



Te Kāwai Ārahi Pūrongo Mōwaho

Statement of Performance Expectations

**For the period
1 July 2019 to 30 June 2020**

April 2019

Prepared in accordance with section 149C of the Crown Entities Act 2004

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Contents

Statement of Responsibility.....	4
1. Introduction.....	5
2. Reportable Classes of Outputs	9
3. Prospective Financial Statements for the Year Ended 30 June 2020	19

Statement of Responsibility

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

- enabling the responsible Minister to participate in the process of setting the XRB's annual performance expectations;
- enabling the House of Representatives to be informed of those expectations; and
- providing a base against which the XRB's actual performance for the year can be assessed.

The Board is responsible for the content of this Statement of Performance Expectations, which comprises the reportable outputs (as specified in the Statement of Forecast Service Performance) and the Prospective Financial Statements for the year, including the assumptions on which they are based, and for the judgements used in preparing them.

The Prospective 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 Performance Expectations.

In accordance with section 149I of the Crown Entities Act 2004, the XRB has consulted with the Minister of Commerce and Consumer Affairs in the preparation of this Statement.



Graeme Mitchell

Chairman

Date: 5 April 2019



Michele Embling

Deputy Chair

Date: 5 April 2019

1. Introduction

1.1 Purpose of the Statement of Performance Expectations

The Statement of Performance Expectations (SPE) is one of two accountability documents which establish how the External Reporting Board (XRB) measures our future performance, and report on the progress of that performance, against our performance targets. The other document is the Statement of Intent (SOI) which presents a three-to-five year medium-term view of the direction and priorities towards achieving our strategic intentions.

This SPE outlines the key aspects of the performance the XRB is expecting to deliver and prospective financial statements for the 2019/20 financial year. It describes how we intend to perform the services we receive funding for, through our Government appropriation.

In accordance with the requirements of the Crown Entities Act 2004, the SPE covers two main dimensions of performance:

- The “reportable” classes of outputs that the XRB will deliver in 2019/20 which are funded in part or whole by the Crown (the Crown’s purchase interest) – as the XRB is fully funded by the Crown, these are all the XRB’s outputs; and
- The prospective financial performance for the XRB for 2019/20 (the Crown’s ownership interest).

1.2 Overview of the XRB

The XRB is an Independent Crown Entity, initially established under the Financial Reporting Act 1993, with continued existence under Section 11 of the Financial Reporting Act 2013. As a Crown Entity, the XRB is subject to, and operates pursuant to, the Crown Entities Act 2004.

The XRB’s functions are prescribed by Section 12 of the Financial Reporting Act 2013 and are as follows:

- developing and implementing an overall strategy for financial reporting standards (both accounting and auditing & assurance standards), including developing and implementing tiers of financial reporting;
- preparing and issuing accounting standards, including where applicable “non-GAAP standards” for entities entitled by Law to use cash accounting, and authoritative pronouncements;
- preparing and issuing auditing & assurance standards, including the professional and ethical standards that will govern the professional conduct of assurance providers; and
- liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

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

The XRB 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 around 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 (currently 17) based in Wellington, Auckland and Nelson and Christchurch provides technical and logistical support to the three Boards.

1.3 Strategic Context

The strategic intentions of the XRB, which provided the strategic context for this 2019/20 Statement of Performance Expectations, are set out in the XRB's Statement of Intent for the 2017-22 period which was published concurrently with the 2017/18 Statement of Performance Expectations. In summary, those strategic intentions are as follows:

The overarching strategy, is the broad strategic approach of the organisation, and is as follows;

- Maintaining the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework;
- Continuing, as appropriate, the convergence and harmonisation approach for both accounting and auditing & assurance standards; and
- Responding to the rapidly changing international environment and external reporting landscape.

The XRB's specific strategic intentions for the 2019/20 year continue to be the following five main areas:

1. Continuing to maintain the existing suites of standards to reflect changes to international standards and, where necessary, enhanced to address any deficiencies or gaps that are critical to user-needs and the quality of financial reporting in New Zealand. The planning has commenced for a post-implementation review during this period (2019-2020), of the financial reporting framework implemented in New Zealand between 2011 and 2016, after which any identified changes will be made;
2. Undertaking deliberate, organised research into the financial and non-financial information needs of the various users of XRB standards:

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

- as a basis for considering enhancements to the financial reporting framework or specific standards in the future;
 - to help inform efforts to influence the work of the international standard setting boards;
 - to respond to developments in wider corporate reporting; and
 - to provide thought leadership.
3. Supporting the overarching strategy of international convergence by actively:
- seeking to influence the work of the international standard setting boards during the early stages of standards development through “influencing strategies”, specific to each international board so that standards are applicable in New Zealand;
 - participating in the work of the international standard setting boards and through relationships, contribution by staff and, where appropriate, representation on international boards;
 - re-considering the most effective investment of resources in respect of our influencing strategies, whether this be at the commencement of the standard setting process, the end of the standard setting process or working more closely with regional groups;
 - monitoring and responding to major disruptions and developments in the international standard setting structure and environment, particularly in the audit market, and ensuring that stakeholders are well informed; and
 - maintaining and enhancing regional relationships with like-minded countries, as a contingency plan in the event of a return to national standard setting or a move away from principles-based standards.
4. Continuing to develop standards in a collaborative manner with the constituency and to this end:
- implementing engagement strategies and approaches to enhance the level and quality of constituency engagement, including continuing to widen the membership representation of the External Reporting Advisory Panel (XRAP) as a platform for constituency and market feedback;
 - increasing the organisation’s involvement in awareness raising activities to help the constituency better understand the role, purpose and requirements of our standards, including the development of a communication strategy for social media;
 - promoting the awareness, understanding and implementation of extended external reporting (EER) among New Zealand constituents by:
 - Adopting a proactive leadership approach to EER, considering investor versus broader stakeholder requirements;
 - Considering and implementing a strategy for EER in response to user demands; and
 - Adopting a collaborative approach with other key stakeholders to EER.
 - working with other agencies, including other standard-setters, to ensure any external reporting and assurance gaps are identified and addressed;
 - providing a thought leadership role involving bold thinking, being proactive and facilitating meetings with key stakeholders to make a difference; and
 - encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and

5. Maintaining a high-performance culture to achieve the XRB's outcome goals in a rapidly changing environment, while operating in a financially prudent manner and maintaining the level of capability needed to deliver the outputs required.

2. Reportable Classes of Outputs

2.1 Reportable Classes of Outputs

The XRB has one reportable class of outputs, purchased by the Minister of Commerce and Consumer Affairs, i.e. one class of outputs funded by appropriation. The specification of this class of outputs is detailed in the table below. A specification of the individual outputs that make up the class of outputs is provided in the Statement of Forecast Service Performance.

Output Class: 2019/20 Forecast

Description of Output Class

Financial reporting and auditing & assurance standards setting for the purposes of promoting the quality of financial reporting.

What the Output Class is Intended to Achieve

The development and issuing of accounting and auditing & assurance standards and associated documents that engender confidence in New Zealand financial reporting, assist entities to compete internationally, enhance entities' accountability to stakeholders and contribute to the wellbeing of New Zealanders and that are converged with international standards and harmonised with Australian standards, where applicable.

How the Performance of the Output Class will be Assessed

Performance will be assessed by the extent to which the accounting and auditing & assurance standards and associated documents on issue in New Zealand engender confidence, assist entities to compete and are converged with international standards and harmonised with Australian standards, where applicable.

Revenue from the Crown (\$000)	4,410
Revenue from Others (\$000)	48
Cost (\$000)	5,098

The XRB does not have any reportable class of outputs for which an exemption has been granted under section 149F of the Crown Entities Act 2004.

The XRB does not intend to supply any class of outputs in the 2019/20 financial year that is not a reportable class of outputs.

2.2 Statement of Forecast Service Performance for the Year Ended 30 June 2020

The table below summarises the XRB Organisational Outcomes performance information of the External Reporting Board (including the two standard-setting boards) for the 2019/2020 financial year.

The performance measures tabled below, in combination, reflect our output class of developing and issuing accounting and auditing & assurance standards (and associated documents) that contribute to the wellbeing of New Zealanders and New Zealand entities by:

- *engendering confidence* in New Zealand financial reporting through ensuring stable and appropriate reporting strategies and standards frameworks that are aligned with the relevant legislative frameworks;
- *assisting entities to compete internationally* by ensuring that standards are internationally converged and harmonised and result in financial/corporate reports and information that are comparable, thereby reducing the cost of capital; and
- *enhancing entities' accountability* to stakeholders by ensuring financial/corporate reports and information are relevant, transparent and complete.

Overarching Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
Maintain the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards	Enduring policy of sector-specific standards and Tier Structure.	Formal requests for changes to the financial reporting strategy.	² 0
	Financial reporting strategy and standards frameworks that are: • Reliable and require	Amendments to Tier Strategy submitted to Minister for approval.	0
		Formal requests for changes to standards frameworks.	0

² A Post Implementation Review of the Accounting Standards Framework (the PiR) will be conducted during the 2019/20 period which may result in future changes to the financial reporting strategy.

Overarching Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
Framework	infrequent changes; - Consistent with legislative frameworks; and - Responsive to legislative changes and stakeholder feedback. - Undertake XRB organisation stakeholder survey every two years.	Legislative changes and stakeholder feedback monitored and incorporated into standards frameworks (where relevant).	0
		Monitoring standards frameworks to ensure any relevant changes needed are made in a timely manner.	On-going throughout the year.
		Any amendments to Tier Strategy consistent with statutory requirements.	100% compliance.
		Reputation of XRB from stakeholder survey.	The information provided by the XRB was helpful- at least 80% Standards are relevant to New Zealand stakeholders – at least 80%
Continue the international convergence and harmonisation approach (where applicable) for both accounting and auditing & assurance standards	Enduring policy of international convergence/harmonisation.	Anticipated changes to the Government policies of international convergence/harmonisation.	0 ³

³ The continued importance of harmonisation for for-profit standards will be considered as part of the 2019/20 PiR.

Specific Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
Maintain and enhance existing accounting and auditing & assurance standards	Maintaining existing accounting and auditing & assurance standards (and associated pronouncements) so that:	New Zealand's ranking for the strength of its auditing and reporting standards in the Global Competitiveness Report by the World Economic Forum to remain in the top 5 of countries surveyed.	100% compliance.
	• They are of high quality; • They remain consistent with international standards; and • There is local relevance and acceptance.	Through environmental scan reports and user needs research, ascertain feedback on New Zealand corporate reporting relating to transparency, understandability and meeting user needs.	No significant negative comments/feedback.
	Enhancing existing accounting and auditing & assurance standards (and associated pronouncements) standards by:	Through meetings / correspondence with regulatory bodies eg FMA and Charities Services, ascertain feedback in relation to the requirements of standards.	No significant negative comment / feedback.
	• Identifying and addressing any New Zealand specific deficiencies or gaps; and • Expanding, where necessary, the XRB's legal mandate in relation to the issue of standards.	Through relevant meetings / correspondence obtain comments / feedback in relation to audit quality in New Zealand with respect to the suite of auditing & assurance standards.	No significant negative comment / feedback.
	Ensuring transparent due process and consultation.	Number of modified audit reports received relating to deficiencies in accounting and/or auditing & assurance standards.	No modified audit reports received relating to deficiencies in accounting and/or auditing & assurance standards.
		Number of requests made to policy makers to expand XRB mandate.	No new requests anticipated.
		XRB submissions on relevant consultation	As required and in

Specific Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
		documents.	compliance with specific response dates.
		Number of formal requests from stakeholders for New Zealand-specific amendments to issued standards that are not related to legislative or standards frameworks.	Accounting Standards- Nil ⁴ Audit and Assurance Standards- Nil
		Number of New Zealand-specific standards developed and/or issued.	1-3 Audit and Assurance Standards 1-2 Accounting Standards
		Standards reflect relevant international standards with departures only to improve quality for the New Zealand environment.	100% compliance.
		For-profit accounting standards and auditing & assurance standards harmonised with Australia (where appropriate).	100% compliance.
		Standards development follows statutory due process requirements.	100% compliance.
		Standards issued in time for the commencement date to be no later than the international commencement date (where	100% compliance.

⁴ During the 2019/20 period we are planning to complete a Post Implementation Review of our Tier 3 and Tier 4 Public Benefit Entities (PBE) Accounting requirements. This may lead to the receipt of submissions requiring specific amendments to current Standards applicable to PBEs.

Specific Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
		relevant).	
		Referrals from regulatory agencies and other stakeholders relating to deficiencies in standards are dealt with in a timely manner (within six months).	100% compliance
Undertake User-needs Research	Undertaking organised research into the financial and non-financial information needs of users of our standards: - as a basis for enhancing the financial reporting framework or specific standards; - to inform efforts to influence the work of the international standard setting boards; - to respond to developments in wider corporate reporting; and - to provide thought leadership.	Number of research projects undertaken to determine needs of users of financial reports.	Commence 1 project- in house.
		Findings of user-needs research indicates appropriateness of accounting and auditing & assurance standards to users.	No significant negative conclusions from research findings about appropriateness of standards.
		Communication of research findings to international standard setting boards.	As required.
		Communication of, and engagement with, local constituents on research findings and emerging issues.	As required.
		Collaborations with others in research activities relating to corporate reporting, appropriateness of standards and effectiveness of assurance.	As appropriate.
Influence the International Boards	Seeking to influence the work of the international boards during the early stages of standards development: Using "influencing strategies" specific to each	Attendance at meetings and working with international boards to influence international standard setting.	Attend all relevant international board meetings.
		Participation as members on relevant international boards, regional groupings,	Ensure representation on relevant international boards, regional

Specific Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
	international board; - By participating, building relationships, and, where appropriate, being represented on international boards; and - Monitoring and responding to any major disruptions and developments in the international standard setting structure and environment.	working groups and task forces.	groupings, working groups and task forces. Staff secondments to relevant international standard setting bodies.
		Host international visitors from relevant international organisations.	As appropriate.
		Submissions to international Boards on relevant issues and consultation documents.	As appropriate.
		Representation on the IAASB task force on EER and its associated advisory panel.	100% compliance.
		Environmental scans of developments and major disruptions to the international standard setting structure and environment are reported to each XRB Board meeting and to each sub board meeting. XRB responds to developments and disruptions as appropriate.	100% compliance. 100% compliance.
Enhance Constituency Engagement and Support	Developing standards in a collaborative manner with the constituency by: Implementing engagement strategies to enhance the depth and breadth of constituency engagement;	External Reporting Advisory Panel (XRAP) and Technical Reference Groups (TRG) comprise a wide representation of stakeholders. The XRB reviews membership annually to review diversity, balance and/or appropriateness of membership appointments.	100% compliance.

Specific Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
	- Increasing awareness raising activities, including through a communication strategy for social media; - Promoting the awareness, understanding and implementation of EER among New Zealand constituents; - Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and - Working with other agencies to ensure financial and non-financial reporting and assurance gaps are identified and addressed.		
		Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/lectures held.	Number of webinars, roundtables, podcasts, articles, presentations, blogs, thought leadership seminars/lectures (including the Tony Dale Memorial lecture) organised as required. Accounting: 10 Auditing: 46 Number of attendees: over 1,500.
		Number of EER presentations to raise awareness of the benefits.	5 high profile speaking events.
		Contact regulators and key stakeholders in New Zealand to raise awareness of EER.	5 key meetings during the year.
		Discussions and collaborative work with policy makers and other key stakeholders to identify and address financial and non-financial reporting and assurance gaps.	5 key meetings.
		Work with international Boards to address any gaps.	On-going.

Specific Strategy	To be achieved by....	Performance measure	Forecast for 2019/20
Maintain Capability within a Financially Prudent Organisation	Maintaining a high-performance culture to achieve the XRB's outcome goals. Operating in a financially prudent manner. Maintaining the level of capability needed to deliver the outputs required.	Retention of diverse and highly qualified Board members and staff. Staff turnover is kept to less than 10%. Annual review of Board membership to ensure diversity.	100% compliance.
		Ensure sufficient funding to carry out legislative mandate. XRB Board reviews budgets and financial reports presented at each Board meeting.	100% compliance.

Our one reportable output class is achieved through the delivery of three individual outputs. The revenue allocated from our appropriation, together with the direct and attributed overhead costs for each output, is detailed below:

Output 1: Financial Reporting Strategy	2018/19 Estimate	2019/20 Forecast
Crown Revenue Allocated	\$529,200	\$529,200
Costs	\$464,390	\$510,707
Attributed Overhead costs and other revenue	\$82,601	\$86,493

Output 2: Preparing and Issuing Accounting Standards	2018/19 Estimate	2019/20 Forecast
Crown Revenue Allocated	\$2,469,600	\$2,469,600
Costs	\$2,404,208	\$2,418,247
Attributed Overhead costs and other revenue	\$385,474	\$403,633

Output 3: Preparing and Issuing Auditing and Assurance Standards	2018/19 Estimate	2019/20 Forecast
Crown Revenue Allocated	\$1,411,200	\$1,411,200
Costs	\$1,379,449	\$1,400,292
Attributed Overhead costs and other revenue	\$220,271	\$230,647

3. Prospective Financial Statements for the Year Ended 30 June 2020

3.1 Introduction

These prospective financial statements have been prepared in accordance with generally accepted accounting practice for public sector public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of the External Reporting Board (XRB). The prospective financial statements set out the XRB's activities and planned performance. The 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 prospective 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.

3.2 Assumptions

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

- The XRB will continue to operate in its current structure and form.
- The XRB's statutory functions will remain unchanged.
- Revenue from the Crown of \$4,410,000 will be available for the 2019/20 year.
- There will be no change to premises occupancy.
- Externally driven costs will increase by no more than the rate of inflation.
- There will be no unexpected external events (such as a natural disaster) that will require significant operating or capital expenditures to be incurred.
- The Board has acted in a fiscally prudent manner in relation to the forecast deficit for 2019/20 which will be funded from reserves maintained to enable the XRB to fund strategic initiatives.

3.3 Statement of Accounting Policies

(a) Reporting Entity

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 was established on 1 July 2011.

The XRB has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

(b) 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 generally accepted accounting practice in New Zealand (NZ GAAP).

The prospective financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards and disclosure concessions have been applied. This includes PBE FRS 42 Prospective Financial Statements.

The criteria under which the XRB is eligible to report in accordance with Tier 2 PBE Accounting Standards are:

- The XRB does not have public accountability as defined in XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not -for-profit Entities update) and;
- The XRB has total expenses between \$2million and \$30million

These prospective financial statements comply with PBE Accounting Standards.

These prospective 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 prospective financial statements.

The prospective financial statements were approved by the XRB Board on 5 April 2019. The XRB Board is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures.

(c) 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.

(d) Functional, Presentation Currency and Rounding

The prospective financial statements are presented in New Zealand dollars. The functional currency of the XRB is New Zealand dollars. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise specified.

(e) 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 XRB 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.

The XRB considers that there are no conditions attached to the Crown funding and as such it is recognised as revenue at the point of entitlement.

Interest

Interest income is recognised using the effective interest rate method.

Cash at Bank

Cash at bank includes cash on hand and deposits held at call with banks. Bank deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate method, less any provision for impairment.

Receivables

Receivables are initially measured at face value less any provision for impairment. Impairment of a receivable is established when there is objective evidence that the XRB will not be able to collect amounts due according to the original terms of the receivable.

Property, Plant & Equipment

Property, plant and equipment consists of the following asset classes; furniture and fittings, plant and equipment, property improvements and computer equipment.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the XRB and the cost of the item can be measured reliably.

Purchases of property, plant and equipment are initially recorded at cost.

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.

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

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

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.

Straight line depreciation is charged at the following rates:

- | | |
|--------------------------|-------|
| • Furniture and Fittings | 10.5% |
| • Plant and Equipment | 30% |
| • Property Improvements | 7% |
| • Computer Equipment | 40% |

Intangible Assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The External Reporting Board does not capitalise any internal costs incurred in the development of software for internal use.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Website development costs are capitalised as new functionality is created.

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 financial year is recognised in the surplus / (deficit). Straight line amortisation is charged on intangibles at the following rates:

- | | |
|-----------------------|-----|
| • Computer Software | 40% |
| • Website development | 25% |

Payables

Payables are initially measured at face value. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Goods and Services Tax (GST)

All items in the prospective 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, 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 Prospective Statement of Financial Position.

The net GST paid to, or received from IR is classified as an operating cash flow in the Prospective Statement of Cash Flows.

Income Tax

The XRB is exempt from the payment of income tax. Accordingly, no provision for income tax has been made.

Financial Instruments

The XRB 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 Prospective Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the XRB are classified as operating leases. Payments are recognised as an expense on a straight line basis over the term of the lease in the Prospective Statement of Comprehensive Revenue and Expense when payable. Lease incentives received are recognised in the deficit as a reduction of rental expense over the lease term. The XRB has operating leases on its two premises at 50 Manners Street, Wellington and 55 Shortland Street, Auckland.

(f) Changes in Accounting Policies

There have been no changes in accounting policies.

External Reporting Board

Prospective Statement of Comprehensive Revenue and Expense

For the year ending 30 June 2020

	2018/19 Estimate \$000	2019/20 Forecast \$000
Revenue from the Crown	4,410	4,410
Interest	63	48
Total Revenue	4,473	4,458
Personnel Costs	2,541	2,644
Board Members' Fees	685	749
Travel	356	364
General Operating Costs	539	472
Contributions to IASB and IPSASB	300	300
Premises Expenses	196	200
Research expenses	0	0
Depreciation	146	156
Website / IT	210	186
Audit Fees	26	27
Total Expenses	4,999	5,098
Net (Deficit)	(526)	(640)
Other Comprehensive Revenue and Expenses	0	0
Total Comprehensive Revenue and Expenses	(526)	(640)

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Prospective Statement of Comprehensive Revenue and Expense

External Reporting Board

Prospective Statement of Financial Position

As at 30 June 2020

	2018/19 Estimate \$000	2019/20 Forecast \$000
ASSETS		
Current Assets		
Cash at Bank	400	216
Prepayments	60	50
Receivables	40	40
Investments	1,600	1,300
	<u>2,100</u>	<u>1,606</u>
Non-Current Assets		
Property, Plant and Equipment	198	117
Intangible Assets	106	91
	<u>304</u>	<u>208</u>
Total Assets	<u>2,404</u>	<u>1,814</u>
LIABILITIES		
Current Liabilities		
Creditors	240	280
Holiday Pay	150	180
	<u>390</u>	<u>460</u>
Non-Current Liabilities		
Provisions	30	10
	<u>420</u>	<u>470</u>
NET ASSETS	<u>1,984</u>	<u>1,344</u>
EQUITY		
Capital Contribution from the Crown	725	725
Retained Earnings	1,259	619
TOTAL EQUITY	<u>1,984</u>	<u>1,344</u>

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

External Reporting Board

Prospective Statement of Movements in Equity

For the year ending 30 June 2020

	2018/19 Estimate \$000	2019/20 Forecast \$000
Equity as at 1 July	2,510	1,984
Total Recognised Revenues and Expenses	(526)	(640)
Equity as at 30 June	1,984	1,344

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

External Reporting Board

Prospective Statement of Cash Flows

As at 30 June 2020

	2018/19 Estimate \$000	2019/20 Forecast \$000
Cash Flows from Operating Activities		
Cash was provided from:		
Revenue from the Crown	4,410	4,410
Interest	64	48
	<u>4,474</u>	<u>4,458</u>
Cash was distributed to:		
Employee Costs	2,554	2,614
Suppliers	1,898	1,968
Contribution to IASB and IPSASB	300	300
	<u>4,752</u>	<u>4,882</u>
Net Cash Flow from: Operating Activities	(278)	(424)
Cash Flows from Investing Activities		
Cash was increased by:		
Sale of fixed assets	2	0
Cash was distributed to:		
Purchase of Property, Plant and Equipment	187	60
	<u>(185)</u>	<u>(60)</u>
Net Cash Flow from: Investing Activities		
Cash Flows from Financing Activities		
Decrease in Term Deposits	425	300
	<u>425</u>	<u>300</u>
Net Cash Flow from: Financing Activities		
Net (Decrease) / Increase in Cash	(38)	(184)
Add Opening Cash Balance	438	400
Closing Cash Balance	400	216

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

4. Explanation of Prospective Financial Statements

The prospective financial statements assume a level of activity and cost structure similar to that for the 2018/19 financial year except in the following areas:

- **Operating expenses:**
 - Interest revenue is less than previous years as our deficits increase and levels of funds on deposit are reduced.
 - Personnel costs are greater than 2018/19 due to a full complement of staff budgeted for the entire year.
 - Board members fees have increased on 2018/19 as we are budgeting a full complement of Board members attending all meetings in the coming year. We had a number of absences from the Boards during 2018/19.
 - General operating costs are reduced from 2018/19 due to a reduction in the need for technical contractors in the 2019/20 year as we have budgeted for a full complement of staff in 2019/20.
 - Website and IT costs are reduced as a consequence of the infrastructure review that was completed in 2018. A move to Cloud based computing and a change in IT support vendor has resulted in a significant reduction in costs.

The deficit will be funded from retained earnings (i.e. surpluses from previous years) and related cash reserves as part of a carefully planned five-year expenditure strategy established by the Board. No additional funding or appropriation is being requested and contributed capital will not be affected by the deficit.