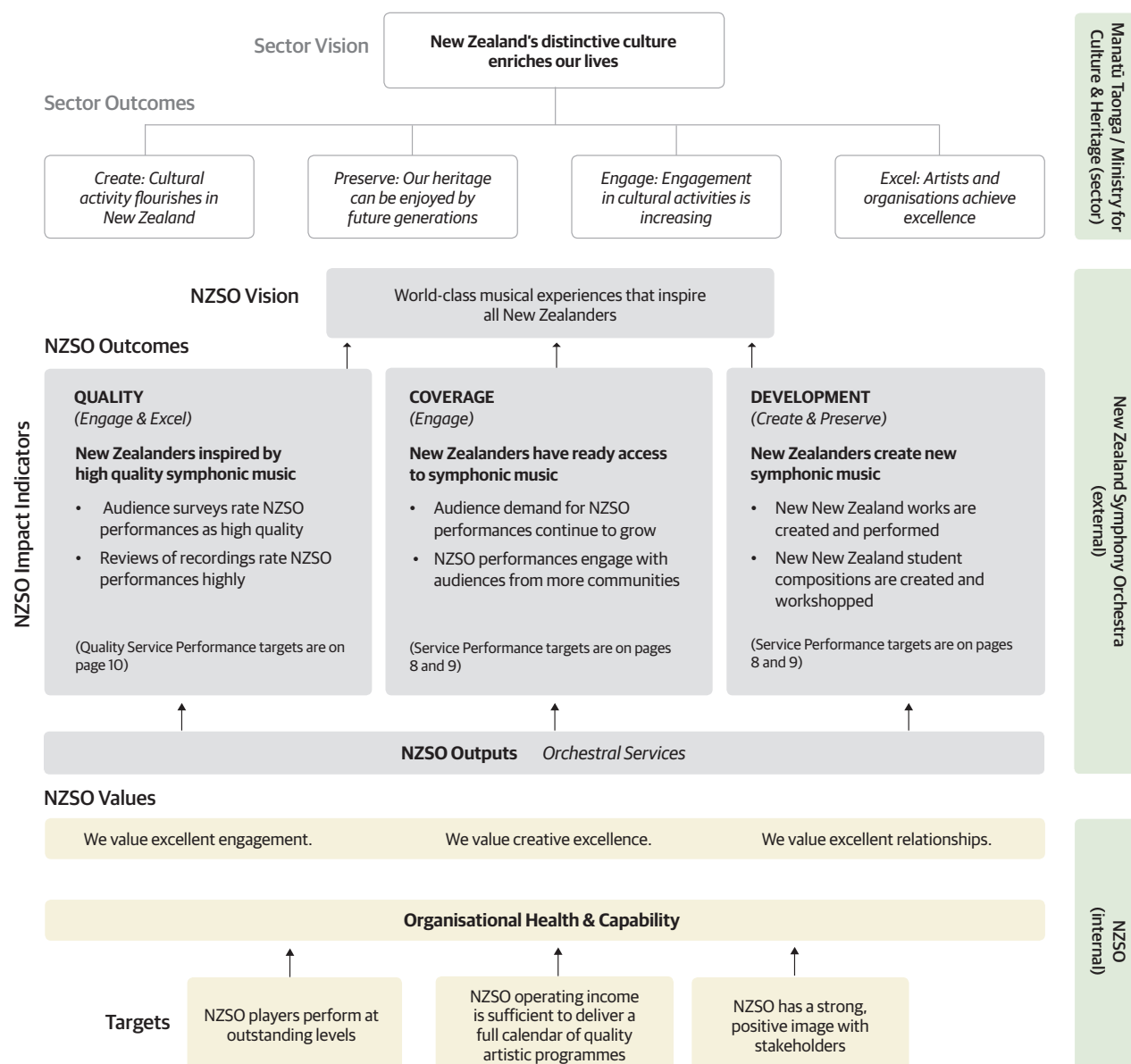
Government Funding for the NZSO's ongoing expenditure is provided through Vote: Arts, Culture and Heritage for the Output: Performing Arts Services. The Output is described as "providing opportunities for New Zealand audiences to experience high quality live symphonic music...and encouraging participation in and appreciation of the art form in New Zealand".

The NZSO's specific performing arts service is Output: Orchestral Services. Orchestral services are provided either as live performance (to a public or private audience) or are recorded for distribution through a wide variety of mediums. This may include radio broadcast, digital download, streaming, CD, film soundtrack and more. Orchestral Services is the only Reportable Class of Output of the NZSO and all financial and

non-financial performance measures in this Statement of Performance Expectations are directly related to this one Output Class.

The NZSO's performance framework, below, shows how the range of our activities link to that of the wider cultural sector in supporting and developing New Zealand's distinctive culture and enriching lives. The NZSO does this through three outcomes sought from the orchestral services it provides.

The NZSO has determined six impact indicators which suggest that progress is being achieved toward the outcomes sought and specific impact measures are assigned to each. The 2016 targets for these are shown in the shaded budget column of the succeeding "Impacts & Outcomes" table.



IMPACTS & OUTCOMES

From the Performance Framework described on the previous page, the NZSO has determined specific, identifiable measures which it is believed will demonstrate progress towards the three defined Outcomes under the headings Quality, Coverage and Development. For each identified measure a budget target

has been set for 2016. In the following table these 2016 budget targets are shown alongside the projected result for that target in the 2015 year and the actual results achieved for the 2014 and 2013 years.

OUTCOME: Quality		New Zealanders inspired by high quality symphonic music			
Impact indicator	Impact measure	2016 Budget	2015 Projected	2014 Actual	2013 Actual
Audience surveys rate NZSO performances as high quality	Average grading achieved for quality of performance in surveys of NZSO audiences	9 / 10	9 / 10	9.6 / 10	9 / 10
Reviews of recordings rate NZSO performances highly	Average grading achieved for NZSO recordings released and reviewed	9 / 10	9 / 10	9.6 / 10	9 / 10
Outcome: Coverage		New Zealanders have ready access to symphonic music			
Impact indicator	Impact measure	2016 Budget	2015 Projected	2014 Actual	2013 Actual
Audience demand for NZSO performances continues to grow	Total audience attendances for NZSO performances #	90,088	98,431	100,792	101,000
NZSO performances engage with audiences from diverse communities	Total number of communities represented in NZSO audiences for live performances *	26*	26*	45	67
OUTCOME: Development		New Zealanders create new symphonic music			
Impact indicator	Impact measure	2016 Budget	2015 Projected	2014 Actual	2013 Actual
New New Zealand works are created and performed	Number of new New Zealand works performed by NZSO	4	4	3	4
New New Zealand student compositions are created and workshopped	Number of new New Zealand student compositions workshopped by NZSO	10	9	10	9

While total audiences as a measure show decreases in each year, this is a factor of reducing the number of performances as financial resources continue to be restrained. The average audience attendance per performance has increased in each of the years shown (refer page 10). Overall audience demand continues to grow. In a 2015 survey of audiences, 64% of respondents would like to attend more NZSO performances (36% would attend the same number, 0% would attend fewer).

* A recommendation of the New Zealand Professional Orchestra Sector Review (OSR) was that the NZSO is not required to tour to centres with populations fewer than 50,000. There are only 13 such centres in New Zealand, but audiences from other communities do travel to these larger population bases to experience NZSO performances. The NZSO's response to this OSR recommendation is the reason for the decline in this measure from 2013 and 2014 to 2015 and 2016 as the OSR recommendations are implemented.

FORECAST OUTPUT SERVICE PERFORMANCE

The following table details specific, identifiable Orchestral Services output targets for each Objective of the NZSO (as defined in Section 8 of the *New Zealand Symphony Orchestra Act 2004*). Each output is also directly related to one of the specific outcomes that are identified in the performance framework (NB. The measures for Performance Quality are on

the succeeding table). In addition to these Orchestral Services output targets, the NZSO has agreed some additional targets with the Ministry for Culture & Heritage which are shown at the end of this table. These targets relate to recommendations of the New Zealand Professional Orchestra Sector Review.

NEW ZEALAND SYMPHONY ORCHESTRA ACT 2004 - SECTION 8	SPECIFIC OBJECTIVES	OUTCOME	FORECAST OUTPUT SERVICE PERFORMANCE	2016 BUDGET	2015 PROJECTED	2014 ACTUAL	2013 ACTUAL
			Detail	Summary			
Provide the public of New Zealand with live and recorded performances of symphonic music performed to an international standard	<i>Provide quality live performances throughout the country</i>	Coverage	At least 50 full-orchestra performances presented throughout New Zealand in 2016 and at least 20 reduced-size orchestra performances. Total performances: 70	50 full-orchestra and 20 reduced-size orchestra performances Total performances: 70	46 full-orchestra and 32 reduced-size orchestra performances Total performances: 78	69 full-orchestra and 15 reduced-size orchestra performances Total performances: 84	49 full-orchestra and 47 reduced-size orchestra performances Total performances: 96
	<i>Ensure that as many performances as possible are broadcast</i>	Coverage	At least 20 new NZSO performances are broadcast nationally on radio or television in 2016.	20 new performances broadcast	22 new performances broadcast	25 new performances broadcast	21 new performances broadcast
	<i>Produce high quality music and film recordings</i>	Coverage	At least 2 musical (including film score) recordings are undertaken in 2016.	2 recordings made	4 recordings including 1 film recording, 1 CD recording, 1 exhibition recording and 1 accompaniment recording.	4 recordings including 1 film recording and 3 CD recordings.	7 recordings including 2 film recordings, 3 CD recordings, 1 broadcast recording and 1 accompaniment recording.
	<i>Performances are of international quality</i>	Quality	Refer separate performance quality measures on Page 11.				
Provide an orchestra that:							
- Is highly skilled and artistically imaginative; and	<i>Provide Professional Development opportunities for existing NZSO musicians</i>	Development	At least 4 professional development scholarships or bursaries are awarded to NZSO musicians in 2016.	4 scholarships or bursaries	4 scholarships or bursaries	6 scholarships or bursaries	3 scholarships or bursaries
	<i>Live performances include a wide variety of programmes</i>	Development	Full-orchestra performances presented in 2016 of at least 19 different programmes and at least 6 different reduced-size orchestra programmes.	19 full-orchestra and 6 reduced-size orchestra programmes	15 full-orchestra and 12 reduced-size orchestra programmes	28 full-orchestra and 5 reduced-size orchestra programmes	13 full-orchestra and 12 reduced-size orchestra programmes
- has strong community support	<i>Live performances reach as many communities as possible</i>	Coverage	At least one NZSO performance in 2016 is undertaken in each of the 13 New Zealand centres with populations in excess of 50,000.	13 communities reached with live performances	15 communities reached with live performances	33 communities reached with live performances	37 communities reached with live performances

One of the key Output measures for the NZSO is the total number of live performances presented in New Zealand each year. The table below shows a steady decline from the actual number presented in 2013 of 96 and the budget number of performances for 2016 of 70 – a net 27% decrease over the period. As noted on the Impacts table on page 7, total audiences which are a function of total performances have also decreased over the same period, but by a much smaller amount, 11%. As the real value of the NZSO's discretionary funds for presenting concerts decreases over time, the number of performances also decreases in order to maintain the financial sustainability of the organisation.

On page 10, the two measures of number of performances and total audiences are mapped against the average audiences per performance.

NEW ZEALAND SYMPHONY ORCHESTRA ACT 2004 – SECTION 8	SPECIFIC OBJECTIVES	OUTCOME	FORECAST OUTPUT SERVICE PERFORMANCE	2016 BUDGET	2015 PROJECTED	2014 ACTUAL	2013 ACTUAL
Be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment	<i>Provide opportunities for the training and development of young and emerging musicians</i>	Development	At least 4 NZSO National Youth Orchestra performances, 14 students in NZSO Mentor programme and 4 students in the fellowship programme, 4 master classes with NZSO players or guest artists and coaching of students in 6 New Zealand regional Youth Orchestras is undertaken in 2016.	4 NYO performances 14 mentor students 4 fellowship students 4 master classes 6 youth orchestras coached	2 NYO performances 14 mentor students 6 fellowship students 4 master classes 6 youth orchestras coached	4 NYO performances 13 mentor students 6 fellowship students 4 master classes 7 youth orchestras coached	3 NYO performances 11 mentor students 4 fellowship students 3 master classes 6 youth orchestras coached
	<i>Work collaboratively with other arts and cultural organisations in New Zealand</i>	Development	At least 6 performance collaborations with other arts and cultural organisations are undertaken in 2016 (including with New Zealand Festival and Museum of New Zealand Te Papa Tongarewa).	6 performance collaborations with other arts and cultural organisations	10 performance collaborations with other arts and cultural organisations	Performance collaborations included 10 with NZ Festival and 2 with the New Zealand Museum of Te Papa Tongarewa.	Performance collaborations with Royal NZ Ballet, NBR NZ Opera, Capital-E National Theatre for Children and the Museum of New Zealand Te Papa Tongarewa.
Promote and encourage New Zealand musical composition and composers	<i>Create workshop opportunities for New Zealand composers</i>	Development	At least 8 student compositions are workshopped by NZSO in 2016 and 5 other New Zealand compositions workshopped.	8 student compositions 5 other compositions	9 student compositions 8 other compositions	10 student compositions	9 student compositions
	<i>Profile New Zealand composition in public performances and in recordings</i>	Development	At least 18 New Zealand works performed in total in 2016.	18 New Zealand works performed	20 New Zealand works performed.	37 New Zealand works performed	35 New Zealand works performed
Provide performance opportunities for New Zealand musicians, whether as members of the orchestra or as soloists	<i>Ensure that New Zealand artists perform with the orchestra as often as possible</i>	Development	At least 10 New Zealand artists perform with the NZSO in 2016.	10 New Zealand artists perform	12 New Zealand artists perform	21 New Zealand artists perform	26 New Zealand artists perform

FORECAST OUTPUT SERVICE PERFORMANCE

New Zealand Professional Orchestra Sector Review, Final Report, February 2013, recommendation 3

That the orchestra sector is encouraged to establish a leadership body to increase collaboration and provide collective representation with central government funders

2016 Budget Output – Actively participate in the production of an annual report of nation-wide orchestral services.

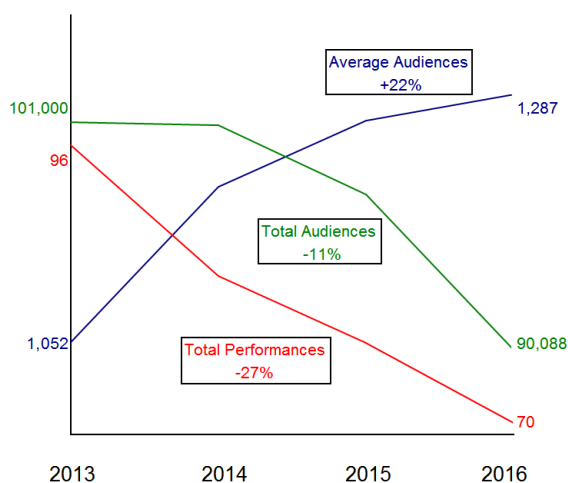
2016 Budget Output – Actively participate in regular meetings of APOA (Association of Professional Orchestras Aotearoa).

MEASUREMENT OF QUALITY SERVICE PERFORMANCE

One of the Objectives of the NZSO as defined in Section 8 of the *New Zealand Symphony Orchestra Act 2004* is "performances of symphonic music performed to an international standard". The following table sets targets for 2016 to demonstrate NZSO is delivering on this objective.

PROCESS	TARGET	MEASUREMENT	2016 BUDGET	2015 PROJECTED	2014 ACTUAL	2013 ACTUAL
Regular audience surveys are conducted and performance quality is polled.	Audiences recognise NZSO performances are of international quality.	Audience surveys achieve high gradings.	9/10	9/10	9.6/10	9/10
Increasing audiences for NZSO performances indicate that quality is being achieved.	Audiences recognise NZSO performances are of international quality.	# Average audience attendances increase.	1,287 * 90,088 ** 70	1,261 98,431 78	1,199 100,792 84	1,052 101,000 96
Independent international reviews of live and recorded performances assess quality of orchestra performance.	International reviewers recognise NZSO performances are of international quality.	International reviews achieve high gradings.	9/10	9/10	9.6/10	9/10
Critical reviews by New Zealand media of live performances assess quality of orchestra performance.	New Zealand reviewers recognise NZSO performances are of international quality.	New Zealand reviews achieve high gradings.	9/10	9/10	9.4/10	9/10
International artists polled on quality of orchestra and performances ("Exit Polling").	Artists recognise NZSO performances are of international quality.	Exit polling of guest conductors and soloists achieve high gradings.	9/10	9/10	10/10	10/10
International broadcasters programming of NZSO recordings indicate quality is being achieved.	Broadcasters recognise NZSO performances are of international quality.	Increasing numbers of broadcasts of the NZSO on overseas networks.	10	10	10	9

Output (Performances) vs. Outcome (Audiences)



Average audiences are calculated as total audiences divided by total performances.

* Total audiences, refer page 7.

**Total performances, refer page 8.

This graph illustrates how the outcome measure of average audiences for NZSO performances has increased over the years 2013-2016 by 22%. Over the same period the output measure of number of NZSO performances per annum has decreased by 27% as the real value of NZSO's discretionary funds for presenting concerts has decreased.

STATEMENT OF FORECAST COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 Budget \$000	2015 Budget \$000	2015 Projected Actual \$000
Government Funding	13,446	13,446	13,446
Interest & Sundry Revenue	423	448	413
Overhead Expenses (incl. Salaries)	(12,671)	(12,384)	(12,490)
Depreciation & Amortisation	(156)	(160)	(130)
Surplus / Deficit before Orchestral Services	1,042	1,350	1,239
Orchestral Services			
Concert Revenue	2,764	3,075	2,766
Sponsorship Revenue	1,933	1,710	1,433
Other Orchestral Services Revenue	97	58	102
Orchestral Services Expenses	(6,114)	(6,318)	(5,690)
Surplus / Deficit from Orchestral Services	(1,320)	(1,475)	(1,389)
Net Surplus / (Deficit) for the year	(278)	(125)	(150)
Other Comprehensive Revenue and Expense	-	-	-
Total Comprehensive Revenue and Expense	(278)	(125)	(150)
OTHER INFORMATION			
Government Funding	13,446	13,446	13,446
Non-Government Revenue	5,217	5,291	4,714
Total Revenue	18,663	18,737	18,160
Government Funding % of Total Revenue	72%	72%	74%

STATEMENT OF FORECAST FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	2016 Budget \$'000	2015 Budget \$'000	2015 Projected Actual \$'000
Current Assets			
Cash & cash equivalents	1,949	2,361	1,990
Investments	750	500	1,000
Trade Receivables & Other Receivables	487	274	461
Prepayments	50	105	75
Derivative Financial Instruments	-	-	-
Total Current Assets	3,236	3,240	3,526
Non-Current Assets			
Property, Plant & Equipment	1,115	1,080	1,068
Intangibles	129	118	107
Total Non-Current Assets	1,244	1,198	1,175
TOTAL ASSETS	4,480	4,438	4,701
Current Liabilities			
Trade Payables & Other Payables	475	631	510
Revenue in Advance	1,096	1,057	1,038
Employee Entitlements	1,199	1,030	1,175
Derivative Financial Instruments	-	-	-
Total Current Liabilities	2,770	2,718	2,723
Non-Current Liabilities			
Employee Entitlements	205	198	195
Total Non-Current Liabilities	205	198	195
TOTAL LIABILITIES	2,975	2,916	2,918
NET ASSETS	1,505	1,522	1,783
REPRESENTED BY PUBLIC EQUITY	1,505	1,522	1,783
OTHER INFORMATION			
Working Capital	466	522	803
Equity % of Total Assets	34%	34%	38%

STATEMENT OF FORECAST MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 Budget \$000	2015 Budget \$000	2015 Projected Actual \$000
Public Equity at 1 January	1,783	1,647	1,933
Total Comprehensive Revenue and Expense	(278)	(125)	(150)
PUBLIC EQUITY AT 31 DECEMBER	1,505	1,522	1,783

STATEMENT OF FORECAST CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 Budget \$000	2015 Budget \$000	2015 Projected Actual \$000
Cash Flows From Operating Activities			
Receipts from Customers	4,188	4,524	4,075
Interest Received	178	204	210
Government Funding	13,446	13,446	13,446
Payments to and on behalf of employees	(10,544)	(10,189)	(10,326)
Payments to Suppliers	(7,384)	(8,053)	(7,589)
Net Goods and Services Tax	-	-	-
Net Cash Flows From Operating Activities	(116)	(68)	(184)
Cash Flows From Investing Activities			
Sales of Property, Plant & Equipment	-	-	-
Purchases of Property, Plant & Equipment	(100)	(100)	(90)
Purchases of intangible assets	(75)	(95)	(70)
Term Deposits > 3 months	-	-	-
Net Cash Flows From Investing Activities	(175)	(195)	(160)
NET INCREASE / (DECREASE) IN CASH HELD	(291)	(263)	(344)
Add: Cash at beginning of the year	2,990	3,124	3,334
CASH AT END OF THE YEAR	2,699	2,861	2,990
Represented by:			
Cash & Cash Equivalents			
Bank	1,949	2,361	1,990
Term Deposits <= 3 months	750	500	1,000
	2,699	2,861	2,990

NOTES TO THE FINANCIAL STATEMENTS

REPORTING ENTITY

The New Zealand Symphony Orchestra ("NZSO") is a Crown entity as defined by the *Crown Entities Act 2004* and is domiciled in New Zealand.

These prospective financial statements are for the NZSO for the year ending 31 December 2016 and were approved by the NZSO Board on 30 October 2015.

BASIS OF PREPARATION

Statement of Compliance

These prospective financial statements have been prepared in accordance with the requirements of the *Crown Entities Act 2004*, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP"). The NZSO has designated itself as a public benefit entity (PBE) for financial reporting purposes and the prospective financial statements have been prepared in accordance with Tier 2 PBE accounting standards and comply with PBE FRS 42. The NZSO is a Tier 2 reporting entity by virtue of the fact that annual expenditure is greater than \$2 million but less than \$30 million and NZSO is not publicly accountable. These prospective financial statements for the year ending 31 December 2016 are the second to be prepared by NZSO under new PBE accounting standards. There have been no material adjustments arising on transition to the new PBE accounting standards. The financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Presentation Currency and Rounding

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board to exercise judgement in the application of the entity's accounting policies. Estimates and associated assumptions are based on historical experience and other factors, as appropriate to the particular circumstances.

Significant assumptions used in the preparation of Prospective Financial Statements

The prospective financial statements have been prepared on the basis of delivering the core 2016 concert season as outlined in the NZSO's season brochure (which is available on our website here): https://www.nzso.co.nz/wp-content/plugins/page-flip-image-gallery/popup.php?book_id=19

The NZSO's core business will remain unchanged in 2016 and the Government funding for the ongoing operations is shown at the existing level of \$13.446 million for the year to 31 December 2016. The appropriation for the second half of 2016 will not be confirmed until the Government budget is announced in May 2016. The NZSO has made a formal submission to increase the level of this government funding in a stepped approach with effect from 1 July 2016, but the outcome of this submission is not known at the time of approval of the financial statements for publication. Concert Revenue and Sponsorship budgets are based on models consistent with previous years as are Orchestral Services Expenses, but they are reflective of the specific concert season noted in the brochure. NZSO seasons vary year-to-year both in the number and types of performances and forecasts reflect this.

Critical Judgements in applying our Accounting Policies

In preparing these financial statements the NZSO has made estimates and assumptions about the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and, in particular, when estimating the useful life and residual value of property, plant and equipment.

Summary of Significant Accounting Policies

Revenue

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

Funding from the Crown (Government funding)

NZSO is significantly funded from the Crown. This funding is restricted in its use for the purpose of NZSO meeting the objectives specified in its founding legislation (New Zealand Symphony Orchestra Act 2004) and the scope of the relevant appropriations of the funder. NZSO considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

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.

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 NZSO's future year performances is Revenue in Advance at balance date and will be fully recognised as Revenue in the financial statements for the year to which the performance relates.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

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 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.

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from NZSO's operational activities. NZSO does not hold or issue derivative financial instruments for trading purposes. NZSO has not adopted hedge accounting.

Property, plant, and equipment

Property, plant, and equipment consists 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 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.

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

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%	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		

Intangibles assets

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 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	33.33%
Developed Computer Software	3 years	33.33%

Impairment of Property, Plant and Equipment and Intangible assets

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 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; and
- 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 a non-current liability.

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

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 so 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 payables 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.

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 and accordingly no provision has been made for Income Tax.

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