



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

Statement of Intent

For the period

1 July 2013 to 30 June 2016

May 2013

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External Reporting Board
PO Box 11250
Manners St Central, Wellington 6142
New Zealand
<http://www.xrb.govt.nz>

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Statement of Responsibility

This Statement of Intent has been prepared in accordance with the requirements of sections 138-149 of the Crown Entities Act 2004. The purpose of the Statement of Intent is to promote the public accountability of the External Reporting Board (XRB) by:

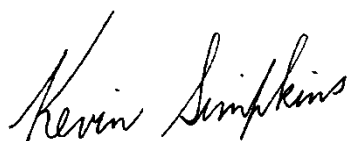
- enabling the Crown to participate in the process of setting the XRB's medium term intentions and undertakings;
- setting out for the House of Representatives those intentions and undertakings; and
- providing a base against which the XRB's actual performance can be assessed.

The Board is responsible for the content of this Statement of Intent, including the forecast financial statements and the assumptions on which they are based, the statement of forecast service performance, and for the judgements used in them.

The forecast financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand.

As the XRB is an Independent Crown Entity, the Minister may not direct the XRB to have regard to, or give effect to, a government policy relating to the XRB's standard setting functions and as a result no such matters are included in this Statement of Intent.

In accordance with section 145 of the Crown Entities Act 2004, the XRB has consulted with the Minister of Commerce in the preparation of this statement.



Kevin Simpkins

Chairman

3 May 2013



Graeme Mitchell

Deputy Chairman

3 May 2013

Part 1: Introduction

1.1 Overview of the XRB

The External Reporting Board (XRB) is an Independent Crown Entity established under the Financial Reporting Act 1993 and subject to the Crown Entities Act 2004.

The XRB came into existence on 1 July 2011 when amendments to the Financial Reporting Act 1993 came into force. This Statement of Intent is therefore for the third year of the Board's operations.

The functions of the XRB are prescribed by the Financial Reporting Act 1993 and comprise:

- developing and implementing an overall strategy for financial reporting standards and auditing and assurance standards (including developing and implementing tiers of financial reporting and assurance);
- preparing and issuing accounting standards;
- preparing and issuing auditing and assurance standards, including the professional and ethical standards that will govern the professional conduct of auditors; and
- liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

The Board itself comprises nine members appointed by the Governor General on the recommendation of the responsible Minister. Information about the current members of the XRB can be found at www.xrb.govt.nz.

The Board has established two standard setting boards¹, one that has responsibility for accounting standard setting (the New Zealand Accounting Standards Board) and the other with responsibility for auditing and assurance standard setting (the New Zealand Auditing and Assurance Standards Board). This structure is designed to not only ensure that the technical resources are available and that standard setting is undertaken in accordance with best practice, but also to enhance functional equivalence with Australia. These part-time, remunerated standards boards are appointed by the XRB Board, and comprise up to ten suitably qualified and experienced persons with a diversity of perspective. Information about the current members of the standard setting boards can be found at www.xrb.govt.nz.

The XRB Board itself is responsible for general governance of the organisation, overall financial reporting strategy, standards strategy, and oversight of the standard setting boards.

A staff team based in Wellington and Auckland provides technical and logistical support to the three Boards.

¹ In terms of the Crown Entities Act 2004, these are Committees of the Board.

1.2 Strategic Context

In the period since early 2009, the XRB and its predecessor the Accounting Standards Review Board has been developing a new Accounting Standards Framework. This involved an extensive consultation process and culminated in the preparation of a document entitled "*Proposals for the New Zealand Accounting Standards Framework*". In accordance with the requirements of the Financial Reporting Act 1993, this document was submitted to, and approved by, the Minister of Commerce in April 2012. The approved document is available at www.xrb.govt.nz.

The new Accounting Standards Framework consists of a two-sector, four-tier structure with different accounting standards applying to each tier. The accounting standards for the for-profit sector will continue to be based on International Financial Reporting Standards (IFRS). The accounting standards for the public benefit entity sector will be called PBE Accounting Standards and, for larger entities, will be based on International Public Sector Accounting Standards (IPSAS) modified as appropriate for public sector and not-for-profit entities in New Zealand. Simple Format Reporting Standards will be developed for application by smaller public benefit entities.

Implementation of the new Accounting Standards Framework began in the 2011/12 financial year, continued in the 2012/13 financial year and will be progressively completed in the 2013/14 and 2014/15 years. The activities of the XRB during the period covered by this Statement of Intent will therefore continue to be heavily influenced by the implementation of the new Accounting Standards Framework.

A second key strategic driver during this period will be the enhancement of auditing and assurance standards. The XRB assumed responsibility for setting auditing and assurance standards from 1 July 2011 and an initial set of standards, based on those existing prior to that date, was put in place at that time. A key strategic priority is to further develop the inherited suite of standards so that they are converged with international standards, and harmonised with Australian auditing and assurance standards.

Work on this began in the 2011/12 financial year and the convergence work (ensuring that the New Zealand standards are consistent with the international standards) is expected to be mostly completed in the 2012/13 financial year. However, the project to harmonise New Zealand and Australian auditing and assurance standard will continue through the period covered by this Statement of Intent.

Part 2: Medium Term Strategic Focus 2013-2016

2.1 Purpose of this Part

This part of the Statement of Intent outlines the XRB's strategic focus for the three year period 1 July 2013 to 30 June 2016. It contains key background information about the XRB, its outcomes and how it contributes to the Government's goals, how it intends to achieve those outcomes, and the environment in which it operates.

2.2 Outcome Goals

Outcome Goal Specification and Rationale

The Government has established the following as its priorities for the period covered by this Statement of Intent:

- *Responsibly managing the Government's finances;*
- *Building a more competitive and productive economy;*
- *Delivering better public services within tight financial constraints;*
and
- *Rebuilding Christchurch.*

The activities of the XRB are mostly related to the Government's objective to *build a more competitive and productive economy*. This is our overarching outcome goal. The XRB will, however, seek to contribute to the Government's other priorities in ways appropriate for the XRB. This will include ensuring that our financial reporting standards encourage the reporting of the Government's finances in a transparent and meaningful way; and in ensuring that the XRB operates in an efficient and fiscally prudent manner.

A precondition for a competitive and productive economy is effective public accountability and good corporate governance. This applies in all sectors (for-profit, public sector and not-for-profit) and in this sense public accountability and good corporate governance needs to be viewed in a wide multi-sectoral context rather than in just a commercial context.

Good corporate governance requires, among other things, systems and processes that encourage the management of entities to behave in ways that are fully consistent with the interests of shareholders and other stakeholders. To that end, the purpose of financial reports is to promote the accountability of the management of an entity to those who own it, either directly (e.g. shareholders in the case of companies or members in the case of not-for-profit entities) or indirectly (e.g. taxpayers in the case of government entities). There is often accountability to a wider range of stakeholders as well, for example debt security holders in the case of issuers of securities, service recipients in the case of public sector entities, and donors in the case of charities.

High quality financial reporting (incorporating both financial and, where relevant, non-financial elements) that informs the decision-making of stakeholders is therefore important to achieving effective public accountability and good corporate governance, and through them building a more competitive and productive economy. To achieve this, financial reporting needs to be of a quality that engenders stakeholder confidence in the

information received; assists entities to compete (particularly internationally, for example by reducing the cost of funds through the use of generally recognised accounting approaches); and enhances accountability (through the transparency provided).

High quality financial reporting can only be achieved if the rules on which it is based (accounting standards) are reliable and based on clear and sound economic principles, are mutually consistent, can be readily applied by preparers and can be understood by users; and the assurance provided on that information is similarly based on standards that require robust and independent examination by assurance providers. In other words, a necessary condition for high quality financial reporting is high quality accounting and assurance standards. It is through the issuing of such standards that the XRB contributes to the Government's outcome goals.

Accordingly, the XRB's outcome goal for the three-year period is:

The establishment of accounting and assurance standards that:

- *engender confidence in New Zealand financial reporting;*
- *assist entities to compete internationally; and*
- *enhance entities' accountability to stakeholders.*

The XRB intends to impact its outcome goal over the three-year period through the delivery of three outputs:

- financial reporting strategy;
- preparing and issuing accounting standards; and
- preparing and issuing auditing and assurance standards.

This outcome/output framework is illustrated in Figure 1.

Measuring and Monitoring Outcomes

A large number of factors influence the achievement of the Government's Overarching Outcome Goal, the Linking Intermediate Outcome and the XRB Outcome Goal. Many of these are outside the control or influence of the XRB. Accordingly, the XRB considers it to be a difficult and highly complex exercise to establish the specific causal link between these outcomes, and to establish measures, targets and benchmark information for them. In the XRB's view the cost of developing detailed outcome and impact performance measures using current methods and processes is likely to outweigh the accountability value of such information. Further, there is a significant risk that such information would give a false indication of the degree of influence the XRB has over these outcomes.

The XRB will, however, continue to look for cost-effective ways of measuring outcome and impact performance. The XRB considers that, in the interim, the relationship between the Overarching Outcome Goal, the Intermediate Outcome and the XRB Outcome Goal is clear, as is the nature of its contribution to these outcomes through the issuing of standards.

Figure 1: XRB Outcome/Output Performance Framework



Notwithstanding the measurement difficulties, the XRB is concerned with positively influencing the outcomes and significant focus and effort is applied to achieving this. This includes monitoring likely outcome contribution through cost effective means. Accordingly, during the period covered by this Statement of Intent the XRB will continue its practice of monitoring the state of financial reporting through information available through such bodies as the Companies Office, the Financial Markets Authority (FMA) and the Office of the Auditor-General, as well as information in the public domain, such as the "Strength of Auditing and Reporting Standards" index in the Global Competitiveness Report. This monitoring is designed to allow the XRB to assess in a general way the extent to which the strategies adopted and the standards issued by the XRB are consistent with the XRB's Outcome Goal.

2.3 Operating Intentions

XRB's Outputs

The XRB intends to deliver three outputs during the 2013-16 period:

Output 1: Financial Reporting Strategy;

Output 2: Preparing and Issuing Accounting Standards; and

Output 3: Preparing and Issuing Auditing and Assurance Standards.

² In terms of the requirements of section 141 of the Crown Entities Act, the intermediate outcome is the XRB's "outcome" and the XRB outcome goal is the XRB's "impact".

A specification of these outputs for the 2013-14 year is provided in Appendix 1.

These outputs reflect three of the XRB's statutory responsibilities. The fourth responsibility (liaising with kindred national and international organisations) is undertaken as a core part of delivering these outputs.

A number of factors will influence the delivery of these outputs during the 2013-16 period. These are outlined below.

Implementation of the new Accounting Standards Framework

The statutory obligation to implement the approved new Accounting Standards Framework will continue to drive much of the work undertaken as part of Output 1 and Output 2 during a good portion of the three-year period.

In order to implement the new Accounting Standards Framework it is necessary to develop, consult and finalise several new sets of accounting standards and amend existing standards. This work (which is part of Output 2) began in the 2011-12 financial year and is expected to be completed in the 2014-15 financial year. Further flow-on work will then follow, most notably to further enhance the standards for Public Benefit Entities to address issues not covered (or appropriately covered) in the initial (transition) suite of standards.

At the overall strategy level (Output 1) the XRB's focus will be on monitoring whether the new Accounting Standards Framework is achieving the desired result: ensuring that the specific needs of New Zealand users and entities in all sectors are met. This may require enhancements to the various suites of standards. If necessary, consideration will also be given to "tweaking" the Accounting Standards Framework and seeking the Minister's approval accordingly.

Enhancement of Auditing and Assurance Standards

In relation to auditing and assurance standards, converging these standards with international standards was the initial priority. This is expected to be completed by the end of the 2012/13 financial year, or early in the following year.

Work on the second priority - to harmonise New Zealand auditing and assurance standards with those in Australia - will continue in the 2013/14 financial year and beyond. This will continue to be a major aspect of the work undertaken as part of Output 3.

Maintenance of Current Standards

In addition to these strategic initiatives, the existing standards frameworks also need to be maintained throughout the period. This reflects the fact that New Zealand is predominantly a "standard-taker" and that the Board seeks to ensure that New Zealand standards are consistent with current international standards.

The adoption of international standards as the basis for New Zealand standards reflects the Board's view that this is in New Zealand's best interests given the globalised financial reporting environment that now exists. International events and pressures are reflected in the work of the international standard setting boards and, where appropriate, in the

standards issued by those boards. In this way New Zealand standards are reflective of the international environment.

This approach is important in all sectors, but particularly in relation to for-profit entities where the accounting standards are based on International Financial Reporting Standards (IFRS). The adoption of IFRS by New Zealand for-profit reporting entities results in considerable benefits from improved comparability of financial statements, and removal of the need for interested parties and providers of capital to have to translate the New Zealand financial information into the more universally understood accounting practices adopted by New Zealand's major trading partners. Benefits also accrue in relation to the New Zealand subsidiaries of multinational organisations based in Australia and the European Union, as the IFRS based financial information prepared here can be incorporated directly into their IFRS based group reporting, without translation and amendment.

The XRB is keen to ensure that the integrity of the IFRS 'brand' is not prejudiced by any actions in New Zealand which could be construed as departing from the internationally agreed agenda of seeking one set of high quality standards for for-profit entities across the world.

The maintenance of standards is an on-going process. It involves incorporating in New Zealand standards (following appropriate due process), standards that are issued by the international standard setting bodies, most notably the International Accounting Standards Board (IASB), the International Public Sector Accounting Standards Board (IPSASB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). The activities of the XRB (Output 2) are therefore heavily influenced by the output of the international boards. This is expected to increase over the period covered by this Statement of Intent.

In addition the XRB Board, NZASB and NZAuASB provide comment on relevant exposure drafts and other documents issued for comment by the international boards. This reflects our statutory obligation to work with international standard setting bodies. It is also consistent with the Board's strategy of seeking to influence international standards during their development phase.

Harmonisation with Australia

Another important factor influencing the work undertaken as part of the outputs is harmonisation with Australia. The Board considers harmonisation a particularly important factor in establishing accounting standards and auditing and assurance standards for for-profit entities, given both Government policy³ and the number of for-profit entities with trans-Tasman reporting obligations.

The XRB will therefore continue to work closely with its Australian counterparts as appropriate over the three-year period. This includes direct liaison with Australian standard setting bodies, as well as participation in the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG), and membership of the Australian

³ The Single Economic Market Outcomes Framework agreed by the New Zealand and Australian Governments in August 2009 includes a specific section on financial reporting.

Financial Reporting Council, Australian Accounting Standards Board, and the Australian Auditing and Assurance Standards Board.

Due Process and Stakeholder Communications

The XRB has a statutory obligation to consult with the constituency before issuing accounting or auditing and assurance standards. The Board is fully committed to following appropriate due process and considers this an essential part of the standard setting process. It has established specific and deliberate consultation processes and these are a major factor in the way in which the XRB produces its outputs.

The Board plans to continue to develop both communication mechanisms and relationships with all of its key stakeholder groups over the three-year period, so that it can progress the advancement of New Zealand's financial reporting in a timely, efficient and objective manner. This includes the operation of an External Reporting Advisory Panel (XRAP) as well as various formal and informal consultation and engagement processes.

2.4 Organisational Health and Capability

The 2013/14 financial year is the third year of the XRB's operation.

From an organisational health perspective, the first two years have been focused on establishing the organisation, developing the necessary capability, and ensuring that the organisation is fulfilling its statutory functions effectively and efficiently. For the most part this has now been achieved.

The Board's strategic focus now is to ensure that the organisation operates in a focused steady-state mode, developed capability is maintained, and that value for money is achieved in all that the XRB does.

Retaining and developing staff is a key part of this strategy as is the promotion of a value for money culture throughout the organisation.

The XRB will also continue to operate appropriate risk management strategies.

Part 3: Forecast 2013-14 Annual Performance

3.1 Purpose of this Part

This part of the Statement of Intent outlines the XRB's projected (forecast) financial and non-financial performance for the twelve months ended 30 June 2014.

3.2 Outcome Goal

The XRB's outcome goal for the year is:

The establishment of accounting and assurance standards that engender confidence in New Zealand financial reporting; assist entities to compete internationally; and enhance entities' accountability to stakeholders.

3.3 Outputs and Measures

The XRB's outputs for the year are:

Output 1: Financial Reporting Strategy;

Output 2: Preparing and Issuing Accounting Standards; and

Output 3: Preparing and Issuing Auditing and Assurance Standards.

Measures and standards for each of these outputs are provided in the Statement of Forecast Service Performance in Appendix 1.

3.4 Scope of Business

The XRB's scope of business for the year is:

Accounting and assurance standard setting, and associated strategy setting functions.

3.5 Financial Targets

The XRB's financial targets for the year are:

Financial Measure	2013-14 Forecast (\$000)
Revenue	4,440
Expenses	4,410
Operating Surplus	30
Equity	1,114
Net Cash Flows from Operating	169
Net Increase in Cash	159

Forecast financial statements, including the assumptions on which they are based, are provided in Appendix 2.

3.6 Organisational Capability

The XRB's key capability initiatives for the year are:

- Retaining a near full complement of suitably qualified staff; and
- Maintaining full operational capability in the Wellington and Auckland offices.

3.7 Management of Organisational Risks

The XRB's key risk management initiatives planned for the year are:

Risk	2013-14 Action
Loss of property and equipment	Insurance of property, plant and equipment
Loss of key staff	Cross training
Loss of key data and records	Offsite backup

Part 4: Other Matters

4.1 Reporting to the Responsible Minister

There is a formal Output Agreement between the XRB and the Responsible Minister which is negotiated annually. This agreement sets out the expectations of the Minister in terms of the specific outputs to be delivered (in accordance with Part 3 of this SOI) and also requires two formal reports, at the half year and year end.

In addition, at appropriate intervals during the year the XRB will meet with the Minister or his advisors to discuss matters concerning progress toward achieving the XRB's projected performance for the year, and also any other matters which may be relevant to the environment in which both the Minister and the XRB operate.

The XRB also recognises that from time to time it might be appropriate for it to make a formal submission on a proposed piece of legislation. The XRB understands that, should it be invited to, or wish to, make a submission to a Select Committee on any matter, it will alert the Minister to this first.

The Board will at all times endeavour to maintain a "no surprises" policy with the Minister, and inform him and/or his advisors well in advance of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest.

4.2 Consultations with the Responsible Minister

As an Independent Crown Entity the XRB is not required to consult with the Responsible Minister over standard setting matters.

However, there are two matters where the Minister's approval is required by statute. These are approval of the tier framework; and approval of the issuing of auditing and assurance standards other than for statutory assurance.

In April 2012, the Minister approved the new Tier Strategy as part of a new Accounting Standards Framework in accordance with the requirements of the Financial Reporting Act 1993. It is possible that the XRB will seek the Minister's approval to amendments to that Tier Strategy during the period covered by this Statement of Intent.

During the 2011-12 financial year the XRB obtained the approval of the Minister to issue auditing and assurance standards other than for statutory assurance. The Board does not expect to seek any further approvals from the Minister in relation to this matter during the period covered by this Statement of Intent.

The XRB will consult the Minister in the course of preparing the annual Statement of Intent each year, and in relation to any other matters on which the XRB is required by legislation to consult the Minister.

4.3 Process to be followed for Acquisitions

The XRB does not expect to acquire shares or interests in companies, trusts or partnerships or joint ventures during the three-year period. No process is therefore required to be specified in accordance with section 100 of the Crown Entities Act 2004.

4.4 Exemptions

The XRB does not have any outputs that are exempted from inclusion in the SOI pursuant to section 143 of the Crown Entities Act 2004.

Appendix 1 - Statement of Forecast Service Performance for the Year Ended 30 June 2014

Output Class	2012/13 Estimate	2013/14 Forecast
Description		
Financial reporting and assurance standard setting and associated strategy setting functions	All activities are within this description	All activities are within this description
Cost (\$000)	4,130	4,410
Revenue from the Crown (\$000)	4,410	4,410
Revenue from Others (\$000)	67	30

Output 1: Financial Reporting Strategy	2012/13 Estimate	2013/14 Forecast
Quantity		
Number of accounting standards frameworks being implemented	1 for-profit 1 public sector 1 not-for-profit	1 not-for-profit
Number of amendments to accounting standards Tier Strategy submitted to Minister for approval	Nil	As required; expected to be 0-1
Number of auditing and assurance standards frameworks being implemented	1	1
Quality		
Accounting standards frameworks implemented in accordance with approved Tier Strategy	100% compliance	100% compliance
Amendments to Tier Strategy consistent with statutory requirements and consistent with the Government's trans-Tasman outcome goals (degree of consistency determined by XRB Board)	100% consistent	100% consistent
Timeliness		
Implementation of standards frameworks	On-going throughout the year	On-going throughout the year
Amendments to Tier Strategy	As required	As required

Output 2: Preparing and Issuing Accounting Standards	2012/13 Estimate	2013/14 Forecast
Quantity		
Number of exposure drafts and other due process documents issued relating to implementing the new accounting standards frameworks	4	30-40
Number of standards and related documents issued relating to implementing the new accounting standards frameworks	260-270	0
Number of exposure drafts and other due process documents relating to existing accounting standards suites issued	18-25 (depending on output of International Boards)	8-10 (depending on output of International Boards)
Number of standards and related documents relating to existing accounting standards suites issued	6-10 (depending on output of International Boards)	8-10 (depending on output of International Boards)
Number of projects undertaken on behalf of international accounting standard setters	1	1
Quality		
Due process documents and Standards reflect approved Tier Strategy (degree of compliance determined by NZASB)	100% compliance	100% compliance
Statutory due process requirements followed	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by NZASB)	100% compliance	100% compliance
For-profit standards harmonised with Australia where appropriate	100% compliance	100% compliance
Timeliness		
Due process documents and standards relating to the new accounting standards framework issued in accordance with timeline established by the Board	100% compliance	100% compliance
Due process documents and Standards relating to existing accounting standards suites issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance

Output 3: Preparing and Issuing Auditing and Assurance Standards	2012/13 Estimate	2013/14 Forecast
Quantity		
Number of exposure drafts and other due process documents relating to auditing and assurance standards issued	Expected to be 7-12 (depending on output of International Boards)	3-6 (depending on output of International Boards)
Number of auditing and assurance standards and related documents issued	Expected to be 10-15 (depending on output of International Boards)	4-6 (depending on output of International Boards)
Quality		
Statutory due process requirements followed	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by NZAuASB)	100% compliance	100% compliance
Standards harmonised with Australia where appropriate	100% compliance	100% compliance
Timeliness		
Due process documents and Standards issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance

Appendix 2 - Forecast Financial Statements for the Year Ended 30 June 2014

1. Introduction

These forecast financial statements have been prepared in accordance with generally accepted accounting practice for public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of the External Reporting Board. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variation may be material.

These forecast financial statements have been prepared on the basis of assumptions as to future events that the XRB reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated.

2. Assumptions

The following assumptions have been used in preparing these forecast financial statements:

- The XRB will continue to operate in its current structure and form.
- Revenue from the Crown of \$4,410,000 will be available to the XRB for the 2013/14 year.
- There will be no change to premises occupancy.

3. Statement of Accounting Policies

(a) Reporting Entity

The financial statements are prepared for the External Reporting Board (XRB) pursuant to the Crown Entities Act 2004.

The XRB was established on 1 July 2011 when it was reconstituted from the Accounting Standards Review Board (ASRB) following amendments to the Financial Reporting Act 1993.

The XRB is an Independent Crown Entity under the Crown Entities Act 2004 and is responsible for financial reporting strategy, and preparing and issuing both accounting and auditing and assurance standards.

The XRB has designated itself as a public benefit entity in accordance with Standard XRB A1 (FP Entities Update) and accordingly applies New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities (NZ IFRS PBE).

(b) Measurement System

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

(c) 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.

(d) Revenue from the Crown

The Board is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose specified in the Appropriation.

(e) Interest

Interest income is recognised using the effective interest method.

(f) Cash and cash equivalents

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

(g) Receivables

Receivables are stated at expected realisable value.

(h) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis with the exception of receivables and payables which are stated GST inclusive.

(i) 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.

(j) Financial Instruments

The XRB is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors and creditors. 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.

(k) Property, plant and 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.

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.

(l) Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the Statement of Comprehensive Income in equal instalments over the lease term when the leased items are in use.

(m) Income Tax

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

(n) Changes in Accounting Policies

There have been no changes in accounting policies during the year.

External Reporting Board

Statement of Forecast Comprehensive Income For the year ending 30 June 2014

	2012/13 Estimated \$'000	2013/14 Forecast \$'000
Revenue from the Crown	4,410	4,410
Interest	67	30
Total Revenue	4,477	4,440
Personnel Costs	2,135	2,404
Board Members' Fees	701	699
Travel	352	359
General Operating Costs	405	407
Contributions to IASB and IPSASB	300	300
Premises Expenses	148	151
Depreciation	89	90
Miscellaneous Expenses	0	0
Total Expenses	4,130	4,410
Net Surplus/ (Deficit)	347	30

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Comprehensive Income.

External Reporting Board

Statement of Forecast Financial Position As at 30 June 2014

	2012/13 Estimated \$'000	2013/14 Forecast \$'000
ASSETS		
Current Assets		
Cash at Bank	1,146	1,305
Prepayments	25	25
	<u>1,171</u>	<u>1,330</u>
Non-Current Assets		
Property, Plant and Equipment	320	240
	<u>320</u>	<u>240</u>
Total Assets	<u>1,491</u>	<u>1,570</u>
LIABILITIES		
Current Liabilities		
Payables	252	282
Rent Accruals	47	24
	<u>299</u>	<u>306</u>
Non-Current Liabilities		
Holiday Pay Accrual	108	150
	<u>108</u>	<u>150</u>
Total Liabilities	<u>407</u>	<u>456</u>
NET ASSETS	<u>1,084</u>	<u>1,114</u>
EQUITY		
Capital Contribution from the Crown	725	725
Retained Earnings	359	389
	<u>725</u>	<u>389</u>
TOTAL EQUITY	<u>1,084</u>	<u>1,114</u>

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Financial Position.

External Reporting Board

Statement of Forecast Movements in Equity For the year ending 30 June 2014

	2012/13 Estimated \$'000	2013/14 Forecast \$'000
Equity as at 1 July	1,802	1,084
Total Recognised Revenues and Expenses	347	30
Net return of Capital to the Crown	(1,065)	0
Return of Retained Earnings to Crown	0	0
Equity as at 30 June	1,084	1,114

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Movements in Equity.

External Reporting Board

Statement of Forecast Cash Flows For the year ended 30 June 2014

	2012/13 Estimated \$'000	2013/14 Forecast \$'000
Cash Flows from Operating Activities		
Cash was provided from:		
Revenue from the Crown	4,410	4,410
Interest	77	30
	<u>4,487</u>	<u>4,440</u>
Cash was distributed to:		
Employee costs	(2,094)	(2,365)
Suppliers	(1,836)	(1,606)
Contribution to IASB and IPSASB	(300)	(300)
	<u>(2,190)</u>	<u>(2,271)</u>
Net Cash Flow from: Operating Activities	257	169
Cash Flows from Investing Activities		
Cash was distributed to:		
Purchase of Property, Plant and Equipment	(9)	(10)
	<u>(9)</u>	<u>(10)</u>
Net Cash Flow from: Investing Activities	(9)	(10)
Cash Flows from Financing Activities		
Cash was provided from:		
Capital contribution from the Crown	0	0
	<u>0</u>	<u>0</u>
Cash was distributed to:		
Return of Capital to the Crown	0	0
Return of Retained Earnings to the Crown	(1,065)	0
	<u>(1,065)</u>	<u>0</u>
Net Cash Flow from: Financing Activities	(1,065)	0
Net (Decrease) / Increase in Cash	(817)	159
Add Opening Cash Balance	1,963	1,146
Closing Cash Balance	1,146	1,305

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Cash Flows.