

**Accounting
Professional &
Ethical Standards
Board Limited**

ACN 118 227 259

Annual Report

for the year ended
30 June 2018





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Vision

We strive to achieve exemplary levels of professionalism and ethical behaviour in the accounting profession.

Statement of Purpose

We develop and issue, in the public interest, high quality professional and ethical standards.

Values

We are committed to being independent, consultative and transparent in our activities and work resourcefully in the public interest.

Key Achievements and Highlights for 2017 – 2018

In 2017-18, the Board continued to focus on:

- **Consolidating the APESB suite of pronouncements including incorporating international standards**
- **Extensive engagement with international and local stakeholders**
- **Stakeholder outreach to increase awareness of APESB standards**

Excellent progress was made in each of the four pillars of the Board's strategic plan 2016-2020, as follows:

Standards

- Issue of APES 110 *Compiled Code of Ethics for Professional Accountants* (Compiled 2017)
- Issue of amending standard on audit partner rotation (Long Association)
- Issue of APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs*
- Revision of APES 225 *Valuation Services*
- Revision of APES 310 *Client Monies*
- Revision of APES 325 *Risk Management for Firms*
- Completion of 18 Annual and Six-Monthly reviews

Engagement

- APESB collaborated with CPA Australia, CA ANZ and AUASB in holding three roundtable events in Melbourne and Sydney in relation to the future framework for international audit and ethics related standard-setting Boards
- APESB collaborated with NZ XRB and invited IESBA to conduct a roundtable in Melbourne on key IESBA projects for the benefit of Australian and New Zealand Stakeholders
- Ongoing collaboration with the professional standards teams and quality review functions of the Professional Bodies
- Two taskforces have been convened during the year for the standards development projects on Client Monies and Due Diligence Committees in respect of Low Doc Offerings
- A presentation to stakeholders on the Restructured Code in June 2018
- Stakeholder engagement via the APESB website which averaged 127,608 hits per month and LinkedIn posts which averaged 8,254 impressions per month
- Quarterly publication of our e-newsletter, *Professionalism*

Influence

- **International influence:**
 - Five submissions to IESBA
 - Attendance at the 2018 annual IESBA National Standard Setters Group meeting in Vienna, Austria
 - Attendance at Monitoring Group Roundtable in Singapore
 - Collaborating with NZAuASB in respect of Trans-Tasman issues impacting auditor independence
- **National influence:**
 - Ongoing collaboration with AUASB, ASIC, ATO and other stakeholders
 - Three national submissions on consultations that impact accounting professional and ethical standards

Ethics Outreach

- Board of Accountancy Philippines – CPA Australia presentation in November 2017
- 8 CPD NOCLAR awareness sessions for the three professional bodies
- Engagements with the academic community, including presentations at Deakin, Monash and RMIT Universities

Standards

Revised Standards and Guidance Notes during the year.

6

Completed Reviews of APESB pronouncements addressing issues raised by stakeholders.

18

Released Technical Updates during the year to keep stakeholders informed of changes to APESB pronouncements.

3

Engagement

APESB Mobile App

The APESB app facilitates easy access to all APESB pronouncements and helps keep stakeholders informed and up to date with APESB activities and developments.

382
Downloads

APESB had over 1.5 million hits on its website during the year.

1.5m

LinkedIn impressions during the year.

99,000

LinkedIn followers from:

25%

Accounting profession

16%

Business Development

13%

Finance

46%

Education, Sales or Consulting

Articles contributed to professional body publications.

4

Media releases promoting and communicating APESB's activities.

9

Influence

APESB Board member with a position on International Boards and Committees during the year.

1

International submissions with contributions from national stakeholders.

5

Attendance at IESBA's 10th Annual National Standards Setters meeting in Vienna in May 2018.

1

Ethics Outreach

Total number of presentations, forums, panels and conferences

22

APESB presented on NOCLAR and contributed to various forums and panels, including the Monitoring Group consultations; Emerging Issues Group; the Large National Networks Discussion Group and other technical meetings.

Stakeholder engagement has been a key focus of the APESB this year with various engagement activities, both nationally and internationally.

Non-Compliance with Laws and Regulations (NOCLAR) information sessions

APESB conducted eight NOCLAR awareness sessions during the period July 2017 to June 2018 engaging with over 1,000 professional accountants in collaboration with the AUASB, BDO and the Professional Bodies.

The NOCLAR Information sessions were a wonderful opportunity for the APESB team to raise awareness of the latest developments in professional and ethical standards to a wider audience.



1. Channa Wijesinghe presenting to the audience at CA ANZ in Sydney. 2. Audience at CA ANZ in Sydney. 3. IPA Sydney: Matthew Zappulla, AUASB; Vicki Stylianou, IPA; Annette Tasker, ALT Tax & Accounting and Channa Wijesinghe, APESB, working together at the IPA NOCLAR presentation. 4. A NOCLAR collaboration with CA ANZ: Channa Wijesinghe, APESB; Cameron Johnstone, CA ANZ; Kirsten Wydell, CA ANZ and Willem Olivier, BDO.

Close to 150 members attended the NOCLAR awareness session to CA ANZ members in Melbourne, on 6 June 2018. The presentation provided information on the key requirements of the Standard and useful tips on how to implement NOCLAR.

5. Stephen Newman, BDO; Channa Wijesinghe, APESB, and Matthew Zappulla, AUASB.





Restructured Code of Ethics

Briefing and Information session on the proposed new Australian Code of Ethics

In June 2018, APESB held a Briefing and Information session on the proposed Restructured Australian Code of Ethics for Professional Accountants to coincide with the release of the Code exposure drafts. APESB Chairman, The Hon. Nicola Roxon and APESB CEO, Channa Wijesinghe gave stakeholders an overview of the Code's key revisions. The session was an opportunity for stakeholders to ask questions on the proposed changes, which will be effective from 1 January 2020.

6. Audience at the briefing session. 7. APESB CEO, Channa Wijesinghe. 8. APESB Chairman, The Hon. Nicola Roxon.



Academic community

APESB has sought to raise awareness of its standards via outreach to the academic community by participating at several presentations at RMIT, Monash and Deakin universities.

In August 2017 the APESB team engaged with the academic community at Deakin University and presented on the latest developments to undergraduate students in the business faculty.

Dr Paul Thambar from Monash University invited APESB CEO, Channa Wijesinghe, to present to the Masters of Professional Accounting students at Monash University in May 2018. The students were given insight into the structure of APESB pronouncements, the importance of personal integrity and corporate ethics.

In June 2018, Dr Eva Tsahuridu and Dr Leanne Morrison from RMIT University School of Accounting invited the AASB, AUASB and APESB to discuss with the academic community the key issues and challenges facing national standard setters of the accounting profession.

9. Dr Leanne Morrison, RMIT; Matthew Zappulla, AUASB Technical Director; Kala Kandiah, Technical Director, AASB and Channa Wijesinghe, CEO, APESB.



International events

Jiangsu Chinese presentation

In September 2017, APESB were honoured to welcome the Jiangsu Institute of Certified Public Accountants China delegation (JICPA) to our offices for an informative session on the APESB's role as the professional and ethical standard setter for the Australian accounting profession.

Jane Gao, General Manager International Division, IPA, accompanied delegates who enjoyed a presentation lead by APESB's Senior Technical Manager, Jacinta Hanrahan, on Australian professional and ethical standards.



10. JICPA Delegates Delegates.

IESBA National Standard Setters (NSS) Meeting - May 2018

APESB Director, Craig Farrow and Senior Technical Manager, Jacinta Hanrahan, represented APESB at the 10th Annual Meeting of the IESBA National Standards Setters Group in May 2018 in Vienna, Austria.

The meeting provided an opportunity to discuss current global issues in respect of auditor independence and professional standards in major jurisdictions and significant national developments of interest.



11. (left to right) Ken Siong, IESBA Senior Technical Director; Jacinta Hanrahan, APESB Senior Technical Manager; Craig Farrow, APESB Director; Robert Buchanan, NZAuASB Chair; Sylvia van Dyk, NZ XRB Director Assurance Standards and Dr. Stavros Thomadakis, IESBA Chair.

Monitoring Group Consultations

The future of international auditing and ethics standard setting was the focus of the Monitoring Group Consultations held in Melbourne and Sydney in December 2017, and June 2018.

APESB, AUASB, CPA Australia and CA ANZ collaborated to facilitate the Monitoring Group consultations which engaged a broad range of stakeholders.

The June 2018 sessions were chaired by Mark Babbington, Deputy Director of Audit Policy at Financial Reporting Council UK.

The consultations provided Australian stakeholders with an opportunity to exchange views on the proposed changes to governance and oversight of the international audit and ethics related standard-setting boards.

12. Monitoring Group presenters: Channa Wijesinghe, APESB; Roger Simnett, AUASB; Claire Grayston, CPA Australia; Dr Gary Pflugrath, IFAC; Merran Kelsall, former IAASB Board member and CPA Australia Deputy Chair and Doug Niven, ASIC. 13. Channa Wijesinghe, APESB; Claire Grayston, CPA Australia and Mark Babbington, UK FRC.



IESBA Global Roundtable – Melbourne July 2018

APESB was delighted to collaborate with the New Zealand External Reporting Board (NZ XRB) to host the International Ethics Standard Board for Accountants (IESBA) fourth global roundtable exploring the two public interest topics of Non-Assurance Services (NAS) and Professional Scepticism in Melbourne in July 2018 as part of IESBA's global stakeholder engagement process.

IESBA Deputy Chairman, Richard Fleck and IESBA Board member, Trish Mulvaney led the discussions at the Melbourne roundtable and were ably assisted by the APESB and the NZ XRB. The roundtable provided an invaluable opportunity for Australian and New Zealand stakeholders to engage with the global ethics standard setter at an early stage of these important projects.



14



15



16



17



18

14. APESB CEO, Channa Wijesinghe; IESBA Board member, Trish Mulvaney; APESB Chairman, The Hon. Nicola Roxon; NZ XRB Director Assurance Standards, Sylvia van Dyk and IESBA Deputy Chairman, Richard Fleck.
15. NZAuASB Board member, Craig Fisher, addresses the roundtable. 16. IESBA Deputy Chairman, Richard Fleck. 17. IESBA Board member, Trish Mulvaney. 18. APESB CEO, Channa Wijesinghe.

Taskforces

for the year ended 30 June 2018

Client Monies

Channa Wijesinghe
APESB (Chairman)

Rob Florence
Florence Audit & Assurance

Geoff Gray
Pitcher Partners

Caroline Karavias
CPA Australia

Hana Thompson
CA ANZ

Sonya Sinclair
IPA

Due Diligence Committees

Channa Wijesinghe
APESB (Chairman)

Jeff Cook
KPMG

Claire Cardno
Ernst & Young

Marina Stuart
Deloitte

Andrew Parker
PwC

Jeffrey Luckins
William Buck

Kristen Wydell
CA ANZ

Dr John Purcell
CPA Australia

Colin Parker
IPA

Chairman's Report

The current financial year has been a productive year at the APESB with the Board continuing to make significant progress in its standards development projects and undertaking the most significant Australian and international stakeholder engagement since its inception.

APESB's Australian stakeholder engagement included Non-Compliance with Laws and Regulations (NOCLAR) information sessions, roundtables, meetings and various briefings. In addition, we have started engaging on the restructured Australian *Code of Ethics for Professional Accountants (including Independence Standards)*, with the first briefing and information session held in Melbourne in June 2018.

This year, APESB also provided invaluable opportunities for Australian stakeholders to engage directly with international standards setters and regulatory bodies. In collaboration with CPA Australia, CA ANZ and the AUASB, APESB co-ordinated three Monitoring Group roundtables in Melbourne and Sydney in June 2018 on this strategic consultation of the future framework of international audit and ethics related standard-setting Boards.

APESB and the New Zealand External Reporting Board (NZ XRB) collaborated to influence the International Ethics Standards Board for Accountants (IESBA) to hold a fourth global roundtable on two of their current projects – professional scepticism and non-assurance services – in July 2018 in Melbourne. We are happy to note that the IESBA was pleased with the strong attendance and engagement by Australian and New Zealand stakeholders at this event.

APESB's ability to attract these international events to Australia demonstrate APESB's influence as a respected national standards setter internationally.

APESB attended the IESBA's tenth annual National Standard Setters Group meeting in Vienna in May 2018, which focused on current IESBA projects including the restructured

Code and professional scepticism. Further international engagement included the APESB taking part in the Monitoring Group Consultation in Singapore, in January 2018.

APESB's Strategic Direction

The APESB is mid-way through its Strategic Plan (2016-2020) and has made strong progress across its four core areas: Standards, Engagement, Influence and Ethics Outreach.

A key focus during 2018 has been the project to restructure the Code. This project has involved the most comprehensive re-write of the Code that has occurred in the last few decades. The new restructured Code is expected to be issued in the last quarter of 2018. Subsequent to the issue of the Code, the Board's

short-term focus for the remainder of 2018 and in 2019 will be on the project to revise all other APESB pronouncements which are impacted by the restructured Code.

Taskforce Program and stakeholders

APESB rely on the experience and engagement that our Taskforce members provide in helping APESB develop standards and guidance notes. Their commitment and knowledge are invaluable, and we appreciate their time and expertise throughout the year. I would like to thank each Taskforce member for their constructive input.

The Board is also thankful for the contributions made by our stakeholders, including staff from the Professional Bodies, accounting firms, government bodies and regulators who provide important viewpoints to our standard setting process. We especially acknowledge the attendance of members from the Professional Bodies and other stakeholders who attend the APESB board meetings throughout the year.

Board

There will be a number of governance changes occurring at the Board at the end of 2018. Penny Egan will be ending her tenure with the Board on 31st December 2018. On behalf of the Board, I would like to acknowledge the valuable contributions made by Penny to the Board's deliberations on the standard development projects as well as to APESB's governance. We wish her all the best for the future.

This will also be my last year as Chairman of APESB. It has been a privilege and honour to lead the organisation during the last four and half years. In a time when ethics and professionalism are constantly being challenged, APESB prides itself on being independent, consultative and transparent in developing pronouncements in the public interest for the accounting profession.

Looking forward to 2019, APESB will continue to promote professionalism and ethics with a new Chairman, supported by an experienced Board of Directors. I take this opportunity to extend my gratitude to the Board for their support, continued dedication, expertise and input on complex issues facing the accounting profession.

Staff

The APESB Secretariat team is led by Channa Wijesinghe (Chief Executive Officer/Company Secretary). Channa is supported by Jacinta Hanrahan (Senior Technical Manager), Vijay Kumar (Project Manager), Ben Collins (Graduate Accountant), Anna Brasier (Administration & Communications Officer), Dolla Wilkinson (Bookkeeper) and Rozelle Azad (Accountant).

I would like to take this opportunity to thank the Secretariat for all their hard work to deliver the Board's Strategic Plan and Technical Work program for the benefit of the accounting profession. On behalf of the Board and our stakeholders, I acknowledge their commitment to their work and their capacity to produce outstanding work with limited resources.

I wish APESB every success for the coming years.



Nicola Roxon
Chairman

15 October 2018

CEO's Report

The APESB Secretariat has delivered on a demanding work program to enable the Board to make significant progress in respect of APESB's 2016-2020 Strategic Plan, including achieving strategic objectives under each of the Board's four pillars of Standards, Engagements, Influence, and Ethics Outreach.

APESB issued six new, compiled or revised pronouncements this financial year. As noted on page 3 of this report, these include the issue of the amending standard on Audit Partner Rotation (Long Association) and the issue of the Compiled Code including NOCLAR standards; the issue of a guidance note on Professional and Ethical Considerations relating to Low Doc Offering Sign-offs, and the issuing of revisions to standards on Client Monies, Risk Management for Firms and Valuation Services.

APESB Technical staff developed supporting documents for these pronouncements including the Audit Partner rotation requirements in Australia Technical Staff Q&A; to assist stakeholders in navigating the new audit partner requirements. The revised Client Monies standard was supported by an Information Sheet for Professional accountants and financial institutions to facilitate the opening of Trust Accounts and Example Bank Letters.

I am aware, through stakeholder feedback, that these additional materials have been well received and are being used by professional accountants in public practice. They have also been instrumental in progressing much-needed change in the financial institutions' willingness to open Trust Accounts.

As noted in the Chairman's report, APESB has had a very successful year in respect of its ability to attract international engagement activities with three Monitoring Group roundtables held in Australia and a global IESBA Roundtable which was held immediately after the end of the year. The APESB Secretariat staff was intimately involved in the organisation and delivery of these events.

From a local engagement perspective, raising awareness of NOCLAR via eight different CPD sessions which included presentations, webinars and videos have broadened our stakeholder engagement with members of the accounting profession. These presentations conducted in collaboration with the Professional Bodies occurred in Melbourne, Sydney and Brisbane, included a webinar and video collaborations.

Similarly, our engagement with the Academic community has strengthened due to presentations and panel discussions with RMIT, Monash and Deakin universities.

APESB continues to engage with other National Standard Setters, Professional Bodies, ASIC, and other key stakeholders, and have made presentations at conferences and professional development events to increase awareness of the Board's standards.

At the international level, APESB also engaged with IESBA's extensive global Code restructure project and developed five individual submissions on IESBA projects, including IESBA's *Strategy and Work Plan 2019-2023*, *Inducements* and *Professional Scepticism and Professional Judgement*. Closer to home, APESB has collaborated with NZAuASB on Long Association and other

Trans-Tasman issues affecting the accounting profession.

APESB's achievements are possible due to our small but dynamic team who are passionate about and committed to our work. I take this opportunity to thank all APESB staff for their passion, commitment and dedication.

I am also grateful for the wise counsel of the Chairman the Hon. Nicola Roxon and thank her for her guidance and mentoring during her tenure.

The year ahead for the APESB will be extremely busy. APESB will be working with the IESBA in November 2018 to raise awareness to Australian stakeholders on the new restructured Code of Ethics. We will also be revising and updating all our existing pronouncements to ensure consistency with the new restructured Code and working with the professional bodies to assist professional accountants understand their professional and ethical obligations in accordance with the revised pronouncements.

I look forward to engaging with our stakeholders in the coming years in respect of these exciting developments.



Channa Wijesinghe
Chief Executive Officer

15 October 2018



*Directors left to right:
Mr Kevin Osborn, Mr John Cahill, The Hon. Nicola Roxon (Chairman), Ms Claire Mackay, Ms Penny Egan, Mr Craig Farrow*



*Staff left to right:
Mr Vijay Kumar (Project Manager), Mr Ben Collins (Graduate Accountant), Mr Channa Wijesinghe (Chief Executive Officer/Company Secretary), Ms Anna Brasier (Administration/Communications Officer), Ms Jacinta Hanrahan (Senior Technical Manager)*

Directors' Report

The directors of Accounting Professional & Ethical Standards Board Limited (APESB or the company) present the financial report of the company for the year ended 30 June 2018. In complying with the provisions of the *Australian Charities and Not-for-profits Commission Act 2012*, the directors report is 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 Professional Accounting 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 objectives are to monitor and evaluate the robustness of professional and ethical pronouncements for professional accountants in Australia and to develop in the public interest additional pronouncements as required. To achieve its objectives, the company has adopted the following strategies:

- Communicating and raising awareness of APESB pronouncements with our constituency;
- Engaging in and keeping up to date with international developments in ethical standard setting;
- Requesting input in terms of work plan inclusions from the Professional Accounting 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 2018 resulted in a surplus of \$88,854 (2017: surplus \$24,639).

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.

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.

Events after the Reporting Period

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.

Nicola Roxon (Chairman)

The Honorable Nicola Roxon was appointed Chairman of APESB in June 2014. She has since developed her career as a non-executive director and she serves in this capacity on various not-for-profit, listed and unlisted boards. Nicola is Chairman and non-executive director of BUPA Australia and New Zealand; Chairman of Cancer Council Australia; and a non-executive director of Dexus Funds Management Ltd and Lifestyle Communities Ltd. Nicola is an Adjunct Professor within the College of Law and Justice at Victoria University. Nicola became Australia's first female Attorney-General in 2011 after serving as Health Minister and a Member of Parliament since 1998. Nicola holds a BA/LLB (first class honours) from Melbourne University and is a

Graduate Member of the Australian Institute of Company Directors. Nicola is a well-known public speaker nationally and internationally.

Date of Appointment: 1 June 2014

Kevin Osborn

Mr Kevin Osborn is Chairman of VUCA Pty Ltd; Beerenberg Farm Advisory Board; Osada Pty Ltd; and Fisher Graham Limited and he is Deputy Chairman of Port Adelaide Football Club. Kevin is a Director of Pateka Pty Ltd which consults to Australian and International clients, and he is Director of Nut Producers Australia Pty Ltd. Kevin is a Fellow of the Institute of Public Accountants and a member of the Aboriginal Basketball Academy. Kevin is a Foundation Fellow of the Australian Institute of Company Directors and he was formerly the Deputy Chairman of Bendigo and Adelaide Bank and a non-executive Director of Calgary based Viterra Inc. Prior to his career as a non-executive Director, Kevin had a 25-year career in international financial markets where he held various global senior management positions with the USA's then fourth largest Banking Corporation, Bank One, which is now part of J P Morgan Chase.

Date of Appointment: 18 March 2013

John Cahill

Mr. John Cahill is a past President/Chairman, a Fellow and Life Member of CPA Australia Ltd, and a Member of the Australian Institute of Management. John is a Councillor at Edith Cowan University. John's past roles include being Chief Executive Officer of Alinta Infrastructure Holdings, Chief Financial Officer of Alinta Ltd, a non-executive Director of Emeco Holdings Ltd, Toro Energy Ltd; and other senior management roles in treasury, finance, accounting and risk management, predominantly in the energy industry.

*Date of Appointment:
1 February 2014*

Craig Farrow

Mr Craig Farrow is the Chairman and a Partner of Brentnalls SA and is a past President of the Institute of Chartered Accountants Australia (ICAA). Craig played a pivotal role in ICAA's historic merger with the New Zealand Institute of Chartered Accountants as the Executive Chair of the merger project that led to the creation of Chartered Accountants Australia and New Zealand. Craig is Chairman of Australian Independent Rural Retailers, GM Hotels Group Ltd, AMPS Agribusiness, Centre State Exports Group, and Doctor's Health SA. He is also a non-executive Director of Australian Technology Innovators Pty Ltd and Country and Outback Health SA. Craig is a Fellow of both the Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management (AIM). He is also a certified practicing manager and holds a Diploma of Financial Services.

Date of Appointment:
10 February 2015

Penny Egan

Ms Penny Egan is the Chief Executive Officer of Cancer Council Tasmania and a Life Member of CPA Australia. She is the Chair of the Compliance Advisory Panel of the International Federation of Accountants. Her previous positions include Board Director and President of CPA Australia, Director of Softwood Tasmania and Director of Newwood Holdings Pty Ltd. Penny has worked in senior management roles across several Tasmanian government organisations, including as Chief Financial Officer with the Department of Health and Human Services and Forestry Tasmania. Penny is a Fellow of CPA Australia and a Graduate Member of the Australian Institute of Company Directors.

Date of Appointment: 21 April 2016

Claire Mackay

Ms Claire Mackay is a Principal and Head of Advice at Quantum Financial, a leading independent financial planning firm. Previously Claire worked in structured tax at PwC and Macquarie Bank. Claire is a Director of the recently established Australian Financial Complaints Authority. Claire is a member of ASIC's External Advisory Panel, ATO's Superannuation Industry Relationship Network, Finance Audit and Compliance Committee, Surf Life Saving NSW, SMSF Committee at Chartered Accountants Australia and New Zealand and the Professional Standards and Conduct Committee at the Financial Planning Association. Previously Claire was an industry nominated Panel Adjudicator for the Financial Ombudsman Service. Claire holds a Bachelor of Commerce, Bachelor of Law and a Masters of Law degree. Claire is admitted to the NSW Supreme Court, a Chartered Accountant (SMSF and Financial Planning Specialist), Certified Financial Planner, Chartered Tax Advisor and Graduate Member of the Australian Institute of Company Directors.

Date of Appointment: 1 July 2016

Company Secretary

Channa Wijesinghe

Mr Channa Wijesinghe is the Chief Executive Officer and Company Secretary of APESB. He is a Fellow of both Chartered Accountants Australia and New Zealand 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.

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 2018 the number of members was 3 (2016: 3 members).

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2018 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.



Nicola Roxon
Chairman

15 October 2018

Director	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Nicola Roxon	6	6
John Cahill	6	6
Penny Egan	6	6
Craig Farrow	6	6
Claire Mackay	6	6
Kevin Osborn	6	4

Financial Statements

Auditor's Independence Declaration

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 2018 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012*, in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood

Hayley Underwood
Partner

Melbourne, 15th October 2018

Directors' Declaration

The directors of the company declare that:

- (1) The financial statements and notes as set out on pages 21 to 38 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (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 *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - (b) give a true and fair view of the financial position as at 30 June 2018 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 the resolution of the Board of Directors and subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.



Nicola Roxon
Chairman

15 October 2018

Statement of Comprehensive Income

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	2	1,449,999	1,429,869
Other income	2	20,422	21,680
Employee costs, directors fees and contractors		(909,196)	(911,669)
Employee benefits expense	3	(49,932)	(40,329)
Rent		(59,539)	(58,624)
Board meeting costs		(53,253)	(35,807)
Conferences and events		(36,665)	(96,136)
Taskforce meeting costs		(7,130)	(7,839)
Consulting fees		(19,500)	(22,175)
Depreciation and amortisation	3	(27,291)	(25,732)
Finance charges		(6,743)	(7,824)
Accounting and legal fees		(45,088)	(26,705)
Cleaning and outgoings		(32,397)	(27,705)
Information technology support and development		(28,608)	(32,610)
Marketing		(40,066)	(33,966)
Insurance		(11,111)	(11,055)
Postage, printing and stationary		(13,529)	(13,788)
Communications		(13,010)	(14,012)
Relocation expenses		-	(17,978)
Other expenses		(28,509)	(42,956)
Surplus before income tax		88,854	24,639
Income tax expense	1(i)	-	-
Surplus after income tax		88,854	24,639
Surplus for the financial year		88,854	24,639
Other comprehensive income for the year		-	-
Total comprehensive income for the year		88,854	24,639

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current Assets			
Cash	4,15(a)	377,100	269,928
Financial Assets	5	897,304	882,358
Other assets	6	32,366	34,485
Total Current Assets		1,306,770	1,186,771
Non-Current Assets			
Financial assets	5	42,383	42,383
Property, plant and equipment	7	118,084	139,432
Total Non-Current Assets		160,467	181,815
Total Assets		1,467,237	1,368,586
Current Liabilities			
Trade and other payables	8	103,155	85,481
Provisions	9	95,813	89,218
Total Current Liabilities		198,968	174,699
Non-Current Liabilities			
Other payables	8	105,648	121,004
Provisions	9	1,171	287
Total Non-Current Liabilities		106,819	121,291
Total Liabilities		305,787	295,990
Net Assets		1,161,450	1,072,596
Accumulated surplus		1,161,450	1,072,596
Total Equity		1,161,450	1,072,596

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2018

	Accumulated Surplus \$
Balance at 1 July 2016	1,047,957
Net surplus for the financial year	24,639
Other comprehensive income for the year	-
Balance at 30 June 2017	1,072,596
Balance at 1 July 2017	1,072,596
Net surplus for the financial year	88,854
Other comprehensive income for the year	-
Balance at 30 June 2018	1,161,450

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from Professional Bodies		1,594,999	1,572,856
Receipts from other operating activities		-	-
Payments to suppliers and employees		(1,483,677)	(1,417,693)
Interest received		16,739	23,581
Net cash generated by operating activities	15(b)	128,061	178,744
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(5,943)	(136,675)
Net cash used in investing activities		(5,943)	(136,675)
Cash Flows from Financing Activities			
Net cash used in financing activities		-	-
Net Increase in Cash and Cash Equivalents		122,118	42,069
Cash and Cash Equivalents at the Beginning of the Financial Year		1,194,669	1,152,600
Cash and Cash Equivalents at the End of the Financial Year	15(a)	1,316,787	1,194,669

The accompanying notes form part of these financial statements

Notes to the Financial Statements

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Accounting Professional & Ethical Standards Board Limited (APESB or the company) is an individual company, incorporated and domiciled in Australia. APESB is a not-for-profit company limited by guarantee. The address of its registered office and principal place of business is disclosed in note 19. The financial report was authorised for issue on 15 October 2018 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 the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Australian Accounting Standards set out accounting policies that the 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 except for cash flow information 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.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Accounting Policies

(a) Revenue

Revenue primarily consists of subscriptions paid by the Professional Accounting Bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the 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 an invoice is raised and it is receivable.

Interest revenue

Revenue is recognised as interest accrues, using the effective interest rate method.

(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	14.29% - 20%
Lease assets	10%
Furniture	20%
Computer equipment	25% - 50%
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.

An asset's 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 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.

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 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 assets 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, bank deposits held at-call, 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.

(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) Comparative Figures

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

(m) Critical Accounting Estimates and Judgments

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.

(n) Economic Dependency

APESB is dependent on the Professional Accounting Bodies (CPA Australia, Chartered Accountants Australia & New Zealand 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 Chartered Accountants Australia and New Zealand, 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 Professional Accounting Bodies will not continue to support APESB.

(o) 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 and are applicable in future reporting periods is set out below:

These standards have not impacted the company's financial statements.

- **AASB 16:** Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to the company for annual periods beginning on or after 1 January 2019. The directors expect that the adoption of AASB 16 will result in lease assets and liabilities being recognised on balance sheet and a change in how related expenses are

incurred. APESB is tenant under its office lease. It is expected that the office lease commitments of approximately \$ 548,607 will be recognised on the balance sheet on 30 June 2020 as lease assets and liabilities and that annual rental of approximately \$ 86,536 will be reclassified from occupancy costs to depreciation and interest for the year ended 30 June 2020.

- **AASB 9:** Financial Instruments
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments, revised impairment requirements and simplified requirements for hedge accounting.

The financial assets and liabilities of the Company consist of cash, term deposits, receivables and payables. Therefore, the directors do not expect a material impact on transition to AASB 9 and AASB 9 associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

- **AASB 1058:** Income of Not-for-Profit Entities and **AASB 15:** Revenue from Contracts with Customers

AASB 15 will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

AASB 1058 Income of Not-For-Profit Entities (effective for annual reporting periods beginning on or after 1 January 2019) clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018). The revenue of the company is derived from contributions from members and interest income and therefore APESB do not consider this standard will have a material impact on transition.

Note 2: Revenue

	2018 \$	2017 \$
Revenue from Professional Bodies		
Operating revenue	1,449,999	1,429,869
Total Revenue	1,449,999	1,429,869
Other Income		
Bank deposits interest revenue	20,422	21,680
Total Other Income	20,422	21,680
Total Revenue and Other Income	1,470,421	1,451,549

Note 3: Surplus for the Year

	2018 \$	2017 \$
Expenses		
Depreciation and Amortisation		
— Leasehold improvements	17,039	15,561
— Furniture	4,603	4,212
— Computer equipment	4,519	5,594
— Office equipment	1,130	365
Total Depreciation and Amortisation	27,291	25,732
Employee Benefits Expense		
— Annual leave	38,887	35,818
— Long service leave	11,045	4,511
Total Employee Benefits Expense	49,932	40,329
Auditor's Remuneration		
— Audit services	14,000	14,017
— Other services	15,000	-
Total Auditor's Remuneration	29,000	14,017

Note 4: Cash and Cash Equivalents

	2018 \$	2017 \$
Current		
Cash at bank	377,050	269,878
Cash on hand	50	50
	377,100	269,928

Note 5: Financial Assets

	2018 \$	2017 \$
Current		
Term deposits	897,304	882,358
Non Current		
Security deposits	42,383	42,383
	939,687	924,741

Note 6: Other Assets

	2018 \$	2017 \$
Current		
Accrued interest	7,315	3,632
Other debtors	-	5,258
Prepayments and deposits	25,051	25,595
	32,366	34,485

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.

Note 7: Property, Plant and Equipment

	Leasehold Improvements \$	Furniture \$	Computer Equipment \$	Office Equipment \$	Total \$
Gross Carrying Amount					
Balance at 1 July 2017	142,164	27,080	25,309	7,405	201,958
Additions	-	-	3,223	2,720	5,943
Disposals	-	-	-	-	-
Balance at 30 June 2018	142,164	27,080	28,532	10,125	207,901
Accumulated Depreciation					
Balance at 1 July 2017	(17,011)	(20,347)	(19,161)	(6,007)	(62,526)
Depreciation and amortisation expense	(17,039)	(4,603)	(4,519)	(1,130)	(27,291)
Eliminated on disposal of assets	-	-	-	-	-
Balance at 30 June 2018	(34,050)	(24,950)	(23,680)	(7,137)	(89,817)
Net Book Value					
As at 1 July 2017	125,153	6,733	6,148	1,398	139,432
As at 30 June 2018	108,114	2,130	4,852	2,988	118,084
Gross Carrying Amount					
Balance at 1 July 2016	22,812	16,135	20,299	6,037	65,283
Additions	119,352	10,945	5,010	1,368	136,675
Increase in make good provision	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2017	142,164	27,080	25,309	7,405	201,958
Accumulated Depreciation					
Balance at 1 July 2016	(1,450)	(16,135)	(13,567)	(5,642)	(36,794)
Depreciation and amortisation expense	(15,561)	(4,212)	(5,594)	(365)	(25,732)
Eliminated on disposal of assets	-	-	-	-	-
Balance at 30 June 2017	(17,011)	(20,347)	(19,161)	(6,007)	(62,526)
Net Book Value					
As at 1 July 2016	21,362	-	6,732	395	28,489
As at 30 June 2017	125,153	6,733	6,148	1,398	139,432

Note 8: Trade and Other Payables

	2018 \$	2017 \$
Current		
Trade payables	19,825	10,034
Other payables	3,555	95
Goods and services tax payable	23,452	25,669
Lease incentive	22,099	22,099
PAYG payable	20,224	18,584
Audit fees payable	14,000	9,000
	103,155	85,481
Non-Current		
Rent payable	15,410	8,667
Lease incentive	90,238	112,337
	105,648	121,004
	208,803	206,485

Note 9: Provisions

	2018 \$	2017 \$
Current		
Annual leave provision	41,378	44,944
Long service leave provision	54,435	44,274
	95,813	89,218
Non-Current		
Long service leave provision	1,171	287
	1,171	287
	96,984	89,505
	Annual Leave Provision \$	Long Service Leave Provision \$
Opening Balance at 1 July 2016	51,147	40,527
Additional provisions recognised	35,818	4,034
Reductions arising from payments	(42,021)	-
Closing Balance at 30 June 2017	44,944	44,561
Opening Balance at 1 July 2017	44,944	44,561
Additional provisions recognised	38,887	11,045
Reductions arising from payments	(42,453)	-
Closing Balance at 30 June 2018	41,378	55,606

Note 10: Leasing Commitments

Leasing Arrangements

The company has operating leases relating to office facilities.

The office facilities lease for Level 11 at 99 William Street, Melbourne, Victoria, 3000, is for an initial term of seven years which expires on 31 July 2023. Thereafter there is an option for the company to extend the lease for a further period of three years. The commencing rent is \$78,925 per annum with an agreed rental increase of 3.75% on each anniversary of commencement.

Non-Cancellable Operating Lease Commitments

	2018 \$	2017 \$
Not longer than 1 year	84,699	81,638
Longer than 1 year and not longer than 5 years	371,774	358,336
Greater than 5 years	8,203	106,340
	464,676	546,314

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

	2018 \$	2016 \$
Non-current liability	15,410	8,667
	15,410	8,667

Note 11: Contingent Liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2018 (2017: Nil).

Note 12: 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 future financial years.

Note 13: Key Management Personnel Compensation

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

	2018 \$	2017 \$
Short-term employee benefits ¹	559,959	524,812
Post-employment benefits ²	49,035	68,910
Other long-term benefits ³	5,668	4,652
	614,662	598,374

¹ Includes payments to directors for their services.

² Comprises payments to contributory superannuation funds.

³ Includes long-service leave provided during the year, not paid (inc on costs).

Aggregate compensation paid to directors and other key management personnel of the company is comprised of the following amounts:

	Number	2018 \$	2017 \$
Chairman	1	97,222	97,222
Directors	5	219,000	219,000
Chief Executive Officer	1	298,440	282,152
	7	614,662	598,374

Note 14: 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 13.

(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 other transactions with key management personnel or their related entities, with the exception of the matter noted below.

Mr Craig Farrow is a non-executive Director of APESB and was a Director of Vocus Group Ltd until early March 2018. In the current financial year, APESB engaged Vocus Group Ltd to provide telephone and internet services to the company under normal commercial terms and conditions. Payments made to Vocus Group Ltd during the period Mr. Farrow was a Director are considered related party transactions with total payments as follows.

	2018 \$	2017 \$
Telephone and internet Services	6,471	7,853
	6,471	7,853

Notes to the Financial Statements

(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:

	2018 \$	2017 \$
Chartered Accountants Australia and New Zealand	483,333	476,623
CPA Australia	483,333	476,623
Institute of Public Accountants	483,333	476,623
	1,449,999	1,429,869

Note 15: Cash Flow Information

(a) Reconciliation of Cash

	2018 \$	2017 \$
Current		
Cash at bank	377,050	269,878
Cash on hand	50	50
	377,100	269,928
Cash at the end of the financial year as shown in the Statement of Cashflows is reconciled in the Statement of Financial Position as follows:		
Cash and cash equivalents	377,100	269,928
Term Deposits	897,304	882,358
Security deposit	42,383	42,383
	1,316,787	1,194,669

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

	2018 \$	2017 \$
Surplus for the year	88,854	24,639
<i>Non-Cash Flows:</i>		
Depreciation and amortisation expense	27,291	25,732
Movement in Working Capital		
Decrease in receivables	2,119	173,999
Increase/(Decrease) in trade and other payables	2,318	(43,457)
Increase/(Decrease) in provisions	7,479	(2,169)
Net cash from operating activities	128,061	178,744

Note 16: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The company does not have any derivative instruments as at 30 June 2018.

Specific Financial Risk Exposures

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	
2018	2017	2018	2017	2018		2017		2018	2017	2018	2017
				<1 year	>1 year	<1 year	>1 year				
%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Financial Assets

Cash and cash equivalents	-	-	-	-	377,100	-	269,928	-	-	-	377,100	269,928
Term deposits and security deposits	1.49	1.54	-	-	897,304	-	882,358	-	-	-	897,304	882,358
Other receivables	-	-	-	-	42,383	-	42,383	-	7,315	8,890	49,698	51,273
Total Financial Assets	1.49	1.54	-	-	1,316,787	-	1,194,669	-	7,315	8,890	1,324,102	1,203,559

Financial Liabilities

Trade payables	-	-	-	-	-	-	-	-	118,565	94,148	118,565	94,148
Total Financial Liabilities	-	-	-	-	-	-	-	-	118,565	94,148	118,565	94,148

Notes to the Financial Statements

(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 2018		
+2% in interest rates	23,548	23,548
-2% in interest rates	(18,978)	(18,978)
Year Ended 30 June 2017		
+2% in interest rates	22,979	22,979
-2% in interest rates	(18,527)	(18,527)

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.

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 are as follows:

	30 June 2018	
	Carrying Amount \$	Net Fair Value \$
Financial assets	1,324,102	1,324,102
Financial liabilities	118,565	118,565
	30 June 2017	
	Carrying Amount \$	Net Fair Value \$
Financial assets	1,203,559	1,203,559
Financial liabilities	94,148	94,148

**Note 17:
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. These include credit risk policies and cash flow policies. The company's capital consists of an accumulated surplus, represented and supported by total assets, net of total liabilities.

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 18:
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 2018 the number of members was 3 (2017: 3 members).

Note 19: Company Details

The registered office and principal place of business of the company is Level 11, 99 William Street, Melbourne, Victoria, 3000.

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

Opinion

We have audited the financial report of Accounting Professional and Ethical Standards Board Limited ("the Company") which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 the Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit 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.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ShineWing Australia

ShineWing Australia
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'Hayley Underwood'.

Hayley Underwood
Partner

Melbourne, 15th October 2018

Accounting Professional & Ethical Standards Board

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