Audit New Zealand
Mana Arotake Aotearoa

Model financial statements

Crown Service Enterprise

2023/24

Model financial statements for a
Crown entity, prepared under the Tier 1 and 2
Public Benefit Entity accounting requirements

July 2024

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Contents

FOREWORD

I am pleased to introduce our 2024 update to the model financial statements for Crown entities using the public benefit entity (PBE) accounting standards for Tier 1 and Tier 2 entities. Although these model financial statements are designed specifically for Crown entities, PBEs in other sectors might also find the model financial statements useful.

Audit New Zealand's model financial statements highlight our latest thinking on how Crown entities can best meet financial reporting and legislative requirements and provide essential information to the users of their financial statements.

Focus

We explain the main changes to the model financial statements on page 6.

We have prepared the model financial statements to help guide Crown entities to prepare financial statements that comply with the PBE Accounting Standards. By providing illustrative disclosures and sources for these disclosures, the model financial statements may also contribute to efficiencies in preparing and auditing a Crown Entity's financial statements.

The financial statements and other information included in these model financial statements, including certain disclosure requirements of the Crown Entities Act 2004 (the CEA), are only part of what a Crown entity's annual report is required to include.

These model financial statements can be downloaded from our website at **www.auditnz.parliament.nz**.

Future updates

We will continue to update these model financial statements to reflect evolving good practice in presenting financial statements that meet the needs of users as well as any revised requirements from changes in accounting standards and legislation.

We welcome any feedback on applying the model financial statements to Crown entities or any other comments that might help with future updates of the model financial statements. If you have any feedback or comments, please pass these to your Audit New Zealand manager or appointed auditor.

Acknowledgements

I would like to thank the Audit New Zealand staff who have contributed to developing the model financial statements.

Stephen Walker
Executive Director
July 2024

ABOUT THE MODEL FINANCIAL STATEMENTS

Objective

The objectives of the model financial statements are to guide Crown entities in preparing financial statements that comply with the Tier 1 or Tier 2 PBE accounting requirements and to provide an insight into evolving good practice in preparing financial statements.

We have used a fictitious non-company Crown entity, Crown Service Enterprise (CSE), to prepare the model financial statements. CSE is a "public benefit entity" for financial reporting purposes. The model financial statements are not intended to provide guidance for those Crown entities that are "for-profit entities" for financial reporting purposes.

Application of materiality to note disclosures

The purpose of the model financial statements is to provide a comprehensive range of accounting policies and disclosures to help guide Crown entities in preparing financial statements that comply with the PBE accounting requirements. Because of this, the model financial statements contain many note disclosures. Crown entities might not need to include all of these notes in their financial statements.

When preparing their financial statements, Crown entities need to apply professional judgement to determine what note disclosures are material to users of financial statements. The PBE Conceptual Framework provides the following guidance on materiality:

> *Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's general-purpose financial reports prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.*

In some instances, assessing whether note disclosures are material is an on-balance judgement that the preparer and auditor need to discuss. In making this judgement, the concepts of user needs and accountability are key factors. However, it is also important to not obscure material information by including too much information that is not important.

Tier 2 concessions

In the model financial statements, green highlighting identifies disclosures that are not required if a Crown entity is able to apply the reduced disclosure regime for tier 2 PBE entities. Tier 2 entities do not have public accountability, as defined in paragraphs 7 to 13 of XRB A1 *Application of the Accounting Standards Framework*, and have total expenses that are over $5 million and less than $33 million.[1] In preparing its financial statements, an entity may be able to apply additional disclosure concessions that the model financial statements do not identify. This is because the model financial statements do not include all possible disclosures that the PBE accounting requirements require. We encourage entities to take advantage of the available disclosure concessions.

1 Updated PBE Tier Sizes, published in February 2024, amended the PBE tier size criteria in paragraphs 38 and 40 of XRB A1 *Application of the Accounting Standards Framework*. The amending standard takes effect on 28 March 2024. Crown entities with financial years ending on or after this date can apply the new thresholds immediately. The previous size threshold for a tier 2 PBE was total expenses over $2 million and less than $30 million.

Main updates to the model financial statements

This is the first update to the Crown Entity model financial statements that applies PBE IPSAS 41 *Financial Instruments*. As Crown entities were required to transition to this standard for reporting periods beginning on or after 1 January 2022 (e.g. year to 30 June 2023), the transition impact disclosures are not required for 2024 and have not been included in this model. The requirements of PBE IPSAS 41 are similar to those in PBE IFRS 9 *Financial Instruments*, which was adopted early by many Crown entities in 2019 for consistency with the Financial Statements of the Government. We do not expect the effects of the transition to PBE IPSAS 41 to have been significant for most Crown entities' financial statements.

The table below explains the other main updates to the model financial statements since we previously published them in full in 2019. However, several of the changes described below have been communicated in our 2021 and 2022 commentaries on reporting by Crown entities.

Page number	Note number	Description of change
18	**Note 1**	Statement of accounting policies: the Statement of Compliance wording has been updated to reflect current wording suggested in PBE IPSAS 1 *Presentation of Financial Reports*.
18	**Note 1**	Statement of accounting policies: the new or amended standards adopted disclosure has been updated to discuss the *2022 Omnibus Amendment to PBE Standards*.
19	**Note 1**	Statement of accounting policies: the standards issued but not yet effective and not early adopted disclosure has been updated to discuss the *Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)* and PBE IFRS 17 *Insurance Contracts*.
22	**Note 2**	A breakdown of interest revenue has been provided in Note 2 Revenue, for better consistency with the requirements of PBE IPSAS 1 and PBE IPSAS 30 *Financial Instruments: Disclosures*.
23, 39 and 43	**Note 3, Note 17, and Note 19**	Changes have been made to **Note 3** Personnel costs and **Note 17** Employee Entitlements as a result of the adoption of PBE IPSAS 39 *Employee Benefits* since the previous model was published. Certain disclosures on the Defined Benefit Plan Contributors Scheme have also been updated and moved from **Note 19** Contingencies to **Note 3**. This change was described in our *Commentary for 30 June 2021 reporting by Crown entities*. The information in Note 3 will need to be updated for actual information as at 31 March 2024 when this is available from the National Provident Fund website.
34	**Note 14**	The intangibles note now includes an example accounting policy for software-as-a-service (SaaS). Since our previous model financial statements were issued, an agenda decision issued by the IFRS Interpretations Committee (IFRIC) has provided some clarity on the accounting for certain costs in implementing such arrangements under the International Financial Reporting Standards (IFRS). For public benefit entities, the agenda decision can be referred to in determining the accounting treatment, because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS. More information on this matter can be found in our *Commentary for 30 June 2022 reporting by Crown entities*.
Various	Various	The previous model financial statements included the transition disclosures relevant for first time adoption of PBE IFRS 9 *Financial Instruments*. These have been removed as they are no longer relevant.
51	**Note 22D**	We have added an illustrative example of a note providing a reconciliation of movements in liabilities arising from financing activities. This requirement arises from an amendment to PBE IPSAS 2 *Cash Flow Statements* which became effective after the previous model financial statements were published. This change was described in our *Commentary for 30 June 2022 reporting by Crown entities*.
52	**Appendix 1**	Statutory remuneration disclosures required by the Crown Entities Act 2004 have been relocated from Note 3 to outside of the audited financial statements, in line with our current recommendations. Example disclosures are provided in Appendix 1. This change was described in our *Commentary for 30 June 2022 reporting by Crown entities*.

Content

Included in the model financial statements are:

- a statement of responsibility;
- a statement of comprehensive revenue and expense;
- a statement of financial position;
- a statement of changes in equity;
- a statement of cash flows; and
- notes to the financial statements that include a statement of accounting policies and other explanatory information.

Not all of the accounting policies and notes will be applicable to every Crown entity. Although it is not practical for the model financial statements to cover all of the possible financial reporting issues that could arise in the Crown entity sector, we have included a wide range of accounting policies and notes, including all those that commonly occur in the sector.

The model financial statements illustrate a possible format for a Crown entity's financial statements. For example, we have prepared the statement of comprehensive revenue and expense by classifying expenses based on the nature of the expense. Alternatively, expenses could be classified based on their function. This is just one example where there might be more than one way to disclose the information required.

Although the model financial statements provide guidance on disclosure matters, they do not deal with the underlying accounting treatment. Crown entities will need to make choices about the accounting policies and presentation options appropriate for their circumstances.

The model financial statements do not address all the possible recognition, measurement, presentation, and disclosure requirements of the PBE Accounting Standards. Crown entities should not use the model financial statements as a substitute for referring to the individual standards and interpretations applicable to their specific circumstances.

We have included references to specific standards and legislation in the left margin of the model financial statements and a subject index for easy searching.

We have used colour to distinguish the accounting policies (a blue background) and critical accounting estimates and judgements (a red background) from the other information contained in the notes.

We have included a hyperlink where there is a reference to a note to the financial statements.

Statutory requirements

The model financial statements do not include all the information that the CEA requires Crown entities to disclose in their annual reports. In particular, the model financial statements do not include the disclosures required by sections:

- 151(1)(a) – Information that is necessary to enable an informed assessment to be made on the Crown entity's operations and performance for the financial year, including an assessment of the Crown entity's progress in relation to its strategic intentions as set out in the most recent statement of intent;
- 151(1)(b) – Statement of performance in accordance with section 153;
- 151(1)(e) – Audit report in accordance with section 156;
- 151(1)(f) – Any new direction given by a Minister in writing under any enactment during the financial year, as well as other such directions that remain current;
- 151(1)(g) – Information on compliance with the obligation to be a good employer (including a Crown entity's equal employment opportunity programme);

- 151(1)(i) – Information required by section 20(3), which relates to the enforcement of certain natural person transactions;
- 151(1)(j) – Information required by section 68(6), which relates to permission to act despite being interested in a matter;
- 151(1)(k) – Any matters that relate to or affect the entity's operations that the entity is otherwise required, or has undertaken, or wishes to report on in its annual report; and
- 151(1B) – End-of-year performance information that a Crown entity is required to prepare under section 19A of the Public Finance Act 1989 (PFA).

We have prepared the model financial statements for an entity that does not have any subsidiaries. If a Crown entity is a parent of a Crown entity group, the CEA permits that only group financial statements be prepared.

The model financial statements are not intended to provide specific guidance on the statutory reporting requirements for certain types of Crown entities. The model financial statements do not cover the specific statutory reporting requirements of Tertiary Education Institutions and Crown Research Institutes under their applicable legislation.

The model financial statements are not intended to provide specific guidance on the statutory reporting requirements of those entities listed in Schedules 4 and 4A of the PFA. Sections 45M to 45OA of that Act detail those sections of the CEA that apply to Schedules 4 and 4A entities.

Standards not covered by the model financial statements

The model financial statements do not include the recognition, measurement, presentation, or disclosure requirements of the following standards:

- PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies*;
- PBE IPSAS 11 *Construction Contracts*;
- PBE IPSAS 16 *Investment Property*;
- PBE IPSAS 22 *Disclosure of Information About the General Government Sector*;
- PBE IPSAS 26 *Impairment of Cash-Generating Assets*;
- PBE IPSAS 27 *Agriculture*;
- PBE IPSAS 32 *Service Concession Arrangements: Grantor*;
- PBE IPSAS 34 *Separate Financial Statements*;
- PBE IPSAS 35 *Consolidated Financial Statements*;
- PBE IPSAS 36 *Investments in Associates and Joint Ventures*;
- PBE IPSAS 37 *Joint Arrangements*;
- PBE IPSAS 38 *Disclosure of Interests in Other Entities*;
- PBE IPSAS 40 *Business Combinations*;
- PBE IAS 12 *Income Taxes*;
- PBE IFRS 4 *Insurance Contracts* or PBE IFRS 17 *Insurance contracts*. These model financial statements are not prepared for entities that issue significant insurance contracts required to be accounted for in accordance with PBE IFRS 4. Entities with significant insurance contracts must consider compliance with PBE IFRS 4 disclosure requirements (or PBE IFRS 17 if adopted);
- PBE IAS 34 *Interim Financial Reporting*;
- PBE FRS 43 *Summary Financial Statements*;
- PBE FRS 45 *Service Concession Arrangements: Operator*; and
- PBE FRS 48 Service Performance Reporting.

The model financial statements do not include standards and amendments issued after June 2024.

Abbreviations used in the model financial statements

ACC	Accident Compensation Corporation
CEA	Crown Entities Act 2004
GST	Goods and services tax
GAAP	Generally Accepted Accounting Practice
IRD	Inland Revenue Department
PBE	Public benefit entity
RDR	Reduced disclosure regime

CEA s151(1)(d),155

CROWN SERVICE ENTERPRISE STATEMENT OF RESPONSIBILITY[2]

We are responsible for the preparation of Crown Service Enterprise's financial statements and statement of performance, and for the judgements made in them.

We are responsible for any end-of-year performance information provided by Crown Service Enterprise under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Crown Service Enterprise for the year ended 30 June 2024.

Signed on behalf of the Board:[3]

Board member

18 October 2024

Board member

18 October 2024

2 In addition to the signed statement of responsibility, section 151(3) of the CEA requires two members of the Board or, in the case of a corporation sole, the sole member to sign and date the annual report on behalf of the Board.

3 Section 155 of the CEA requires two members of the Board or, in the case of a corporation sole, the sole member to sign and date the statement of responsibility on behalf of the Board.

PBE IPSAS 1.21(b)

CROWN SERVICE ENTERPRISE
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2024[4,5,6]

PBE IPSAS 1.128

		Notes	Actual 2024 $000	Budget[7] 2024 $000	Actual[8] 2023 $000
	Revenue[9]				
	Funding from the Crown	2	508,552	508,468	498,080
PBE IPSAS 1.99.1(a)	Interest revenue	2	5,226	5,200	4,080
PBE IPSAS 1.98.3	Other revenue	2	19,734	22,680	16,748
PBE IPSAS 1.99.1(a)	*Total revenue*	2	533,512	536,348	518,908
PBE IPSAS 1.109	**Expenses[10]**				
	Personnel costs	3	331,814	331,813	325,956
	Depreciation and amortisation expense	13,14	66,803	66,802	63,557
	Capital charge	4	64,160	63,000	52,875
PBE IPSAS 1.99.1(b)	Finance costs	5	2,678	2,676	1,800
	Other expenses	6	49,125	63,943	40,020
PBE IPSAS 1.98.3	*Total expenses*		514,580	528,234	484,208
PBE IPSAS 1.99.1(f)	**Surplus/(deficit)**		**18,932**	**8,114**	**34,700**
	Other comprehensive revenue and expense				
Good practice[11]	*Item that could be reclassified to surplus/(deficit)*				
PBE IPSAS 1.103.1	Gain on equity investment revaluations	20	95	0	110
PBE IPSAS 1.103.1	Gain on property revaluations	20	73,397	90,000	52,333
PBE IPSAS 1.98.1(b)	*Total other comprehensive revenue and expense*		73,492	90,000	52,443
PBE IPSAS 1.98.1(c)	**Total comprehensive revenue and expense**		**92,424**	**98,114**	**87,143**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in **Note 24**.[12]

The accompanying notes form part of these financial statements.

4 Alternatively, Crown entities may present a statement displaying components of the surplus/deficit (a statement of financial performance) directly followed by a second statement beginning with surplus/deficit and displaying components of other comprehensive revenue and expense (a statement of other comprehensive revenue and expense).

5 We have prepared the statement of comprehensive revenue and expense using the nature of expense classification. Alternatively, Crown entities may choose to present expenses based on the function of expense. Tier 1 entities that classify expenses by function must disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense (PBE IPSAS 1.115).

6 Where there are discontinued operations, PBE IFRS 5.33(a) requires separate disclosure of the total post tax gain or loss from discontinued operations and the post tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

7 Section 154(3)(c) of the CEA requires the financial statements to “include the forecast financial statements prepared at the start of the financial year, for comparison with the actual financial statements”. When an entity has published general purpose prospective financial statements, PBE IPSAS 1.21(e) requires a comparison of prospective and actual amounts either as a separate additional financial statement or as a budget column in the financial statements.

8 PBE IPSAS 1.53 requires comparative information for all amounts reported in the financial statements to be disclosed for the previous year. Comparative information shall be included for narrative information when it is relevant to an understanding of the current year’s financial statements.

9 PBE IPSAS 23.106(a) requires, either in the statement of comprehensive revenue and expense or in the notes, that entities disclose the amount of revenue from non exchange transactions by major classes, showing separately i) taxes, showing separately major classes of taxes, and ii) transfers, showing separately major classes of transfer revenue. Because separately labelling revenue as exchange or non-exchange would not be considered material in most instances, we have decided to not label revenue as exchange or non-exchange in these model financial statements. However, we have separately disclosed the major classes of all revenue streams in **Note 2**.

10 PBE IPSAS 1.99.1(ba) requires impairment losses (including reversals) determined in accordance with paragraphs 73 to 93 of PBE IPSAS 41 to be separately presented if they are material.

11 For-profit entities are required to group items presented in other comprehensive revenue and expense on the basis of whether they can be reclassified to surplus or deficit in the future (reclassification adjustments). Although PBEs are not required to make this disclosure, we consider the disclosure good practice. In this case, the entity does not have items that could be reclassified to surplus or deficit in the future.

12 PBE IPSAS 1.148.1 requires an entity that has published general purpose prospective financial information for the period of the financial statements to present a comparison of the prospective financial information with the actual financial results being reported. Explanations for major variances shall be given.

PBE IPSAS 1.21(a)

CROWN SERVICE ENTERPRISE
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024[13]

PBE IPSAS 1.90,128

Reference		Notes	Actual 2024 $000	Budget 2024 $000	Actual 2023 $000
	Assets				
PBE IPSAS 1.70,76	**Current assets**				
PBE IPSAS 1.88(i)	Cash and cash equivalents	7	75,078	75,042	56,591
PBE IPSAS 1.88(g), (h)	Receivables	8	8,209	6,340	2,393
PBE IPSAS 1.88(d)	Investments	9	3,420	3,400	3,078
PBE IPSAS 1.88(d)	Derivative financial instruments	10	2,900	2,500	1,960
PBE IPSAS 1.88(f)	Inventories	11	942	900	1,245
PBE IPSAS 1.89	Prepayments		1,000	0	1,000
PBE IPSAS 1.88.1(a)	Non-current assets held for sale	12	1,160	0	0
PBE IPSAS 1.89	*Total current assets*		92,709	88,182	66,267
PBE IPSAS 1.70,76	**Non-current assets**				
PBE IPSAS 1.88(d)	Investments	9	7,918	7,910	157,648
PBE IPSAS 1.88(a)	Property, plant, and equipment	13	863,974	865,232	645,171
PBE IPSAS 1.88(c)	Intangible assets	14	10,594	10,500	8,953
PBE IPSAS 1.89	*Total non-current assets*		882,486	883,642	811,772
PBE IPSAS 1.89	**Total assets**		**975,195**	**971,824**	**878,039**
	Liabilities				
PBE IPSAS 1.70,80	**Current liabilities**				
PBE IPSAS 1.88(j), (k)	Payables and deferred revenue	15	45,586	46,450	35,769
PBE IPSAS 1.88(m)	Borrowings	16	9,298	12,000	9,986
PBE IPSAS 1.88(m)	Derivative financial instruments	10	1,740	1,000	2,240
PBE IPSAS 1.89	Employee entitlements	17	42,842	47,517	32,514
PBE IPSAS 1.88(l)	Provisions	18	3,404	4,578	3,189
PBE IPSAS 1.89	*Total current liabilities*		102,870	111,545	83,698
PBE IPSAS 1.70,80	**Non-current liabilities**				
PBE IPSAS 1.88(m)	Borrowings	16	15,638	19,916	21,808
PBE IPSAS 1.89	Employee entitlements	17	44,591	49,257	46,894
PBE IPSAS 1.88(l)	Provisions	18	4,175	8,478	11,162
PBE IPSAS 1.89	*Total non-current liabilities*		64,404	77,651	79,864
PBE IPSAS 1.89	**Total liabilities**		167,274	189,196	163,562
PBE IPSAS 1.89	**Net assets**		**807,921**	**782,628**	**714,477**

13 PBE IPSAS 1.88 requires the statement of financial position to present separate line items for recoverables from non-exchange transactions, receivables from exchange transactions, taxes and transfers payable, and payables under exchange transactions. We consider that it will be rare that this is a material disclosure. Therefore, we have chosen to focus on providing a meaningful breakdown in the notes. We also note the illustrative financial statements in appendix B of PBE IPSAS 1 do not separately disclose receivables and payables under exchange and non-exchange headings.

PBE IPSAS 1.21(a)

CROWN SERVICE ENTERPRISE
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONTINUED)

		Notes	Actual 2024 $000	Budget 2024 $000	Actual 2023 $000
PBE IPSAS 1.90,128					
PBE IPSAS 1.95	**Equity**				
PBE IPSAS 1.95(a)	Contributed capital[14]	20	201,020	201,020	200,000
PBE IPSAS 1.95(b)	Accumulated surplus/(deficit)	20	116,403	85,148	91,971
PBE IPSAS 1.95(c)	Property revaluation reserves	20	489,891	496,000	421,994
PBE IPSAS 1.95(c)	Equity investment revaluation reserves	20	607	460	512
PBE IPSAS 1.88(o)	**Total equity**		**807,921**	**782,628**	**714,477**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in **Note 24**.

The accompanying notes form part of these financial statements.

14 If a Crown entity does not have information on the separate amounts for contributed capital and accumulated surplus/deficit, it shall combine them and present a single amount as general funds.

PBE IPSAS 1.21(c)

CROWN SERVICE ENTERPRISE
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

PBE IPSAS 1.128

		Notes	Actual 2024 $000	Budget 2024 $000	Actual 2023 $000
	Balance at 1 July		714,477	683,494	552,216
PBE IPSAS 1.118(a)	Total comprehensive revenue and expense for the year		92,424	98,114	87,143
PBE IPSAS 1.119(a)	*Owner transactions*[15]				
PBE IPSAS 1.119(a)	Capital contribution		1,020	1,020	75,118
PBE IPSAS 1.119(a)	Repayment of capital		0	0	0
	Balance at 30 June	20	**807,921**	**782,628**	**714,477**

PBE IPSAS 1.148.1

Explanations of major variances against budget are provided in **Note 24**.

The accompanying notes form part of these financial statements.

15 Disclosure is required only if these transactions took place.

PBE IPSAS 1.21(d)

CROWN SERVICE ENTERPRISE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

PBE IPSAS 1.128

Reference		Notes	Actual 2024 $000	Budget 2024 $000	Actual 2023 $000
PBE IPSAS 2.18,22,27	**Cash flows from operating activities**				
	Receipts from the Crown		508,552	508,468	498,080
PBE IPSAS 2.40	Interest received		5,070	5,200	4,238
	Receipts from other revenue		18,184	21,480	13,200
	Payments to suppliers[16]		(53,993)	(70,705)	(37,563)
	Payments to employees[16]		(320,499)	(323,813)	(341,760)
PBE IPSAS 2.40	Interest paid		(2,376)	(1,478)	(1,763)
	Payments for capital charge		(64,160)	(63,000)	(52,875)
	GST (net)		(99)	(50)	(55)
	Net cash flows from operating activities		90,679	76,102	81,502
PBE IPSAS 2.18,25	**Cash flows from investing activities**				
	Receipts from sale of property, plant, and equipment[17]		9,809	7,000	694
	Receipts from sale or maturity of investments		177,483	185,000	215,000
	Purchase of property, plant, and equipment[17]		(214,209)	(206,222)	(97,250)
	Purchase of intangible assets		(8,308)	(6,909)	0
	Acquisition of investments		(28,000)	(24,000)	(202,476)
	Net cash flows from investing activities		(63,225)	(45,131)	(84,032)
PBE IPSAS 2.18,26	**Cash flows from financing activities**				
	Capital contribution	20	1,020	1,020	75,118
	Proceeds from borrowings		0	0	0
	Payments under finance leases		(2,128)	(2,200)	(10,431)
	Repayment of loans		(7,859)	(8,749)	(11,412)
	Net cash flows from financing activities		(8,967)	(9,929)	53,275
	Net increase/(decrease) in cash and cash equivalents		18,487	21,042	50,745
	Cash and cash equivalents at the beginning of the year		56,591	54,000	5,846
	Cash and cash equivalents at the end of the year	7	**75,078**	**75,042**	**56,591**

PBE IPSAS 2.54

Equipment totalling $3.8m (2022: $nil) was acquired by means of finance leases during the year.

PBE IPSAS 1.148.1

Explanations of major variances against budget are provided in **Note 24**.

The accompanying notes form part of these financial statements.

16 We consider it good practice to separately disclose cash outflows from payments to employees and cash outflows from payments to suppliers, although the amounts could be presented in aggregate.

17 We consider it good practice to separately disclose cash flows arising from the acquisition and disposal of property, plant, and equipment and intangible assets. Presenting these cash flows separately provides readers of the financial statements with a clearer link between the property, plant, and equipment and intangible asset movement schedules and cash flows arising from acquisitions and disposals.

CROWN SERVICE ENTERPRISE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)

PBE IPSAS 2.29

Reconciliation of surplus or (deficit) to the net cash flow from operating activities[18]

	Actual 2024 $000	Actual 2023 $000
Surplus/(deficit) for the year	18,932	34,700
Add/(less) non-cash items		
Depreciation and amortisation expense	66,803	63,557
Donated assets revenue	(295)	(1,682)
Net (gains)/losses on derivative financial instruments	(69)	(752)
Net foreign exchange (gains)/losses	1,868	1,010
Total non-cash items	68,307	62,133
Add/(less) items classified as investing or financing activities		
(Gains)/losses on disposal of property, plant, and equipment	(1,186)	(114)
Total items classified as investing or financing activities	(1,186)	(114)
Add/(less) movements in statement of financial position items		
(Increase)/Decrease in receivables[19]	(5,816)	8,311
(Increase)/Decrease in inventories	303	560
(Increase)/Decrease in prepayments	0	0
Increase/(Decrease) in payables and deferred revenue[20]	8,886	(2,180)
Increase/(Decrease) in provisions	(6,772)	13,499
Increase/(Decrease) in employee entitlements	8,025	(35,407)
Net movement in working capital items	4,626	(15,217)
Net cash flow from operating activities	**90,679**	**81,502**

The accompanying notes form part of these financial statements.

18 This reconciliation may be presented as part of the statement of cash flows or in the notes to the financial statements.
19 Any receivables for the sale of property, plant, and equipment will need to be excluded when calculating this movement.
20 Any payables for capital expenditure will need to be excluded when calculating this movement.

PBE IPSAS 1.21(f),127,128

CROWN SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS

Notes index

1 Statement of accounting policies

REPORTING ENTITY

PBE IPSAS 1.150(a),(c),(d)	Crown Service Enterprise (CSE) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing CSE's operations includes the Crown Entities Act 2004 [*and the Crown Entity's own governing legislation (if any)*]. CSE's ultimate parent is the New Zealand Crown.[21]
PBE IPSAS 1.150(b)	CSE's primary objective is to provide services to the New Zealand public [*Tier 1 entities shall disclose a description of the nature of the entity's operations and principal activities*]. CSE does not operate to make a financial return.
PBE IPSAS 1.28.2(c)	CSE has designated itself as a public benefit entity (PBE) for financial reporting purposes.
PBE IPSAS 1.63(a), (b), (c) PBE IPSAS 14.26	The financial statements for CSE are for the year ended 30 June 2024, and the Board approved them for issue on 18 October 2024.

PBE IPSAS 1.127(a)	**BASIS OF PREPARATION**
Good practice PBE IPSAS 1 Appendix B	The financial statements have been prepared on a going concern basis,[22] and the accounting policies have been applied consistently throughout the year[23].
	Statement of compliance
PBE IPSAS 1.28, 28.2(a), (b)	The financial statements [and service performance information][24] of CSE 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).
PBE IPSAS 1.28.2(b),28.4(a)	CSE is a Tier 1 entity and the financial statements have been prepared in accordance with and comply with PBE Standards.
PBE IPSAS 1 RDR 28, RDR 28.3	*[Entities that report in accordance with the Tier 2 PBE reporting standards (RDR) shall state "The financial statements have been prepared in accordance with and comply with PBE Standards RDR" and shall also disclose the criteria that establish them as eligible to report in accordance with the PBE Standards RDR. For example, "CSE is eligible and has elected to apply the PBE Standards RDR because its expenses are less than $33 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework.]*
	Presentation currency and rounding
PBE IPSAS 1.63(d), (e)	The financial statements are presented in New Zealand dollars, and all values other than related party transaction disclosures in **Note 21** are rounded to the nearest thousand dollars ($000). The related party transaction disclosures are rounded to the nearest dollar.
PBE IPSAS 3.33	**New or amended standards adopted**
	2022 Omnibus Amendments to PBE Standards, issued June 2022
	The 2022 Omnibus Amendments issued by the External Reporting Board (XRB) include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards, effective for reporting periods starting 1 January 2023. CSE has adopted the revised PBE standards, and the adoption did not result in any significant impact on CSE's financial statements.
	Other changes in accounting policies
Good practice	There have been no other changes in CSE's accounting policies since the date of the last audited financial statements.

21 PBE IPSAS 1.150 requires the following information to be included in the annual report if it is not disclosed elsewhere in information published with the financial statements: domicile and legal form of the entity and the jurisdiction that it operates in, description of operations and principal activities, reference to the relevant legislation governing the entity's operations, name of the controlling entity and ultimate controlling entity, and, if it is a limited-life entity, information about the length of its life. The disclosures are not required by the RDR.

22 The going concern concept is assumed when preparing financial statements. If those responsible for preparing the financial statements are aware of conditions or events that cause doubt over the ability to continue as a going concern, they shall disclose those facts (PBE IPSAS 1.38). Where this is the case, the entity needs to consider whether it needs to make additional disclosures meeting the requirements of PBE IPSAS 1.41.1 and PBE IPSAS 1.41.2. If the financial statements are not prepared on a going concern basis, that fact shall also be disclosed, together with the basis that the financial statements are prepared on and the reason why the entity is not regarded as a going concern (PBE IPSAS 1.38).

23 Where there is a change in accounting policy, the entity should refer to the disclosure requirements of PBE IPSAS 3.

24 PBE IPSAS 1 28.2 requires an entity to disclose a statement about whether the financial statements and, where appropriate, service performance information have been prepared in accordance with generally accepted accounting practice, in the notes. We consider best practice to meet this requirement for service performance information is a separate statement of compliance in the service performance information. However as illustrated here, an alternative is to amend the statement of compliance in the financial statements to refer to both financial statements and service performance information.

1 Statement of accounting policies (continued)

PBE IPSAS 3.35,36

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective and not early adopted are:

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)

Amendments to PBE IPSAS 1 *Presentation of Financial Reports* change the required disclosures for fees relating to services provided by the audit or review provider, including a requirement to disaggregate the fees into specified categories. The amendments to PBE IPSAS 1 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services. The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm. This is effective for the year ended 30 June 2025.

PBE IFRS 17 Insurance Contracts

This new standard sets out accounting requirements for insurers and other entities that issue insurance contracts and applies to financial reports covering periods beginning on or after 1 January 2026.

[*CSE has not yet assessed the impact of these amendments and the new standard in detail./These amendments and the new standard are not expected to have a significant impact.*]

PBE IPSAS 1.132

Summary of significant accounting policies[25]

Significant accounting policies are included in the notes that they relate to and are highlighted with a blue background.

Significant accounting policies that do not relate to a specific note are outlined below.

PBE IPSAS 1.132(c)

Foreign currency transactions

PBE IPSAS 4.24,32

Foreign currency transactions (including those that forward foreign exchange contracts are held for) are translated into NZ dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

PBE IPSAS 1.132(c)

Goods and services tax

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, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Good practice

Income tax

CSE is a public authority and consequently is exempt from paying income tax. Accordingly, no provision has been made for income tax.

Good practice

Budget figures

The budget figures are derived from the statement of performance expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

25 Crown entities are required to disclose accounting policies that are relevant to an understanding of the financial statements (PBE IPSAS 1.132(c)). The materiality of transactions should also be considered in deciding what accounting policies to disclose. In these model financial statements, we have chosen to disclose a comprehensive range of accounting policies. An entity might not need to disclose all the accounting policies included in these model financial statements if the transactions associated with a particular policy are immaterial. An accounting policy might be significant because of the nature of the department's operation, even if amounts for current and prior periods are not material according to PBE IPSAS 1.136.

1 Statement of accounting policies (continued)

Good practice

Cost allocation

CSE has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are costs directly attributed to an output. Indirect costs are costs that cannot be attributed to a specific output in an economically feasible manner.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Depreciation is charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

PBE IPSAS 1.140

Critical accounting estimates and assumptions[26]

In preparing these financial statements, CSE has made estimates and assumptions about the future. These estimates and assumptions might differ from the subsequent actual results. CSE continually evaluates its estimates and assumptions, which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- assessing the useful lives and residual values of property, plant, and equipment – refer to **Note 13**;
- estimating the fair value of land and buildings – refer to **Note 13**;
- assessing the useful lives of software assets – refer to **Note 14**; and
- estimating the rates of future salary increases, discount rates, and other assumptions used in measuring retirement and long service leave – refer to **Note 17**.

These significant estimates and assumptions are highlighted in the relevant note with a red background.

PBE IPSAS 1.137

Critical judgements in applying accounting policies[26]

Management has exercised the following critical judgements in applying accounting policies:[27]

- other grants received – refer to **Note 2**;
- grant expenditure – refer to **Note 6**; and
- leases classification – refer to **Note 16**.

These judgements are highlighted in the relevant note with a red background.

26 The examples provided are not intended to be exhaustive. Crown entities will need to consider their own circumstances to ensure that the disclosures required by PBE IPSAS 1.137 and PBE IPSAS 1.140 are relevant and complete.

27 An example of another critical judgement that some entities might have to exercise it whether they are acting as an agent or principal in respect of certain transactions.

PBE IPSAS 1.108

2 Revenue

PBE IPSAS 23.107(a), (b)

Accounting policy

PBE IPSAS 9.39(a)

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

Funding from the Crown

CSE is primarily funded from the Crown. This funding is restricted in its use for the purpose of CSE meeting the objectives specified in the Crown Services Enterprise Act 2002 and the scope of the relevant appropriations of the funder.

CSE considers that there are no conditions attached to the funding, and it is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period that the funding relates to.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Other grants received

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Donated assets

Where a physical asset is gifted to, or acquired by, CSE for nil consideration or at a subsidised cost, the asset is recognised at fair value. The difference between the consideration provided and the fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition, and age.

Good practice

Donated services

Certain operations of CSE rely on services provided by volunteers. CSE does not recognise the volunteer services that it receives as revenue or expenditure.[28]

Interest revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Sale of publications

Sales of publications are recognised as revenue when the product is sold to the customer.

Provision of services

Services provided to third parties on commercial terms are recognised as revenue in proportion to the stage of completion at balance date.

PBE IPSAS 1.137

Critical judgements in applying accounting policies

Other grants received

CSE must exercise judgement when recognising grant revenue to determine when conditions of the grant contract have been satisfied. In the current year, an $8.0m multi-year grant that requires CSE to promote economic activities during the two-year period from 1 January 2024 to 31 December 2025 was awarded. CSE has determined that the funding for the 1 January 2025 to 31 December 2025 year shall not be recognised as an asset or revenue at 30 June 2024 because funding for that year is conditional on CSE agreeing deliverables for that period in November 2024 with the funder and reporting satisfactory performance to date for the funding received. Funding for the 2024 year of $2.0m not yet received at 30 June 2024 has been recognised as a receivable and revenue, because there are no substantive conditions attached to the receipt of this funding.

28 PBE IPSAS 23.98 permits but not does require donated services to be recognised in the financial statements. PBE IPSAS 23.108 encourages entities to disclose the nature and type of major classes of services in kind received, including those not recognised.

2 Revenue (continued)

Breakdown of interest revenue

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 30.24(b)	Interest earned from financial assets measured at amortised cost		
	• Term deposits	5,226	4,080
PBE IPSAS 1.99.1(a)	Total interest calculated using the effective interest rate method[29]	5,226	4,080
	Other interest revenue	-	-
	Total interest revenue	**5,226**	**4,080**

Breakdown of other revenue and further information

		Actual 2024 $000	Actual 2023 $000
	Other grants received	11,000	9,610
PBE IPSAS 23.107(d)	Donated equipment[30]	295	1,682
	Training course fees	3,808	2,502
	Rental revenue from property subleases	1,500	500
PBE IPSAS 1.51,107(c)	Net gain on sale of property, plant, and equipment	1,186	114
PBE IPSAS 30.24(a)(i)	Net gains on derivative financial instruments	69	752
PBE IPSAS 4.61(a)	Net foreign exchange gains	0	0
	Other revenue[31]	1,876	1,588
	Total other revenue	**19,734**	**16,748**

Asset disposals

PBE IFRS 5.41

During the year, motor vehicles that had reached a predetermined mileage were disposed of. The net gain on motor vehicle disposals was $186,000 (2023: $114,000). Two adjoining properties located at 102 and 104 Roundabout Drive in Taranaki were disposed of during March 2024 at a gain of $1.0m. These properties had been identified as surplus to CSE's requirements, and approval from the Board was received to dispose of the properties.[32]

PBE IPSAS 1.127(c)

3 Personnel costs

PBE IPSAS 1.132(c)

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Superannuation schemes

PBE IPSAS 39.53

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.[33]

29 PBE IPSAS 1.99.1(a) requires interest revenue calculated using the effective interest rate method to be separately presented on the face of the Statement of Comprehensive Revenue and Expense. CSE's interest revenue is all calculated using this method.

30 PBE IPSAS 23.107(d) requires disclosure of the nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods received in-kind.

31 PBE IPSAS 1.106 requires that if dividend revenue is material, it should be disclosed separately on the face of the statement of comprehensive revenue and expense or in the notes. If dividend revenue on equity instruments designated at fair value through other comprehensive income is material the entity should separately disclose those amounts (if any) related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period (PBE IPSAS 30.14A. RDR concession applies).

32 If there are several asset sales, a general narrative can be provided.

33 The schemes listed are not exhaustive. Crown entities may make contributions to other defined contribution schemes, including defined benefit schemes that are accounted for as defined contribution schemes.

3 Personnel costs (continued)

PBE IPSAS 39.150

Defined benefit schemes

CSE makes employer contributions to the Defined Benefit Plan (DBP) Contributors Scheme (the Scheme), which the Board of Trustees of the National Provident Fund manages. The Scheme is a multi-employer defined benefit scheme.

PBE IPSAS 39.34
PBE IPSAS 39.150

Insufficient information is available to use defined benefit accounting, because there is no prescribed basis for allocation, which means that it is not possible to determine, from the terms of the Scheme, the extent that the surplus/deficit in the plan will affect future contributions by individual employers. Therefore, the Scheme is accounted for as a defined contribution scheme. Further information about the Scheme is disclosed below.

Breakdown of personnel costs and further information

		Actual 2024 $000	Actual 2023 $000
	Salaries and wages	304,654	342,999
PBE IPSAS 39.55	Defined contribution plan employer contributions	19,547	18,364
	Increase/(decrease) in employee entitlements	7,613	(35,407)
	Total personnel costs	**331,814**	**325,956**

Further information

Defined benefit contributors scheme

PBE IPSAS 39.150

The funding arrangements for the Scheme are governed by section 44 of the National Provident Fund Restructuring Act 1990 and by a Trust Deed. This Act requires that any increase or decrease to the employer contribution rate should result in contributions being at a level that, on reasonable assumptions, is likely to achieve neither a surplus nor a deficit in the trust fund of the DBP Scheme at the time that the last contributor to that scheme ceases to so contribute. The Trust Deed specifies that, immediately before the Scheme is wound up, the assets and the interests of all contributors in the Scheme will be transferred to the DBP Annuitants Scheme. Employers have no right to withdraw from the plan.

In practice, at present, a single contribution rate is determined for all employers, which is expressed as a multiple of the contributions of members of the Scheme who are employees of that employer. The current employer contribution rate is four times contributor contributions, inclusive of Employer Contribution Withholding Tax. This rate, effective from 1 April 2023, is consistent with what the actuary recommended. There is no minimum funding requirement.

If the other participating employers cease to participate in the Scheme, CSE could be responsible for any deficit of the Scheme. Similarly, if several employers cease to participate in the Scheme, CSE could be responsible for an increased share of any deficit.

PBE IPSAS 39.150(iv)
PBE IPSAS 39 RDR 150.1

As at 31 March 2023[34] the Scheme had a past service surplus of $0.2 million or 1.1% of the past service liabilities (2022: past service deficit of $0.6 million or 1.7% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 39 *Employee Benefits*.

PBE IPSAS 39.150(d)(v)

The scheme had 44 members at 31 March 2023. Nine of these are employees of CSE.

34 Updated information for 2024 should be disclosed if it is available from the National Provident Fund's website at time of reporting. The information in this disclosure is based on the actual 31 March 2023 information that the National Provident Fund provided.

4 Capital charge

PBE IPSAS 1.132(c)

Accounting policy

The capital charge is expensed in the financial year that the charge relates to.

Good practice

Further information on the capital charge

The capital charge paid to the Crown is calculated based on CSE's equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2024 was 5% (2023: 5%).

PBE IPSAS 1.127(c)

5 Finance costs

PBE IPSAS 132(c), PBE IPSAS 5.16, 40(a)

Accounting policy

PBE IPSAS 5.14

Borrowing costs are expensed in the financial year that they are incurred in.

Breakdown of finance costs

		Actual 2024 $000	Actual 2023 $000
	Interest on bank overdraft	0	6
	Interest on secured loans	1,992	1,318
	Interest on finance leases	664	439
PBE IPSAS 30.24(b)	***Total interest expense***	2,656	1,763
PBE IPSAS 19.70	Discount unwind on provisions (**Note 19**)	22	37
	Total finance costs	**2,678**	**1,800**

PBE IPSAS 1.106

6 Other expenses

Accounting policy

PBE IPSAS 1.132(c)

Grant expenditure

PBE IPSAS 19 IG18.1

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria. They are expensed when CSE receives an application that meets the specified criteria for the grant. CSE's non-discretionary grants have no substantive conditions that need to be fulfilled to receive the grant.

PBE IPSAS 19 IG18.2

Discretionary grants are those grants where CSE has no obligation to award the grant after receiving a grant application. For discretionary grants without substantive conditions, the total committed funding over the life of the grant is expensed when the Grants Approval Committee approves the grant, and the approval has been communicated to the applicant. Discretionary grants with substantive conditions are expensed at the earlier of the grant payment date or when the grant conditions have been satisfied. Conditions can include either:

- specification of how funding can be spent, with a requirement to repay any unspent funds; or
- milestones that must be met to be eligible for funding.

Operating leases

PBE IPSAS 13.8,42, A5

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

PBE IPSAS 1.137

Critical judgements in applying accounting policies

Grant expenditure

During the year, CSE started an "economic development grant assistance scheme". Successful grant applicants are awarded funds to assist their economic initiatives, and grant monies are paid in arrears only when satisfactory evidence of the recipient's costs are submitted to CSE. CSE considers that, in substance, the conditions of the grant are satisfied with the incurrence of eligible costs under the grant arrangement, so it recognises grant expenses for this scheme on this basis. This requires an estimate at 30 June of costs incurred by recipients but not yet submitted to CSE.

PBE IPSAS 1.106

6 Other expenses (continued)

Breakdown of other expenses and further information[35]

		Actual 2024 $000	Actual 2023 $000
	Fees to auditor		
PBE IPSAS 1.116.1(a)	Fees to Audit New Zealand for audit of financial statements	58	51
PBE IPSAS 1.116.1(b)	Fees to Audit New Zealand for other services[36]	5	0
	Onerous contracts	0	5,122
	Restructuring costs	0	5,829
	Staff travel	1,934	2,054
PBE IPSAS 13.44(c)	Operating lease expense	9,190	8,547
PBE IPSAS 1.99.1(ba)	Allowance for credit losses on receivables[37]	2,490	4,283
PBE IFRS 4 D 17.6.1	ACC Accredited Employers Programme	632	672
PBE IPSAS 31 AG8	Website development expenses	8,240	1,904
	Advertising	4,764	3,151
	Consultancy	5,234	3,915
	Grant expenditure	12,015	1,294
PBE IPSAS 4.61(a)	Net foreign exchange losses, excluding derivatives	1,868	1,010
PBE IPSAS 12.47(d)	Inventories consumed	999	623
	Other expenses	1,696	1,565
	Total other expenses	**49,125**	**40,020**

PBE IPSAS 1.116.2 — The fees paid to Audit New Zealand for other services were for an assurance review of the tendering process for procurement of building renovation services.

Operating leases as lessee

PBE IPSAS 13.44(a) — The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 13.44(a)(i)	Not later than one year	9,422	9,190
PBE IPSAS 13.44(a)(ii)	Later than one year and not later than five years	27,570	33,025
PBE IPSAS 13.44(a)(iii)	Later than five years	0	0
	Total non-cancellable operating leases	**36,992**	**42,215**

PBE IPSAS 13.44(d) — CSE leases two properties and has sublet one of them because it is surplus to requirements. Both the lease and the sublease expire on 30 June 2027. CSE has recognised an onerous contract provision of $2.0m (2023: $4.4m) for this lease (refer **Note 18**).

PBE IPSAS 13.44(d)(ii) — A significant portion of the total non-cancellable operating lease expense relates to the lease of two floors of an office building. The lease expires in May 2027, with an option to vacate the premises at the lease renewal date of May 2025. CSE has assumed that it will not vacate the premises at the lease renewal date. CSE does not have the option to purchase the asset at the end of the lease term.

PBE IPSAS 13.44(d)(iii) — There are no restrictions placed on CSE by any of its leasing arrangements.

35 PBE IPSAS 1.106 requires separate disclosure of the nature and amount of material items of expense or revenue.

36 Fees to each auditor or reviewer for other services performed during the reporting period are required to be disclosed separately from fees related to the audit or review of the financial statements, and the nature of the other services provided is required to be disclosed (PBE IPSAS 1.116.1–116.2).

37 PBE IPSAS 1.991(ba) requires disclosure of all impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with paragraphs 73-93 of PBE IPSAS 41. PBEIPSAS 1.99 requires this line to be presented on the face of the Statement of Comprehensive Revenue and Expense. This has been included in the notes as the amount is not material (PBE IPSAS 1.46).

6 Other expenses (continued)

PBE IPSAS 13.44(b)

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are $9.2m (2023: $13.1m).[38]

7 Cash and cash equivalents

PBE IPSAS 2.57

Accounting policy

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

Breakdown of cash and cash equivalents and further information

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 2.56	Cash at bank and on hand	6,950	4,735
	Term deposits with maturities of three months or less	68,128	51,856
	Total cash and cash equivalents	**75,078**	**56,591**

PBE IPSAS 30.42G

Although cash and cash equivalents at 30 June 2024 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

PBE IPSAS 23.106(d)[39]

Assets recognised in a non exchange transaction that are subject to restrictions

Cash at bank includes unspent grant funding received of $3.4m (2023: $2.3m) that is subject to restrictions. The restrictions generally specify how the grant is required to be spent in providing specified deliverables of the grant arrangement.

PBE IPSAS 1.94(b)

8 Receivables

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.60, 87

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). CSE applies the simplified ECL model of recognising lifetime ECLs for short-term receivables.

PBE IPSAS 30.42F(c)

In measuring ECLs, short-term receivables have been assessed on a collective basis because they possess shared credit risk characteristics. They have been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

PBE IPSAS 30.42F(e)

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

38 If a Crown entity (including one applying the RDR) has material operating leases as a lessor, it must comply with the disclosure requirements of PBE IPSAS 13.69.

39 PBE IPSAS 23.106(d) requires disclosure of the amount of assets subject to restrictions and the nature of those restrictions.

8 Receivables (continued)

Breakdown of receivables and further information

		Actual 2024 $000	Actual 2023 $000
	Receivables (gross)	10,725	6,645
	Less: Allowance for credit losses	(2,516)	(4,252)
	Receivables	**8,209**	**2,393**
	Receivables comprise:		
PBE IPSAS 1.88(h)	Receivables from the sale of goods and services (exchange transactions)	1,617	463
PBE IPSAS 1.88(g)	Receivables from grants (non-exchange transactions)	6,592	1,930

PBE IPSAS 30.42G(a), (b)

The expected credit loss rates for receivables at 30 June 2024 and 30 June 2023 are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.[40]

PBE IPSAS 30.42G(c)

There have been no changes in the estimation techniques or significant assumptions used in measuring the loss allowance during the reporting.

The allowance for credit losses at 30 June 2024 and 30 June 2023 was determined as follows:

PBE IPSAS 30.42N
PBE IPSAS 30.IG22D

	30 June 2024		**Receivable days past due**			
		Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
PBE IPSAS 30.42G(a)	Expected credit loss rate	15.2%	35.2%	57.3%	83.0%	–
	Gross carrying amount ($000)	8,141	1,120	1,300	164	10,725
	Lifetime expected credit loss ($000)	1,240	395	745	136	2,516

PBE IPSAS 30.42N
PBE IPSAS 30.49P

	30 June 2023		**Receivable days past due**			
		Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
PBE IPSAS 30.42G(a)	Expected credit loss rate	55.4%	71.3%	81.7%	85.7%	–
	Gross carrying amount ($000)	3,858	1,627	950	210	6,645
	Lifetime expected credit loss ($000)	2,136	1,160	776	180	4,252

PBE IPSAS 30.42H

The movement in the allowance for credit losses is as follows:

		Actual 2024 $000	Actual 2023 $000
	Opening allowance for credit losses as at 1 July	4,252	4,191
	Increase in loss allowance made during the year	2,490	4,283
PBE IPSAS 30.42I(c)	Receivables written off during the year	(4,226)	(4,222)
	Balance at 30 June	**2,516**	**4,252**

40 Crown entities will need to consider their own circumstances when determining whether the impact may be significant, given wider macroeconomic uncertainty.

PBE IPSAS 1.93

9 Investments

PBE IPSAS 30.25

Accounting policy

Bank term deposits

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Equity investments

PBE IPSAS 41.43
PBE IPSAS 41.57
PBE IPSAS 41.101, 106
PBE IPSAS 41 AG222

Equity investments are designated at initial recognition at fair value through other comprehensive revenue and expense. They are initially measured at fair value plus transaction costs.

They are subsequently measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to accumulated surplus/(deficit).

Breakdown of investments and further information

PBE IPSAS 1.93

	Actual 2024 $000	Actual 2023 $000
Current portion		
Term deposits	3,420	3,078
Total current portion	3,420	3,078
Non-current portion		
Term deposits	6,811	156,636
Equity investments[41]	1,107	1,012
Total non-current portion	7,918	157,648
Total investments	**11,338**	**160,726**

Equity investments

PBE IPSAS 30.14A(a), (c)

Equity investments designated at fair value through other comprehensive revenue and expense comprise:	Actual 2024 $000	Actual 2023 $000
Te Motu Forestry Limited	348	303
Blue Sky Technology Investments Limited	307	272
Te Motu Electricity Limited	452	437
Total Equity Investments	**1,107**	**1,012**

PBE IPSAS 30.29

The fair value of equity investments is determined by reference to published bid price quotations in an active market.[42]

PBE IPSAS 30.14A(b)

CSE has designated all of its equity investments at fair value through other comprehensive revenue and expense. This measurement basis is considered more appropriate than through surplus or deficit because the investments have been made for long-term strategic purposes rather than to generate a financial return through trading.

Term deposits

PBE IPSAS 30.42F(a)

CSE considers that there has not been a significant increase in credit risk for investments in term deposits because the issuer of the investment continues to have low credit risk at balance date. Term deposits are held with banks that have a long-term AA- investment grade credit rating, which indicates that the bank has a very strong capacity to meet its financial commitments.

No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial.

41 If a Tier 1 entity has derecognised investments in equity instruments measured at fair value through other comprehensive revenue and expense during the reporting period, PBE IPSAS 30.14B requires information about that disposal to be disclosed.
42 Entities that apply the RDR are not required to disclose the fair value of instruments not measured at fair value. However, for those instruments measured at fair value, PBE IPSAS 30 RDR 31.1 requires the disclosure of the basis for determining fair value and, when a valuation technique is used, the assumptions applied in determining fair value.

9 Investments (continued)

PBE IPSAS 30.29

The carrying amounts of term deposits with maturities of 12 months or less approximate their fair value.

PBE IPSAS 30.29,31

The fair value of term deposits with remaining maturities in excess of 12 months is $6.4m (2023: $153.7m). The fair values are based on discounted cash flows using market-quoted interest rates for term deposits with terms to maturity similar to the relevant investments.

10 Derivative financial instruments

PBE IPSAS 30.25

Accounting policy

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

PBE IPSAS 41.57, 61, 64

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date, with the resulting gain or loss recognised in the surplus or deficit.

PBE IPSAS 1.76,80

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

Further information on derivative financial instruments

PBE IPSAS 30.41(a)

The notional principal amounts of outstanding forward foreign exchange contracts in NZ$ were $7.7m (2023: $13.3m). The foreign currency principal amounts were US$nil (2023: US$10.0m) and AUS$6.0m (2023: AUS$nil).

PBE IPSAS 30.31

PBE IPSAS 30 RDR 31.1

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

PBE IPSAS 12.47(b)

11 Inventories

PBE IPSAS 12.47(a)

PBE IPSAS 12.15

PBE IPSAS 12.17(a)

Accounting policy

Inventories are held for distribution or for use in providing of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- commercial: measured at the lower of cost and net realisable value; or
- non-commercial: measured at cost, adjusted for any loss of service potential.

PBE IPSAS 12.17,35

Cost is allocated using the first in, first out (FIFO) method, which assumes that the items of inventory that were purchased first are distributed or used first.

PBE IPSAS 12.16

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

PBE IPSAS 12.44

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

PBE IPSAS 12.47(b)

Breakdown of inventories and further information

	Actual 2024 $000	Actual 2023 $000
Commercial inventories		
Publications held for sale	622	873
Non-commercial inventories		
Emergency stock	117	120
Inventories held for the use in the provision of goods and services	203	252
Total inventories	**942**	**1,245**

PBE IPSAS 12.47(e), (f)

Inventories were written down by $52,000 (2023: $46,000). There have been no reversals of write downs (2023: $nil).[43]

PBE IPSAS 12.47(h)

No inventories are pledged as security for liabilities (2023: $nil). However, some inventories are subject to retention of title clauses.

43 If there has been a reversal of a previous write-down, PBE IPSAS 12.47(g) requires disclosure of the circumstances or events that led to the reversal of the write-down. An entity that applies the RDR is not required to disclose this information.

12 Non-current assets held for sale[44]

Accounting policy

PBE IPSAS 1.132(c)

PBE IFRS 5.6
PBE IFRS 5.15
PBE IFRS 5.20
PBE IFRS 5.21

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. The asset is measured at the lower of its carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of the asset are recognised in the surplus or deficit. Any increases in fair value less costs to sell are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised.

PBE IFRS 5.25

A non-current asset is not depreciated or amortised while classified as held for sale.

Breakdown of non-current assets held for sale and further information

PBE IFRS 5.38

	Actual 2024 $000	Actual 2023 $000
Non-current assets held for sale include:		
Land	1,020	0
Buildings	140	0
Total non-current assets held for sale	**1,160**	**0**

PBE IFRS 5.41

CSE owns land and buildings at Round Corner Drive in Taranaki. The Board has agreed to sell the property because it will provide no future use to CSE. The sale is expected to be completed by November 2024.

PBE IFRS 5.38

The accumulated property revaluation reserve recognised in equity for the Round Corner Drive property at 30 June 2024 is $223,000.

13 Property, plant, and equipment

Accounting policy

PBE IPSAS 1.132(c)

PBE IPSAS 17.88(a)

Property, plant, and equipment consists of five asset classes, which are measured as follows:

- land, at fair value;
- buildings, at fair value less accumulated depreciation and impairment losses;
- leasehold improvements, at cost less accumulated depreciation and impairment losses;
- furniture and office equipment, at cost less accumulated depreciation and impairment losses; and
- motor vehicles, at cost less accumulated depreciation and impairment losses.

Revaluations

PBE IPSAS 17.44

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.[45]

PBE IPSAS 17.56

Land and building revaluation movements are accounted for on a class-of-asset basis.

PBE IPSAS 17.54,55

The net revaluation results are credited or debited to other comprehensive revenue and expense, and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, then recognised in other comprehensive revenue and expense.

Additions

PBE IPSAS 17.14

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 CSE and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

PBE IPSAS 17.26,27

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

PBE IPSAS 17.14

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

44 Where a Crown entity transfers assets back to the Crown and the Crown is acting in its capacity as an "owner", then these assets are classified and described as "non-current assets held for distribution to owners" if the criteria in PBE IFRS 5 are met (PBE IFRS 5.12A).

45 The maximum revaluation cycle allowable under the Crown accounting policies at the time of publication is five years. It might be appropriate to adopt a shorter revaluation cycle policy.

13 Property, plant, and equipment (continued)

PBE IPSAS 17.23,24

The costs of day-to-day servicing of property, plant, and equipment are expensed in the surplus or deficit as they are incurred.

Disposals

PBE IPSAS 17.57,83,86

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves for those assets are transferred to the accumulated surplus/(deficit) within equity.

PBE IPSAS 17.88(b),(c)

Depreciation[46]

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

• Buildings (including components)	25 to 60 years	1.6%-4%
• Furniture and office equipment	5 years	20%
• Leasehold improvements	10 years	10%
• Motor vehicles	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Impairment of property, plant, and equipment

PBE IPSAS 26.14

CSE does not hold any cash-generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

PBE IPSAS 21.25,26

PBE IPSAS 21.35

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount that the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value, less costs to sell, and value in use.

PBE IPSAS 21.44-50

Value in use is the present value of an asset's remaining service potential. It is determined using an approach based on a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach for measuring value in use depends on the nature of the impairment and availability of information.

PBE IPSAS 21.52,54

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense, and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

PBE IPSAS 21.69

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

Critical accounting estimates and assumptions

PBE IPSAS 1.140

Estimating useful lives and residual values of property, plant, and equipment

PBE IPSAS 17.67

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires several factors to be considered, such as the physical condition of the asset, how long CSE expects to use the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position. CSE minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of previous asset sales.

There have been no material changes to useful lives, depreciation methods, and residual values.

46 The useful lives and depreciation rates that have been listed are illustrative only. Each entity will need to set these based on their specific circumstances.

13 Property, plant, and equipment (continued)

PBE IPSAS 1.140

PBE IPSAS 17.92[47]

Estimating the fair value of land and buildings

An independent registered valuer, R Holt ANZIV of O'Connell Valuers Limited, performed the most recent valuation of land and buildings. The valuation is effective as at 30 June 2024.

Land

Fair value, using market-based evidence, is based on the highest and best use of the land, with reference to comparable land values. Adjustments have been made to the "unencumbered" land value for land where there is a designation against the land, or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively. These adjustments ranged from 10% to 20%.

Buildings

Specialised buildings are valued using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using several significant assumptions. Significant assumptions include the following:

- The replacement asset is based on the reproduction cost of the specific assets, with adjustments where appropriate for optimisation because of over-design or surplus capacity. There have been no optimisation adjustments for the most recent valuations.
- The replacement cost is derived from recent construction contracts of modern equivalent assets and Property Institute of New Zealand cost information. Construction costs range from $967 to $4,604 per square metre (2023: $868 to $3,800), depending on the nature of the specific asset valued.
- Current supply chain issues and market conditions are impacting on replacement costs in the depreciated replacement cost calculations. On advice from the valuer, our judgement is that these resulting cost increases will be sustained over the long term rather than short-term fluctuations. Therefore, recent cost increases have been taken into account in determining depreciated replacement cost.
- There are no significant asbestos issues associated with the buildings.
- Independent structural engineers have estimated present-value costs to strengthen CSE's earthquake-prone buildings of between $8.0m and $10.0m (2023: $7.5m and $10.0m). The mid-point of $9.0m (2023: $8.75m) has been deducted from the depreciated replacement cost.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, CSE's future maintenance and replacement plans, and experience with similar buildings.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued using market-based evidence. Significant assumptions include the following assumptions about market rents and capitalisation rates:

- Market rents range from $415 to $532 per spare metre (2023: $400 to $490). An increase (decrease) in market rents would increase (decrease) the fair value of non-specialised buildings.
- Capitalisation rates are market-based rates of return and range from 8.25% to 8.75% (2023: 6.25% to 7.75%). An increase (decrease) in the capitalisation rate would decrease (increase) the fair value of non-specialised buildings.

Valuation basis comparison

A comparison of the carrying value of buildings valued using depreciated replacement cost and buildings valued using market-based evidence is as follows:	Actual 2024 $000	Actual 2023 $000
Depreciated replacement cost	94,796	82,731
Market-based evidence	59,125	38,436
Total carrying value of buildings	**153,921**	**121,167**

47 Although it is not a requirement, we consider it good practice to disclose the name and qualifications of property valuers.

13 Property, plant, and equipment (continued)

Breakdown of property, plant, and equipment and further information

PBE IPSAS 17.88(d), (e)[48]

Movements for each class of property, plant, and equipment are as follows:

	Land	Buildings	Furniture and office equipment	Leasehold improvements	Motor vehicles	Total
	$000	$000	$000	$000	$000	$000
Cost or valuation						
Balance at 1 July 2022	200,000	95,269	113,376	89,600	134,976	633,221
Additions	45,662	23,825	24,000	10,000	3,000	106,487
Revaluation increase	46,876	2,073	0	0	0	48,949
Disposals	0	0	0	(36,000)	(10,000)	(46,000)
Balance at 30 June 2023/1 July 2023	292,538	121,167	137,376	63,600	127,976	742,657
Additions	136,270	31,990	24,578	22,487	0	215,325
Revaluation increase	69,940	906	0	0	0	70,846
Disposals	(8,497)	0	0	0	(2,000)	(10,497)
Transfer to assets held for sale	(1,020)	(142)	0	0	0	(1,162)
Balance at 30 June 2024	489,231	153,921	161,954	86,087	125,976	1,017,169
Accumulated depreciation and impairment losses						
Balance at 1 July 2022	0	953	41,127	37,320	10,000	89,400
Depreciation expense	0	2,431	9,626	12,311	32,522	56,890
Elimination on disposal	0	0	0	(36,000)	(9,420)	(45,420)
Elimination on revaluation	0	(3,384)	0	0	0	(3,384)
Balance at 30 June 2023/1 July 2023	0	0	50,753	13,631	33,102	97,486
Depreciation expense	0	2,553	10,463	13,476	33,644	60,136
Elimination on disposal	0	0	0	0	(1,874)	(1,874)
Elimination on revaluation	0	(2,551)	0	0	0	(2,551)
Transfer to assets held for sale	0	(2)	0	0	0	(2)
Impairment losses	0	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0	0
Balance at 30 June 2024	0	0	61,216	27,107	64,872	153,195

	Land	Buildings	Furniture and office equipment	Leasehold improvements	Motor vehicles	Total
	$000	$000	$000	$000	$000	$000
Carrying amounts						
At 1 July 2022	200,000	94,316	72,249	52,280	124,976	543,821
At 30 June/1 July 2023	292,538	121,167	86,623	49,969	94,874	645,171
At 30 June 2024	489,231	153,921	100,738	58,980	61,104	863,974

48 This is just one way of presenting the reconciliation required by PBE IPSAS 17 *Property, Plant and Equipment*.

13 Property, plant, and equipment (continued)

Restrictions

PBE IPSAS 17.89(a)

CSE owns a building in Wellington that is restricted for government or reserve use. The carrying amount of the building is $10.7m (2023: $9.6m). CSE owns land with a carrying value of $56.3m (2023: $49.9m) that is restricted in its use because of reserve or endowment status. A proportion of this land worth $11.4m (2023: $9.3m) was donated. There are no other restrictions on CSE's property, plant, and equipment.[49]

Finance leases

PBE IPSAS 13.40(a)

The net carrying amount of office equipment held under finance leases is $6.7m (2023: $5.4m). **Note 16** provides further information about finance leases.

PBE IPSAS 17.89(b)

Work in progress

Buildings in the course of construction total $2.0m (2023: $nil). No other asset classes have assets in the course of construction.[50]

Capital commitments

PBE IPSAS 17.89(c)

The amount of contractual commitments for the acquisition of property, plant, and equipment at the reporting date is:

	Actual 2024 $000	Actual 2023 $000
Buildings[51]	258	0
Land	60	0
Total capital commitments	**318**	**0**

14 Intangible assets

PBE IPSAS 1.132(c)

Accounting policy

Software acquisition and development

PBE IPSAS 31.34,35

Computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software and bring it to use.

PBE IPSAS 31.64,65

Costs that are directly associated with developing software for internal use are recognised as an intangible asset where this results in an asset controlled by CSE. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Where software is provided under a Software-as-a-service (SaaS) arrangement, costs of configuration and customisation are recognised as an intangible asset only if the activities create an intangible asset that CSE controls and asset recognition criteria are met. Costs, including ongoing fees for use of software, that do not result in an intangible asset or a software finance lease are expensed as a service contract as incurred. However, where fees represent payment for future services to be received, CSE recognises these as a prepayment and expenses these as subsequent services are received.

PBE IPSAS 31.36,65,67

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are expensed when incurred.

PBE IPSAS 31.AG8

Costs associated with developing and maintaining CSE's website are expensed when incurred.

Amortisation

PBE IPSAS 31.96,117(b)

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 when the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

PBE IAS 38.117(a)

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

• Acquired computer software	3 to 6 years	16.7%-33.3%
• Developed computer software	3 to 6 years	16.7%-33.3%

49 PBE IPSAS 17.89(a) requires disclosure of the existence and amounts of restrictions on title and property, plant, and equipment pledged as security for liabilities for each class of asset.

50 PBE IPSAS 17.89(b) requires disclosure of the carrying amount of property, plant, and equipment in the course of construction for each class of asset.

51 PBE IPSAS 17.89(c) requires disclosure of the amount of contractual commitments for the acquisition of property, plant, and equipment for each class of asset.

14 Intangible assets (continued)

PBE IPSAS 21.26A

Impairment of intangible assets

Refer to the policy for impairment of property, plant, and equipment in Note 13. The same approach applies to the impairment of intangible assets.

PBE IPSAS 1.140

Critical accounting estimates and assumptions

Estimating useful lives of software assets

CSE's internally generated software largely comprises an interactive database provided to the public as part of CSE's regulatory functions. Internally generated software has a finite life, which requires CSE to estimate the useful lives of the software assets.

In assessing the useful lives of software assets, several factors are considered. These include:

- the period of time the software is intended to be in use;
- the effect of technological change on systems and platforms; and
- the expected time frame for developing replacement systems and platforms.

An incorrect estimate of the useful lives of software assets will affect the amortisation expense recognised in the surplus or deficit and the carrying amount of the software assets in the statement of financial position.

CSE has estimated a useful life of six years for its regulatory platform based on the period of use estimated in its 2019 business case. This useful life is still considered reasonable based on the current performance and use of the software. There are currently no indicators that the period of use of the software will be materially different.

Breakdown of intangible assets and further information[52]

PBE IPSAS 31.117(c), (e)

Movements for each class of intangible asset are as follows:[53]

	Acquired software $000	Internally generated software $000	Total $000
Cost			
Balance at 1 July 2022	5,000	15,000	20,000
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2023/1 July 2023	5,000	15,000	20,000
Additions	2,077	6,231	8,308
Disposals	0	0	0
Balance at 30 June 2024	**7,077**	**21,231**	**28,308**
Accumulated amortisation and impairment losses			
Balance at 1 July 2022	1,095	3,285	4,380
Amortisation expense	1,667	5,000	6,667
Disposals	0	0	0
Impairment losses	0	0	0
Balance at 30 June 2023/1 July 2023	2,762	8,285	11,047

52 Where changes in an intangible asset's useful life, its amortisation method, or its residual value have a material effect in the current or subsequent periods, then PBE IPSAS 31.120 requires disclosure of the nature and amount of the change in these relevant accounting estimates in accordance with the requirements of PBE IPSAS 3.

53 PBE IPSAS 31.117 requires entities to distinguish between internally generated intangible assets and other intangible assets. For example, internally developed software shall be distinguished from acquired software.

14 Intangible assets (continued)

	Acquired software $000	Internally generated software $000	Total $000
Amortisation expense	1,667	5,000	6,667
Disposals	0	0	0
Impairment losses	0	0	0
Balance at 30 June 2024	**4,429**	**13,285**	**17,714**
Carrying amounts			
At 1 July 2022	3,905	11,715	15,620
At 30 June/1 July 2023	2,238	6,715	8,953
At 30 June 2024	2,648	7,946	10,594

Restrictions

PBE IPSAS 31.121(d) There are no restrictions over the title of CSE's intangible assets, nor are any intangible assets pledged as security for liabilities.

Capital commitments

PBE IPSAS 31.121(e) The amount of contractual commitments for the acquisition of intangible assets is $1.2m (2023: $nil).

PBE IPSAS 1.93

15 Payables and deferred revenue

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.60 Short-term payables are recorded at the amount payable.

Breakdown of payables and deferred revenue

		Actual 2024 $000	Actual 2023 $000
	Payables and deferred revenue under exchange transactions		
	Creditors	13,524	14,311
	Income in advance (course fees)	880	945
	Accrued expenses	12,886	6,754
	Other	8,795	6,648
PBE IPSAS 1.88(k)	*Total payables under exchange transactions*	36,085	27,658
	Payables and deferred revenue under non-exchange transactions		
	Taxes payable (GST and rates)	6,346	4,075
	Grants payable	892	0
PBE IPSAS 23.106(c)	Grants received subject to conditions	0	1,124
	Other	2,263	1,912
PBE IPSAS 1.88(j)	Total payables under non-exchange transactions	9,501	7,111
	Total payables and deferred revenue	**45,586**	**35,769**

PBE IPSAS 1.93

16 Borrowings

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.39, 57 ,64

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are carried at amortised cost using the effective interest method.

PBE IPSAS 1.80

Borrowings are classified as current liabilities unless CSE has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Finance leases

PBE IPSAS 13.8

A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, whether or not title is eventually transferred.

PBE IPSAS 13.28

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

PBE IPSAS 13.34

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

PBE IPSAS 13.36

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty whether CSE will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

PBE IPSAS 1.137

Critical judgements in applying accounting policies

Determining lease classification

Determining whether a lease is a finance lease or an operating lease requires judgement as to whether the lease transfers substantially all the risks and rewards of ownership to CSE.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means that the asset is recognised in the statement of financial position as property, plant, and equipment, but no such asset is recognised for an operating lease.

Breakdown of borrowings and further information

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 1.80	**Current portion**		
	Finance leases	2,312	2,128
	Secured loans	6,986	7,858
	Total current portion	9,298	9,986
PBE IPSAS 1.80	**Non-current portion**		
	Finance leases	5,048	3,578
	Secured loans	10,590	18,230
	Total non-current portion	15,638	21,808
	Total borrowings	**24,936**	**31,794**

Secured loans

PBE IPSAS 30.38

Secured loans are issued at floating rates of interest, with interest rates reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

PBE IPSAS 1.87(a)

Subsequent to balance date, $3.0m of the current portion of secured loans was refinanced. The loans were refinanced for a three-year period at a floating rate of interest reset quarterly at the 90-day bank bill rate plus a margin for credit risk. CSE expects that the remaining amount of the current portion will be refinanced on similar terms.

Security

PBE IPSAS 17.89(a)

The secured loans are secured by a registered first mortgage over land and buildings.

PBE IPSAS 17.89(a)

Finance lease liabilities are effectively secured, because the rights to the leased asset revert to the lessor in the event of default.

16 Borrowings (continued)

PBE IPSAS 30.38

Secured loan covenants

CSE is required to ensure that the following financial covenant ratios for secured loans are achieved during the year:

- Total liabilities do not exceed 70% of total tangible assets.
- Total liabilities plus contingent liabilities do not exceed 75% of tangible assets.
- The surplus before interest, depreciation, and amortisation is greater than 1.5 times the interest expense on the secured loans.

The secured loans become repayable on demand if these covenants are breached or if interest or principal payments are not made when they fall due. CSE has complied with all covenants and loan repayment obligations during the financial year.

Fair value

PBE IPSAS 30.29

Because interest rates on floating rate debt reset to a market rate every three months, the carrying amounts of secured loans approximates their fair value.

PBE IPSAS 30.29,31

The fair value of finance leases is $7.9m (2023: $6.2m). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 5.6% to 6.2% (2023: 6.4% to 7.3%)

Analysis of finance leases:

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 13.40(c)	**Minimum lease payments payable:**		
	Not later than one year	2,497	2,324
	Later than one year and not later than five years	5,452	3,910
	Later than five years	0	0
PBE IPSAS 13.40(b)	***Total minimum lease payments***	7,949	6,234
PBE IPSAS 13.40(b)	Future finance charges	(589)	(528)
PBE IPSAS 13.40(b)	***Present value of minimum lease payments***	7,360	5,706
PBE IPSAS 13.40(c)	**Present value of minimum lease payments payable:**		
	Not later than one year	2,312	2,128
	Later than one year and not later than five years	5,048	3,578
	Later than five years	0	0
	Total present value of minimum lease payments	7,360	5,706

Finance leases as lessee

PBE IPSAS 13.40(a)

Finance leases have been entered into for various items of office equipment. The net carrying amount of office equipment held under finance leases is $6.7m (2023: $5.4m).

PBE IPSAS 13.40(f)(ii)

Finance leases can be renewed at CSE's option, with rents set by reference to current market rates for items of equivalent age and condition. CSE does not have the option to purchase the asset at the end of the lease term.

PBE IPSAS 13.40(f)(iii)

CSE is not permitted to pledge the leased assets as security, nor can it sublease the leased equipment without the permission of the lessor. There are no other restrictions placed on CSE by any of the leasing arrangements.

PBE IPSAS 1.93

17 Employee entitlements

PBE IPSAS 1.132(c)

Accounting policy

Short-term employee entitlements

PBE IPSAS 39.8, 9, 11

Employee benefits that are expected to be settled wholly before 12 months after the end of the reporting period that the employees provide the related service in are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

PBE IPSAS 39.19

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

PBE IPSAS 39.155-160

Employee benefits that are not expected to be settled before 12 months after the end of the reporting period that the employees provide the related service in, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Good practice

Presentation of employee entitlements

PBE IPSAS 1.80

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

PBE IPSAS 1.140

Critical accounting estimates and assumptions

Measuring retirement and long service leave obligations

Measuring the long service leave and retirement gratuities obligations depends on several factors that are determined on an actuarial basis using several assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using discount rates derived from the yield curve of New Zealand Government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and obtaining advice from an independent actuary. A weighted average discount rate of 5.1% (2023: 4.4%) and an inflation factor of 3.5% in year 1, 2.5% in year 2, and 2% in year 3 onwards (2023: 3%, 2.5% and 2%) was used.[54]

If the discount rate were to differ by 1% from that used, with all other factors held constant, the carrying amount of the retirement and long service leave liability would be an estimated $1.9m higher/lower.

If the salary inflation factor were to differ by 1% from that used, with all other factors held constant, the carrying amount of the retirement and long service leave liability would be an estimated $1.7m higher/lower.

54 The rates that we have disclosed are illustrative only. Crown entities will need to use the latest available relevant discount rates and salary inflation factors. On its website, the Treasury publishes tables of risk-free discount rates and consumer price index (CPI) assumptions.

17 Employee entitlements (continued)

Breakdown of employee entitlements

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 1.80	**Current portion**		
	Accrued salaries and wages	9,710	9,298
	Annual leave	30,214	20,160
	Sick leave	1,434	2,054
	Retirement and long service leave	1,484	1,002
	Total current portion	42,842	32,514
PBE IPSAS 1.80	**Non-current portion**		
	Retirement and long service leave	44,591	46,894
	Total non-current portion	44,591	46,894
	Total employee entitlements	**87,433**	**79,408**

PBE IPSAS 1.93

18 Provisions

PBE IPSAS 1.132(c)

Accounting policy

General

PBE IPSAS 19.22, 73

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

PBE IPSAS 19.53,56,70

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in the provision because of the passage of time is recognised as a finance cost (refer **Note 5**).

PBE IPSAS 19.82,83

Restructuring

A provision for restructuring is recognised when either an approved detailed formal plan for the restructuring has been announced publicly to those affected or implementation of it has already started.

PBE IPSAS 19.76,79

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

PBE IFRS 4.37(a)

ACC Accredited Employers Programme

CSE belongs to the ACC Accredited Employers Programme (the “Full Self Cover Plan”), where CSE accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the Programme, CSE is liable for all claims costs for a period of two years after the end of the cover period that the injury occurred in. At the end of the two-year period, CSE pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the Programme is measured using actuarial techniques at the present value of expected future payments to be made for the employee injuries and claims up to balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on New Zealand Government bonds at balance date with terms to maturity that match, as closely to possible, the estimated future cash outflows.

18 Provisions (continued)

Breakdown of provisions and further information

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 1.80	**Current portion**		
	Restructuring	1,913	986
	Lease make-good	381	534
	Onerous contracts	600	1,189
	ACC Accredited Employers Programme	510	480
	Total current portion	3,404	3,189
PBE IPSAS 1.80	**Non-current portion**		
	Restructuring	706	4,521
	Lease make-good	1,820	3,222
	Onerous contracts	1,439	3,207
	ACC Accredited Employers Programme	210	212
	Total non-current portion	4,175	11,162
	Total provisions	**7,579**	**14,351**

PBE IPSAS 19.98

Restructuring provision

CSE's Board approved a detailed and formal restructuring plan that was announced in May 2023. The restructuring started in June of that year. The restructuring plan and associated payments are expected to be completed by November 2024. The provision represents the estimated cost for redundancy payments arising from the restructure.

PBE IPSAS 19.98

Lease make-good provision

At the expiry of the lease terms for its two leased premises, CSE is required to make good any damage caused to the premises and to remove any fixtures or fittings that it installed. CSE has the option to renew these leases, which affects the timing of expected cash outflows to make good the premises.

PBE IPSAS 19.98(b)

In measuring the provision, CSE has assumed that it will exercise the option to renew for one of the premises and not for the other premises. The cash flows associated with the non-current portion of the lease make-good provision are expected to occur in May and June 2027.[55]

Further information about CSE's leasing arrangements is disclosed in **Note 6**.

PBE IPSAS 19.98

Onerous contracts provision

CSE has a non-cancellable lease for office space that it no longer uses because of restructuring. The lease does not expire until 30 June 2027. The building has been sublet for the remaining term of the lease. However, a change in the market conditions has resulted in the rental expense being greater than the rental income received from subleasing. A provision has been recognised for the obligation of the future discounted rental payments net of estimated rental revenue.

ACC Accredited Employers Programme[56]

PBE IFRS 4 D17.7.1(a)

Exposures arising from the ACC Accredited Employers Programme are managed by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- carrying out induction training on health and safety;
- actively managing workplace injuries to ensure that employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- identifying workplace hazards and implementation of appropriate safety procedures.

PBE IFRS 4 D17.7.1(c)

CSE has chosen a stop loss limit of 200% of the industry premium. The stop loss limit means CSE will carry the total cost of all claims up to $750,000 for each year of cover, which runs from 1 April to 31 March. If the claims for a year exceed the stop loss limit, CSE will continue to meet the costs of claims and ACC will reimburse it for the costs that exceed the stop loss limit.

55 The RDR does not require disclosure of the major assumptions about future events used in measuring provisions (PBE IPSAS 19 RDR 98.1).

56 Where the ACC Accredited Employers Programme liability is material to a Crown entity, the disclosure requirements of PBE IFRS 4 *Insurance Contracts* Appendix D will need to be considered.

18 Provisions (continued)

PBE IFRS 4 D17.7.1(b)(ii) CSE is not exposed to any significant concentrations of insurance risk, because work-related injuries are generally the result of an isolated event involving an individual employee.

PBE IFRS 4 D17.8A An independent actuarial valuer, D W Smith BSc FIAA, has calculated CSE's liability, and the valuation is effective as at 30 June 2024. The valuer has attested that he is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the valuer's report.

PBE IFRS 4 D17.8B(b), (c) Average inflation has been assumed as 3.36% for the years ending 30 June 2025 and 30 June 2026. A discount rate of 5.43% has been used for the year ending 30 June 2025 and 5.36% for the year ending 30 June 2026.[57]

PBE IFRS 4 D17.6.1(d) Any changes in liability valuation assumptions will not have a material effect on the financial statements.

Movements for each class of provision are as follows:[58]

		Restructuring	Lease make-good	Onerous contracts	ACC Accredited Employers Programme	Total
		$000	**$000**	**$000**	**$000**	**$000**
Good practice	Balance at 1 July 2022	0	350	0	502	852
Good practice	Additional provisions made	5,829	3,579	5,122	672	15,202
Good practice	Amounts used	(325)	(175)	(758)	(482)	(1,740)
Good practice	Unused amounts reversed	0	0	0	0	0
Good practice	Discount unwind (**Note 5**)	3	2	32	0	37
PBE IPSAS 19.97(a)	***Balance at 30 June/ 1 July 2023***	5,507	3,756	4,396	692	14,351
PBE IPSAS 19.97(b)	Additional provisions made	0	0	0	632	632
PBE IPSAS 19.97(c)	Amounts used	(2,894)	(1,558)	(2,370)	(604)	(7,426)
PBE IPSAS 19.97(d)	Unused amounts reversed	0	0	0	0	0
PBE IPSAS 19.97(e)	Discount unwind (**Note 5**)	6	3	13	0	22
PBE IPSAS 19.97(a)	**Balance at 30 June 2024**	**2,619**	**2,201**	**2,039**	**720**	**7,579**

57 The rates that we have disclosed are illustrative only. Crown entities will need to use the latest available relevant discount rates and inflation factors.
58 PBE IPSAS 19.97 does not require comparative figures for provisions to be disclosed. We consider it good practice for Tier 1 entities to disclose the comparative figures for provisions.

19 Contingencies

Contingent liabilities

Lawsuit

PBE IPSAS 19.100

CSE has a contingent liability relating to legal action instigated by a former employee. The claimant is seeking $75,000 (2023: $nil) in damages.

CSE is vigorously defending the charges and is confident that it will not be found liable.

Contingent assets

PBE IPSAS 19.105

CSE has no contingent assets (2023: $nil).[59]

20 Equity

Good practice

Accounting policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital;
- accumulated surplus/(deficit);
- property revaluation reserves; and
- financial assets at fair value through other comprehensive revenue and expense reserve.

Property revaluation reserves

PBE IPSAS 1.95(c)

These reserves relate to the revaluation of property to fair value.

Equity investment revaluation reserves

PBE IPSAS 1.95(c)

This reserve comprises the cumulative net change of equity investments irrevocably designated as fair value through other comprehensive revenue and expense.

59 Where no contingent assets exist, we consider it good practice to state that fact.

20 Equity (continued)

Breakdown of equity and further information

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 1.119(c)	**Contributed capital**		
	Balance at 1 July	200,000	124,882
	Capital contribution	1,020	75,118
	Repayment of capital	0	0
	Balance at 30 June	201,020	200,000
PBE IPSAS 1.119(c)	**Accumulated surplus/(deficit)**		
	Balance at 1 July	91,971	57,271
	Equity investment revaluation reserve transfer on disposal	0	0
PBE IPSAS 17.57	Transfer from property revaluation reserve on disposal	5,500	0
	Surplus/(deficit) for the year	18,932	34,700
	Balance at 30 June	116,403	91,971
PBE IPSAS 1.119(c)	**Property revaluation reserves**		
	Balance at 1 July	421,994	369,661
	Revaluations	73,397	52,333
	Transfer to accumulated surplus/(deficit) on disposal	(5,500)	0
	Balance at 30 June	489,891	421,994
Good practice	*Property revaluation reserves consist of:*		
	Land	441,065	376,625
	Buildings	48,826	45,369
	Total property revaluation reserves	489,891	421,994

		Actual 2024 $000	Actual 2023 $000
PBE IPSAS 1.119(c)	**Equity investment revaluation reserves**		
	Balance at 1 July	512	402
PBE IPSAS 30.24(a)(vii)	Net change in fair value	95	110
PBE IPSAS 30.14A(e)	Transfer to accumulated surplus/deficit on disposal	0	0
	Balance at 30 June	607	512
	Total equity	**807,921**	**714,477**

Capital management

PBE IPSAS 1.148A

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

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

CSE has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

CSE manages its equity as a by product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure that CSE effectively achieves its objectives and purpose while remaining a going concern.

21 Related party transactions

PBE IPSAS 20.25

CSE is controlled by the Crown.

Good practice

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect CSE would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

PBE IPSAS 20.27,30,32

Related party transactions required to be disclosed

CSE entered into transactions with other Crown-related entities on non-commercial terms for the sale of inventory. Sales totalled $401,271 (2023: $546,123) and were sold at an average discount of 48% (2023: 52%) of market price. No amounts were outstanding at balance date.

CSE purchased internal audit services totalling $76,564 (2023: $nil) from Accountants Limited, an accounting firm that [Director 1] is a partner of. The services were procured without going through a tender process, and the contracted hourly rates of the internal audit staff are significantly discounted compared to other recent internal audit service contracts CSE has entered into. An amount of $12,342 is outstanding as at 30 June 2024 (2023: $nil).

PBE IPSAS 20.34(a),36

Key management personnel compensation[60,61,62]

	Actual 2024	Actual 2023
Board members		
Remuneration	$220,234	$205,329
Full-time equivalent members	1.25	1.25
Leadership Team		
Remuneration	$1,008,432	$982,552
Full-time equivalent members	6.5	5.5
Total key management personnel remuneration	**$1,228,666**	**$1,187,881**
Total full-time equivalent personnel	**7.75**	**6.75**

Good practice

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

An analysis of Board member remuneration is provided in **Appendix 1**.

60 PBE IPSAS 20.4 defines key management personnel as all directors or members of the governing body of the entity and other persons having the authority and responsibility for planning, directing, and controlling the activities of the entity. Where they meet this requirement, key management personnel include i) where there is a member of the governing body of a whole of government entity who has the authority and responsibility for planning, directing, and controlling the activities of the entity, that member, ii) key advisors of that member, and iii) the senior management group of the entity. For a Crown entity, we expect the compensation of the Board, chief executive, and members of the senior management team, or equivalent body, to be included in the key management personnel compensation disclosures. Other individuals might also meet the key management personnel definition of PBE IPSAS 20. Crown entities will need to consider their specific facts and circumstances in determining which individuals to include in the key management personnel compensation disclosures.

61 PBE IPSAS 20.34(a) requires entities to disclose the aggregate remuneration of key management personnel and the number of individuals, determined on a full time equivalent basis, receiving remuneration within the category, showing separately major classes of key management personnel and including a description of each class.

62 Entities will make separate disclosures about the major classes of key management personnel that they have. For example, where an entity has a governing body that is separate from its senior management group, disclosures about remuneration of the two groups will be made separately. Where an individual is a member of both the governing body and the senior management group, that individual will be included in only one of those groups for the purposes of PBE IPSAS 20 (PBE IPSAS 20.36).

22 Financial instruments

PBE IPSAS 30.11

22A Financial instruments categories[63]

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

		Actual 2024 $000	Actual 2023 $000
	Mandatorily measured at fair value through surplus or deficit[64]		
PBE IPSAS 30.11(a)(ii)	Derivative financial instrument assets	2,900	1,960
PBE IPSAS 30.11(e)(ii)	Derivative financial instrument liabilities	1,740	2,240
PBE IPSAS 30.11(g)	**Financial liabilities measured at amortised cost**		
	Payables (excluding deferred revenue, taxes payable and grants received subject to conditions)	38,360	29,625
	Borrowings – secured loans	17,576	26,088
	Finance leases	7,360	5,706
	Total financial liabilities measured at amortised cost	63,296	61,419
PBE IPSAS 30.11(f)	**Financial assets measured at amortised cost**		
	Cash and cash equivalents	75,078	56,591
	Receivables	8,209	2,530
	Investments – term deposits	10,231	159,714
	Total financial assets measured at amortised cost	93,518	218,835
PBE IPSAS 30.11(h)(ii)	**Financial assets at fair value through other comprehensive revenue and expense[65]**		
	Equity investments	1,107	1,012

63 Deferred revenue items, such as income in advance, are not included within the payables figures in the financial instrument notes because deferred revenue is not a financial instrument. Prepayments are not included as these are also not financial instruments. Taxes payable and receivables are also excluded from this table because they arise from statute rather than a contract.

64 A separate total must be presented for financial assets and financial liabilities that have been designated at initial recognition at fair value through surplus or deficit. If an entity applies the RDR, it can present a single total for financial instrument assets and a single total for financial instrument liabilities at fair value through surplus or deficit (PBE IPSAS 30 RDR 11.1).

65 A separate total must be presented for financial assets measured at fair value through other comprehensive revenue and expense because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the arrangement give rise solely to payments of principal and interest in terms of PBE IPSAS 41 paragraph 40 and equity instruments designated at initial recognition under paragraph 106.

22B Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market prices (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

PBE IPSAS 30.33(a) The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.[66]

		Valuation technique		
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	$000	$000	$000	$000
30 June 2024				
Financial assets				
Derivatives	2,900	0	2,900	0
Equity investments	1,107	1,107	0	0
Financial liabilities				
Derivatives	1,740	0	1,740	0
30 June 2023				
Financial assets				
Derivatives	1,960	0	1,960	0
Equity investments	1,012	1,012	0	0
Financial liabilities				
Derivatives	2,240	0	2,240	0

PBE IPSAS 30.33(b) There were no transfers between the different levels of the fair value hierarchy.[67]

22C Financial instrument risks

PBE IPSAS 30.38 CSE's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. CSE has policies to manage these risks and seeks to minimise exposure from financial instruments. These policies do not allow it to enter into transactions that are speculative in nature.

PBE IPSAS 30.40 **Market risk**

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. CSE's equity investments are exposed to price risk because they are listed investments.

PBE IPSAS 30.47 The equity investments are publicly traded. If the share price at 30 June 2024 had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease other comprehensive revenue and expense by $5,535 (2023: $5,006).

66 A tabular format must be used in presenting the fair value hierarchy quantitative disclosures unless another format is more appropriate.

67 Significant transfers between the different fair value hierarchy levels must be identified and the reasons for those transfers disclosed. PBE IPSAS 30.33(b) requires transfers into each level to be disclosed and discussed separately from transfers out of each level. Additionally, for measurements included in level 3 of the fair value hierarchy, PBE IPSAS 30.33(c) requires a reconciliation between the opening and closing balances to be presented.

22C Financial instrument risks (continued)

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. CSE's exposure to fair value interest rate risk is limited to its bank deposits, which are held at fixed rates of interest. CSE does not actively manage its exposure to fair value interest rate risk.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments and borrowings issued at variable interest rates expose CSE to cash flow interest rate risk.

CSE's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. CSE currently has no variable interest rate investments.

CSE's borrowing policy requires a spread of interest rate repricing dates on borrowings to limit the exposure to short-term interest rate movements. CSE's borrowing policy does not permit the use of interest rate derivatives to manage cash flow interest rate risk.

Sensitivity analysis

PBE IPSAS 30.47

At 30 June 2024, if the 90-day bank bill rate had been 50 basis points higher or lower, with all other variables held constant, the surplus/deficit for the year would have been $88,000 (2023: $130,000) lower/higher. This movement is attributable to increased or decreased interest expense on floating rate loans. The sensitivity is lower in 2024 than in 2023 because of a reduction in outstanding borrowings that has occurred as CSE's loans have matured and been repaid.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

CSE makes purchases of goods and services overseas that require it to enter into transactions denominated in foreign currencies. CSE also holds small balances of AUD, GBP, and USD at call with international banks to settle transactions denominated in foreign currencies when necessary. As a result of these activities, exposure to currency risk arises.

CSE manages foreign currency risks arising from contractual commitments and liabilities by entering into forward foreign exchange contracts to manage the foreign currency risk exposure.

PBE IPSAS 30.47

Sensitivity analysis[68]

At 30 June 2024, if the NZ dollar had weakened/strengthened by 5% against the US dollar, with all other variables held constant, the surplus for the year would have been:

- $14,000 (2023: $20,000) lower if the NZ dollar had weakened.
- $15,000 (2023: $22,500) higher if the NZ dollar had strengthened.

This movement is attributable to foreign exchange gains/losses on translation of US dollar denominated creditors and bank balances.

Credit risk[69]

PBE IPSAS 30.8

Credit risk is the risk that a third party will default on its obligation to CSE, causing it to incur a loss.

PBE IPSAS 30.40(a)

PBE IPSAS 30.42K,43(a)

CSE is exposed to credit risk from cash and term deposits with banks, receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

PBE IPSAS 30.40(b)

Risk management

PBE IPSAS 30.41(c)

For receivables, CSE reviews the credit quality of customers before granting credit. It continues to monitor and manage receivables based on their ageing and adjusts the expected credit loss allowance accordingly. There are no significant concentrations of credit risk.

Because of the timing of its cash inflows and outflows, CSE invests surplus cash with registered banks with a Standard and Poor's credit rating of at least A2 for short-term investments and A for long-term investments. CSE limits the amount of credit exposure to any one financial institution for term deposits to no more than 25% of total investments held. CSE invests funds and enters into derivative financial instruments only with registered banks that have a Standard and Poor's credit rating of at least A2 for short-term investments and A for long-term investments. CSE's investments in term deposits are considered to be low-risk investments. The credit ratings of banks are monitored for credit deterioration.

68 A sensitivity analysis for derivative financial instruments is required when the aggregated fair value of derivatives is significant.

69 For the credit risk disclosures of PBE IPSAS 30, entities will need to consider how much detail to disclose, how much emphasis to place on difference aspects of disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed (PBE IPSAS 30.42D).

22C Financial instrument risks (continued)

Security

PBE IPSAS 30.42K,43(b)

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

Impairment

Cash and cash equivalents (**Note 7**), receivables (**Note 8**), and term deposit investments (**Note 9**) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit risk exposure by credit risk rating grades, excluding receivables

PBE IPSAS 30.42M

The gross carrying amount of financial assets, excluding receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

	Actual 2024 $000	Actual 2023 $000
Cash at bank and term deposits		
AA	40,850	58,130
AA–	44,459	158,175
Total cash at bank and term deposits	**85,309**	**216,305**
Derivative financial instrument assets		
AA	2,900	1,960

Liquidity risk

PBE IPSAS 30.46(c)

Management of liquidity risk

Liquidity risk is the risk that CSE will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions.

CSE manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

22C Financial instrument risks (continued)

PBE IPSAS 30.46(a), AG11

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses financial liabilities (excluding derivatives) into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at balance date. The amounts disclosed are the undiscounted contractual cash flows.[70]

	Carrying amount $000	Contractual cash flows $000	Less than 6 months $000	6-12 months $000	More than 1 year $000
2024					
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	38,360	38,360	38,360	0	0
Finance leases	7,360	7,949	1,249	1,249	5,451
Secured loans	17,576	21,923	7,986	1,050	12,887
Total	**63,296**	**68,232**	**47,595**	**2,299**	**18,338**
2023					
Payables (excluding income in advance, taxes payable and grants received subject to conditions)	29,625	29,625	29,625	0	0
Finance leases	5,706	6,234	1,162	1,162	3,910
Secured loans	26,088	32,629	8,858	1,043	22,728
Total	**61,419**	**68,488**	**39,645**	**2,205**	**26,638**

PBE IPSAS 30.46(b)

Contractual maturity analysis of derivative financial liabilities

The table below analyses derivative financial instrument liabilities that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.[71] The amounts disclosed are the undiscounted contractual cash flows.

	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years
2024						
Forward foreign exchange contracts	1,740	2,900				
– outflow			7,690	5,478	2,212	0
– inflow			7,144	5,589	1,555	0
2023						
Forward foreign exchange contracts	2,240	1,960				
– outflow			13,333	10,471	2,862	0
– inflow			14,025	11,547	2,478	0

70 PBE IPSAS 30 does not prescribe the time bands to use. Entities will need to exercise judgement in determining the appropriate time bands.
71 Entities shall include all gross settled derivative financial instruments regardless of whether their fair value is an asset or a liability.

PBE IPSAS 2.55A

22D Reconciliation of movements in liabilities arising from financing activities

The table below provides a reconciliation between the opening and closing balances of finance lease liabilities and secured borrowings at balance date.

Secured borrowings	2024 $000	2023 $000
Balance as at 1 July	26,088	37,250
Cash inflows: proceeds from borrowings	-	-
Cash outflows: repayment of loans	(7,859)	(11,412)
Non-cash movement in accrued interest	(653)	250
Balance as at 30 June	**17,576**	**26,088**

Finance lease liabilities	2024 $000	2023 $000
Balance as at 1 July	5,706	13,362
Cash outflows: payments under finance leases	(2,128)	(10,431)
New leases	3,782	2,775
Balance as at 30 June	**7,360**	**5,706**

23 Events after the balance date

PBE IPSAS 14.28,30

There were no significant events after the balance date.

24 Explanation of major variances against budget

PBE IPSAS 1.148.1

Explanations for major variances from CSE's budgeted figures in the statement of performance expectations are as follows:

Statement of comprehensive revenue and expense

Other revenue

Other revenue was less than budgeted by $2.9m, mainly because grants received were $2.5m less than expected. Because of prioritisation of Crown deliverables, CSE was unable to apply for promotional funding for certain development initiatives.

Other expenses

Other expenses were less than budgeted by $14.8m, mainly because of delays in implementing the "Whole of New Zealand" development initiative. The delay in this initiative is mainly attributable to difficulty in securing consultants for project delivery.

Gain on property revaluations

Property revaluation gains were less than budgeted by $16.6m because the downturn in the property market during the year meant that property valuations did not increase to the extent that management expected.

Statement of financial position

Employee entitlements

Employee entitlements were less than budgeted by $9.3m, mainly because of management's efforts to encourage employees to take leave and reduce the level of untaken leave and because management assumed that more employees would qualify for retirement and long service leave than was calculated in the actuarial valuation as at 30 June 2024.

Provisions

Provisions were less than budgeted by $5.5m, mainly because of $3.5m of restructuring and because $1.5m of lease make-good payments were made earlier than expected.

Statement of cash flows

Payments to suppliers were less than budgeted by $16.7m, mainly because of delays in implementing the "Whole of New Zealand" development initiative. Consequently, cash outflows for payments to consultants were less than budgeted.

Appendix 1:
Statutory remuneration disclosures

Section 152 of the Crown Entities Act 2004 (CEA) requires Crown entities to disclose information about payments to members, committee members, and employees in their annual reports.

The CEA does not require this information to be disclosed within the audited financial statements. In our previous model financial statements, our approach was to include these statutory disclosures in the notes to the financial statements. This resulted in the information being subject to detailed audit procedures, even though the CEA does not require this.

To assist with a more efficient financial statement audit, we now encourage entities to relocate these statutory disclosures to outside of the audited financial statements – for example, by including this information in a separate statutory disclosure section of the annual report. The relevant disclosures are:

- employee remuneration band disclosures;
- member and committee member remuneration disclosures;
- cessation payment disclosures; and
- indemnity and insurance disclosures.

The auditor's responsibilities over these statutory disclosures when they are placed outside the audited information is limited to reading the information and considering whether it is materially consistent with the financial statements (such as key management personal disclosures) or the auditor's knowledge obtained in the audit, or whether it otherwise appears to be materially misstated.

CEA s152(1)(c)[72]

Employee remuneration[73]

	Actual 2024 Number	Actual 2023 Number
Total remuneration paid or payable that is or exceeds $100,000:		
$100,000 – $109,999	5	6
$110,000 – $119,999	4	3
$120,000 – $129,999	3	2
$130,000 – $139,999	1	0
$140,000 – $149,999	0	1
$150,000 – $159,999	1	1
$160,000 – $169,999	1	0
Total employees	**15**	**13**

72 The disclosures that section 152 of the CEA requires shall be made in the annual report.
73 For the purposes of total remuneration paid or payable, the remuneration includes salary, cash allowances, bonuses, incentive payments, and other benefits included in the employee's total remuneration package (such as superannuation contributions, medical insurance, and motor vehicles).

CEA s152(1)(d)	During the year ended 30 June 2024, two (2023: three) employees received compensation and other benefits in relation to cessation totalling $225,000 (2023: $174,000).[74]
CEA s152(1)(a)	***Board member remuneration***
	The total value of remuneration paid or payable to each Board member during the year was:

	Actual 2024 $000	Actual 2023 $000
A Boult (Chairperson)[75]	70	67
R Hansen	50	46
A Chamberlain	50	46
G Pattison	50	46
Total Board member remuneration	**220**	**205**

CEA s152(1)(b)	There have been no payments made to committee members appointed by the Board who are not Board members during the financial year.
CEA s152(1)(e)	CSE has provided a deed of indemnity to Board members for certain activities carried out in the performance of CSE's functions.[76]
CEA s152(1)(f)	CSE has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year for the liability or costs of Board members and employees.
CEA s152(1)(d)	No Board members received compensation or other benefits in relation to cessation (2023: $nil).

74 Where no payments have been made, we consider it good practice to state this fact. Guidance on what payments should be included in this disclosure is included in the Office of the Auditor General's June 2019 publication *Severance payments: A guide for the public sector*, which is available at www.oag.parliament.nz.

75 The actual names of Directors will need to be included in this disclosure.

76 Section 152(1)(f) of the CEA requires details of any indemnity provided to any office holder or employee during the financial year to be disclosed.

SUBJECT INDEX