Accounting Professional & Ethical Standards Board Limited

ACN 118 227 259

APESB

Annual Report

for the year ended 30 June 2009

Vision:

Our vision is:

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

We will achieve this vision by:

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

Statement of Purpose:

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

Values:

We are committed to:

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

Highlights for 2008-2009 include:

Achieving our Objectives

APESB successfully completed the majority of its first three-year cycle of activities outlined in the work plan set by CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) when they established APESB in 2006. The work plan included reviewing and re-launching professional and ethical standards and guidance notes transferred to APESB from the professional accounting bodies.

Improving Professional Practice Through Standard Setting

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

- APES 210 *Conformity with Auditing and Assurance Standards* which replaces APES 410 of the same name. APES 210 has retained the mandatory professional obligation that all members of the professional accounting bodies must comply with auditing and assurance standards.
- APES 215 *Forensic Accounting Services*, which requires forensic accountants to maintain high professional standards through the introduction of new mandatory requirements and the extension of the standard to accountants working in the corporate sector and government, as well as those in public practice. The standard is designed to create greater certainty and consistency for business and the accounting profession on how accountants provide forensic accounting services.
- APES 225 *Valuation Services*, which was issued in response to calls from the accounting profession for greater guidance on how to conduct and report on valuation services. The standard is designed to ensure both business and the accounting profession produce consistent valuation reports.
- APES 320 *Quality Control for Firms* which stipulates the professional obligations of accountants in public practice when performing these engagements for clients. The standard is in line with the revised International Standard on Quality Control (ISQC1), issued by the International Federation of Accountants (IFAC).
- APES 345 *Reporting on Prospective Financial Information prepared in connection with a Disclosure Document* which sets out the requirements for accountants when undertaking these engagements.

Back row left to right:
Ms Rachel Portelli
Mr Channa Wijesinghe
Mr W Peter Day
Professor Jack Flanagan
Mr Harley McHutchison

Front row left to right:
Mr Bob Sendt
Ms Kate Spargo
Mr Stuart Black

Engaging with Experts in the Development of Professional and Ethical Standards

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

- Due diligence
- Code of ethics for professional accountants
- Insolvency services
- Financial advisory services
- Members in business
- Outsourcing of accounting services.

Influencing the International Standard Setting Agenda

APESB continued to influence the international standard setting agenda by:

- Building productive working relationships with IFAC board members and the Australian representative on the International Ethics Standards Board for Accountants (IESBA).
- Representing Australia at the inaugural International Ethics Standards Board for Accountants (IESBA) National Standards Setters meeting in Vancouver in April 2009.
- Making submissions to the IESBA on key standards that impact the Australian profession, such as proposed amendments to improve clarity of the Code of Ethics for Professional Accountants and to Section 290 of the Code (Independence – Audit and Review Engagements).

Increasing Awareness of Accounting Professional and Ethical Standards

APESB continued to raise the profile of accounting professional and ethical standards by:

- Averaging 39,423 monthly hits to the website.
- Engaging with media around the release of key standards.
- Speaking at conferences and events including the National Institute of Accountants Public Policy Symposium, ICAA Audit Conference and the Accounting Education Special Interest Group Symposium.
- Commencing a refresh of the APESB brand.
- Commencing a redesign of the APESB website which aims to make the site more user friendly and visually appealing.

Maintaining Strong Governance of APESB

APESB appointed a new director, Peter Day to assist the board strengthen its focus on the needs of accountants working in business and re-appointed four of its existing directors. The board also developed and approved a strategic plan and accompanying budget, to guide the board's activities over the next four years.

Chairperson's Report

There are already some early signs that the worst of the Global Financial Crisis may be behind us. No one is suggesting that the road ahead won't be bumpy with setbacks and challenges and for professions such as ours, there will be the additional pressure of re-establishing some of the credibility and trust that we have lost during this period.

It is worth reminding ourselves that the benefits of belonging to a body which has earned a "professional" standing should never be taken for granted. To achieve such a reputation is often hard earned, easily lost and, if lost, extremely difficult to recover.

We can see that much of the cause of the recent financial crisis arose from the failure of various professionals such as bankers, advisers and regulators to maintain an appropriate balance between pursuing their own interests and meeting their professional obligation to balance these interests with those of the public interest.

That is why as a profession, we established the *Code of Ethics for Professional Accountants* (APES 110) to stress to the general public and those institutions we serve, our commitment to behaving ethically, professionally and in the public interest. It is beneficial for us all to ensure that we are doing all we can to demonstrate the five principles that underpin this Code:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality, and
- Professional behaviour.

Behaving to these high professional and ethical standards, not just in theory, but in our day to day dealings, is crucial to rebuilding public trust and demonstrating our individual and collective commitment to serving each of our stakeholders.

APESB Strategic Direction

In line with our Strategic Plan 2009 – 2012, the Board considered a number of topics during the year. These included APESB contribution to the profession, APESB structure, our effectiveness, use of technology, the image and values of the accounting profession, membership, ethics and professionalism in practice, stakeholder relations, international relations, government relations, role of standards in developing professional and ethical conduct, professional education, monitoring and disciplinary processes and communicating the role of APESB to members and the wider business community.

The key priorities continue to be raising awareness of our standards amongst all members, ensuring their credibility through robust monitoring of the disciplinary processes, and influencing the international agenda by leveraging our substantial suite of professional standards we have developed in Australia.

Relationship with the International Ethics Standards Board for Accountants

APESB continues to monitor the work of the IESBA including on the Code of Ethics for Professional Accountants (the Code), the recently approved convergence program, and priority projects such as accountants in government, fraud and illegal acts and conflicts of interest.

The Technical Director and I attended the IESBA inaugural National Standards Setters (NSS) Meeting in Vancouver in April 2009. It was a useful opportunity to meet with others engaged in standard setting and to discuss the various approaches adopted by the 12 countries that were represented. Discussions focused on recent IESBA activities, implementation and convergence of national and international standards, and the IESBA strategy for 2010 – 2012.

The Board hopes to capitalise on the considerable interest in how we operate in Australia and in the breadth of our standards with further discussions with the IESBA.

The key priorities continue to be raising awareness of our standards amongst all members, ensuring their credibility through robust monitoring of the disciplinary processes, and influencing the international agenda by leveraging our substantial suite of professional standards in Australia.

Work Plan

APESB issued five standards during 2008 – 2009 in the areas of: quality control for firms, forensic accounting, prospective financial information, conformity with auditing and assurance standards and business valuation. Additional standards in the areas of due diligence committees and insolvency were released for exposure and are expected to be issued by the end of the year.

Taskforce Program

As at 30 June 2009, APESB has six active taskforces in the areas of: the code of ethics for professional accountants, due diligence committees, financial advisory services, insolvency services, members in business, and outsourcing of accounting services.

These taskforces make an enormous contribution to APESB and its work and are a key part of our consultation process. I am indebted to those members of the profession and others who give their time, energy and intellect to this activity. APESB also thanks those firms and companies that enable their staff to undertake this work.

APESB will continue to look for the best balance of people and skills to make up our taskforces and ultimately to inform development of the most appropriate standards.

Acknowledgements

On behalf of the Board, I would like to acknowledge the contribution of Dr Ken Levy, one of our inaugural directors who retired in February 2009. Ken was instrumental in establishing APESB and his contribution over three years on the Board is greatly appreciated. We welcomed Peter Day to the Board of Directors in April 2009. Peter brings to the table his diverse, high-level experience in the business community.

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

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

The Board and the management team look forward to again contributing to the "professionalism of the profession" in the year ahead.

Ms Kate Spargo

Chairperson
15 October 2009

Taskforce Composition as at 30 June 2009

Code of Ethics for Professional Accountants

Mr Clark Anstis	Australian Accounting Standards Board
Ms Dianne Azoor-Hughes	Pitcher Partners
Mr David Balcombe	Ernst & Young (ICAA nominee)
Mr Richard Mifsud	Auditing and Assurance Standards Board
Mr Michael Nugent	International Federation of Accountants
Ms Marisa Orbea	Deloitte
Ms Rachel Portelli	APESB
Mr Keith Reilly	Grant Thornton Australia (NIA nominee)
Ms Tiina-Liisa Sexton	CPA Australia Limited nominee
Mr Channa Wijesinghe	APESB (Chairperson)

Due Diligence Committee

Mr Reece Agland	NIA nominee
Ms Claire Cardno	Ernst & Young
Mr Jeff Cook	KPMG
Mr Jeffrey Luckins	Webb Group Australia Pty Ltd
Mr Paul Meredith	ICAA nominee
Mr Jock O'Callaghan	PriceWaterhouseCoopers
Dr Gary Pflugrath	CPA Australia Limited nominee
Ms Marina Stuart	Deloitte
Mr Channa Wijesinghe	APESB (Chairperson)

Financial Advisory Services

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

Insolvency

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

Members in Business

Ms Karen McWilliams	ICAA
Ms Jo-Ann Long	Latent Petroleum
Mr Paul Meredith	Institute nominee
Mr Jeff O'Connell	Ipswich Shire Council (NIA Nominee)
Mr John Purcell	CPA Australia Limited nominee
Mr Channa Wijesinghe	APESB (Chairperson)

Outsourcing of Accounting Services

Mr Bruce Coombes	MYOB Accountants Resourcing
Mr Paul Meredith	ICAA nominee
Mr Siva Navaratnam	ANZ
Mr Harry Rosenberg	Nexia ASR
Ms Tiina-Liisa Sexton	CPA Australia Limited nominee
Ms Vicki Stylianou	NIA nominee
Mr Channa Wijesinghe	APESB (Chairperson)

Directors' Report

Left to right:
Mr Stuart Black
Mr W Peter Day
Professor Jack Flanagan



The directors of Accounting Professional & Ethical Standards Board Limited (APESB or the company) submit herewith the annual financial report of the company for the year ended 30 June 2009. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report is as follows:

Principal Activities

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

Results of Operations

The result for the year was a deficit of $52,990 compared to a surplus of $76,794 for the period 1 July 2007 to 30 June 2008. The lower result was primarily due to an increase in directors' fees from 1 January 2009 and the reliance on contract staff to support the delivery of the technical work program.

Review of Operations

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

Significant Changes in the State of Affairs

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

Environmental Issues

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

Future Developments

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

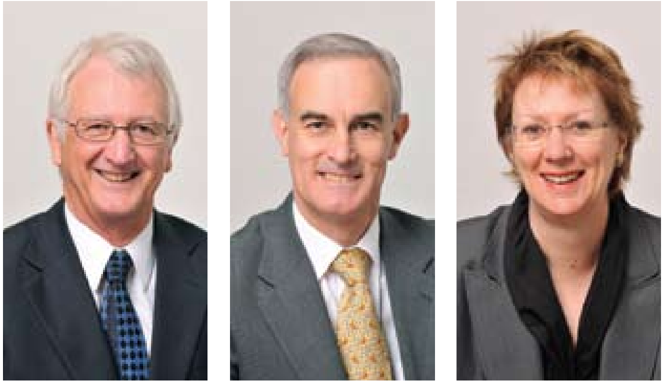
Dividends

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

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or 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' Report



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 mentioned below had any special responsibilities during the year.

Mr Stuart Black

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

Mr W Peter Day

Peter Day is a non-executive director and Chairman of Orbital Corporation Limited, a non-executive director of Ansell Limited, Multiple Sclerosis Limited, Financial Executives International of Australia Limited and SAI Global Limited. He is a member of the Monash University Business and Economics Advisory Committee. He was appointed a member of the Risk Management and Audit Committee of the Australian Prudential Regulatory Authority in September 2008. He was formerly Executive General Manager Finance for Amcor Limited and has also had senior executive positions with Boniac Foods, Rio Tinto, CRA and Comalco. *Date of appointment: 15 April 2009.*

Professor Jack Flanagan

Jack Flanagan is Emeritus Professor of Accounting at Australian Catholic University. He is a Fellow of CPA Australia and a member of the Institute of Chartered Accountants in Australia. He is also a trustee of Catholic Healthcare. *Date of appointment: 7 February 2006.*

Dr Kenneth Levy

Ken Levy RFD is Past President and a 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 a practising Barrister. He is also a Professor (Part-time) in the Law School of Bond University. *Appointed from 7 February 2006 to 7 February 2009.*

Mr Harley McHutchison

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

Mr Bob Sendt

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

Ms Kate Spargo

Kate Spargo was appointed chairperson of APESB in July 2007. She is a non-executive director of IOOF Holdings Ltd, Pacific Hydro Pty Ltd, Investec Bank (Australia) Ltd and Transfield Services Infrastructure Fund. She also serves on the boards of CoInvest Ltd and NeuroSciences Victoria. She is also a Fellow of the Australian Institute of Company Directors and is a member of its Victorian Council. In July 2008, she was selected for the Board of the Australian Energy Market Operator (AEMO) that commenced operations on 1 July 2009. *Date of appointment: 16 July 2007.*

Left to right:
Mr Harley McHutchison
Mr Bob Sendt
Ms Kate Spargo

Company Secretary

Rachel Portelli - MHlthServMgt, BAppSci (HIM)

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

Indemnification of Officers and Auditors

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

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

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial reporting year and the number of meetings attended by each director. During the financial reporting year, ten [10] directors' meetings were held.

Director	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Stuart Black	10	10
Peter Day	1	1
Jack Flanagan	10	10
Kenneth Levy	6	4
Harley McHutchison	10	9
Bob Sendt	10	10
Kate Spargo	10	10

Proceedings on Behalf of the Entity

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.

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 14.

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

Ms Kate Spargo

Chairperson
15 October 2009

Financial Statements

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 year ended 30 June 2009 there have been:

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

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

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Scott Phillips
Partner
Melbourne, 15 October 2009

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

Directors' Declaration

The directors of the company declare that:

(1) The financial statements and notes are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company.

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

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

Ms Kate Spargo

Chairperson
15 October 2009

Income Statement
for the year ended 30 June 2009

	Note	01/07/2008 to 30/06/2009 $	01/07/2007 to 30/6/2008 $
Revenue	2	988,128	974,262
Other revenue	2	5,947	24,550
Employee and directors fees		(692,251)	(568,258)
Rent		(52,387)	(52,387)
Board meeting costs		(95,549)	(83,752)
Consulting fees		(47,597)	(54,175)
Depreciation and amortisation		(57,051)	(51,854)
Finance charges		(2,922)	-
Accounting & legal fees		(13,113)	(33,189)
Cleaning & outgoings		(20,527)	(18,276)
Information technology support & development		(15,860)	(11,301)
Marketing		(12,466)	(18,412)
Other expenses		(37,342)	(30,414)
(Deficit)/Surplus before income tax		(52,990)	76,794
Income tax expense	1(i)	-	-
(Deficit)/Surplus after income tax		(52,990)	76,794
(Deficit)/Surplus for the financial year		(52,990)	76,794

The accompanying notes form part of these financial statements

Balance Sheet
as at 30 June 2009

	Note	30/06/2009 $	30/06/2008 $
Current Assets			
Cash and cash equivalents	12(a)	552,445	518,880
Other assets - prepayments and deposits		2,059	36,372
Total Current Assets		554,504	555,252
Non-Current Assets			
Property, plant and equipment	3	117,493	157,649
Total Non-Current Assets		117,493	157,649
Total Assets		671,997	712,901
Current Liabilities			
Trade and other payables	4	62,356	75,942
Provisions	5	28,017	23,612
Total Current Liabilities		90,373	99,554
Non-Current Liabilities			
Provisions	5	21,267	-
Total Non-Current Liabilities		21,267	-
Total Liabilities		111,640	99,554
Net Assets		560,357	613,347
Accumulated surplus		560,357	613,347
Total Equity		560,357	613,347

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2009

	Note	Accumulated Surplus $
Balance at 30 June 2007		536,553
Net surplus for the financial year		76,794
Balance at 30 June 2008		613,347
Balance at 30 June 2008		613,347
Net deficit for the financial year		(52,990)
Balance at 30 June 2009		560,357

The accompanying notes form part of these financial statements

Cash Flow Statement
for the year ended 30 June 2009

	Note	01/07/2008 to 30/06/2009 $	01/07/2007 to 30/06/2008 $
Cash Flows from Operating Activities			
Receipts from funding bodies		1,084,834	1,065,707[1]
Receipts from licensing fees		-	21,793
Payments to suppliers and employees		(1,057,216)	(981,231)[1]
Net cash provided by operating activities	12(c)	27,618	106,269
Cash Flows from Investing Activities			
Interest received		5,947	2,758
Payments for property, plant and equipment		-	(1,523)
Net cash provided by investing activities		5,947	1,235
Net Increase in Cash and Cash Equivalents		33,565	107,504
Cash and Cash Equivalents at the Beginning of the Financial Year		518,880	411,376
Cash and Cash Equivalents at the End of the Financial Year	12(a)	552,445	518,880

[1]Prior year comparatives have been adjusted to be presented on a gross basis.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

Notes to the Financial Statements

The financial report is for Accounting Professional & Ethical Standards Board Limited (APESB or the company) as an individual company, incorporated and domiciled in Australia. APESB is a company limited by guarantee. The financial report was authorised for issue on 15 October 2009 by the Board of Directors.

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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

Accounting Policies

(a) Revenue

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

Licensing Fees Revenue

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

Interest Revenue

Revenue is recognised as interest accrues.

(b) Property, Plant and Equipment

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

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

Leasehold improvements	20%
Lease assets	10%
Furniture	20%
Computer equipment	25%
Office equipment	25%

(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 and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset. Financial instruments are initially measured at fair value plus transaction costs except when the instrument is classified as 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

ii. less principal repayments

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

iv. less any reduction for impairment.

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

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

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

(ii) Loans and Receivables

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

(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.

(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 Income Statement.

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 Income Statement.

(e) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible 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 Income Statement.

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 Balance Sheet date.

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

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Cash and Cash Equivalents

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

h) Goods and Services Tax (GST)

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

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

(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

General 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 measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

Make Good Provision

A provision has been made for the present value of anticipated costs of future restoration provision of leased office premises. The provision includes future cost estimates associated with the dismantling of office premises, fixtures and fittings. The calculation of this provision is based on the best estimate of future costs which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for the office premises is periodically reviewed and updated based on the facts and information available at the time. Changes to the estimated future costs for the office premises are recognised in the balance sheet by adjusting both the expense and asset (if applicable) and provision. The related carrying amounts are disclosed in note 3 to the financial statements.

(k) Comparative Figures

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

(l) Critical Accounting Estimates and Judgments

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

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

(m) Economic Dependency

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

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

(n) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and the impact on the company is as follows:

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the company.

Note 2: Revenue

	01/07/2008 to 30/06/2009 $	01/07/2007 to 30/06/2008 $
Revenue from Joint Accounting Bodies		
Operating revenue	988,128	972,739
Capital purpose revenue	-	1,523
	988,128	974,262
Other Revenue		
Bank deposits interest revenue	5,947	2,757
Licensing fees revenue	-	21,793
	5,947	24,550
Total Revenue	994,075	998,812

Note 3: Property, Plant and Equipment

	Lease Asset/ Leasehold Improvement Make Good $	Leasehold Improvements $	Furniture $	Computer Equipment $	Office Equipment $	Total $
Gross Carrying Amount						
Balance at 1 July 2008	-	197,072	39,131	11,377	7,605	255,185
Additions	-	-	-	-	-	-
Initial recognition	16,895	-	-	-	-	16,895
Disposals	-	-	-	-	-	-
Balance at 30 June 2009	16,895	197,072	39,131	11,377	7,605	272,080
Accumulated Depreciation/ Amortisation and Impairment						
Balance at 1 July 2008	-	(75,481)	(14,988)	(4,336)	(2,731)	(97,536)
Depreciation & amortisation expense	(5,068)	(39,414)	(7,825)	(2,844)	(1,900)	(57,051)
Balance at 30 June 2009	(5,068)	(114,895)	(22,813)	(7,180)	(4,631)	(154,587)
Net Book Value						
As at 1 July 2008	-	121,591	24,143	7,041	4,874	157,649
As at 30 June 2009	11,827	82,177	16,318	4,197	2,974	117,493
Gross Carrying Amount						
Balance at 1 July 2007	-	197,072	39,131	11,377	6,082	253,662
Additions	-	-	-	-	1,523	1,523
Disposals	-	-	-	-	-	-
Balance at 30 June 2008	-	197,072	39,131	11,377	7,605	255,185
Accumulated Depreciation/ Amortisation and Impairment						
Balance at 1 July 2007	-	(36,067)	(7,162)	(1,492)	(961)	(45,682)
Depreciation expense		(39,414)	(7,826)	(2,844)	(1,770)	(51,854)
Balance at 30 June 2008	-	(75,481)	(14,988)	(4,336)	(2,731)	(97,536)
Net Book Value						
As at 1 July 2007	-	161,005	31,969	9,885	5,121	207,980
As at 30 June 2008	-	121,591	24,143	7,041	4,874	157,649

Note 4: Trade and Other Payables

	30/06/2009 $	30/06/2008 $
Current		
Trade payables	28,835	49,279
Goods and services tax payable	17,725	13,305
Rent payable	-	3,998
Superannuation payable	5,100	-
Audit fees payable	9,600	9,360
Accrued income	1,096	-
	62,356	75,942

Note 5: Provisions

	30/06/2009 $	30/06/2008 $
Current		
Annual leave provision	28,017	23,612
	28,017	23,612
Non Current		
Make good provision	19,817	-
Long service leave provision	1,450	-
	21,267	-
	49,284	23,612

	Annual Leave Provision $	Make Good Provision $	Long Service Provision $
Balance at 1 July 2007	10,493	-	-
Additional provisions recognised	29,535	-	-
Reductions arising from payments	(16,416)	-	-
Balance at 30 June 2008	23,612	-	-
Balance at 1 July 2008	23,612	-	-
Additional provisions recognised	23,855	19,817	1,450
Reductions arising from payments	(19,450)	-	-
Balance at 30 June 2009	28,017	19,817	1,450

Note 6: Leasing Commitments

Leasing Arrangements

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

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

A provision has been made for the present value of anticipated costs of future restoration provision of leased office premises. The provision includes future cost estimates associated with the dismantling of office premises, fixtures and fittings. The calculation of this provision is based on the best estimate of future costs which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for the office premises is periodically reviewed and updated based on the facts and information available at the time. Changes to the estimated future costs for the office premises are recognised in the balance sheet by adjusting both the expense and asset (if applicable) and provision. The related carrying amounts are disclosed in note 3 to the financial statements.

Non-cancellable operating lease commitments

	30/06/2009 $	30/06/2008 $
Not longer than 1 year	55,207	55,207
Longer than 1 year and not longer than 5 years	66,758	121,964
	121,965	177,171

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

	30/06/2009 $	30/06/2008 $
Current	4,246	3,998
	4,246	3,998

Note 7: Contingent Liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2009.

Note 8: Events After Balance Date

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

Note 9: Auditors' Remuneration

	30/06/2009 $	30/06/2008 $
Auditior of the Company		
Audit or review of the financial report	9,600	9,360
Other services provided by a related division of the auditor	-	-
	9,600	9,360

Note 10: Key Management Personnel Compensation

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

	30/06/2009 $	30/06/2008 $
Short-term employee benefits[1]	507,436	419,041
Post-employment benefits[2]	42,519	37,593
	549,955	456,634

[1] *Includes payments to directors for their services.*

[2] *Includes superannuation entitlements.*

Note 11: Related Party Transactions

(a) Equity Interests in Related Entities

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

(b) Key Management Personnel Compensation

Disclosures relating to key management personnel compensation are set out in note 10.

(c) Key Management Personnel Loans

There are no loans to or from key management personnel.

(d) Transactions with Key Management Personnel

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

(e) Transactions with Members of the Company

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

	01/07/2008 to 30/06/2009 $	01/07/2007 to 30/06/2008 $
Institute of Chartered Accountants in Australia	329,376	324,754
CPA Australia	329,376	324,754
National Institute of Accountants	329,376	324,754
	988,128	974,262

Note: CPA Australia paid $1,084 in excess of the agreed annual funding contribution. This amount has been taken up as accrued income in the current financial year.

Note 12: Cash Flow Information

(a) Reconciliation of Cash and Cash Equivalents

	30/06/2009 $	30/06/2008 $
Current		
Cash at bank	552,330	518,859
Cash on hand	115	21
	552,445	518,880

(b) Financing Facilities

	30/06/2009 $	30/06/2008 $
Credit card facility		
Amount used	11,985	11,372
Amount unused	11,015	1,628
	23,000	13,000

(c) Reconciliation of (Deficit)/ Surplus for the Year to Net Cash Flows from Operating Activities

	30/06/2009 $	30/06/2008 $
(Deficit)/Surplus for the year	(52,990)	76,794
Adjustments for:		
Interest income	(5,947)	(2,757)
Depreciation and amortisation expense	57,051	51,854
Finance costs	2,922	-
Long service leave expense	1,450	-
Decrease/(Increase) in assets:		
Current		
Receivables	34,313	(34,547)
(Decrease)/Increase in liabilities and provisions:		
Current		
Trade and other payables	(9,181)	14,925
Net cash from operating activities	27,618	106,269

Note 13: 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 at 30 June 2009.

Specific Financial Risk Exposures and Management

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

(a) Interest Rate Risk

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

(b) Liquidity Risk

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

Financial liability and financial asset maturity analysis

	Weighted Average Effective Interest Rate		Variable Interest Rate		Fixed Interest Rate Maturing				Non Interest Bearing		Total	
	2009	2008	2009	2008	2009		2008		2009	2008	2009	2008
					<1 year	>1 year	<1 year	>1 year				
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets												
Cash and cash equivalents	0.75	0.8	-	-	552,445	-	518,880	-	-	-	552,445	518,880
Other receivables	-	-	-	-	-	-	-	-	2,059	36,372	2,059	36,372
Total Financial Assets			-	-	552,445	-	518,880	-	2,059	36,372	554,504	555,252
Financial Liabilities												
Trade payables	-	-	-	-	-	-	-	-	62,356	75,942	62,356	75,942
Other current provisions	-	-	-	-	-	-	-	-	28,017	23,612	28,017	23,612
Total Financial Liabilities			-	-	-	-	-	-	90,373	99,554	90,373	99,554

(c) Credit Risk

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

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

Net Fair Values

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

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

	30/06/2009 $	
	Carrying Amounts $	Net Fair Value $
Financial assets	554,504	554,504
Financial liabilities	90,373	90,373

	30/06/2008 $	
	Carrying Amounts $	Net Fair Value $
Financial assets	555,252	555,252
Financial liabilities	99,554	99,554

Note 14: 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 2009 the number of members was 3 (2008: 3 members).

Note 15: Company Details

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

MOORE STEPHENS

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

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 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Moore Stephens ABN 39 533 589 331
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MOORE STEPHENS

Auditor's Opinion

In our opinion:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Scott Phillips
Partner
Melbourne, 15 October 2009

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