

Accounting Professional & Ethical Standards Board Limited

ACN 118 227 259

Annual Report*

* for the year ended 30 June 2008

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 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:

- 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.

Chairperson's Report



In my first report as Chairperson, I write at a time when the corporate world is being challenged by enormous stress. What started as the “sub-prime crisis” in the United States about a year ago, has moved on to become one of the most fundamental shocks to the world economy, with consequent effects on the real economy and to all of us.

The issue of accountability inevitably arises. We see the questioning of the bankers, advisors, regulators and companies – why were so many so apparently poorly prepared for the current events? And we see the resentment setting in.

The accounting profession stands as a major force in the corporate world, both as advisor and auditor, and as a principal participant inside business. We know that people quickly turn their attention to the way in which the profession has performed and behaved when business is under pressure.

The work of the Accounting Professional & Ethical Standards Board Limited (APESB) is to set standards which help the accounting profession stand as a resource which can be relied on to exercise “professionalism”. The Code of Ethics for Professional Accountants (APES 110) issued by the APESB sets out the fundamental principles which make up this “professionalism”. To earn this respected status and all the benefits that go with it, the accounting profession must behave with integrity, objectivity and professional competence and care. It must respect confidentiality, and act within the law. It must be prepared to exercise judgement and critically, it must act in the public interest and guard against the threat of self interest.

It is these behaviours which will ensure that the accounting profession is trusted and relied upon both in good times and in times as challenging as those we are now experiencing. It is these behaviours which are the hallmark of a “profession”.

Role of the APESB

The APESB, established in February 2006, is a company whose purpose is to set standards for the professional and ethical conduct of members of the professional accounting bodies. It is a body committed to the self-regulation of members of the accounting profession with respect to ethical and professional behaviours.

It was an initiative of CPA Australia Limited (CPA Australia) and the Institute of Chartered Accountants in Australia (the Institute). These bodies were joined as members of the APESB by the National Institute of Accountants (NIA) in late 2006.

The APESB works with accountants both in practice and in business, the professional accounting bodies, regulators and others to develop and issue practical and appropriate standards for the profession which will contribute to maintaining high standards of professional behaviour.

The APESB follows a rigorous process for the development of these standards. Based extensively on well documented processes adopted by international and national accounting standard setting bodies, the Due Process and Working Procedures for the Development and Review of APESB Pronouncements formalises the Board’s approach to developing standards.

Accountants who are members of the professional accounting bodies are required as a condition of their membership to comply with the ethical and professional standards approved by the APESB. APES 110 Code of Ethics for Professional Accountants and other APESB professional standards and guidance notes are binding on all members of the professional accounting bodies. Broadly, these standards aim to regulate members’ ethical conduct and the performance of professional services across various types of professional and business engagements.

Chairperson's Report

continued

APESB Strategic Direction

The APESB is coming to the end of its first three year work plan, and so at its August 2008 meeting, the Board undertook the substantial task of reviewing its Strategic Plan for the next three year period. I am pleased to report that we now have agreed the 2009 – 2012 plan.

Accomplishing the objectives set out in the plan for the upcoming triennium is essential to the position of APESB as a strong Australian authority on professional and ethical standards for the accounting profession. It will also strengthen the position of Australia in this area at the international level.

This plan reflects changes to the environment both nationally and internationally, and as well as the continuation of the standards setting agenda, includes substantial focus on a thought leadership program and consolidating our stakeholder relationship management and communication strategies.

Relationship with the International Ethics Standards Board for Accountants

The APESB is acutely aware of the significance and value of developing standards which are consistent with global standards and consequently works closely with the international standard setters.

The APESB follows pronouncements issued by the International Ethics Standards Board for Accountants (IESBA) as a base for its proposed professional and ethical standards, and in doing so seeks to maintain conformity of its standards with those of the IESBA. A strong rationale for continuing with this policy is the existence of the IESBA as the major global principles based ethical standards setting body and the significant strengthening of its public interest focus in recent years, reinforced through oversight of its activities by IFAC's Public Interest Oversight Board (PIOB).

Work Plan

The initial focus of APESB activities has been the review, reworking and issue of existing professional and ethical standards and guidance notes issued previously by CPA Australia and the Institute including the old Code of Professional Conduct (CPC) and Miscellaneous Professional Statements and Guidance Notes (APS and GN series).

In addition to this, the APESB issued a new standard APES 225 Valuation Services and plans to issue an additional three new pronouncements in the areas of risk management, the accountants' role in due diligence committees and outsourcing of accountancy services, in the near future.

Mindful of the need for standards in new areas not currently addressed, the APESB undertakes its own research and also considers submissions from all interested parties for areas of new standards development.

Taskforce Program

Much of the work of the APESB is achieved through the contributions made by taskforces. The APESB is indebted to those who give their time, energy and intellect to this activity. Membership is drawn from the profession as well as other stakeholder groups as appropriate. I have been particularly impressed with the way the taskforces have gone about their roles; they contribute strongly and are highly committed to the process. The APESB also thanks those firms and companies that enable their staff to undertake this work.

As at 30 June 2008, the APESB has six active taskforces in the areas of forensic accounting, prospectus and reports on profit forecasts, code of ethics for professional accountants, insolvency services, financial advisory services, and business valuation.

The APESB will continue to look for the best balance and best skills of people to form taskforces which will in turn enable us to develop the most appropriate standards.

Acknowledgements

My thanks go to all of the present directors of the APESB for their significant contributions of expertise, time, debate and opinion to the standard setting process.

Thanks also go to the APESB secretariat comprised of Ms Rachel Portelli (Manager), Mr Channa Wijesinghe (Senior Project Manager) and Ms Rozelle Azad (Project Manager). This small team manages to produce excellent work consistently and over a diverse range of areas.

Finally my thanks go to our numerous stakeholders who attend and participate in APESB meetings, respond to exposure drafts, invitations to comments and discussion papers and who participate in the taskforce program.

The Board and the management team look forward to continuing the challenging and satisfying work of contributing to the "professionalism of the profession".



Ms Kate Spargo
Chairperson
October 2008

Taskforce Composition as at 30 June 2008

Business Valuation

Mr Sean Collins	KPMG
Mr John Gibson	Ernst & Young
Mr Brendan Halligan	Halligan & Co
Mr Paul Meredith	Institute Nominee
Mr Tom Ravlic	NIA Nominee
Dr Mark Shying	CPA Australia Limited Nominee
Mr Channa Wijesinghe	APESB (Chairperson)

Code of Ethics for Professional Accountants

Mr Clark Astis	Australian Accounting Standards Board
Ms Dianne Azoor-Hughes	Pitcher Partners
Mr David Balcombe	Ernst & Young (Institute Nominee)
Mr Richard Mifsud	Auditing and Assurance Standards Board
Mr Michael Nugent	International Federation of Accountants
Ms Marisa Orbea	Deloitte
Ms Rachel Portelli	APESB
Mr Keith Reilly	Grant Thornton Australia (NIA Nominee)
Ms Tiina-Liisa Sexton (from 04/08)	CPA Australia Limited Nominee
Mr Channa Wijesinghe	APESB (Chairperson)
Ms Jessie Wong (until 04/08)	CPA Australia Limited Nominee

Financial Advisory Services

Mr Reece Agland	NIA Nominee
Mr Robert MC Brown	Consultant
Mr Hugh Elvy	Institute Nominee
Ms Suzanne Haddan	BFG Financial Services
Mr Harry Moyle	Harry Moyle Pty Ltd
Mr Channa Wijesinghe	APESB (Chairperson)

Forensic Accounting

Mr Mark Bryant	Ernst & Young
Mr Geoff Crawford	Victoria Police (CPA Australia Limited Nominee)
Mr Brendan Halligan	Halligan & Co
Mr Keith Reilly	Grant Thornton Australia (NIA Nominee)
Mr Andrew Ross	Ferrier Hodgson (Institute Nominee)
Mr Owain Stone	KordaMentha
Mr Channa Wijesinghe	APESB (Chairperson)

Insolvency

Ms Kim Arnold	Insolvency Practitioners Association of Australia
Ms Robyn Erskine	Brooke Bird
Mr Stephen Longley	PriceWaterhouseCoopers
Mr Paul Meredith	Institute Nominee
Mr Michael Murray	Insolvency Practitioners Association of Australia
Mr John Purcell	CPA Australia Limited Nominee
Mr Channa Wijesinghe	APESB (Chairperson)
Ms Julie Williams	Insolvency Solutions (NIA Nominee)

Prospectus and Reports on Profit Forecasts

Mr Neil Cooke	Grant Thornton Australia
Mr Tom Ravlic	NIA Nominee
Ms Shauna Robinson	Deloitte
Dr Mark Shying	CPA Australia Limited Nominee
Ms Marina Stuart	Deloitte
Mr Channa Wijesinghe	APESB (Chairperson)

Directors' Report

The directors of the Accounting Professional & Ethical Standards Board Limited (APESB or the company) submit herewith the annual financial report of the company for the year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

Principal Activities

The principal activities of APESB through the year were aimed at developing and issuing in the public interest professional and ethical standards that will apply to the membership of the accounting professional bodies and providing a formal and rigorous forum for the consideration, promulgation and approval of professional and ethical standards in an open, timely, independent and proactive manner.

Results of Operations

The result for the year was a surplus of \$76,794 compared to a surplus of \$536,553 for the period 7 February 2006 to 30 June 2007. The level of surplus reflects the company's emphasis on using available resources in meeting its objectives, whilst retaining a modest surplus to ensure ongoing stability and the ability to invest in the future of the APESB.

As per clause 5.7 of the Memorandum of Agreement between the Institute of Chartered Accountants in Australia, CPA Australia and APESB, any unutilised annual allocations of funds can be carried over for future years.

Review of Operations

The major focus of the company's operation for the year continued to be the review and re-issue of existing professional and ethical standards and guidance notes issued previously by CPA Australia and the Institute of Chartered Accountants in Australia and the development of new pronouncements as required.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company that occurred during the financial year that are not otherwise disclosed in this report or the financial statements.

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 may 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' Report

continued

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 this entire year unless otherwise stated. None of the directors mentioned below had any special responsibilities during the year.

Mr Stuart Black

Stuart Black is Past President and Fellow of the Institute of Chartered Accountants in Australia. He is managing partner of the Sydney based accountancy practice Chapman Eastway. Stuart is also a non-executive director of Coffey International Limited. Date of Appointment: 7 February 2006

Professor Jack Flanagan

Jack Flanagan is Professor of Accounting at the University of Notre Dame Australia. He is a Fellow of CPA Australia and a member of the Institute of Chartered Accountants in Australia. Date of Appointment: 7 February 2006

Dr Kenneth Levy

Ken Levy RFD, is Past President and Fellow of CPA Australia and a Fellow of the Institute of Chartered Accountants in Australia. He retired as Director-General of the Queensland Department of Justice and Attorney General at the end of 2003. He is currently a part-time Senior Member of the Administrative Appeals Tribunal and practising Barrister. He is also a Professor (part-time) in the Law School of Bond University. Date of Appointment: 7 February 2006

Mr Harley McHutchison

Harley McHutchison is a former partner and Chairman of Big Four 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 and Commonwealth Custodial Services Limited. Date of Appointment: 7 February 2006

Mr Bob Sendt

Bob Sendt was New South Wales Auditor General from 1999 to 2006. He is a Fellow of CPA Australia, a Fellow of the National Institute of Accountants and a Graduate of the Australian Institute of Company Directors. 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

Ms Kate Spargo

Kate Spargo was appointed chairperson of APESB in July 2007. She is a non-executive director of IOOF Holdings Ltd, Transfield Services Infrastructure Ltd, Pacific Hydro Pty Ltd, Investec Bank (Australia) Ltd, ColInvest Ltd and NeuroSciences Victoria. She is also a councillor for the Victorian Division of the Australian Institute of Company Directors. Date of Appointment: 16 July 2007



Left to right: Mr Stuart Black, Mr Bob Sendt, Ms Kate Spargo, Professor Jack Flanagan, Mr Harley McHutchison, Dr Kenneth Levy

Directors' Report

continued

Company Secretary

Rachel Portelli - MHLthServMgt, BAppSci (HIM)

Rachel Portelli is the Manager and Company Secretary of the APESB. She has served as Manager of the APESB since August 2006 and immediately prior to joining APESB served as Program Manager – Standards for General Practice at the Royal Australian College of General Practitioners.

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 and of any related body corporate 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 an 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, seven directors' meetings were held.

Director	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Stuart Black	7	7
Jack Flanagan	7	7
Kenneth Levy	7	7
Harley McHutchison	7	7
Bob Sendt	7	7
Kate Spargo	7	6

Proceedings on Behalf of the Entity

No person has applied for leave of 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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




Ms Kate Spargo
Chairperson
15 October 2008


MOORE STEPHENS

**Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001
to the directors of The Accounting Professional & Ethical Standards Board**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 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
Chartered Accountants


Kevin W. Neville
Partner
Melbourne, 15 October 2008

PARTNERS
Stephen L. Adrien
Simon A. Allan
Martin S. Cahill
Jean-Claude Cassuto
Ian R. Christie
Derek J. J. McDonald
Dennis J. Hinchey
Kevin W. Neville

Moore Stephens ABN 39 333 589 331
Level 14, 607 Bourke Street, Melbourne VIC 3000
Telephone: +61 3 9614 4444 Facsimile: +61 3 9614 6039
Email: melbourne@moorestephens.com.au Web: www.moorestephens.com.au

*An independent member of Moore Stephens International Limited - members in principal cities throughout the world.
A separate partnership in Victoria.
Liability limited by a scheme approved under Professional Standards Legislation.*

Scott W. Phillips
Stephen J. Uffoon
Tim B. Uffoon
S. David Pitt
Ivan Shapiro
Gerald M. Simons
Tim J. Howell
Jonathan C. Thomas
Doron York

Directors' Declaration

The directors of the company declare that:

- (1) The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 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.



Ms Kate Spargo
Chairperson
15 October 2008

Financial Statements

Income Statement for the year ended 30 June 2008

	Note	01/07/2007 to 30/06/2008 \$	07/02/2006 to 30/6/2007 \$
Revenue	2	974,262	1,220,199
Other revenue	2	24,550	1,156
Employee and directors fees		(568,258)	(361,074)
Recruitment costs		-	(69,101)
Rent		(52,387)	(43,656)
Board meeting costs		(83,752)	(53,460)
Consulting fees		(54,175)	(27,386)
Depreciation and amortisation		(51,854)	(45,682)
Accounting & legal fees		(33,189)	(32,259)
Cleaning & outgoings		(18,276)	(15,967)
Information technology support & development		(11,301)	(9,521)
Marketing		(18,412)	-
Other expenses		(30,414)	(26,696)
Surplus before income tax		76,794	536,553
Income tax expense	1(g)	-	-
Surplus after income tax		76,794	536,553
Surplus for the financial year		76,794	536,553

The accompanying notes form part of these financial statements

Balance Sheet as at 30 June 2008

	Note	30/06/2008 \$	30/06/2007 \$
Current assets			
Cash and cash equivalents	7(a)	518,880	411,376
Other assets - prepayments and deposits		36,372	1,825
Total current assets		555,252	413,201
Non-current assets			
Property, plant and equipment	3	157,649	207,980
Total non-current assets		157,649	207,980
Total assets		712,901	621,181
Current liabilities			
Trade and other payables	4	75,942	74,135
Provisions	5	23,612	10,493
Total current liabilities		99,554	84,628
Total liabilities		99,554	84,628
Net assets		613,347	536,553
Accumulated surplus		613,347	536,553
Total equity		613,347	536,553

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the year ended 30 June 2008

	Note	Accumulated Surplus \$
Balance at 7 February 2006		-
Net surplus for the financial period		536,553
Balance at 30 June 2007		536,553
Balance at 30 June 2007		536,553
Net surplus for the financial year		76,794
Balance at 30 June 2008		613,347

The accompanying notes form part of these financial statements

Cash Flow Statement for the year ended 30 June 2008

	Note	01/07/2007 to 30/06/2008 \$	07/02/2006 to 30/06/2007 \$
Cash flows from investing activities			
Receipts from funding bodies		968,280	1,252,077
Receipts from licensing fees		21,793	-
Payments to suppliers and employees		(883,804)	(588,195)
Net cash provided by operating activities	7(c)	106,269	663,882
Cash flows from investing activities			
Interest received		2,758	1,156
Payments for property, plant and equipment		(1,523)	(253,662)
Net cash provided by/(used in) investing activities		1,235	(252,506)
Net increase in cash and cash equivalents		107,504	411,376
Cash and cash equivalents at the beginning of the financial year		411,376	-
Cash and cash equivalents at the end of the financial year	7(a)	518,880	411,376

The accompanying notes form part of these financial statements

Notes to the Financial Statements

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Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies

The financial report is for the 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 15 October 2008 by the Board of Directors.

Basis of preparation

The financial report is a general purpose financial report that has 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 AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs.

Accounting Policies

(a) Revenue

Revenue primarily consists of subscriptions payable by the professional bodies (Institute of Chartered Accountants in Australia, CPA Australia, and National Institute of 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 due and received or receivable.

Licensing Fees Revenue

Revenue consists of fees received from the Copyright Agency Limited's licensees as a result of the publication of the Code of Ethics for Professional Accountants.

Interest Revenue

Revenue is recognised as interest accrues.

(b) Property, Plant & Equipment

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

Depreciation is provided on property, plant and equipment.

Depreciation is calculated on a straight line basis so as to write off the net cost over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year, with the effect of any changes recognised on a prospective basis. Depreciation rates that have been applied in the current reporting year are as follows:

Leasehold improvements	20%
Furniture	20%
Computer equipment	25%
Office equipment	25%

Impairment

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately. As a not-for-profit company where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate cash flows, value in use is the depreciated replacement cost.

(c) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the year in which they are incurred.

(d) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Notes to the Financial Statements

continued

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks. Cash equivalents are short-term, highly liquid investments with original maturities of less than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) 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 Balance Sheet are shown inclusive of GST.

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

(g) 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.

(h) 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.

(i) Comparative Figures

APESB was established on 7 February 2006. The prior period's financial report covered the period from 7 February 2006 to 30 June 2007. Accordingly, comparative amounts represent a 17-month period.

(j) Economic Dependency

APESB is dependent on the Joint Accounting Bodies (CPA Australia, The Institute of Chartered Accountants in Australia and the National Institute of 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.

(k) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial report 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.

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

(l) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument.

Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified at fair value through profit or loss.

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 expire. The difference between the carrying value of the financial liability extinguished and the fair value of consideration paid is recognised in profit or loss.

Classification and Subsequent Measurement

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 using the effective interest rate method.

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 using the effective interest rate method.

Financial Liabilities

Non derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

continued

Note 2: Revenue

	01/07/2007 to 30/06/2008 \$	07/02/2006 to 30/06/2007 \$
Revenue from Joint Accounting Bodies		
Operating revenue	972,739	966,537
Capital purpose revenue	1,523	253,662
	974,262	1,220,199
Other revenue		
Bank deposits interest revenue	2,757	1,156
Licensing fees revenue	21,793	-
	24,550	1,156
Total revenue	998,812	1,221,355

The accompanying notes form part of these financial statements

Notes to the Financial Statements

continued

Note 3: Property, Plant & Equipment

	Leasehold Improvements \$	Furniture \$	Computer Equipment \$	Office Equipment \$	Total \$
Gross carrying amount					
Balance at 1 July 2007	197,072	39,131	11,377	6,082	253,662
Additions	-	-	-	1,523	1,523
Disposals	-	-	-	-	-
Balance at 30 June 2008	197,072	39,131	11,377	7,605	255,185
Accumulated depreciation/ amortisation and impairment					
Balance at 1 July 2007	(36,067)	(7,162)	(1,492)	(961)	(45,682)
Depreciation expense	(39,414)	(7,826)	(2,844)	(1,770)	(51,854)
Balance at 30 June 2008	(75,481)	(14,988)	(4,336)	(2,731)	(97,536)
Net book value					
As at 1 July 2007	161,005	31,969	9,885	5,121	207,980
As at 30 June 2008	121,591	24,143	7,041	4,874	157,649
	Leasehold Improvements \$	Furniture \$	Computer Equipment \$	Office Equipment \$	Total \$
Gross carrying amount					
Balance at 7 Feb 2006	-	-	-	-	-
Additions	197,072	39,131	11,377	6,082	253,662
Disposals	-	-	-	-	-
Balance at 30 June 2007	197,072	39,131	11,377	6,082	253,662
Accumulated depreciation/ amortisation and impairment					
Balance at 7 Feb 2006	-	-	-	-	-
Depreciation expense	(36,067)	(7,162)	(1,492)	(961)	(45,682)
Balance at 30 June 2007	(36,067)	(7,162)	(1,492)	(961)	(45,682)
Net book value					
As at 7 Feb 2006	-	-	-	-	-
As at 30 June 2007	161,005	31,969	9,885	5,121	207,980

Notes to the Financial Statements

continued

Note 4: Trade and Other Payables

	30/06/2008 \$	30/06/2007 \$
Current		
Trade payables	49,279	33,008
Goods & services tax payable	13,305	24,502
Rent payable	3,998	3,356
Audit fees payable	9,360	9,000
Employee wages	-	4,269
	75,942	74,135

Note 5: Provisions

	30/06/2008 \$	30/06/2007 \$
Current		
Annual leave provision	23,612	10,493
	23,612	10,493
		Annual Leave Provision \$
Balance at 7 February 2006		-
Additional provisions recognised		10,493
Balance at 30 June 2007		10,493
Balance at 1 July 2007		10,493
Additional provisions recognised		29,535
Leave taken		(16,416)
Balance at 30 June 2008		23,612

Notes to the Financial Statements

continued

Note 6: Leases

Leasing arrangements

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

The office facilities lease is for a term of 5 years, with an option to extend for a further 5 years. The lease contract contains a fixed increase percentage, applicable on an annual basis. The company does not have an option to purchase the leased asset at the expiry of the lease period.

The office equipment lease is for a fixed term of 5 years with no options to extend or to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	30/06/2008 \$	30/06/2007 \$
Not longer than 1 year	55,207	55,207
Longer than 1 year and not longer than 5 years	121,964	177,171
Longer than 5 years	-	-
	177,171	232,378

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

	30/06/2008 \$	30/06/2007 \$
Current	3,998	3,356
	3,998	3,356

Notes to the Financial Statements

continued

Note 7: Notes to the Cash Flow Statements

(a) Reconciliation of cash and cash equivalents

	30/06/2008 \$	30/06/2007 \$
Current		
Cash at bank	518,859	411,349
Cash on hand	21	27
	518,880	411,376

(b) Financing facilities

	30/06/2008 \$	30/06/2007 \$
Credit card facility		
Amount used	11,372	-
Amount unused	1,628	7,500
	13,000	7,500

(c) Reconciliation of surplus for the year to net cash flows from operating activities

	30/06/2008 \$	30/06/2007 \$
Surplus for the year	76,794	536,553
Non cash items:		
Interest income receivable	(2,757)	(1,156)
Depreciation and amortisation expense	51,854	45,682
Increase in assets:		
Current:		
Receivables	(34,547)	(1,825)
Increase in liabilities:		
Current:		
Trade and other payables	14,925	84,628
Net cash from operating activities	106,269	663,882

Notes to the Financial Statements

continued

Note 8: 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 10.

(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:

	01/07/2007 to 30/6/2008 \$	07/02/2006 to 30/6/2007 \$
Institute of Chartered Accountants in Australia	324,754	406,733
CPA Australia	324,754	406,733
National Institute of Accountants	324,754	406,733
	974,262	1,220,199

Note 9: Remuneration of Auditors

	30/06/2008 \$	30/06/2007 \$
Auditor of the Company		
Audit or review of the financial report	9,360	9,000
Other services (taxation) provided by a related division of the auditor	-	9,500
	9,360	18,500

Notes to the Financial Statements

continued

Note 10: Key Management Personnel Compensation

	30/06/2008 \$	30/06/2007 \$
Short-term employee benefits ¹	419,041	310,209
Post-employment benefits ²	37,593	27,919
	456,634	338,128

¹ Includes payments to directors for their services.

² Includes superannuation entitlements.

Note 11: Contingent Liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2008.

Notes to the Financial Statements

continued

Note 12: Financial Risk Management

(a) **Financial Risk Management**

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable. The company does not have any derivative instruments at 30 June 2008.

(i) **Financial risk exposure and management**

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

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.

Foreign Currency Risk

The company is not exposed to fluctuations in foreign currencies.

Liquidity Risk

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

Credit Risk

The maximum exposure to credit risk, excluding the value of collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet 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.

Price Risk

The company is not exposed to any commodity price risk.

Notes to the Financial Statements

continued

(b) Financial Instrument Composition and Maturity Analysis

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

Weighted average effective interest rate		Variable interest rate		Fixed interest rate maturing				Non interest bearing		Total	
2008	2007	2008	2007	2008		2007		2008	2007	2008	2007
				<1 year	>1 year	<1 year	>1 year				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial Assets

Cash and cash equivalents	0.8	0.8	-	-	518,880	-	411,736	-	-	-	518,880	411,736
Other receivables	-	-	-	-	-	-	-	-	36,372	1,825	36,372	1,825
Total Financial Assets			-	-	518,880	-	411,736	-	36,372	1,825	555,252	413,561

Financial Liabilities

Trade payables	-	-	-	-	-	-	-	-	75,942	74,135	75,942	74,135
Other provisions	-	-	-	-	-	-	-	-	23,612	10,493	23,612	10,493
Total Financial Liabilities			-	-	-	-	-	-	99,554	84,628	99,554	84,628

Notes to the Financial Statements

continued

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	30/06/2008	
	\$	
	Carrying amounts	Net fair value
	\$	\$
Financial assets	555,252	555,252
Financial liabilities	99,554	99,554

	30/06/2007	
	\$	
	Carrying amounts	Net fair value
	\$	\$
Financial assets	413,201	413,201
Financial liabilities	84,628	84,628

Notes to the Financial Statements

continued

Note 13: Accounting Policies

The following Accounting Standards issued or amended and are applicable to the company but not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment: AASB 2007-6 Amendments to Australian Accounting Standards

Standards Affected:

AASB 1 First Time Adoption of AIFRS
AASB 101 Presentation of Financial Statements
AASB 107 Cash Flow Statements
AASB 116 Property, Plant and Equipment
AASB 138 Intangible Assets

Outline of Amendments:

The revised AASB 123 Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the company's financials as the company already capitalises borrowing costs related to qualifying assets.

Application Date (Std): 1 January 2009

Application Date (Com): 1 July 2009

AASB Amendment: AASB 123 Borrowing Costs

Standards Affected: AASB 123 Borrowing Costs

Outline of Amendments: As above

Application Date (Std): 1 January 2009

Application Date (Com): 1 July 2009

AASB Amendment: AASB 2007-8 Amendments to Australian Accounting Standards

Standards Affected:

AASB 101 Presentation of Financial Statements

Outline of Amendment:

The revised AASB 101 Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expenditure.

Application Date (Std): 1 January 2009

Application Date (Com): 1 July 2009

AASB Amendment: AASB 101 Presentation of Financial Statements

Standards Affected:

AASB 101 Presentation of Financial Statements

Outline of Amendment: As above

Application Date (Std): 1 January 2009

Application Date (Com): 1 July 2009

AASB Amendment: AASB 1004 Contributions

Standards Affected: AASB 1004 Contributions

Outline of Amendment:

The revised AASB 1004 Contributions has been based on the review of the requirements of AAS 27 Financial Reporting by Local Governments, AAS 29 Financial Reporting by Government Departments and AAS 31 Financial Reporting by Governments. Specific considerations have been made in relation to Contributions, Liabilities Assumed by Other Entities, Government Department Disclosures Relating to Revenue, Restructures of Administrative Arrangements and Compliance with Parliamentary Appropriations and Other Externally-Imposed Requirements by Government Departments, to ensure that these are appropriately addressed in AASB 1004. It is not expected that the revisions to AASB 1004 will result in a material change to the recognition and measurement policies of the company.

Application Date (Std): 1 July 2008

Application Date (Com): 1 July 2008

Note 14: Subsequent Events

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 15: 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 2008 the number of members was three (2007: three members).

Note 16: Company Details

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

MOORE STEPHENS

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

We have audited the accompanying financial report of The Accounting Professional & Ethical Standards Board (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 company's preparation and fair presentation of the financial report 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 company'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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PARTNERS:
Stephen E. Adrian
Steven A. Allan
Marco S. Cappel
Jean-Claude Coislin
Ian K. Kearney
Derek I. J. McDonald
Daniel J. Morrison
Karen M. Neville

Moore Stephens ABN 39 533 589 331
Level 14, 607 Bourke Street, Melbourne VIC 3000
Telephone: +61 3 9614 4444 Facsimile: +61 3 9614 6039
Email: melbourne@moorestephens.com.au Web: www.moorestephens.com.au

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Scott W. Phillips
Stephen J. O'Toole
Tim R. Orlinick
A. David Pitt
Ivan Shapiro
Goran M. Stovick
Tim J. Striboff
Jonathan C. Thomas
Doreen Yeak

MOORE STEPHENS

Auditor's Opinion

In our opinion:

- (a) the financial report of The Accounting Professional & Ethical Standards Board 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 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.


MOORE STEPHENS
Chartered Accountants


Kevin W. Neville
Partner

15 October 2008