Accounting Professional & Ethical Standards Board Limited

ACN 118 227 259

APESB

Annual Report

for the year ended
30 June 2012

Contents

Vision

Our vision is:

To be recognised by our stakeholders for our leading contribution in achieving the highest level of professional and ethical behaviour in the accounting profession.

We will achieve this vision by:

- Issuing professional and ethical standards that are integral to the Australian accounting profession
- Being innovative in engaging key stakeholders, professional accountants and the public
- Influencing international agenda
- Advocating that professionalism and ethical conduct drive the behaviour of accountants.

Statement of Purpose

To protect the Australian public by issuing professional and ethical standards which maximise the integrity of the accounting profession by setting out the highest principles of professional and ethical accounting practice.

Values

We are committed to:

- Being independent, consultative and transparent in our work
- Encouraging universal access to standards that are easy to use and understand
- Working innovatively in the public interest to guide the ethical and professional practices of accountants.

Highlights for 2011–2012

Professionalism is a way of signalling to society that a particular profession is responsible for their actions and not merely relying on the politicians and law makers to tell them how to behave

David Gonski AC Key note address APESB 5 Year Anniversary Event

Achieving our Objectives

APESB has been successful in achieving the objectives of its work plan which has included issuing the following standards and guidance notes:

- Amendments to the Public Interest Entity (PIE) definition of the Code;
- Revised APES 210 *Conformity with Auditing and Assurance Standards*;
- Revised APES 225 *Valuation Services*;
- APES 325 *Risk Management for Firms*;
- Revised APES 330 *Insolvency Services*;
- APES GN 40 *Ethical conflicts in the workplace – Considerations for Members in Business*.

In addition, APESB issued the following Exposure Drafts during the year:

- Revision of APES 215 ED *Forensic Accounting Services*; and
- Proposed APES GN 30 *Outsourced Services*.

Subsequent to the year end, in July 2012 APESB issued its second Exposure Draft for the proposed standard APES 230 *Financial Planning Services* to replace the existing APS 12 *Statement of Financial Advisory Service Standards*.

Improving Professional Practice through Standard Setting

APESB delivered on its primary objective of developing and issuing professional and ethical standards by issuing the following standards and exposure drafts:

- **Amendments to the Public Interest Entity (PIE) definition of the Code** – the Board amended the definition to provide guidance on what entities will be considered to be PIEs in the Australian context.
- **Revision of APES 210 *Conformity with Auditing and Assurance Standards*** – minor revisions were made to the existing standard APES 210 which was originally issued in 2008.
- **Revision of APES 225 *Valuation Services*** – a revision of APES 225 Valuation Services was undertaken to clarify the three different types of Valuation Engagements and the incorporation of additional examples to provide further guidance to members.
- **APES 325 *Risk Management for Firms*** – which is effective from 1 January 2013, includes mandatory requirements and guidance for a firm to establish a risk management framework and thereafter to maintain and monitor the risk management framework. The firm must also document its risk management framework.
- **Revision of APES 330 *Insolvency Services*** - a revision of APES 330 Insolvency Services was initiated due to matters identified in the annual review.
- **APES GN 40 *Ethical conflicts in the workplace – Considerations for Members in Business*** – which was issued in March 2012 to provide guidance for Members in Business on the application of the fundamental principles of the Code and present 21 examples of situations that require professional judgment in the application of the principles of the Code.
- **Revision of APES 215 ED *Forensic Accounting Services*** – a revision of APES 215 Forensic Accounting Services was initiated to develop new appendices to provide clarification on the four different types of Forensic Accounting Services provided by Members.

In addition, a significant amount of work has been completed on the following projects:

- **Proposed standard APES 230 *Financial Planning Services*** – a second exposure draft of APES 230 Financial Planning Services was released in July 2012 for public comment following consideration of responses to the exposure draft issued in June 2010. To accompany this Exposure Draft, APESB also released an Explanatory Memorandum to provide background and understanding to the development process and rationale for the Board's key decisions. This project has been a major focus for APESB. The Board is conscious of the level of interest in and significance of this standard to members of the profession, to the professional bodies, and to consumers of financial planning services. The Board has been active in seeking the views of various parties, and has carefully assessed them.
- **Proposed APES GN 30 *Outsourced Services*** – this guidance note was developed in response to the recent growth in the market for outsourced services. The proposed note provides guidance to Members in Public Practice who provide or utilise outsourced services and also provides a useful reference point for Members in Business who are involved with outsourced services.

Engaging with Experts in the Development of Professional and Ethical Standards

APESB convened eight taskforces to provide expert advice on the development of key standards in the following areas:

- Financial Planning Services
- Members in Business
- Outsourced Services
- Risk Management for Firms
- Valuation Services
- Forensic Accounting Services
- SMSF Auditor Independence
- Due Diligence Committees

APESB's Five Year Anniversary Event

APESB held an event in Sydney in February 2012 to celebrate completion of five years of operations. Approximately 100 guests attended the event at the State Library of New South Wales where David Gonski AC delivered the key note address on *"professionalism and what it means to be a professional"*.

At this event the Board also acknowledged and paid tribute to the contributions of APESB taskforce members and other stakeholders who have contributed to the development of APESB and its pronouncements.

Influencing the International Standard Setting Agenda

Kate Spargo, the APESB Chairman, continued her appointment to the International Ethics Standards Board for Accountants (IESBA) and is in her final year of a three year term. Kate's involvement as a public interest member of the IESBA represents a voice for the Australian accounting profession, provides a public interest perspective to the international debate, and also helps the APESB remain current in terms of global perspectives and changes.

APESB Director Stuart Black AM also continued in his roles as a member of IFAC's Small and Medium Practices Committee and a member of the IESBA SME/SMP Working Group on the Code of Ethics.

APESB is one of the National Standards Setters of the IESBA National Standards Setters Group (IESBA NSS Group) and represents Australia's interests in this group. The IESBA NSS Group held their annual meeting in New York in April this year and APESB Chairman Kate Spargo and Technical Director Channa Wijesinghe attended this meeting. At this meeting Kate Spargo chaired the session on *Breaches of a requirement of the Code* (as Chair of the IESBA Breaches Taskforce) to inform the IESBA NSS Group on the current status of the project and led the ensuing discussion. Channa Wijesinghe presented on the APESB's work program to inform the IESBA NSS Group of the latest Australian developments as part of the Global developments agenda item.

Increasing Awareness of Accounting Professional and Ethical Standards

APESB has continued to work at raising the awareness of accounting professional and ethical standards by making presentations at relevant conferences and member professional development events. In addition APESB liaises with the media in issuing releases relating to the release of exposure drafts and standards, as well as with the professional bodies for journal publications.

APESB also has a website that is user friendly and provides access to stakeholders to its pronouncements. Monitoring of site usage has shown an average of 86,856 hits per month which increased to over 134,000 in the months of February to April, following the five year anniversary celebrations.

Maintaining Strong Governance of APESB

APESB continues to have the services of committed directors who play an active role in assisting with the work of this small organisation. We have not had any changes to the membership of the board this year and are fortunate to maintain deep knowledge and wide experience within the board.

Taskforce Composition as at 30 June 2012

Financial Planning Services

Channa Wijesinghe	APESB (Chairman)
Suzanne Haddan	BFG Financial Services
Reece Agland	IPA nominee
Robert MC Brown	Chartered Accountant
Keddie Waller	CPA Australia Limited nominee
Hugh Elvy	ICAA nominee

Forensic Accounting Services

Channa Wijesinghe	APESB (Chairman)
Owain Stone	KordaMentha
Brendan Halligan	Halligan & Co
Geoff Crawford	CPA Australia Limited nominee
Gregory O'Neil	Transport Accident Commission
Keith Reilly	Grant Thornton

Outsourced Services

Channa Wijesinghe	APESB (Chairman)
Bruce Coombes	QuickFee
Harry Rosenberg	Quintessential Equities Pty Limited
Paul Meredith	ICAA nominee
David Carter	Odyssey Resources Limited
Peter Docherty	CPA Australia Limited nominee
Tom Ravlic	IPA nominee (resigned July 2012)
Reece Agland	IPA nominee (appointed July 2012)

Valuation Services

Channa Wijesinghe	APESB (Chairman)
Richard Stewart	PricewaterhouseCoopers
Brendan Halligan	Halligan & Co
Mark Pittorino	Deloitte
Alan Max	Moore Stephens
Mark Shying	CPA Australia Limited nominee
Jim McDonald	IPA nominee
Tapan Parekh	Deloitte (Alternate to Mr Mark Pittorino)

SMSF Auditor Independence

Channa Wijesinghe	APESB (Chairman)
Shirley Schaefer	BDO Australia
Robert MC Brown	Chartered Accountant
Liz Giust	William Buck
Sharyn Long	Sharyn Long Chartered Accountants
Sharif Eldebs	WHK Australia
Andrew Stringer	ICAA nominee
Liz Westover	ICAA nominee
Denis Pratt	CPA Australia nominee
Reece Agland	IPA nominee
Susan Orchard	GAAP Consulting

Chairman's Report

We have now passed the five year milestone since the Board was established as the independent body to set ethical and professional standards for accountants who are members of one or more of the three major accounting professional bodies. I am pleased to report on our activities during the year as well as provide an indication of the process for our Strategic Plan for 2013 – 2015.

One of the highlights this year was the celebration of APESB's activities at a Five Year Anniversary dinner held in February 2012 at the State Library of New South Wales in Sydney. Our guest speaker, David Gonski AC, addressed the audience on the topic of professionalism and what it means to be 'a professional'. We were pleased to host so many members of the profession who take an interest in our work as well as colleagues from other professions. David's comments reminded all at the dinner of the enormous value and significance of being part of a profession and the role that standards and behaviours play in creating and maintaining that value and differentiation from others who aspire to be 'professionals'.

Because of the value I see to all of us in David's reflections on professional life, based to a significant degree on his own experiences as a lawyer and company director, I have summarised some of his comments here. David considered that there has been a decline in professionalism in recent years. He identified that there are five factors at work which have been developing independently of each other. Firstly, technological change, in particular the availability of information, is driving a change in the role of the professional, no longer the source and access point for knowledge. A professional must increasingly demonstrate mastery of the subject matter and provide deeper and more meaningful insights, when confronted with clients who can check current and historical information in real time. Secondly competition, which is increasing as a result of the recent global financial crisis and insecurity, is contributing to a significant downward pressure on prices and margins leading to a commoditisation of professional services provided by accountants. Thirdly, increased regulation is also detracting from professionalism as rules become more prescriptive resulting in lesser emphasis on using professional judgement and more emphasis on compliance based professional services. A fourth factor is the reduction in the role of senior professionals in mentoring junior or aspiring professionals, in favour of more structured development courses. Whilst one may argue that professional training programs provide prospective members with clearer expectations of their career paths, this does create a 'generation gap', breaking the link between professionals of different ages and the transfer of knowledge about issues such as professional behavior. Establishing a link to the profession at an early stage in one's career must surely increase the commitment to the shared values of the chosen profession and reduce the reputational risk of potential future scandals due to unethical behaviour. Finally, self-professed 'time poor' professionals are more concerned with efficiency measures, such as staff utilisation rates, and not taking the time to involve themselves in the distinctive 'niceties' of a profession such as teaching and mentoring future professionals, which add depth and character to the chosen profession.

David stated that professionalism does matter and argued for improving the standing of professionalism in our society. He said the sense of pride or satisfaction that comes with belonging to a chosen profession that has proven its mettle through trials and tribulations brings credit to that profession; that self governance is the only way that we can prevent the lowest common denominator taking over and leading to increased government intervention and more commoditisation of services; and that professionalism is a way of signalling to society that a particular profession is responsible for their actions and is not merely relying on the politicians and law makers to tell them how to behave.

I would like to record my thanks to David for his insights; a recording of his address is available on the APESB website.

I believe that professionalism is crucial to the wellbeing of our society and as one of the key professions in today's information age, the accounting profession has a role to play in our society. However, with the benefits of belonging to a profession come obligations - to act with integrity and in the best interest of the clients and the society that accounting professionals serve.

At APESB we believe we have a role to play in continuing to build public trust in the Australian accounting profession; we are motivated to deliver standards which contribute to the standing of the Australian accounting profession as well as for the benefit of clients and investors. As an independent standard setter, we believe we are able to take an objective and long-term view of what will contribute to the 'professionalism of the profession' while always keeping public interest uppermost in our mind.

APESB Strategic Direction 2013 –2015

We are currently developing our Strategic Plan for 2013 – 2015. Our clear priorities remain to act in the public interest as well as contributing to the accounting profession and its professional standing. We are currently achieving this through the ongoing development of professional and ethical standards for members, both in the revision of existing standards and the development of standards in new areas. We are committed to being responsive in this standard setting process to the needs and requirements of the accounting profession, consideration of the public interest, practical business aspects and the ongoing enhancement of the professionalism of the profession. The Board will engage with key stakeholders in early 2013 as it develops its strategy for the next three years.

Work Plan

To date APESB has developed 18 professional and ethical pronouncements of which 15 have been issued as Standards or Guidance Notes, and 3 are in draft form at this stage. Only 2 of the pronouncements issued by APESB have international equivalents with the majority of the pronouncements (i.e. over 85%) having been developed in Australia.

The success of the technical program to date reflects the good work of a small dedicated team. The primary focus of the APESB team this year has been the review and re-issue of the remaining standards from the professional standards and guidance notes originally inherited from the accounting profession in 2006. From those original pronouncements the only one that remains to be replaced is APS 12 Statement of Financial Advisory Services. APESB recently issued a second Exposure Draft for APES 230 which in due course will replace APS 12. Accordingly, it is expected that in the next 6 months the Board will complete the review and relaunch phase which commenced in 2006.

Taskforce Program

As at 30 June 2012, APESB has five active taskforces in the areas of financial planning services, forensic accounting services, outsourced services, valuation services and SMSF auditor independence. We rely significantly on the interest, commitment and hard work of the members of the task forces throughout the year. Much of the preparatory work of developing standards is carried out by these groups. All of the work is undertaken on a voluntary basis. We welcome all members of the profession who are interested in contributing in this way and we encourage representatives from outside of the accounting profession as well to enable the APESB to gain a wide perspective in developing standards. The APESB would again like to say how much these efforts are appreciated.

Acknowledgements

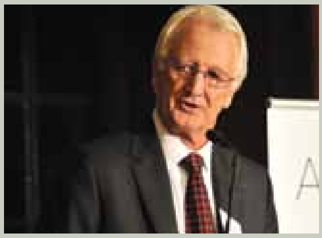
The small team which makes up the APESB Secretariat has worked effectively again this year, with some demanding tasks to manage. Channa Wijesinghe (Technical Director) leads the team which includes Robert Nickel (Senior Project Manager), Rozelle Azad (Project Manager), Lisa Rozanitis (Executive Assistant), Dolla Wilkinson (Bookkeeper) and Margareth Lioe (Project Officer). I would like to thank the team again this year on behalf of the Board and our stakeholders, for their strong commitment to their work and the high quality of the outputs they produce.

The Board is also grateful for the valuable contributions made by staff of the accounting bodies, accounting firms, government bodies, regulators and others who provide input and different perspectives to our standard setting process. The Board could not have achieved what it has to date without the contributions from stakeholders. We acknowledge the interest of those who attend the APESB board meetings and offer valuable input at the time we are considering issues.

APESB is committed to contributing to the "professionalism of the profession" and we will continue to do this in the year ahead.

Kate Spargo
Chairman
9 October 2012

APESB 5 Year Anniversary Event



Accounting Professional & Ethical Standards Board (APESB) celebrated its five-year anniversary with a dinner attended by approximately 100 guests at the State Library of New South Wales on the 9th of February 2012. This event commemorated the significant milestones and achievements of APESB and its role in the co-regulatory environment of the accounting profession in Australia. The story of APESB to date has been one of professional collaboration on the road to setting professional and ethical standards in the public interest that stipulate professional requirements and guidance to be adhered to by members of the three major accounting bodies in Australia.

APESB Chairman, Kate Spargo welcomed guests and provided them with insights into APESB's activities and achievements. Kate explained that during the first year of operations, APESB successfully appointed a sound, experienced and highly motivated Board of Directors, established the Secretariat and recruited management. The Board was lead by Stuart Black who took on the role of acting chairman until an independent Chairman could be appointed. Stuart was accompanied by Harley McHutchison who to date continues his incredibly dedicated work on the substance of the standards, Ken Levy and Jack Flanagan, who have since retired, and Bob Sendt, who has a fine eye for detail in drafting the standards. Two more recent appointments, Peter Day and Cath Mulcare, both continue to show an enthusiasm and application which is so valuable to APESB, the standard-setting process and the accounting profession. Kate noted that as an independent standard setter, APESB has been able to take an objective and long-term view of what will contribute to the 'professionalism of the profession' while keeping public interest as the Board's main priority.

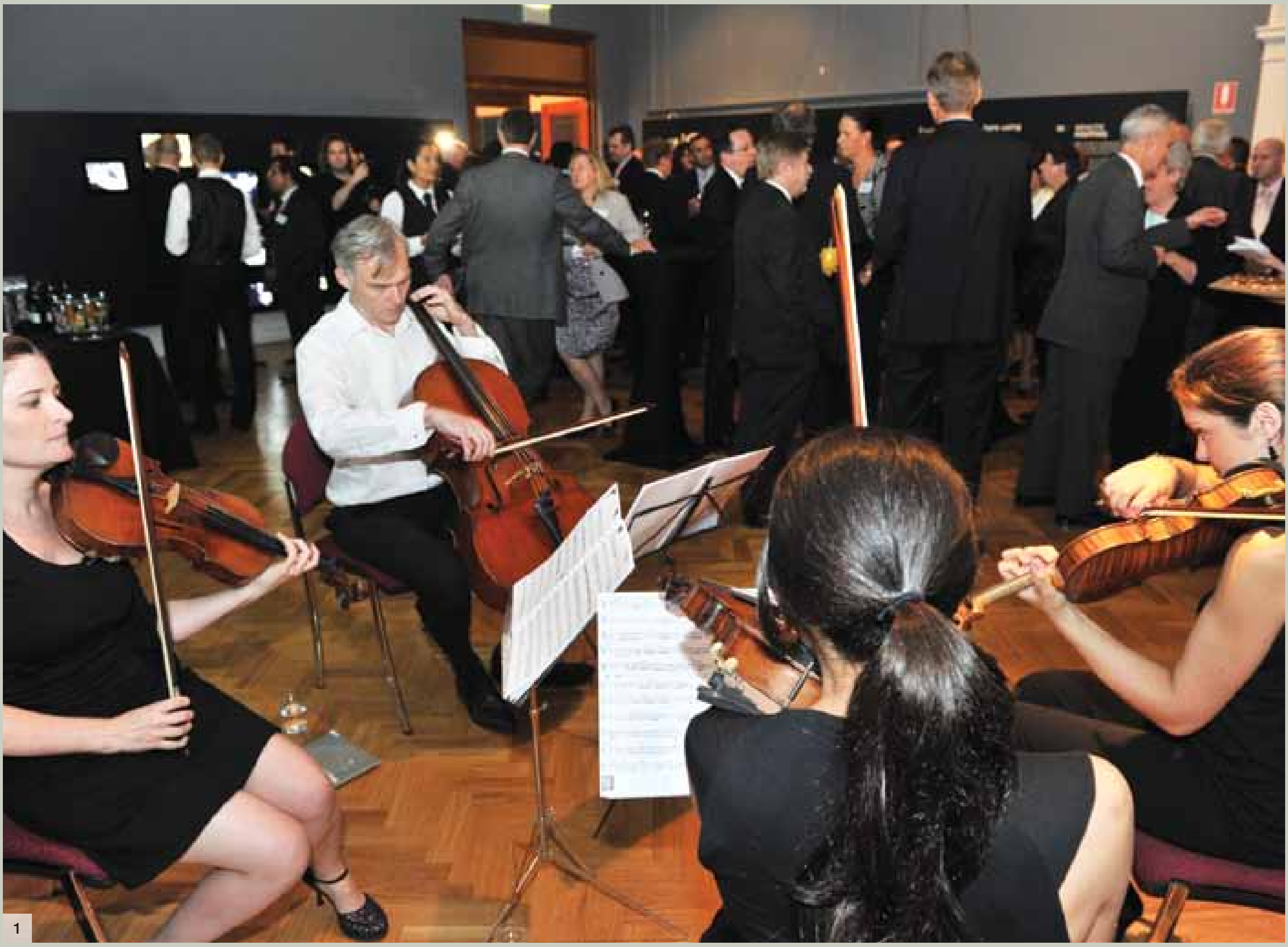
Kate also highlighted APESB's activities in the international arena. APESB Director Stuart Black was appointed to the International Federation of Accountants (IFAC) Small and Medium Practices Committee in 2009, which has helped APESB to remain aware of the interests of this sector at a global level. Kate herself was appointed to the IFAC's International Ethics Standards Board for Accountants (IESBA) as a public interest member in 2010, and has been busy with IESBA activities as Chair of the Breaches taskforce as well being a member of the IESBA Fraud and Illegal acts taskforce. Kate and APESB Technical Director Channa Wijesinghe also attend the annual IESBA's National Standards Setters meetings which provides APESB with opportunities to influence the standards development at the international level. All of these involvements in the international arena have helped raise APESB's profile internationally and are of significant benefit to the Australian accounting profession.

David Gonski AC, the keynote speaker for the evening held a captive audience as he presented his views on the topic of professionalism and what it means to be a 'professional'. In his key note address David identified factors that have contributed to the decline of professionalism and then argued that professionalism does matter and should be enhanced in our society. David's address was well received by the guests in attendance at the event. The topic of professionalism is a central theme to APESB's activities as well.

APESB Director Stuart Black AM delivered the Vote of Thanks to David Gonski AC and reflected on the importance of professionalism to the accounting profession and society in general.

The work completed by APESB has relied to a significant extent on the input of volunteer taskforce members who contribute their expertise to the development of pronouncements. The contributions of these taskforce members were also celebrated at the five year anniversary event. On behalf of the Board, Harley McHutchison delivered a taskforce appreciation address and presented gifts to taskforce members who have made major contributions to the development of standards. Over the years there have been more than sixty taskforce members of the Australian accounting profession who have volunteered their time selflessly and generously to the development of APESB's current suite of accounting professional and ethical standards.

Photography left to right:
Kate Spargo (APESB Chairman), David Gonski AC (Chairman, Australian Stock Exchange), Stuart Black AM (APESB Director), Harley McHutchison (APESB Director)



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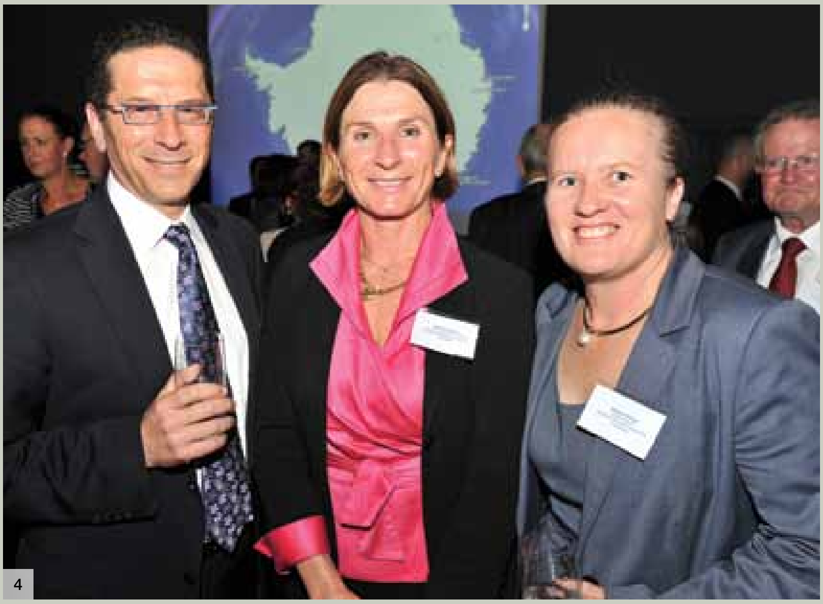

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__1.__ String quartet playing during pre-dinner drinks __2.__ Bob Sendt (APESB Director), Margaret Sendt, Peter Achterstraat (Auditor General – NSW) and Phil Priest (Director, PwC) __3.__ Bill Palmer (Director Asia, ICAA), Denis Pratt (Head of Accounting Policy, CPA Australia) and Peter Docherty (GM – Public Practice, CPA Australia) __4.__ Alex Malley (CEO, CPA Australia), Wendy Zammit (Head of Governance, ICAA) and Rachel Grimes (Past President, ICAA)

__5.__ Eva Tsahuridu (Policy Advisor, CPA Australia), Alice McCleary (IESBA Board Member), Denise North (CEO, IPAA) and Robyn Erskine (President, IPAA) __6.__ Suzanne Haddan (MD, BFG Financial Services) and Robert Brown (Chairman ADF Financial Services Consumer Council) __7.__ Peter Day (APESB Director) and Attracta Lagan (Principal, Managing Values) __8.__ Jan McCahey (Partner PwC) and Kevin Neville (Partner Moore Stephens) __9.__ Michael Murray (Legal Director, IPAA), Kim Arnold (Technical Director, IPAA) and Andrew Ross (Partner, KordaMentha) __10.__ David Balcombe (Partner, Ernst & Young), Warren Allen (Deputy President, IFAC) and Channa Wijesinghe (APESB Technical Director) __11.__ Liz Westover (Head of Superannuation, ICAA), Lesley Simmons (Professional Standards Consultant, ICAA) and Jan Watson (Ethics and Business Applications Module Leader, ICAA) __12.__ Geoff Crawford (Manager Business Reporting, Victoria Police) and Gregory O'Neil (Manager Forensic Accounting & Review, TAC)


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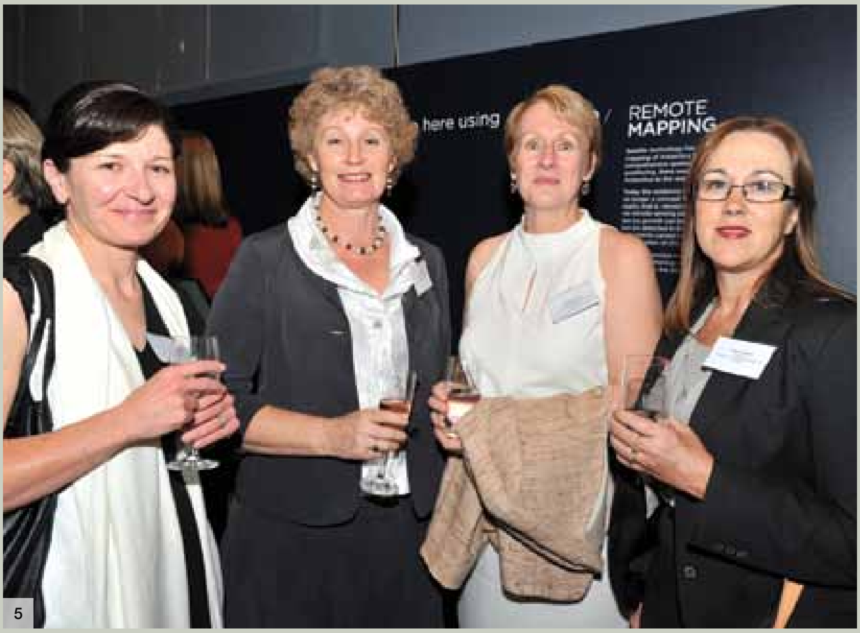

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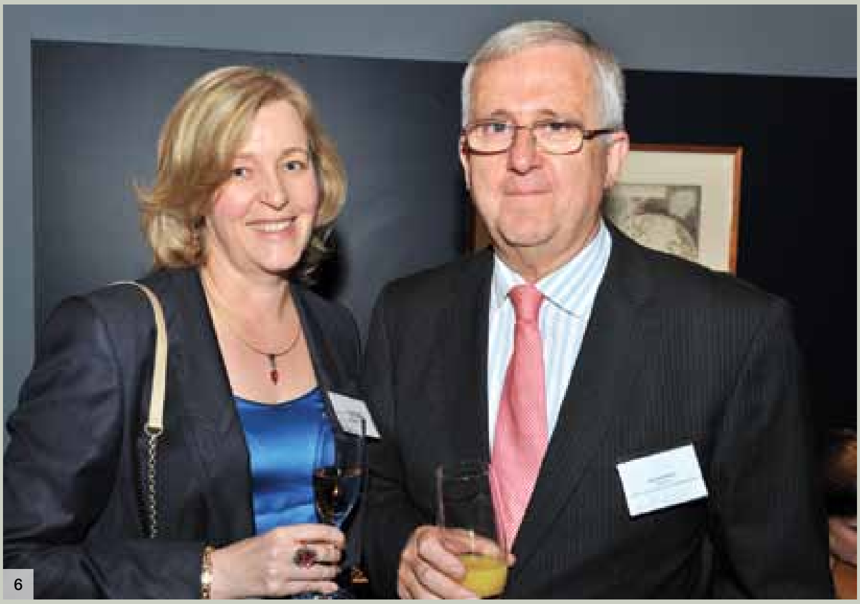
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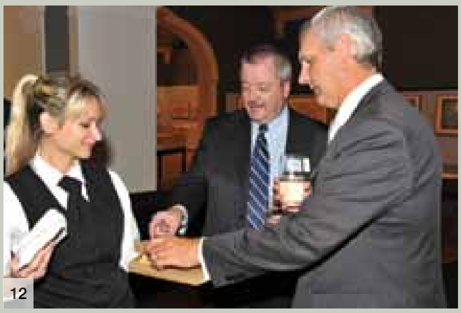
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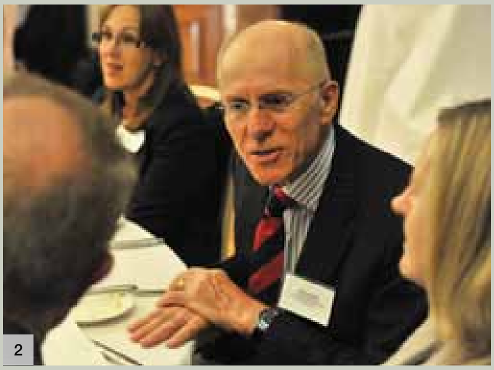

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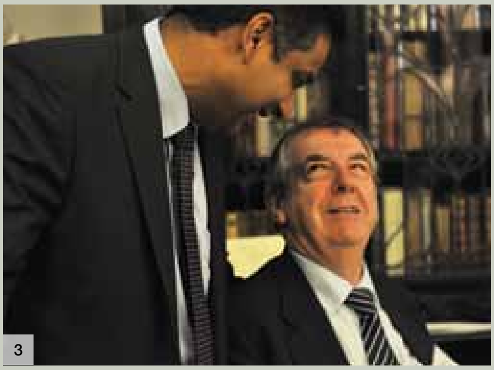

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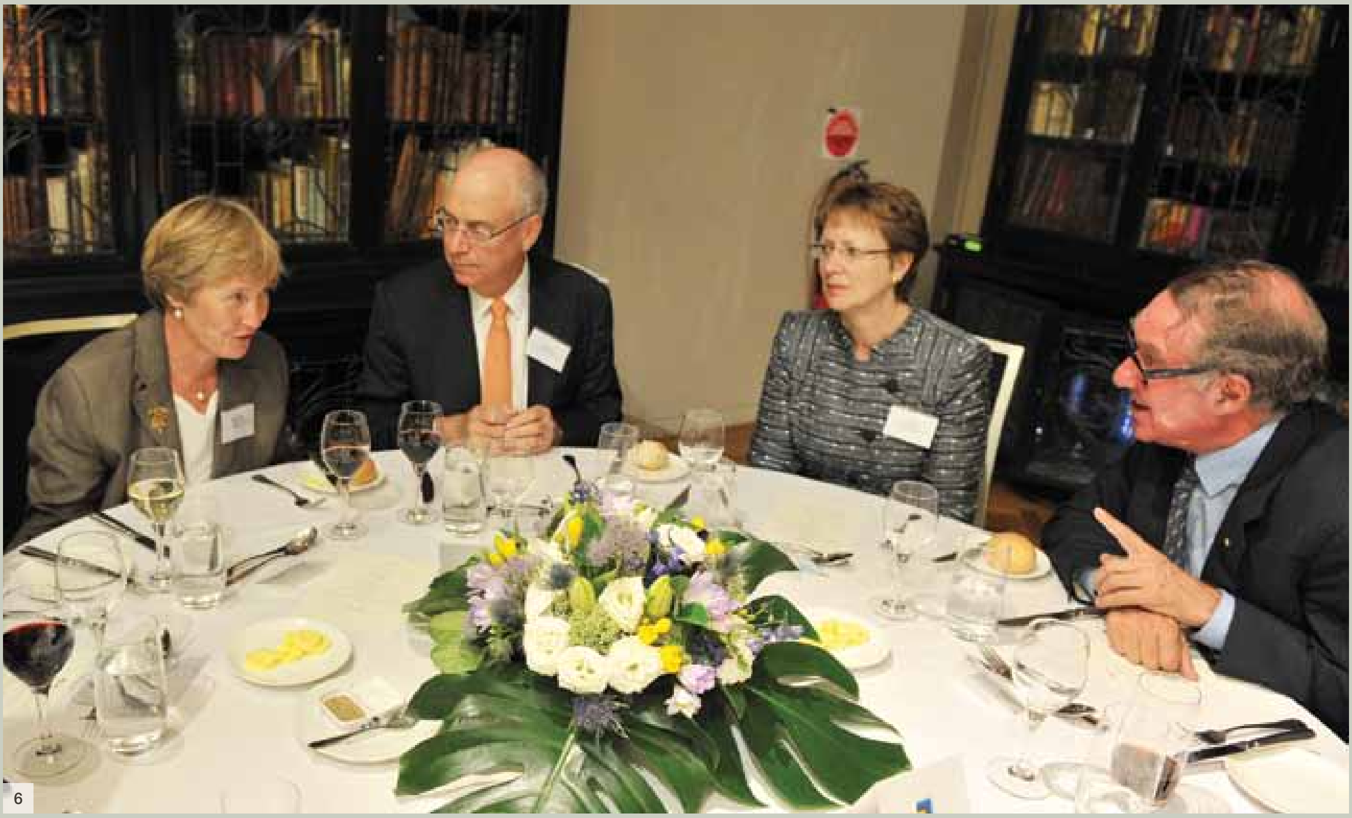

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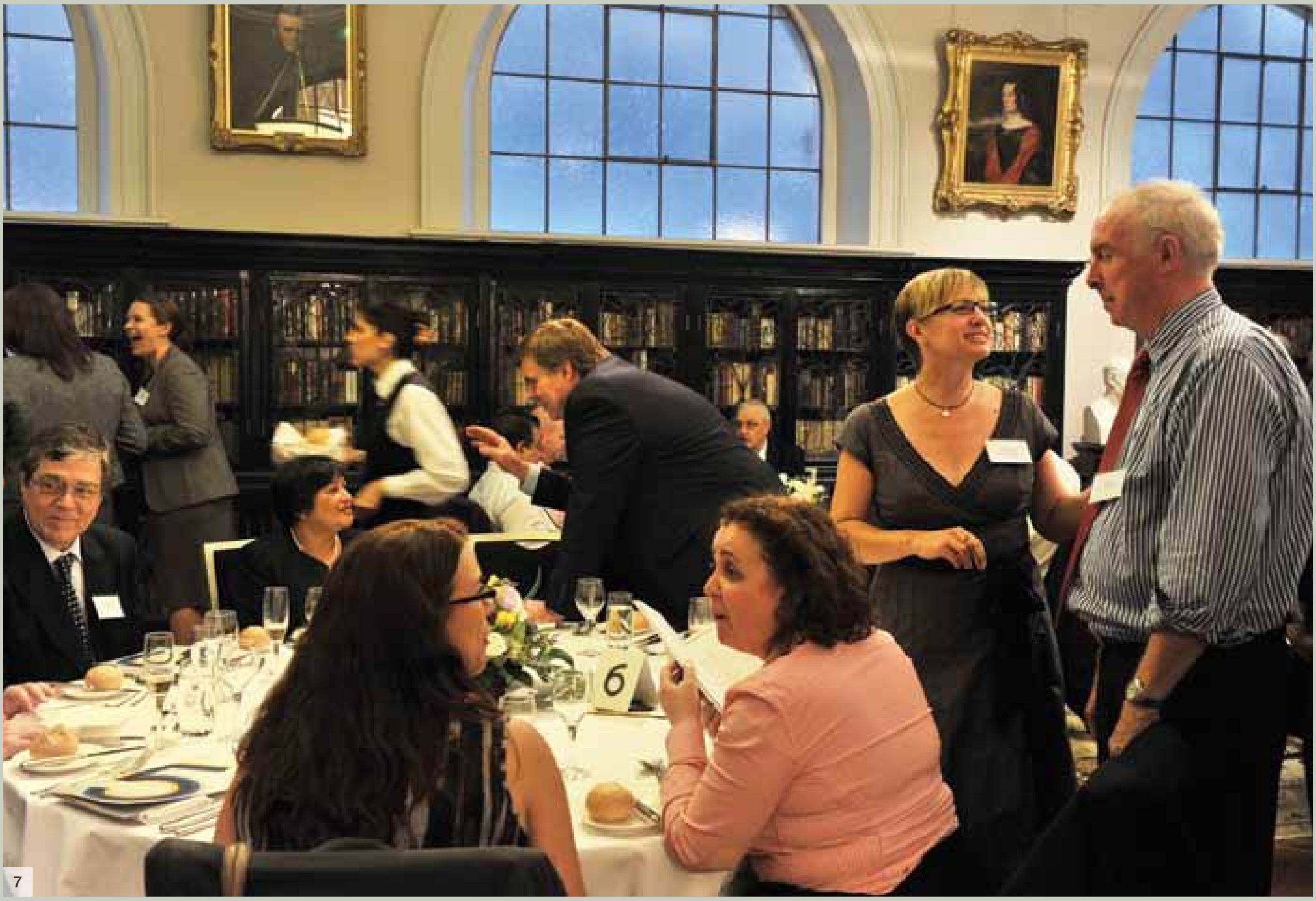

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__1.__ Geoff Appleby (Chairman, Financial Reporting Specialists) and Stuart Black AM (APESB Director) __2.__ Ken Levy (APESB Past Board Member) __3.__ Channa Wijesinghe (APESB Technical Director) and Jack Flanagan (APESB Past Board Member) __4.__ Marisa Orbea (IESBA Board Member), Jane Meade (Technical Director RSM Bird Cameron) and Cath Mulcare (APESB Director) __5.__ Paul Meredith (Professional Standards Manager, ICAA), Yasser El-Ansary (GM Leadership & Quality, ICAA) and Kevin Stevenson (Chairman, AASB) __6.__ Belinda Gibson (Deputy Chairman, ASIC), Warren Allen (Deputy President, IFAC), Kate Spargo (APESB Chairman) and David Gonski AC (Chairman, Australian Stock Exchange) __7.__ Andrew Stringer (Head of Audit, ICAA), Dianne Azoor-Hughes (Partner, Pitcher Partners), Marisa Orbea (IESBA Board Member), David Balcombe (Partner, Ernst & Young), Niamh Scanlon (Partner, PwC),Cath Mulcare (APESB Director), and Keith Riley (Director, Grant Thornton) __8.__ Harley McHutchison (APESB Director) and John Gibson (Partner, Ernst & Young) __9.__ Belinda Gibson(Deputy Chairman, ASIC) and Warren Allen (Deputy President, IFAC) __10.__ Dianne Azoor-Hughes (Partner, Pitcher Partners), Phil Priest (Director, PwC) and David Balcombe (Partner, Ernst & Young) __11.__ Alex Malley (CEO, CPA Australia) and Rachel Grimes (Past President, ICAA) __12.__ John Gibson (Partner, Ernst & Young) and Richard Stewart (Partner, PwC).

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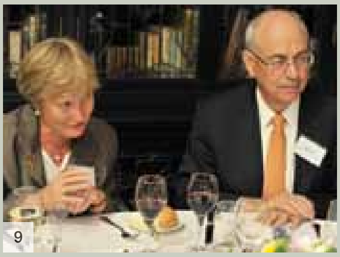

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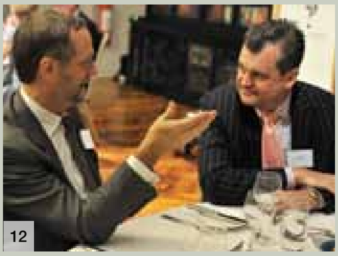

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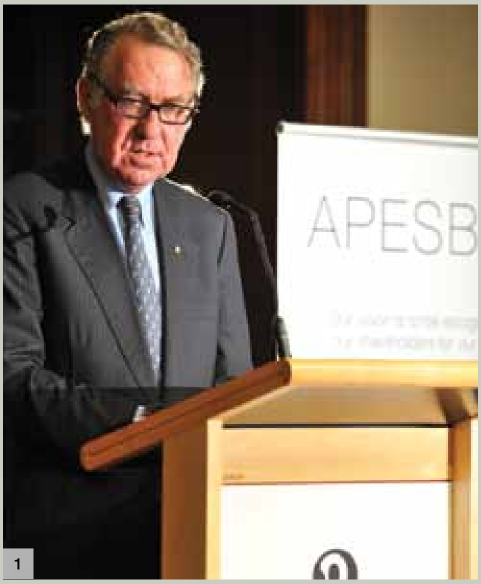
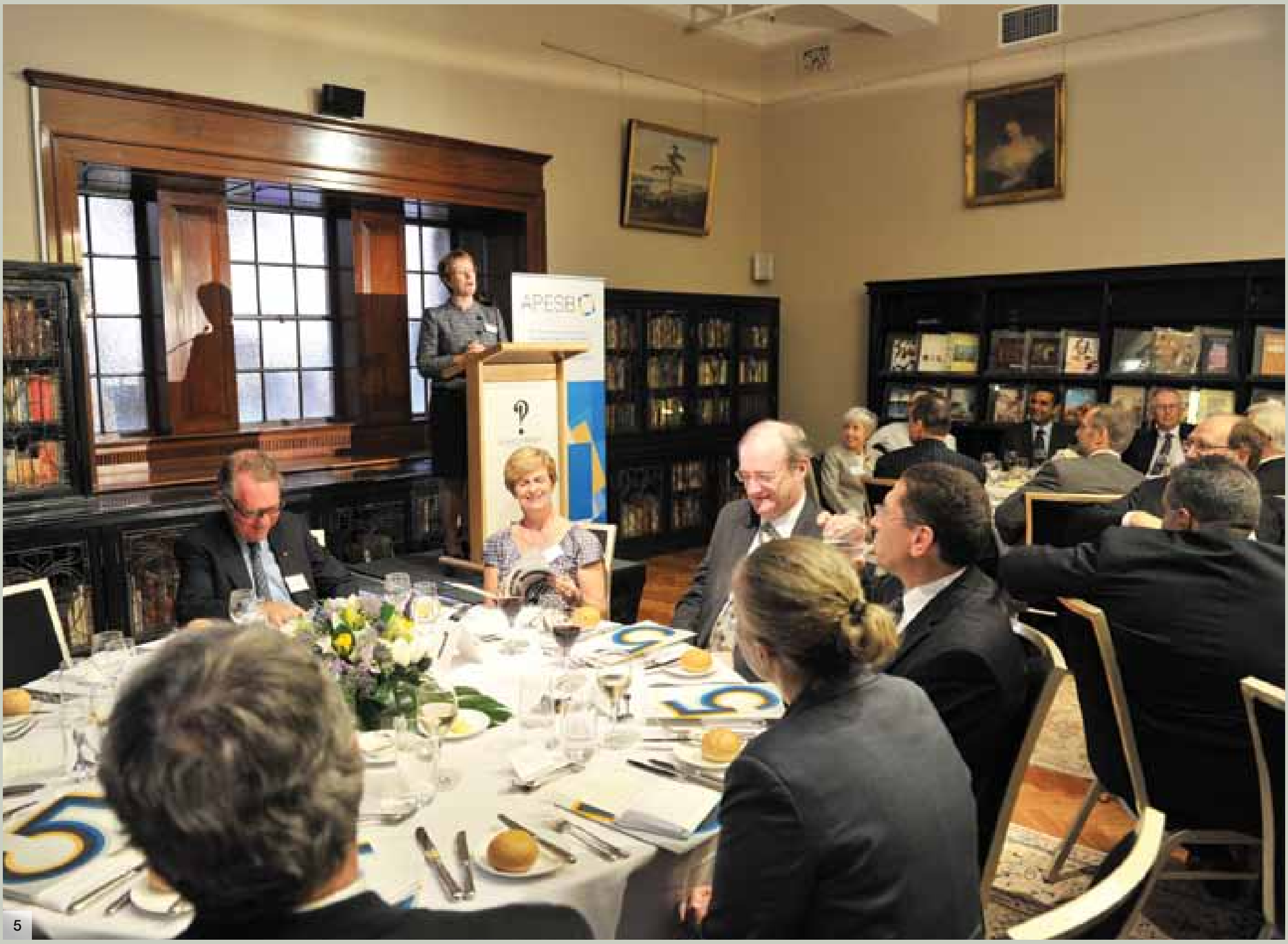


__1.__ David Gonski AC (Chairman, Australian Stock Exchange) delivering the key note address. __2.__ Cheese platters __3.__ Q & A session with David Gonski AC __4.__ Guests listening to the key note address.



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*5. APESB Chairman Kate Spargo addressing guests **6.** Peter Day (APESB Director), Owain Stone (Partner, KordaMentha); Brian Blood (CEO, Confederation of Asian and Pacific Accountants) and Andrew Ross (Partner, KordaMentha) **7.** Harley McHutchison (APESB Director) congratulates APESB Due Diligence Committees Taskforce Member Jeff Cook (Partner, KPMG) **8.** Niamh Scanlon (Partner PwC) accepting an award from Harley McHutchison on behalf of the family of the late Paul Carter (PwC) **9.** Rob Nickel (Senior Project Manager APESB), Hugh Elvy (Head of Financial Advisory Services, ICAA), and Reece Agland (Manager Membership Integrity IPA)*

Directors left to right: *Bob Sendt, Stuart Black AM, Peter Day, Kate Spargo, Harley McHutchison and Cath Mulcare.*

Staff left to right: *Rob Nickel, Lisa Rozanitis, Channa Wijesinghe and Dolla Wilkinson.* ***Absent:*** *Rozelle Azad and Margareth Lioe*

Directors' Report

The directors of Accounting Professional & Ethical Standards Board Limited (APESB or the company) submit herewith the financial report of the company for the year ended 30 June 2012. In complying with the provisions of the *Corporations Act 2001*, the directors report as follows:

Principal Activities

The principal activities of APESB during the year were the development and issue in the public interest of professional and ethical standards that apply to the members of the accounting professional bodies and the provision of a formal and rigorous forum for the consideration, promulgation and approval of professional and ethical standards in an open, timely, independent and proactive manner.

The company's short-term objectives are to develop standards and guidance notes that enhance the professionalism and encourage ethical behaviour in the accounting profession. To achieve its objectives, the company has adopted the following strategies:

- Engaging in and keeping up to date with international developments in ethical standard setting;
- Requesting input in terms of work plan inclusions from the accounting professional bodies;
- Maintaining awareness of the business environment and legislative developments to identify opportunities where APESB should develop pronouncements in the public interest; and
- Engaging in stakeholder consultation when developing pronouncements for members.

Results of Operations

The company's operations for the year ended 30 June 2012 resulted in a surplus of $38,389 (2011: surplus $143,383).

Review of Operations

The major focus of the company's operations for the year continued to be the review of existing standards and guidance notes and the development of new pronouncements as required.

The reduced surplus in the current year arose from a number of factors. Reduced subscriptions from members were partially offset by other income. Increased expenditure on Directors fees, employee costs, rent, conferences and events were partially offset by reduced expenditure on Board meeting costs, depreciation and amortisation and legal fees.

Significant Changes in the State of Affairs

There were no significant changes in the company's state of affairs during the financial year.

Environmental Issues

The operations of the company are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Future Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations. The company is continually updating, reviewing and improving its management and governance practices to ensure that the strategic objectives of the company are met.

Dividends

The company is limited by guarantee and its Constitution precludes the payments of dividends.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or are likely to significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated. None of the directors listed had any special responsibilities during the year other than as noted below.

Kate Spargo (Chairman)

Kate Spargo was appointed Chairman of APESB in July 2007. She is a non-executive director of Sonic Healthcare Ltd, UGL Ltd, SMEC Holdings Ltd, Pacific Hydro Pty Ltd, Investec Bank (Australia) Ltd, CoInvest Ltd, and Suncorp Portfolio Services Ltd. Kate is also a Fellow of the Australian Institute of Company Directors. She was appointed to the International Ethics Standards Board for Accountants as a public interest member from 1 January 2010.
Date of Appointment: 16 July 2007

Stuart Black AM

Stuart Black is a Past President and a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of both CPA Australia and the Australian Institute of Company Directors. He is managing partner of the Sydney based accountancy practice Chapman Eastway. Stuart is also a non-executive director of Australian Agricultural Company Limited, Coffey International Ltd, a member of the International Federation of Accountants (IFAC) Small and Medium Practices Committee, Chair of the Chartered Accountants Benevolent Foundation Ltd and a non-executive director of the Country Education Foundation of Australia Ltd.
Date of Appointment: 7 February 2006

W Peter Day

Peter Day is non-executive Chairman of Orbital Corporation Limited, a non-executive director of Ansell Limited, Centro Retail Australia Limited and SAI Global Limited. Peter was formerly CFO of Amcor for seven years and previously held senior executive positions with Bonlac Foods, Rio Tinto, CRA and Comalco. Peter is a past Chairman of the Australian Accounting Standards Board and a past Deputy Chairman of the Australian Securities and Investments Commission. He is a Fellow of CPA Australia and the Institute of Chartered Accountants in Australia, and a Fellow of the Australian Institute of Company Directors.
Date of Appointment: 15 April 2009

Harley McHutchison

Harley McHutchison is a former partner and past Chairman of professional services firm Deloitte Touche Tohmatsu. He is a Fellow of the Institute of Chartered Accountants in Australia. He is also Chairman of Colonial Mutual Superannuation Pty Ltd, Commonwealth Custodial Services Ltd and the Compliance Committees of Commonwealth Managed Investments Ltd, Colonial First State Investments Ltd and CFS Managed Property Ltd.
Date of Appointment: 7 February 2006

Catherine Mulcare

Catherine Mulcare is the Chief Financial Officer of Defence Health Limited and a non-executive director of Make a Wish Foundation of Australia Limited. Prior to that she was the Chief Financial and Operations Officer of the Melbourne Storm Rugby League Club and previously was Regulatory Affairs Partner with professional services firm, KPMG. She is a member of CPA Australia, Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.
Date of Appointment: 1 May 2010

Bob Sendt

Bob Sendt was New South Wales Auditor-General from 1999 to 2006. He is a Fellow of CPA Australia, the Institute of Public Accountants and the Australian Institute of Company Directors. He is the Chairman of Job Futures Ltd and National Health Call Centre Ltd and a director of Cancer Council NSW. From 2001 – 2005 he was a member of the Auditing and Assurance Standards Board and was Deputy Chair from 2004 – 2005.
Date of Appointment: 11 December 2006

Company Secretary

Channa Wijesinghe

Channa Wijesinghe is the Technical Director and Company Secretary of APESB. He is a member of the Institute of Chartered Accountants in Australia and CPA Australia. Channa has been with APESB since January 2007 and was previously an Audit Director at Deloitte Touche Tohmatsu.

Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the cover and the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial reporting year and the number of meetings attended by each director. During the financial reporting year, six directors' meetings were held.

Director	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Stuart Black	6	6
Peter Day	6	6
Harley McHutchison	6	5
Catherine Mulcare	6	6
Bob Sendt	6	6
Kate Spargo	6	6

Proceedings on Behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstandings and obligations of the company. At 30 June 2012 the number of members was 3 (2011: 3 members).

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2012 has been received and can be found in the directors' report on page 19.

Signed in accordance with a resolution of the Board of Directors.

Kate Spargo
Chairman
9 October 2012

Financial Statements

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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Auditor's Independence Declaration

under Section 307C of the Corporations Act 2001 to the Directors of

Accounting Professional & Ethical Standards Board Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Scott Phillips
Partner
Melbourne, 9 October 2012

Directors' Declaration

The directors of the company declare that:

(1) The financial statements and notes, as set out on pages 21 to 41 are in accordance with the *Corporations Act 2001* and:

  (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and

  (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company.

(2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Kate Spargo
Chairman
9 October 2012

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,254,999	1,277,007
Other income	2	44,536	32,621
Employee costs and directors fees		(828,203)	(749,075)
Employee benefits expense	3	(38,086)	(38,790)
Rent		(61,963)	(54,684)
Board meeting costs		(67,110)	(80,709)
Conferences and events		(91,776)	(14,513)
Consulting fees		(26,305)	(27,360)
Depreciation and amortisation	3	(14,788)	(52,711)
Finance writebacks/(charges)		472	(1,142)
Accounting and legal fees		(12,233)	(19,939)
Cleaning and outgoings		(23,825)	(22,929)
Information technology support and development		(8,992)	(12,284)
Marketing		(28,634)	(29,599)
Insurance		(8,822)	(9,824)
Postage, printing and stationery		(20,377)	(21,846)
Communications		(11,623)	(11,643)
Gain on sale of assets	3	91	12
Other expenses		(18,972)	(19,209)
Surplus before income tax		38,389	143,383
Income tax expense	1(i)	-	-
Surplus after income tax		38,389	143,383
Surplus for the financial year		38,389	143,383
Other comprehensive income for the year		-	-
Total comprehensive income for the year		38,389	143,383

The accompanying notes form part of these financial statements

Statement of Financial Position at 30 June 2012

	Note	2012 $	2011 $
Current Assets			
Cash and cash equivalents	4,14(a)	902,267	861,220
Other assets	5	27,337	20,513
Total Current Assets		929,604	881,733
Non-Current Assets			
Property, plant and equipment	6	17,955	21,291
Total Non-Current Assets		17,955	21,291
Total Assets		947,559	903,024
Current Liabilities			
Trade and other payables	7	68,673	75,211
Provisions	8	20,582	21,264
Total Current Liabilities		89,255	96,475
Non-Current Liabilities			
Other payables	7	1,003	-
Provisions	8	44,370	32,007
Total Non-Current Liabilities		45,373	32,007
Total Liabilities		134,628	128,482
Net Assets		812,931	774,542
Accumulated surplus		812,931	774,542
Total Equity		812,931	774,542

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the year ended 30 June 2012

	Accumulated Surplus $
Balance at 30 June 2010	631,159
Net surplus for the financial year	143,383
Other comprehensive income for the year	-
Balance at 30 June 2011	774,542
Balance at 30 June 2011	774,542
Net surplus for the financial year	38,389
Other comprehensive income for the year	-
Balance at 30 June 2012	812,931

The accompanying notes form part of these financial statements

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash Flows from Operating Activities			
Receipts from funding bodies		1,256,134	1,406,215
Payments to suppliers and employees		(1,243,220)	(1,254,459)
Interest received		35,995	31,123
Net cash provided by operating activities	14(b)	48,909	182,879
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		100	125
Payments for property, plant and equipment		(7,962)	(385)
Net cash used in investing activities		(7,862)	(260)
Cash Flows from Financing Activities			
Net cash used in financing activities		-	-
Net Increase in Cash and Cash Equivalents		41,047	182,619
Cash and Cash Equivalents at the Beginning of the Financial Year		861,220	678,601
Cash and Cash Equivalents at the End of the Financial Year	14(a)	902,267	861,220

The accompanying notes form part of these financial statements

Notes to the Financial Statements

Notes to the Financial Statements

The financial statements are for Accounting Professional & Ethical Standards Board Limited (APESB or the company) as an individual company, incorporated and domiciled in Australia. APESB is a company limited by guarantee. The financial report was authorised for issue on 9 October 2012 by the Board of Directors.

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial statements are General Purpose Financial Statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in financial statements that contain relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. The functional and presentation currency of the company is in Australian dollars.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(a) Revenue

Revenue primarily consists of subscriptions paid by the professional bodies (Institute of Chartered Accountants Australia, CPA Australia, and Institute of Public Accountants) in the form of transfers of resources to the company in return for past or future compliance with certain conditions relating to the operating activities of the company. Revenue is recognised when it is received.

Interest Revenue

Revenue is recognised as interest accrues.

(b) Property, Plant and Equipment

Plant and equipment and leasehold improvements are measured on the basis of cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rate
Leasehold improvements	20%
Lease assets	10%
Furniture	20%
Computer equipment	25% - 33.3%
Office equipment	25% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The asset class' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

(c) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

(d) Financial Instruments

Initial Recognition and Measurement

Financial assets are recognised when the company becomes entitled to the risks and rewards of ownership of the asset. The company's financial assets are classified as cash and cash equivalents and trade and other receivables.

Financial liabilities are recognised when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation, and the amount at which settlement will take place can be measured reliably.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

i. the amount at which the financial asset or financial liability is measured at initial recognition;

ii. less principal repayments;

iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

iv. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

(i) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified at 'fair value through profit and loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) *Held-to-Maturity Investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months of the end of the reporting period.

(iv) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Notes to the Financial Statements

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

(e) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

As a not-for-profit company where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows, value in use is determined as the depreciated replacement cost of an asset.

(f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Employee benefits expected to be settled within 12 months together with benefits arising from wages, salaries and annual leave which may be settled after 12 months, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Cash and Cash Equivalents

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

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

Notes to the Financial Statements

(i) Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(j) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Make Good Provision

A provision was raised for the present value of anticipated costs of future restoration of leased office premises.

The provision includes future cost estimates associated with the dismantling of office premises, fixtures and fittings. The calculation of this provision is based on the best estimate of future costs which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for the office premises is periodically reviewed and updated based on the facts and information available at the time. Changes to the estimated future costs for the office premises are recognised in the Statement of Financial Position by adjusting both the expense and asset (if applicable) and provision. The related carrying amounts are disclosed in notes 6 and 8 to the financial statements.

(m) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(n) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the company.

The company did not have any significant accounting estimates or judgements that required any further disclosures during the year.

(o) Economic Dependency

APESB is dependent on the Joint Accounting Bodies (CPA Australia, the Institute of Chartered Accountants in Australia and the Institute of Public Accountants) for the majority of its revenue used to operate the business. As per clause 2.2 of the Memorandum of Agreement between the Institute of Chartered Accountants in Australia, CPA Australia and APESB, funding is on a three year rolling cycle, reviewable annually.

At the date of this report the Board of Directors has no reason to believe the Joint Accounting Bodies will not continue to support the APESB.

(p) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

- **AASB 9:** Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The IASB has issued Mandatory Effective Date of IFRS 9 and Transition Disclosures, the effect of which is to defer the mandatory application date of IFRS 8 from 1 January 2013 to 1 January 2015. It is anticipated that the AASB will publish an Australian equivalent IASB standard, thereby deferring the mandatory application of AASB 9 and AASB 2010-7 to 1 January 2015.

There is expected to be no significant impact as a result of these changes.

- **AASB 13:** Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  — inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and

  — enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

  These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the company's financial statements.

- **AASB 2011-4:** Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

  This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paragraphs Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering Trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

  This Standard is not expected to significantly impact the company's financial report as a whole because:

  — the Federal Government is intending to amend the *Corporations Act 2001* prior to the mandatory application of AASB 2011-4 to have the related party disclosure requirements in the Act apply to all entities subject to the Act; and

  — AASB 2011-4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011-4.

- **AASB 2012-2:** Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 2012-3 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

  This Standard is not expected to significantly impact the company's financial statements.

Notes to the Financial Statements

Note 2: Revenue

	2012 $	2011 $
Revenue from Joint Accounting Bodies		
Operating revenue	1,254,999	1,277,007
Total Revenue	1,254,999	1,277,007
Other Income		
Bank deposits interest revenue	38,530	32,431
Licensing Fees	5,754	-
Other income	252	190
Total Other Income	44,536	32,621
Total Revenue and Other Income	1,299,535	1,309,628

Note 3: Surplus for the Year

	2012 $	2011 $
a. Expenses		
Depreciation and Amortisation		
— Lease asset/leasehold improvement make good	3,785	1,689
— Leasehold improvements	3,349	39,414
— Furniture	655	7,724
— Computer equipment	5,061	2,246
— Office equipment	1,938	1,638
Total Depreciation and Amortisation	14,788	52,711
Employee Benefits Expense		
— Annual leave	28,741	31,176
— Long service leave	9,345	7,614
Total Employee Benefits Expense	38,086	38,790
Auditor’s Remuneration		
— Audit services	10,500	10,300
Total Auditor’s Remuneration	10,500	10,300
b. Other Revenue and Expenses		
Property, Plant and Equipment		
Gain on disposals	91	12

Notes to the Financial Statements

Note 4: Cash and Cash Equivalents

	2012 $	2011 $
Current		
Cash at bank	902,131	861,181
Cash on hand	136	39
	902,267	861,220

Note 5: Other Assets

	2012 $	2011 $
Current		
Accrued Interest	8,051	5,516
Prepayments and Deposits	9,113	5,966
Expenses Reimbursable	10,173	9,031
	27,337	20,513

The company has assessed the recoverability of amounts receivable and on the basis that no amounts are past due or are considered impaired, a provision for impairment of receivables is not required. Further there is no material credit risk exposure to any single receivable or group of receivables.

Notes to the Financial Statements

Note 6: Property, Plant and Equipment

	Lease Asset/ Leasehold Improvement Make Good $	Leasehold Improvements $	Furniture $	Computer Equipment $	Office Equipment $	Total $
Gross Carrying Amount						
Balance at 1 July 2011	16,895	197,072	38,511	13,733	11,845	278,056
Additions	-	-	-	5,207	2,755	7,962
Increase in make good provision	3,490	-	-	-	-	3,490
Disposals	-	-	-	(4,805)	-	(4,805)
Balance at 30 June 2012	20,385	197,072	38,511	14,135	14,600	284,703
Accumulated Depreciation/ Amortisation and Impairment						
Balance at 1 July 2011	(8,446)	(193,723)	(37,856)	(8,068)	(8,672)	(256,765)
Depreciation and amortisation expense	(3,785)	(3,349)	(655)	(5,061)	(1,938)	(14,788)
Eliminated on disposal of assets	-	-	-	4,805	-	4,805
Balance at 30 June 2012	(12,231)	(197,072)	(38,511)	(8,324)	(10,610)	(266,748)
Net Book Value						
As at 1 July 2011	8,449	3,349	655	5,665	3,173	21,291
As at 30 June 2012	8,154	-	-	5,811	3,990	17,955
Gross Carrying Amount						
Balance at 1 July 2010	16,895	197,072	39,131	13,733	11,460	278,291
Additions	-	-	-	-	385	385
Disposals	-	-	(620)	-	-	(620)
Balance at 30 June 2011	16,895	197,072	38,511	13,733	11,845	278,056
Accumulated Depreciation/ Amortisation and Impairment						
Balance at 1 July 2010	(6,757)	(154,309)	(30,639)	(5,822)	(7,034)	(204,561)
Depreciation and amortisation expense	(1,689)	(39,414)	(7,724)	(2,246)	(1,638)	(52,711)
Eliminated on disposal of assets	-	-	507	-	-	507
Balance at 30 June 2011	(8,446)	(193,723)	(37,856)	(8,068)	(8,672)	(256,765)
Net Book Value						
As at 1 July 2010	10,138	42,763	8,492	7,911	4,426	73,730
As at 30 June 2011	8,449	3,349	655	5,665	3,173	21,291

Note 7: Trade and Other Payables

	2012 $	2011 $
Current		
Trade payables	7,059	15,923
Goods and services tax payable	24,463	23,318
Rent payable	3,008	698
PAYG payable	25,743	27,972
Audit fees payable	8,400	7,300
	68,673	75,211
Non Current		
Rent Payable	1,003	-
	1,003	-
	69,676	75,211

Note 8: Provisions

	2012 $	2011 $
Current		
Annual leave provision	20,582	21,264
	20,582	21,264
Non Current		
Make good provision	25,059	22,041
Long service leave provision	19,311	9,966
	44,370	32,007
	64,952	53,271

	Annual Leave Provision $	Make Good Provision $	Long Service Provision $
Opening Balance at 1 July 2010	42,518	20,899	2,352
Additional provisions recognised	31,176	1,142	7,614
Reductions arising from payments	(52,430)	-	-
Closing Balance at 30 June 2011	21,264	22,041	9,966
Opening Balance at 1 July 2011	21,264	22,041	9,966
Additional provisions recognised	28,741	3,490	9,345
Finance charges	-	(472)	-
Reductions arising from payments	(29,423)	-	-
Closing Balance at 30 June 2012	20,582	25,059	19,311

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on management's estimate. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Note 9: Leasing Commitments

Leasing Arrangements

The company has operating leases relating to office facilities and office equipment.

The office facilities lease was for an initial term of five years which expired on 31 August 2011. Thereafter the company exercised its option to extend the lease for a further period of four years and eleven months which ends on 30 July 2016.

The office equipment lease is for a fixed term of five years with no options to extend or to purchase the leased asset at the expiry of the lease period.

A provision has been made for the present value of anticipated costs of future restoration of leased office premises. The provision includes future cost estimates associated with the dismantling of office premises, fixtures and fittings. The calculation of this provision is based on the best estimate of future costs which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for the office premises is periodically reviewed and updated based on the facts and information available at the time. Changes to the estimated future costs for the office premises are recognised in the Statement of Financial Position by adjusting both the expense and asset (if applicable) and provision. The related carrying amounts are disclosed in notes 6 and 8 to the financial statements.

Non-Cancellable Operating Lease Commitments

	2012 $	2011 $
Not longer than 1 year	63,650	61,772
Longer than 1 year and not longer than 5 years	196,253	254,599
Greater than 5 years	-	5,304
	259,903	321,675

In respect of non-cancellable operating leases the following liabilities have been recognised:

	2012 $	2011 $
Current	4,011	698
	4,011	698

Note 10: Contingent Liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2012 (2011: Nil).

Notes to the Financial Statements

Note 11: Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial reporting year to the date of this report that have or may significantly affect the activities of the company, the results of those activities or the state of affairs of the company in the ensuing or any financial year.

Note 12: Key Management Personnel Compensation

The aggregate compensation paid to directors and other key management personnel of the company is set out below:

	2012 $	2011 $
Short-term employee benefits[1]	545,624	515,024
Post-employment benefits[2]	57,376	46,352
	603,000	561,376

[1] Includes payments to directors for their services.
[2] Comprises payments to contributory superannuation funds.

Note 13: Related Party Transactions

(a) Equity Interests in Related Entities

The company does not have any equity interests in related entities.

(b) Key Management Personnel Compensation

Disclosures relating to key management personnel compensation are set out in note 12.

(c) Key Management Personnel Loans

There are no loans to or from key management personnel.

(d) Transactions with Key Management Personnel

Key management personnel have transactions with the company that occur within a normal employment relationship. There have been no transactions with key management personnel, with the exception of the above, or their related entities.

(e) Transactions with Members of the Company

All transactions with related parties were carried out on an "arms length" basis. Funding income received from the members of the company during the year is as follows:

	2012 $	2011 $
Institute of Chartered Accountants in Australia	418,333	425,669
CPA Australia	418,333	425,669
Institute of Public Accountants	418,333	425,669
	1,254,999	1,277,007

Notes to the Financial Statements

Note 14: Cash Flow Information

(a) Reconciliation of Cash

	2012 $	2011 $
Cash at bank	902,131	861,181
Cash on hand	136	39
	902,267	861,220

(b) Reconciliation of Cash Flow from Operations with Surplus for the reporting period

	2012 $	2011 $
Surplus for the year	38,389	143,383
Non Cash Flows:		
Depreciation and amortisation expense	14,788	52,711
(Gain) on disposal	(91)	(12)
(Finance charge write back)/Finance charges	(472)	1,142
Long service leave expense	9,345	7,614
Movement in Working Capital		
(Increase)/Decrease in receivables	(6,824)	5,454
Increase in Trade and other payables	(5,544)	(6,159)
Increase in Provisions	(682)	(21,254)
Net cash from operating activities	48,909	182,879

Note 15: Financial Risk Management

The company does not have any derivative instruments as at 30 June 2012.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

(a) Interest Rate Risk

The company is not exposed to any fluctuations in interest rates, other than interest income earned on bank deposits. The company monitors interest rate risk by effective oversight of the treasury transactions.

(b) Liquidity Risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised funds are maintained.

Financial liability and financial asset maturity analysis

	Weighted Average Effective Interest Rate		Variable Interest Rate		Fixed Interest Rate Maturing				Non Interest Bearing		Total	
	2012	2011	2012	2011	2012		2011		2012	2011	2012	2011
					<1 year	>1 year	<1 year	>1 year				
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets												
Cash and cash equivalents	4.42	4.67	-	-	902,267	-	861,220	-	-	-	902,267	861,220
Other receivables	-	-	-	-	-	-	-	-	27,337	20,513	27,337	20,513
Total Financial Assets			-	-	902,267	-	861,220	-	27,337	20,513	929,604	881,733
Financial Liabilities												
Trade payables	-	-	-	-	-	-	-	-	68,673	75,211	68,673	75,211
Total Financial Liabilities			-	-	-	-	-	-	68,673	75,211	68,673	75,211

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

The company manages credit risk by continuously monitoring its exposure to credit risk by dealing with reputable counter parties.

(d) Sensitivity Analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. The table indicates the impact on how surplus and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in interest rates is independent of other variables.

	Surplus $	Equity $
Year Ended 30 June 2012		
+2% in interest rates	17,020	17,020
-2% in interest rates	(16,776)	(16,776)
Year Ended 30 June 2011		
+2% in interest rates	14,646	14,646
-2% in interest rates	(14,646)	(14,646)

No sensitivity analysis has been performed on foreign exchange risk as the company is not exposed to foreign currency fluctuations.

(e) Net Fair Values

For all assets and liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at the end of the reporting period:

	2012 $	
	Carrying Amount $	**Net Fair Value $**
Financial assets	929,604	929,604
Financial liabilities	68,673	68,673
	2011 $	
	Carrying Amount $	**Net Fair Value $**
Financial assets	881,733	881,733
Financial liabilities	75,211	75,211

Notes to the Financial Statements

Note 16. Capital Management

Management manages the capital of the company to ensure that adequate cash flows are available to fund its activities. The Board ensures that the overall risk management strategy is in line with this objective. Management operates under policies approved and regularly reviewed by the Board of Directors. The company's capital consists of an accumulated surplus, represented and supported by financial assets, net of trade payables.

The company's capital is managed by assessing its financial risks and responding to changes in these risks. Investments are directed at ensuring minimal risk of capital loss on invested funds.

There have been no changes to the strategy adopted by management to manage the capital of the company since the previous year.

Consistent with the previous financial year, APESB does not have any borrowings and funds its operations utilising subscriptions from its members.

APESB is not subject to any externally imposed capital requirements.

Note 17: Members' Guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstandings and obligations of the company. At 30 June 2012 the number of members was 3 (2011: 3 members).

Note 18: Company Details

The registered office and principal place of business of the company is Level 7, 600 Bourke Street, Melbourne, Victoria, 3000.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Accounting Professional & Ethical Standards Board Limited, which comprises the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which was given to the directors of Accounting Professional & Ethical Standards Board Limited on 9 October 2012, would be in the same terms if given to the directors at the date of this auditor's report.

Opinion

In our opinion:

a) the financial report of Accounting Professional & Ethical Standards Board Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Moore Stephens
Chartered Accountants

Scott Phillips
Partner

Melbourne, 9 October 2012

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