



Accounting Standards Review Board

Annual Report

For the year ended 30 June 2011

To be presented to the House of Representatives pursuant to section 150 (1) of the Crown Entities Act 2004



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Board Annual Report

Introduction

The Accounting Standards Review Board (the Board or ASRB) presents this report on its operations and its financial statements for the year to 30 June 2011 in accordance with sections 150(1) and 154 of the Crown Entities Act 2004.

This report is the final annual report of the Board as the Accounting Standards Review Board as it was reconstituted as the External Reporting Board (XRB) on 1 July 2011 when amendments to the Financial Reporting Act 1993 came into force.

Board Members

The Board was established as a Crown Entity by the Financial Reporting Act 1993 (the Act) and is an Independent Crown Entity under the Crown Entities Act 2004. Up until 30 June 2011, the Board consisted of not less than four, nor more than seven members appointed by the Governor-General on the recommendation of the Minister of Commerce. Members were required to be qualified for appointment by reason of their knowledge of, or experience in, business, accounting, finance, economics or law. Members were appointed for a renewable term of up to five years.¹

The Board Members over the past year were:

- Kevin Simpkins, Adjunct Professor, Victoria University of Wellington (Chairman) (term expires 28/02/14).
- Michele Embling, Partner, PwC Auckland (Deputy Chair) (term expires 16/08/14).
- Simon Carey, Partner, Grant Thornton, Christchurch, (term expires 16/08/14).
- Jeffrey Lucy AM, Chairman, Financial Reporting Council of Australia (FRC), Adelaide (term expired 10/12/10).
- Graeme Mitchell, Chartered Accountant, Wellington (term expires 16/02/15).
- Ralph Simpson, Lawyer, Bell Gully, Auckland (term expires 14/07/14).
- Ken Warren, Chartered Accountant, The Treasury, Wellington (term expires 30/06/14).

The Board is particularly appreciative of the contribution made by Jeffrey Lucy during the three years he served on the Board. Jeffrey brought an international perspective and a commitment to trans-Tasman progress which enhanced our deliberations and was greatly valued.

¹ The members of the ASRB whose terms had not expired were all appointed to the External Reporting Board. Three new members (Annabel Cotton, Neil Cherry and Lynn Wood) were also appointed to the External Reporting Board effective 1 July 2011.

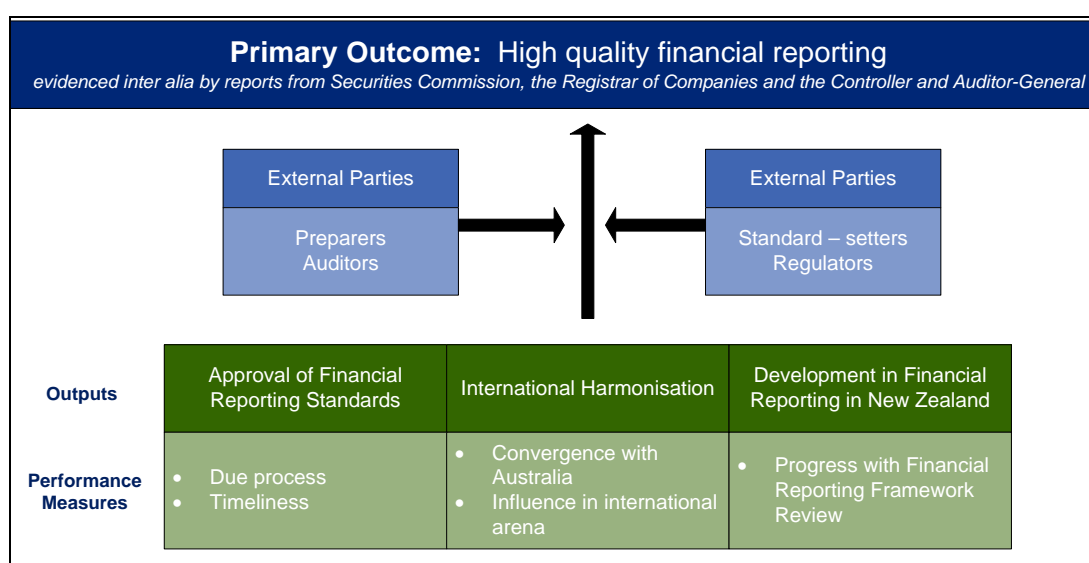
The Role of the Board

The Board's functions were established by Section 24 of the Act as it was prior to the Financial Reporting Amendment Act 2011. They were as follows:

- To review and, if the Board thinks fit, approve financial reporting standards (or amendments to financial reporting standards) submitted to it;
- To give directions as to the accounting policies that have authoritative support within the accounting profession in New Zealand;
- To encourage and make recommendations concerning the development of financial reporting standards, including financial reporting standards for different classes of reporting entity; and
- To liaise with the Australian Accounting Standards Board (AASB) with a view to harmonising New Zealand and Australian financial reporting standards.

The performance framework used by the Board in carrying out these functions during the year was defined in the Board's 2010/11 Statement of Intent and is illustrated in Figure 1 below. As can be seen from that figure, the Board's primary outcome goal for the year was to contribute to high quality financial reporting.

Figure 1: ASRB 2010/11 Performance Framework



Overview of Output Performance for 2010/11

The output delivery performance of the Board for the year is summarised in the Statement of Service Performance on page 24 of this report. At the big picture level, the performance for the year was dominated by three activities:

- Review and approval of financial reporting standards;
- Development of a proposed new accounting standards framework; and
- The establishment of the External Reporting Board.

Review and Approval of Standards

Approval of Standards

A core part of the Board's business for the year was the review and approval of 20 financial reporting standards submitted to it.

In all cases these standards were submitted by the Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants (NZICA). With one exception, all submissions related to new or amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs).

The Board had an agreed set of procedures with the FRSB for the development of financial reporting standards that operated during the year. These included required consultation processes and were documented in the Board's Release 8 *The Role of the Accounting Standards Review Board and the Nature of Approved Financial Reporting Standards*.

The Board subjected all submissions for the approval of standards to a thorough review. It approved such standards only when it was satisfied that the agreed procedures had been followed, and the standards were consistent with the Board's policy of adopting International Financial Reporting Standards (IFRS)².

All standards approved by the Board were gazetted in accordance with the requirements of the Act.

Funding of Standards Development

As in previous years the Board contributed to the direct costs that the FRSB incurred in developing standards for approval by the Board. However, this contribution did not cover the considerable volunteer time of members of the FRSB – a contribution the Board acknowledges with thanks. The Board received regular reports in accordance with a service level agreement with NZICA.

Harmonisation with Australia

A key strategic objective for the Board for the last several years has been to enhance the degree of harmonisation between accounting standards in New Zealand and Australia, particularly in relation to for-profit entities. This objective reflects the relevant Government's Single Economic Market Outcome goals:

- For-profit entities are able to use a single set of accounting standards and prepare only one set of financial statements; and
- Trans-Tasman companies only have to prepare one set of financial statements to one set of standards.

In April 2011 the Board approved a series of amendments to the existing suite of NZ IFRSs together with a new domestic standard (FRS-44 *New Zealand Additional Disclosures*). The

² In 2002, the Board decided that New Zealand should adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The decision to adopt IFRS was in response to the internationalisation of financial markets and increasing levels of international trade and means that the same principles that underpin confidence and promote accountability domestically also apply across borders. The transition to New Zealand equivalents to IFRS was completed in the 2007/08 financial year.

amendments resulted in substantive harmonisation of New Zealand and Australian standards for publicly accountable entities (which are required to comply with full NZ IFRS). These approvals were effective for financial periods beginning on or after 1 July 2011 and mean that from that date trans-Tasman reporting for those entities is harmonised as well as being converged with IFRS. This is a significant achievement and resulted from a standards harmonisation project undertaken by the FRSB and its trans-Tasman counterpart the Australian Accounting Standards Board (AASB).

The Board's proposals for the new accounting standards framework (see below) would achieve trans-Tasman harmonisation for other for-profit entities required to prepare General Purpose Financial Reports (GPFR).

Support for International Standard Setting

The Board has had a long-standing interest in ensuring that New Zealand participates actively in the development of international accounting standards. This is important not only because New Zealand is a member of the global standard setting community, but also because this is the best way for us to influence the content of the international standards which are adopted in New Zealand.

During 2010/11 the Board continued its support for international standard setting in a number of ways including:

- Participating in discussions with the IASB or representatives thereof in regional and international meetings, including hosting the Chairman of the IASB, Sir David Tweedie, and IASB Member, Warren McGregor, during September 2010;
- Meeting with the Chairman of the International Public Sector Accounting Standards Board, Professor Andreas Bergmann;
- Considering and making submissions on relevant consultation documents issued by international standard setting bodies;
- Contributing to the costs of the operation of the IASB and the International Public Sector Accounting Standards Board (the IPSASB);
- Funding the costs of New Zealand representatives attending meetings of the Australian Financial Reporting Council³, the AASB and the IPSASB.

In addition, the Chairman of the Board served as Chairman of the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) during the year. TTAASAG is charged by the responsible Ministers in Australia and New Zealand with promoting harmonisation between the two countries and also the development of financial reporting in the region.

New Accounting Standards Framework

In September 2009 the Board issued a Discussion Document outlining a proposed new accounting and assurance standards framework for general purpose financial reporting in New Zealand. That document accompanied a Ministry of Economic Development (MED) discussion document which outlined a proposed new financial reporting framework. Submissions on the

³ The Board Chairman is a member of the Financial Reporting Council as part of a reciprocal membership arrangement with Australia.

Board's Discussion Document closed at the end of January 2010 and seventy-six submissions were received, a historically large number.

A large part of the Board's work during the 2010/11 year involved continuing its in-depth consideration of the feedback received on the Discussion Document, the evolving trans-Tasman and international accounting standards environment, and the accounting standards framework options. This was an extensive process which involved much deliberation, the commissioning of additional analysis from working groups, and a detailed consideration of the issues. The Board communicated its tentative views and thinking throughout this process through regular communiqués and via its website.

After much consideration the Board concluded that user needs in the future cannot be adequately addressed by a single set of accounting standards applying to all entities required to prepare General Purpose Financial Reports under the framework proposed by the MED. Accordingly the Board concluded that there should be a new accounting standards framework which should consist of two sets of accounting standards: one applied by entities with a for-profit objective; and another applied by entities with a public benefit objective. The Board announced this decision in April 2011.

The Board's focus in this area during the latter part of the year was on the development of a Position Paper outlining the rationale for the Board's multi-standards decision, and two Consultation Papers outlining the details of the proposed accounting standards frameworks for for-profit and public benefit entities respectively. These Papers were substantially completed during the year but timing of their release was dependent on the Government's announcement about the new legislative reporting framework. The Papers were released by the XRB in September 2011.

The Board also contributed to the MED's work on the legislative financial reporting framework during the year. This involved responding to requests for information and advice, through providing updates on the progress in the Board's own deliberations to the MED, and through regular and frequent contact at the level of the Board's Technical Advisor.

The Board considers that, taken together, the Government's September 2011 announcement about the new legislative reporting framework and the ASRB/XRB's simultaneous proposals represent a significant improvement in the financial reporting landscape in New Zealand.

Establishment of the External Reporting Board

In the course of the 2010/11 financial year the Government confirmed its intention to reconstitute the ASRB as the XRB with a wider set of functions. Parliament also enacted amendments to the Act to give effect to the new institutional arrangements during the year. The Board was tasked with establishing the new XRB organisation.

The ASRB was in effect a "virtual entity". Throughout its life it had no employees or premises and operated on a very small budget, once the funding contributions to the IASB, IPSASB and NZICA had been made.

Evolving into the XRB therefore required the establishment of a physical organisation almost from scratch including the appointment of a Chief Executive and other staff, leasing of premises, acquisition of furniture and office equipment, and development of a new website. The establishment process also involved the appointment of two part-time standard setting Boards – the New Zealand Accounting Standards Board and the New Zealand Auditing and Assurance Standards Board. These two Boards, which are sub-Boards of the XRB established

in accordance with the provisions of the Crown Entities Act 2004, have been responsible for setting accounting and auditing and assurance standards respectively since 1 July 2011.

A related set of activities involved preparing an initial set of auditing and assurance standards. Unlike accounting standards, which was a function carried over from the ASRB to the XRB, the responsibility for issuing auditing and assurance standards is a new responsibility of the XRB. With the assistance of the staff and Professional Standards Board of NZICA, the Board developed an initial suite of auditing and assurance standards based on the equivalent NZICA standards so that they could be issued by the XRB as soon as it came into existence on 1 July 2011.

A good deal of the Board's effort during the year was focused on these establishment activities. The new organisation was fully operational on 1 July 2011 and the XRB Board was able to have its first meeting on that day in its own offices.

Overview of Financial Performance for 2010/11

The financial performance of the Board for the year is recorded in the audited financial statements on pages 10 to 26 of this report.

When the Board agreed its Statement of Intent for 2010/11 with the Minister of Commerce, it recognised that it would face some extraordinary, one-off financial pressures during the year as the result of the policy development work on the accounting standards framework and the transitional expenses relating to the establishment of the XRB.

Neither of these activities were normal activities allowed for in the Board's baseline funding from the Crown. The Board therefore proposed, and the Government agreed, that the Board use its reserves accumulated over the years to fund this additional operating expenditure. This was reflected in a projected operating deficit for the year. It was also agreed that the actual deficit should be no more than the amount of the accumulated reserves at 1 July 2010 – so as to ensure that the new equity provided during the year by Parliament to fund the capital establishment of the XRB was not eroded.

As reported in the Statement of Comprehensive Income, the actual deficit for the year was \$194,386. This compares with the opening accumulated reserves of \$204,694. This means the operating result is within the parameters established for the year. The Board considers this to be a highly satisfactory result, particularly in light of the additional resourcing pressures faced during the year.

The Board had a significantly larger balance sheet on 30 June 2011 than it had at previous balance dates. This reflected the acquisition of property, plant and equipment and the establishment of working capital for the XRB. The increased capitalisation was funded by way of equity injection from the Crown during the year.

Conclusion

The publication of this report marks the last act of the ASRB. While it is legally the same entity, the XRB will operate within a different set of institutional arrangements with wider responsibilities and so is effectively a new body.

The ASRB was established in 1993 following the enactment of the Financial Reporting Act in that year. During its sixteen full years of existence it has reviewed and approved a multitude of

financial reporting standards which have formed the basis for financial reporting in New Zealand over that time.

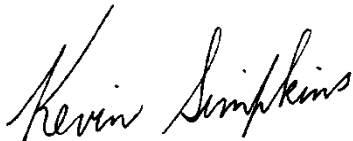
Over its life the ASRB has had a number of persons serve as Board Members, with four of those serving as Chairperson: John Hagen, Liz Hickey, Warwick Hunt and myself. The current Board would like to recognise the contributions made by those Board Members and Chairpersons over the years in providing the base from which the work of the External Reporting Board will build.

The Board would also like to acknowledge the work of the organisations that have submitted standards to it for approval over its life. Almost all of that work was undertaken by the FRSB of NZICA. The dedication and professionalism of the volunteers on the FRSB, and the professional staff that supported it, have served the New Zealand financial reporting community well for over 40 years.

The Board would also like to acknowledge the outstanding efforts of new Chief Executive, Tony Dale, and part-time General Manager, Roy Tiffin, as well as our part-time secretariat until 30 June 2011, Petra Belworthy. The commitment shown by each to maintaining effective on-going operations while also facilitating the establishment of the External Reporting Board on time and within available resources is greatly appreciated.

The Board considers that the legislative requirement for the independent approval of accounting standards by the ASRB has served its purpose for the nearly two decades that it has been in place. But circumstances change and the Board fully supports the move to the new institutional arrangements, indeed it embraces the change.

The Board is confident that the multi-standards accounting standards framework that it has developed over the last two financial years will establish the platform for financial reporting in New Zealand for the coming decades.

A handwritten signature in black ink that reads "Kevin Simpkins". The signature is written in a cursive, flowing style.

Kevin Simpkins
Chairman



Accounting Standards Review Board

Financial Statements

Statement of Responsibility

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the Accounting Standard Review Board's financial statements and statement of service performance, and for the judgements made in them.

The Board of the Accounting Standards Review Board has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Accounting Standards Review Board for the year ended 30 June 2011.

For the Accounting Standards Review Board.
19 October 2011

A handwritten signature in black ink that reads "Kevin Simpkins".

Kevin Simpkins
Chairman

A handwritten signature in black ink that reads "Michele Embling".

Michele Embling
Deputy Chair (until 30 June 2011)

**Accounting Standards Review Board
Statement of Comprehensive Income
For the year ended 30 June 2011**

	Notes	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Income				
Revenue from the Crown	(1)	1,350,000	1,350,000	1,125,000
Revenue from Ministry of Economic Development		-	-	65,000
Interest received		34,838	8,000	13,224
		1,384,838	1,358,000	1,203,224
Expenditure				
Board Fees and Attendance Related Expenses	(8)	117,251	120,000	88,924
General Operations		131,516	125,000	112,130
Transitional Expenses		262,380	225,000	-
Policy Development		172,128	150,000	159,830
International Meetings and Liaison		37,629	40,000	34,137
IPSASB Contribution		50,000	50,000	50,000
IASB Contribution		200,000	200,000	200,000
FRS Development Funding		550,000	500,000	500,000
Audit Fees		8,000	8,500	8,000
Accounting and Administration Costs		30,110	37,000	34,685
Publication, Printing and Stationery		2,289	3,000	1,507
Legal Fees		6,351	10,000	1,338
Website Costs		11,570	15,000	16,233
		1,579,224	1,483,500	1,206,784
Total Comprehensive Income	(2)	(194,386)	(125,500)	(3,560)


The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Comprehensive Income.

**Accounting Standards Review Board
Statement of Financial Position
As at 30 June 2011**

	Notes	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Equity		835,308	857,754	204,694
Current Assets				
Cash at Bank		216,559	492,754	252,361
Cash on Hand		200	-	-
Receivables	(4)	84,608	-	-
Prepayments		7,014	-	600
		308,381	492,754	252,961
Current Liabilities				
Payables	(5)	371,621	50,000	48,267
Working Capital		(63,240)	442,754	204,694
Non-Current Assets				
Investments	(6)	500,000	-	-
Property Plant & Equipment	(7)	398,548	415,000	-
Total Non-Current Assets		898,548	415,000	-
Total Net Assets		835,308	857,754	204,694

For Accounting Standards Review Board

19 October 2011



**Kevin Simpkins
Chairman**



**Michele Embling
Deputy Chair (until 30 June 2011)**

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Financial Position.

**Accounting Standards Review Board
Statement of Movements in Equity
For the year ended 30 June 2011**

	Notes	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Equity as at 1 July		204,694	158,254	208,254
Total Comprehensive Income		(194,386)	(125,500)	(3,560)
Capital Contribution from the Crown		825,000	825,000	-
Equity as at 30 June		835,308	857,754	204,694

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Movements in Equity.

**Accounting Standards Review Board
Statement of Cash Flows
For the year ended 30 June 2011**

	Notes	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Cash Flows from Operating Activities				
<i>Cash was provided from:</i>				
Revenue from the Crown and other sources		1,350,000	1,350,000	1,190,000
Interest received		33,786	8,000	13,224
Goods and Services Tax (net)		(46,250)	-	22,040
		1,337,536	1,358,000	1,225,264
<i>Cash was disbursed to:</i>				
Board Fees and Attendance Related Expenses		111,868	120,000	94,252
Payments to suppliers		629,556	613,500	381,227
IPSASB Contribution		50,000	50,000	50,000
IASB Contribution		200,000	200,000	200,000
FRS Development Funding		550,000	500,000	500,000
		1,541,424	1,483,500	1,225,479
Net Cash Flow from Operating Activities	(2)	(203,888)	(125,500)	(215)
Cash Flows from Investing Activities				
<i>Cash was provided to:</i>				
Investment		500,000	-	-
Property, Plant & Equipment		156,714	415,000	-
Net Cash Flow from Investing Activities		(656,714)	(415,000)	-

**Accounting Standards Review Board
Statement of Cash Flows continued
For the year ended 30 June 2011**

Notes	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Contribution from the Crown	825,000	825,000	-
	825,000	825,000	-
Net Cash Flow from Financing Activities	825,000	825,000	-
Net Increase/Decrease in Cash	(35,602)	284,500	(215)
Add Opening Cash Balance	252,361	208,254	252,576
Closing Cash Balance	216,759	492,754	252,361

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Cash Flows.

Accounting Standards Review Board Statement of Accounting Policies For the year ended 30 June 2011

(a) Reporting Entity

The Board was established by the Financial Reporting Act 1993. As well as establishing the Board, the Act gives legal force to the accounting standards approved by the Board.

The Board is an Independent Crown Entity under the Crown Entities Act 2004 and is charged with approving the accounting standards that largely comprise generally accepted accounting practice in New Zealand. All members of the Board are appointed by the Governor-General on the recommendation of the Minister of Commerce.

Accordingly, the Board has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements for the Board are for the year ended 30 June 2011, and were approved by the Board on 19 October 2011.

(b) Basis of Preparation

Statement of Compliance

The financial statements of the Board have been prepared in accordance with the requirements of Section 154 of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP"). Specific disclosures under section 152 of the Crown Entities Act 2004 are disclosed in the notes to the financial statements.

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis have been applied.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars. The functional currency of the Board is New Zealand dollars.

(c) Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised when earned and is reported in the financial period to which it relates.

Revenue from the Crown

The Board is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Board meeting its objectives as specified in the Statement of Intent.

Interest

Interest income is recognised using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Debtors and Other Receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of a receivable is established when there is objective evidence that the Board will not be able to collect amounts due according to the original terms of the receivable.

Property, Plant & Equipment

Purchases of property, plant and equipment are initially recorded at cost. Depreciation is calculated so as to write off the cost over the expected useful lives of the assets from the date they are brought into use. Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may overstate fair value.

Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IR is classified as an operating cash flow in the statement of cash flows.

Income Tax

The Board is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget Figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Development Funding

Obligations in relation to development funding of Financial Reporting Standards are recognised when agreed services have been provided at rates allowed for in formal purchasing agreements.

Financial Instruments

The Board is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, receivables and payables. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Income.

Early Adopted Amendments to Standards: NZ IAS 24 Related Party Disclosures (Revised 2009)

The effect of early adopting the revised NZ IAS 24 is:

- more information is required to be disclosed about transactions between the entity and entities controlled, jointly controlled, or significantly influenced by the Crown;
- Commitments with related parties require disclosure;
- information is required to be disclosed about any related party transactions with Ministers of the Crown.

**Accounting Standards Review Board
Notes to the Financial Statements
For the year ended 30 June 2011**

1. Revenue from the Crown

The Board has been provided with funding from the Crown for the specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2010 nil).

2. Reconciliation of Total Comprehensive Income to Net Cash Flow from Operating Activities

	Actual 2011 \$	Actual 2010 \$
Total Comprehensive Income	(194,386)	(3,560)
<i>Add/(less) movements in working capital items relating to operating activities:</i>		
Prepayments	(6,414)	(600)
Payables	81,520	(17,821)
Receivables	(84,608)	21,766
Net Cash from Operating Activities	(203,888)	(215)

3. Financial Instruments

(i) *Credit Risk*

Financial instruments which potentially subject the Board to credit risk consist of bank balances and receivables. No collateral is required. While there is a concentration of credit risk to the Board's Bankers, any prospect of loss, given the standing and the Standard and Poor's AA credit rating of that institution, is considered unlikely.

(ii) *Fair Values*

All financial instruments are recognised in the Statement of Financial Position and are stated at cost, which approximates fair value.

(iii) The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2011 \$	Actual 2010 \$
Loans and Receivables		
Cash and cash equivalents	216,759	252,361
Receivables	84,608	-
Investments - Term Deposits	500,000	-
Total Loans and Receivables	801,367	252,361

	Actual 2011 \$	Actual 2010 \$
Financial Liabilities Measured at Cost		
Creditors	335,049	32,211
Accrued Expenses	36,572	16,056
Total Financial Liabilities Measured at Cost	371,621	48,267

4. Receivables

	Actual 2011 \$	Actual 2010 \$
GST receivable	83,556	-
Interest Accrual	1,052	-
Total Receivables	84,608	-

The carrying value of receivables approximates their fair value. There are no past due receivables.

5. Payables

	Actual 2011 \$	Actual 2010 \$
Creditors	335,049	32,211
Accrued expenses	36,572	14,000
GST payable	-	2,056
Total Payables	371,621	48,267

Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

6. Term Investments

	Actual 2011 \$	Actual 2010 \$
BNZ Term Deposit	500,000	-
Total Term Investments	500,000	-

The term deposit matures on 14 December 2012 and carries an interest rate of 4.8% p.a. The carrying amount of term deposits approximate their fair value.

7. Property Plant & Equipment

	Cost \$	Depreciation \$	Closing Book Value \$
Furniture & Fittings	96,131	-	96,131
Plant & Equipment	117,775	-	117,775
Property Improvements	184,642	-	184,642
Total Property Plant & Equipment	398,548	-	398,548

The offices were not open until 1 July 2011, therefore no depreciation has been provided in the current year.

8. Total Board Fees and Attendance Related Expenses

	Board Meetings Attended 2011	Board Meetings 2011 \$	Other Meetings 2011 \$	Total 2011 \$
<i>Total meetings held for the year</i>	8			
Simon Carey	8/8	20,060	4,173	24,233
Michele Embling	8/8	20,150	19,476	39,626
Jeffrey Lucy (FRC)	3/5	-	-	-
Graeme Mitchell	8/8	19,470	6,447	25,917
Kevin Simpkins	8/8	19,737	80,712	100,449
Ralph Simpson	7/8	16,225	11,553	27,778
Ken Warren	7/8	-	-	-
Total Board Fees		95,642	122,361	218,003

The Australian FRC representative on the ASRB is not remunerated by the ASRB, but by the Australian Government. Ken Warren is a Treasury employee, and as such, he is not paid any remuneration as a Board member.

Other meeting costs are fees in relation to time spent on general operations, policy development, international meeting and liaison and transitional matters, over and above attendance at Board meetings.

	Board Meetings Attended 2010	Board Meetings 2010 \$	Other Meetings 2010 \$	Total 2010 \$
<i>Total meetings held for the year</i>	7			
Simon Carey	6/6	14,950	290	15,240
Michele Embling	6/6	14,950	5,966	20,916
Fawzi Laswad	3/4	6,900	3,450	10,350
Jeffrey Lucy (FRC)	7/7	-	-	-
Graeme Mitchell	4/4	10,350	-	10,350
Kevin Simpkins	7/7	13,260	71,741	85,001
Ralph Simpson	6/7	13,800	-	13,800
Ken Warren	6/7	-	-	-
Total Board Fees		74,210	81,447	155,657

	Actual 2011 \$	Actual 2010 \$
Board meeting attendance fees	95,642	74,210
Board members expenses	17,128	13,037
Other Board expenses	4,481	1,677
Total Board Fees and Attendance Related Expenses	117,251	88,924

9. Key Management Personnel

The General Manager's fees for the year ended 30 June 2011 were \$84,676 (2010 \$61,874).

The Chief Executive was appointed 1 April 2011. His remuneration for the period 1 April 2011 to 30 June 2011 was \$53,571. The Chief Executive's annual remuneration falls in the band \$210,000 to \$220,000.

10. Related Party Information

The Accounting Standards Review Board is a wholly-owned entity of the Crown.

Transactions with Related Parties

The ASRB has been provided with funding from the Crown of \$1.35m (2010: \$1.19m) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

In conducting its activities, the ASRB is required to pay GST to the Crown. The payment of this tax is based on standard terms and conditions that apply to all tax payers. The ASRB is exempt from paying income tax.

Key Management Personnel

The ASRB purchased legal advice of \$9,463 (2010: \$1,337) from Bell Gully, a legal firm of which Ralph Simpson is a partner. Of this amount \$6,171 was for legal services related to the transition to the External Reporting Board.

Ken Warren is a member of the Board of the International Public Sector Accounting Standards Board (IPSASB). The ASRB made a contribution of \$50,000 (2010: \$50,000) to the IPSASB.

11. Severance Payments

No severance payments were made to employees or Board members during the year (2010 nil).

12. Indemnity Insurance

There is no indemnity insurance as at 30 June 2011 (2010 nil).

13. Operating Lease Commitments

	Actual 2011 \$	Actual 2010 \$
Not later than one year	74,542	-
Later than one year and not later than five years	568,280	-
Later than five years	110,506	-
Total Operating Lease Commitments	753,328	-

The Board entered into the following non-cancellable lease agreements effective 1 July 2011:

The lease of premises at 55 Shortland Street, Auckland expires 30 June 2015. The first 6.5 months of this lease is rent free.

The lease of premises at 50 Manners Street, Wellington expires 30 June 2017. The first 6 months of this lease is rent free.

14. Capital Commitments

The Board has no material capital commitments (2010 nil).

15. Contingent Liabilities

The Board has no material contingent liabilities (2010 nil).

16. Events after the Balance Sheet Date

On 1 July 2011 the ASRB was reconstituted as the External Reporting Board (XRB).

17. Explanation of significant variances against budget

Statement of Comprehensive Income

Transitional Expenses

Additional expenses relating to the acquisition of new premises were not anticipated in the budget.

Policy Development

Additional policy development work was undertaken in relation to the financial reporting framework review.

FRS Development Funding

Additional funding was provided to the New Zealand Institute of Chartered Accountants to off-set an agreed underpayment in the previous year.

Statement of Financial Position

Receivables

There was a significant GST refund recorded as a receivable at year end, which had not been budgeted for.

Payables

Payables consist mostly of amounts not yet paid for purchases of property, plant and equipment, where it was anticipated that these amounts would be paid prior to balance date.

Non- Current Assets

The budget assumed that there would be no term deposit at balance date.

18. Capital Management

The ASRB's capital is its equity, which comprises accumulated funds and revaluation reserves. Equity is represented by net assets.

The ASRB is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The ASRB manages its equity as a bi-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the ASRB effectively achieves its objectives and purpose, while remaining a going concern.

Accounting Standards Review Board

Statement of Service Performance

For the year ended 30 June 2011

Objectives

The overall objectives of the Board were to contribute to the improvement, and the quality, of external financial reporting in the public and private sector for the benefit of users, and to assist preparers and auditors of financial reports. The Board was also responsible for liaising with a view to the harmonisation of New Zealand and Australian financial reporting standards.

Performance Measures

The Board agreed the outputs to be delivered for the year ending 30 June 2011 with the Minister of Commerce. These were defined in an Output Agreement which specified:

- The outputs to be supplied by the Board;
- The quality, quantity, timeliness and costs of these outputs;
- The level of funding that the Minister would provide to the Board;
- The ways by which the Minister would monitor the Board's performance in the delivery of these outputs; and
- Other matters relevant to the relationship between the Minister and the Board.

The specific outputs purchased by the Minister were:

- To consider, and to approve as the Board considers appropriate, financial reporting standards and amendments to financial reporting standards that are submitted to it;
- To contribute to the international work associated with developing financial reporting standards and promoting consistency between the New Zealand financial reporting regime and international norms;
- To participate in trans-Tasman co-ordination initiatives, including the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) and the Chair's appointment as a member of the Australian Financial Reporting Council; and
- To assist in the implementation of policy decisions on the review of the Financial Reporting Act 1993, subject to decisions being made by Cabinet. This includes assisting with the establishment of a reconstituted Crown Entity to be called the External Reporting Board (XRB) that will be responsible for the preparation and approval of all financial reporting and auditing and assurance standards.

The outputs provided by the Board are measured against the following performance measures:

Performance Measures	2010/11		2009/10
	Budget Standard	Actual	Actual
Approval of Financial Reporting Standards			
<p>Quantity Approval of financial reporting standards that are submitted to the Board will provide preparers of financial information with transparent rules and procedures for preparing financial statements in order to meet the needs of users of the information.</p>	Consider for approval 10-20 financial reporting Standards	20 financial reporting standards approved	11 financial reporting standards approved
<p>Quality Adoption of financial reporting standards means that financial information in New Zealand is comparable, relevant and understandable, and engenders confidence in New Zealand markets.</p>	Receive fewer than five complaints about newly approved financial standards from external stakeholders	No complaints received	No complaints received
<p>Timeliness Approval of financial reporting.</p>	Financial reporting standards are approved or declined within four months of draft standards being submitted.	100% Achieved	100% Achieved
International Harmonisation			
<p>Quantity The ASRB participates and contributes at international fora so that financial reporting in New Zealand is consistent with international best practice and New Zealand is able to influence the development of international financial reporting standards</p>	Members of the Board, or delegates, attend 4-6 international fora and meetings.	10 attended	8 attended
The Board works closely with appropriate Australian agencies to achieve greater harmonisation in line with the Single Economic Market Outcomes framework for a single set of financial reporting standards for entities operating across the Tasman.	Members of the board, or delegates, attend 15-20 Trans-Tasman fora and meetings.	14 attended	18 attended
By delegation to the New Zealand Institute of Chartered Accountants, the Accounting Standards Review Board will respond to all relevant International Accounting Standards Board and International Public Sector Accounting Standards Board exposure drafts of draft financial reporting standards.	The FRSB of NZICA will respond to 15-20 IASB and IPSASB exposure drafts.	10 drafts responded to	15 drafts responded to
<p>Quality International financial reporting best practice is promoted in New Zealand to ensure comparability, consistency and understandability of financial information for investors and other users.</p>	International financial reporting developments are conveyed to interested and affected parties in the Board's regular Communiqués	100% Achieved	100% Achieved
<p>Timeliness Timely information relating to attendance at international fora and meetings is communicated to interested and affected parties</p>	Within 2-3 months	100% Achieved	100% Achieved

Performance Measures	2010/11		2009/10
	Budget Standard	Actual	Actual
Developments in Financial Reporting Requirements			
Quantity Proposals for reform of the New Zealand financial reporting framework are progressed, including consideration of the appropriate levels of reporting requirements for different types, or categories of entity.	Initial proposals are developed in response to legislative changes	Submissions considered and revised proposals developed	Preparation and release of discussion document in response to legislative change.
Provide information and responses to the Ministry of Economic Development and others within agreed timeframes.	4-8 requests anticipated	Numerous requests responded to within agreed timeframes	Not measured
Quality Proposals for reform of the New Zealand financial reporting framework are progressed, so that NZ for-profit and not-for-profit entities have enhanced certainty about their reporting requirements.	Consultation will indicate that initial proposals provide enhanced certainty of reporting requirements.	Proposals provide enhanced certainty	Accurate research into, and analysis of, feedback from consultation with market participants.
Timeliness Communication of initial proposals to interested and affected parties.	Initial proposals by 30 June 2011.	Proposals awaiting release at 30 June 2011 *	Analysis of submissions completed by 30 June 2010.

Note

* The release of the Board's proposals was dependant on the release of the Government's proposals. These were released in September 2011.

Independent Auditor's Report

To the readers of The Accounting Standards Review Board's financial statements and statement of service performance for the year ended 30 June 2011

The Auditor-General is the auditor of the Accounting Standards Review Board (the Board). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Board on her behalf.

We have audited:

- the financial statements of the Board on pages 11 to 23, that comprise the statement of financial position¹ as at 30 June 2011, the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Board on pages 24 to 26.

Opinion

In our opinion:

- the financial statements of the Board on pages 11 to 23:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Board's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the Board on pages 24 to 26:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and

- its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

Our audit was completed on 19 October 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Board's preparation of the financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Board's financial position, financial performance and cash flows; and
- fairly reflect its service performance achievements.

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Accounting Standards Review Board for the year ended 30 June 2011 included on the Accounting Standards Review Board. The Board is responsible for the maintenance and integrity of the Accounting Standards Review Board web site. We have not been engaged to report on the integrity of the Accounting Standards Review Board's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 19 October 2011 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

