

Accounting Professional & Ethical Standards Board Limited

ACN 118 227 259

**Annual report for the 17 months
ended 30 June 2007**

APESB Accounting
Professional and
Ethical Standards Board

Vision:

Our vision is:

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

We will achieve this vision by:

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

Statement of Purpose:

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

Values:

We are committed to:

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

Acting Chairperson's Report

Accounting Professional & Ethical Standards Board Limited (APESB) was registered as a company limited by guarantee on 7 February 2006. APESB was established as an initiative of CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) as an independent body to set the code of ethics and professional standards by which their members are required to abide. The National Institute of Accountants (NIA) became a member of APESB in November 2006.

Role of APESB

The primary objectives of APESB are twofold. Firstly, to develop and issue in the public interest, professional and ethical standards that will apply to accounting professional body membership. Secondly, to provide a formal and rigorous forum for the consideration, promulgation and approval of professional and ethical standards in an open, timely, independent and proactive manner.

Board Appointments

Initial appointments to the Board of Directors were Mr Stuart Black (nominee of ICAA), Professor Jack Flanagan (nominee of CPA Australia), Mr Harley McHutchison (nominee of ICAA) and Dr Kenneth Levy (nominee of CPA Australia). Mr Bob Sendt was subsequently appointed to the Board of Directors as a nominee of the NIA in December 2006.

APESB Strategic Direction

The early focus of APESB was establishing the secretariat, fitting out new premises and formalising the ongoing contractual and funding arrangements of APESB. The Board has developed a business plan to establish and guide the strategic direction of APESB. The plan sets out seven key result areas supported by objectives and strategies to be assessed annually against key performance indicators. Policies and procedures implemented in 2006 see APESB well placed to meet these indicators in 2007 and beyond.

Work Plan

The Board of Directors has met ten times since incorporation. The initial focus of APESB activities has been the review and re-issue of existing professional and ethical standards and guidance notes issued previously by CPA Australia and ICAA including the old Code of Professional Conduct (CPC) and Miscellaneous Professional Statements and Guidance Notes (APS and GN series).

The Board's work started with the review and issue of APES 110 *Code of Ethics for Professional Accountants*, APES 320 *Quality Control for Firms* and APES 410 *Conformity with Auditing and Assurance Standards* stemming from the introduction of legally enforceable auditing standards from 1 July 2006. These three standards became operative from that date and have since undergone a six-month post implementation review. A more comprehensive evaluation of APES 110 is scheduled to coincide with the 12 month implementation review in November 2007.

Exposure drafts have been issued for taxation services, contingent fee arrangements for assurance clients, network firm definition and terms of engagement. All four draft standards are expected to be issued by the end of 2007.

Due Process

APESB follows a rigorous process for developing professional and ethical standards. This process will be codified in the soon to be released *Framework for the Development and Review of Professional and Ethical Standards*. Amongst other things, this framework will outline APESB policy for identifying, prioritising and approving projects, and the strategies to encourage stakeholders to actively participate in standards and guidance note development processes. Based extensively on well documented processes adopted by international and national accounting standard setting bodies, this framework will formalise the Board's approach to developing standards.

Relationship with the International Ethics Standards Board for Accountants

Consistent with its strategic direction, the APESB, wherever possible, uses 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. The 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).

Facilities, technical support and resources

APESB moved into its new offices in November 2006. These facilities, which it occupies at Level 7, 600 Bourke Street, Melbourne, are located with the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB).

APESB is assisted by the technical and administrative support that is provided by the Manager, Ms Rachel Portelli and the technical staff made up of Mr Channa Wijesinghe (Senior Project Manager), Mr Christopher Kirwan (Project Manager) and Ms Rozelle Azad (Project Manager). The work of APESB has also been assisted by the contributions of the technical teams of the three professional bodies and management taskforces which provided input to several projects being considered by APESB.

APESB going forward

The activities and initiatives undertaken by APESB for the 17 months ended 30 June 2007 enable APESB to look forward with confidence to the challenges that lie ahead for the forthcoming year.



Mr Stuart Black
Acting Chairperson
27 July 2007

Directors' Report

The directors of Accounting Professional & Ethical Standards Board Limited (APESB) submit herewith the annual financial report of the company for the 17 months ended 30 June 2007. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Principal activities

The principal activities of APESB through the period 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 to provide 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 period was a surplus of \$536,553. This level of surplus reflects the difference in timing between when funding is received and when expenditure is incurred and includes \$253,662 received for capital expenditure during the period. 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 early focus of APESB operations was establishing the secretariat, fitting out new premises and formalising the ongoing contractual and funding arrangements. The initial focus of APESB activities has been 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.

Significant changes in state of affairs

There was no significant change in the state of affairs of the company that occurred during the financial period that are not otherwise disclosed in the Report or Financial Statements.

Performance in relation to environmental regulations

There was no environmental legislation applicable to the operations of the company which has not been complied with.

Likely development and future results

The company anticipates that it will maintain in 2007/2008 its positive financial position. 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 subsequent to balance date

Ms Kate Spargo was appointed chairperson of the company post year-end on the 16th July 2007. There has not been any other matter or circumstance occurring subsequent to the end of the financial period that has 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

The names and details of the company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Mr Stuart Black	<p>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.</p> <p>Date of Appointment: 7 February 2006</p>
Professor Jack Flanagan	<p>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.</p> <p>Date of Appointment: 7 February 2006</p>
Dr Kenneth Levy	<p>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 an Adjunct Professor in the Law School at Bond University.</p> <p>Date of Appointment: 7 February 2006</p>
Mr Harley McHutchison	<p>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.</p> <p>Date of Appointment: 7 February 2006</p>
Mr Bob Sendt	<p>Bob Sendt was New South Wales Auditor General from 1999 to 2006. He is a Fellow of CPA Australia, a member of the Institute of Chartered Accountants in Australia, a Fellow of the National Institute of Accountants, a Graduate of the Australian Institute of Company Directors and Director of Australasian Reporting Awards (Inc). From 2001 – 2005 he was a member of the Auditing and Assurance Standards Board and was Deputy Chair from 2004 – 2005.</p> <p>Date of Appointment: 11 December 2006</p>
Ms Kate Spargo	<p>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, CoInvest Ltd and NeuroSciences Victoria. She is also a councillor for the Victorian Division of the Australian Institute of Company Directors.</p> <p>Date of Appointment: 16 July 2007</p>

Company secretary

Rachel Portelli – MHIthServMgt, BAppSci (HIM), AIMM

Rachel Portelli is the Manager and Company Secretary of APESB. She has served as Manager of 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. She is currently undertaking the Graduate Diploma in Applied Corporate Governance through Chartered Secretaries Australia and is a Member of the Australian Institute of Management.

Indemnification of officers and auditors

During the financial period, 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 period, 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 period and the number of meetings attended by each director. During the financial reporting period, ten [10] directors' meetings were held.

Director	Directors' Meetings	
	Held	Attended
Stuart Black	10	10
Jack Flanagan	10	9
Kenneth Levy	10	10
Harley McHutchison	10	10
Bob Sendt *	2	2

* Not appointed to the Board for the entire period.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave 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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 page 9.

Corporate information

Registered office: Level 7, 600 Bourke Street, Melbourne, VIC, 3000

Corporate structure

The company is incorporated and domiciled in Australia as a company limited by guarantee with the liability of its members limited to \$10.

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, consisting of several overlapping, fluid strokes that form a cursive-style name.

Mr Stuart Black

Acting Chairperson

Melbourne, 27 July 2007

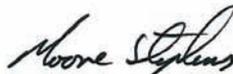
Auditors' Independence Declaration

MOORE STEPHENS

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2007 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, 27 July 2007

Partners
Stephen L. Adrian
Steven A. Allan
Marco S. Carlei
Jean-Claude Cesario
Ian K. Kearney
Daren L. J. McDonald
Kevin W. Neville

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*An independent member of Moore Stephens International Limited - members in principal cities throughout the world.
A separate partnership in Victoria*

Stephen J. O'Flynn
Tim R. Olynyk
S. David Pitt
Ivan Shapiro
Grant M. Sincok
Jonathan C. Thomas
Daren Yeoh

Directors' Declaration

The directors declare that:

In the opinion of the directors:

- a) the financial statements and notes of the company are 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 2007 and of its performance for the financial period ended on that date; and
 - ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 295 (5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Stuart Black

Acting Chairperson

Melbourne, 27 July 2007

Income Statement

for the 17 months ended 30 June 2007

	Note	07/02/2006 to 30/6/2007 \$
Revenue	3	1,220,199
Other income	3	1,156
Employee and directors fees		(361,074)
Recruitment costs		(69,101)
Rent		(43,656)
Board meeting costs		(53,460)
Consulting fees		(27,386)
Depreciation and amortisation		(45,682)
Accounting & legal fees		(32,259)
Cleaning & outgoings		(15,967)
Information technology support & development		(9,521)
Other expenses		(26,696)
Surplus before income tax		536,553
Income tax expense	2(j)	–
Surplus after income tax		536,553
Surplus for the financial period		536,553

The accompanying notes form part of these financial statements

Balance Sheet

as at 30 June 2007

	Note	30/06/2007 \$
Current assets		
Cash and cash equivalents	9(a)	411,376
Prepayments		1,825
Total current assets		413,201
Non-current assets		
Property, plant and equipment	4	207,980
Total non-current assets		207,980
Total assets		621,181
Current liabilities		
Trade and other payables	5	74,135
Provisions	6	10,493
Total current liabilities		84,628
Total liabilities		84,628
Net assets		536,553
Accumulated Surplus		536,553
Total equity		536,553

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the 17 months ended 30 June 2007

Note	Accumulated Surplus \$
Balance at 7 February 2006	–
Net result for the financial period	536,553
Balance at 30 June 2007	536,553

The accompanying notes form part of these financial statements

Cash Flow Statement

for the 17 months ended 30 June 2007

	07/02/2006 to 30/06/2007 \$
Cash flows from operating activities	
Receipts from funding bodies	1,252,077
Payments to suppliers and employees	(588,195)
Net cash provided by operating activities	9(c) 663,882
Cash flows from investing activities	
Interest received	1,156
Payments for property, plant and equipment	(253,662)
Net cash used in investing activities	(252,506)
Net increase in cash and cash equivalents	411,376
Cash and cash equivalents at the beginning of the financial period	-
Cash and cash equivalents at the end of the financial period	9(a) 411,376

The accompanying notes form part of the financial statements

Notes to the Financial Statements

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Notes to the Financial Statements

1. General information

The Accounting Professional & Ethical Standards Board (APESB or the 'company') is a public company limited by guarantee, incorporated on 7 February 2006 in Australia and operating in Melbourne, Australia. The registered office of the company and its principal place of business is Level 7, 600 Bourke Street, Melbourne, Victoria, 3000, Australia:

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Australian Accounting Interpretations, and complies with other requirements of the law. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The financial statements were authorised for issue by the directors on 27 July 2007.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The financial report has been prepared on an accruals basis, is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The accounting policies have been consistently applied, unless otherwise stated.

a) Cash and cash equivalents

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

b) 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.

c) Receivables

Receivables are recognised and carried at original invoice amount less any allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

d) 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 or other revalued amount of each asset 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 period, with the effect of any changes recognised on a prospective basis. Depreciation rates that have been applied in the current reporting period are as follows:

2. Significant accounting policies (cont.)

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 dependant on the asset's ability to generate cash flows, value in use is the depreciated replacement cost.

e) Revenue

Revenue primarily consists of subscriptions payable by the professional bodies (Institute of Chartered Accountants Australia, CPA Australia, 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.

Interest revenue

Revenue is recognised as interest accrues.

f) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

g) 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 relied upon.

h) Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

i) Leases

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

2. Significant accounting policies (cont.)

j) Income tax

The company is endorsed as an income tax exempt not-for-profit entity under Subdivision 50-1 of the *Income Tax Assessment Act 1997*.

k) Comparative amounts

APESB was established on 7th February 2006. The current financial report has been prepared for the period from 7 February 2006 to 30 June 2007. Accordingly, there are no comparative amounts.

3. Revenue

	07/02/2006 to 30/06/2007 \$
Revenue from professional bodies	
Operating income	966,537
Capital purpose income	253,662
Other revenue	
Bank deposits interest revenue	1,156
	1,221,355

4. Property, Plant & Equipment

	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

5. Trade and other payables

	30/06/2007 \$
Current	
Trade payables	33,008
Goods & services tax payable	24,502
Rent payable	3,356
Audit fees payable	9,000
Employee wages	4,269
	74,135

6. Provisions

	30/06/2007
	\$
Current	
Annual leave provision	10,493
	10,493
	Annual Leave Provision
	\$
Balance at 7 February 2006	–
Additional provisions recognised	10,493
Balance at 30 June 2007	10,493

7. Leases

Operating 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 further options to extend or to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

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

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

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

8. Economic Dependency

The ability of APESB to continue operations is dependant on continuing financial support from the Institute of Chartered Accountants in Australia, CPA Australia and the National Institute of Accountants.

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 (3) year rolling cycle reviewable annually.

9. Notes to the cash flow statement

a) Reconciliation of cash and cash equivalents

	30/06/2007
	\$
Current	
Cash at bank	411,349
Cash on hand	27
	<u>411,376</u>

b) Financing facilities

	30/06/2007
	\$
Credit card facility	
Amount used	–
Amount unused	7,500
	<u>7,500</u>

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

	30/06/2007
	\$
Surplus for the period	536,553
Interest income received and receivable	(1,156)
Depreciation and amortisation expense	45,682
Increase in assets:	
Current	
Receivables	(1,825)
Increase in liabilities:	
Current:	
Trade and other payables	84,628
Net cash from operating activities	<u>663,882</u>

10. Related Party Transactions

a) Equity interests in related entities

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

b) Key management personnel compensation

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

c) Key management personnel loans

There are no loans to or from key management personnel.

d) Transactions with key management personnel

Key management personnel have transactions with the company that occur within a normal employment relationship.

There have been no transactions with key management personnel, with the exception of the above, or their related entities.

e) Transactions with members of the company

Funding income received from the members of the company during the period are as follows:

	<hr/> 07/02/2006 to 30/6/2007 \$ <hr/>
Institute of Chartered Accountants in Australia	406,733
CPA Australia	406,733
National Institute of Accountants	406,733
	<hr/> 1,220,199 <hr/>

11. Remuneration of auditors

	<u>30/06/2007</u> \$
Auditor of the company	
Audit or review of the financial report	9,000
Other services (taxation) provided by a related division of the auditor	9,500
	<u>18,500</u>

12. Key management personnel compensation

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

	<u>30/06/2007</u> \$
Short-term employee benefits ¹	310,209
Post-employment benefits ²	<u>27,919</u>
	<u>338,128</u>

1 Includes payments to directors for their services.

2 Includes superannuation entitlements.

13. Contingent liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2007.

14. Financial instruments

a) Financial risk management

The company's financial instruments consists mainly of deposits with banks, accounts receivable and payable. The company does not have any derivative instruments at 30 June 2007.

Financial risks

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

Liquidity risk

The company manages liquidity risk by maintaining forecast cash flows.

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.

Interest rate risk

The company is not exposed to any fluctuations in interest rates, other than interest income earned on bank deposits.

Foreign currency risk

The company is not exposed to fluctuation in foreign currencies

Price risk

The company is not exposed to any material commodity price risk.

b) Interest rate risk

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 maturity dates						Non interest bearing	Total
		Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
%	\$	\$	\$	\$	\$	\$	\$	\$	

Financial assets

Continuing operations

Cash and cash equivalents	4.7%	-	411,736	-	-	-	-	-	-	411,736
Other receivables	-	-	1,825	-	-	-	-	-	1,825	1,825
			413,561	-	-	-	-	-	1,825	413,561

Financial liabilities

Continuing operations

Trade payables	-	-	74,135	-	-	-	-	-	74,135	74,135
Other provisions	-	-	10,493	-	-	-	-	-	10,493	10,493
			84,628	-	-	-	-	-	84,628	84,628

c) Net fair values

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

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:

	30/06/2007	
	\$	
	Carrying amounts \$	Net fair value \$
Financial assets	413,561	413,561
Financial liabilities	84,628	84,628

15. Accounting policies

The following Accounting Standards issued or amended 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	Standards Affected	Standards Affected	Application Date of Standard	Application Date for Company
AASB 2005–10 Amendments to Australian Accounting Standards	<ul style="list-style-type: none"> AASB 101 <i>Presentation of Financial Statements</i> AASB 117 Leases 	The disclosure requirements of AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> have been replaced due to the issuing of AASB 7: <i>Financial Instruments: Disclosures</i> in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1/1/2007	1/7/2007
AASB 7 Financial Instruments: Disclosures	<ul style="list-style-type: none"> AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> 	As above	1/1/2007	1/7/2007

16. Subsequent events

Ms Kate Spargo was appointed as chairperson of APESB post year-end on the 16th July 2007. No other matters or circumstances have arisen since the end of the financial reporting period 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.

17. Members' guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the company. At 30 June 2007 the number of members is three (3).

Auditor's Report

MOORE STEPHENS

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

Report on the Financial Report

We have audited the accompanying financial report of Accounting Professional & Ethical Standards Board Limited (the company), which comprises the balance sheet as at 30 June 2007 and the income statement, statement of recognised income and expenditure and cash flow statement for the period 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.

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.

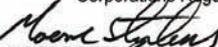
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the company on 27 July 2007, would be the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report of Accounting Professional & Ethical Standards Board Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2007 and of their performance for the period ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.


MOORE STEPHENS
Chartered Accountants


Kevin W Neville
Partner
Melbourne, 31 July 2007

Partners
Stephen L. Adrian
Steven A. Allan
Marco S. Carlei
Jean-Claude Cesario
Ian K. Kearney
Daren I. J. McDonald
Kevin W. Neville

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*An independent member of Moore Stephens International Limited - members in principal cities throughout the world.
A separate partnership in Victoria*

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Tim R. Olynyk
S. David Pitt
Ivan Shapiro
Grant M. Sincok
Jonathan C. Thomas
Daren Yeoh

