

ANNUAL REPORT 2014

AUSTRALIAN RESTRUCTURING
INSOLVENCY & TURNAROUND
ASSOCIATION

ARITA'S MISSION STATEMENT

ARITA's mission is to support insolvency and recovery professionals in their quest to restore the economic value of underperforming business and to assist financially challenged individuals.

We deliver this through the provision of innovative training and education, upholding world class ethical and professional standards, influencing and partnering with government and promoting the ideals of the profession to the public at large.

OUR AMBITIONS

LEADING THE DEBATE
THE GO TO PEOPLE
WORLD CLASS EDUCATOR
SUSTAINABLE REVENUE
BROADER, EXPANDED, ACTIVE MEMBERSHIP
INDEPENDENT PROFESSIONAL CONDUCT OVERSIGHT
IMPROVED INTERNAL PERFORMANCE
BOARD AND COMMITTEE RESTRUCTURE
BROADER ENGAGEMENTS – MARKETS/COMMUNITY
RAISE PUBLIC PROFILE

OUR VALUES

PROFESSIONALISM
LEADERSHIP
TECHNICAL EXCELLENCE
PROGRESSIVENESS
TEAMWORK
INFLUENCE

ANNUAL REPORT 2014

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DAVID LOMBE
President

PRESIDENT'S MESSAGE

On behalf of the Board, I present ARITA's 2014 Annual Report.

2014 was an important year of transition and positive change for ARITA. We changed our name, welcomed a new CEO, released our first strategic plan, published a discussion paper on corporate financial distress, and further embraced the restructuring and turnaround profession.

NAME CHANGE

On New Year's Day we officially adopted our new name and completed the transition from the Insolvency Practitioners Association to the Australian Restructuring Insolvency and Turnaround Association.

But in and of itself, a name change means nothing unless we ensure that our brand – the essence of who we really are – changes with it. So 2014 was the year of setting in place the strategies to do that.

ARITA 2017

To provide a roadmap to bring our new brand to life, we adopted our first ever comprehensive strategic plan:

ARITA 2017. The plan identifies six core objectives:

- Delivering world class education services
- Building and sustaining a broader, expanded and active membership
- Maintaining independent professional standards and conduct oversight
- Influencing markets and communities as active industry advocates
- Managing our reputation
- Improving ARITA's financial performance.

We have structured the content of this Annual Report in line with these objectives and reported on our progress toward achieving them. If you haven't yet taken the time to read *ARITA 2017*, I would strongly urge you to do so. If you're a member, please feel free to give us feedback about our performance against those goals and help us reshape and further improve them as we move forward.

NEW CEO

In 2014 we welcomed a new CEO, John Winter, to lead the small ARITA national office team in achieving our goals by collaborating with our members – members who offer so much time, expertise and commitment in making ARITA what it is.

RESTRUCTURING AND TURNAROUND

We've been focussing on broadening our offering to genuinely embrace the wider profession of restructuring and turnaround. That has included a lot of background work reconsidering our future education offerings and our membership structure. These changes will be delivered in 2015.

REPRESENTATION AND THOUGHT LEADERSHIP

The year also saw ARITA working almost continuously on a range of submissions to various inquiries and law reform proposals. As the voice for the profession, this work is critical for ARITA, and it draws on one of our core value propositions: the depth of technical expertise of ARITA's staff and committees.

At the same time, we worked hard in consultation with members to produce our major discussion paper, *A Platform for Recovery*. It provided thought leadership on the reforms we consider our corporate insolvency regime needs in the 21st century.

In our leadership role of the profession, ARITA continues to press for change and improvement. This work helps ensure the Australian insolvency and restructuring regime best serves our economy and the full spectrum of stakeholders within it.

MY AGENDA AS PRESIDENT

I am pleased to report that we made significant progress on the items on my President's agenda, including:

- thought leadership
- relationship with regulators
- financial and operational hygiene
- communication with members
- our position as the peak industry body, and
- education platforms.

FINANCIAL PERFORMANCE

We were able to deliver a better than expected year-end financial result, further adding to our reserves. These reserves are important as we focus on growth in the coming years, which will necessarily require investment, in an economy which will present financial challenges to our traditional revenue streams.

There is no doubt that ARITA has finished 2014 in a stronger position than it started.

THANK YOU

Finally, it has been an honour and a privilege to lead the Board and represent the association and its members over the last two years. I would like to take this opportunity to thank the Board and staff for their commitment and tireless effort, with a special thank you to John Winter, our CEO. I also welcome incoming President Michael McCann as he leads ARITA into an exciting future.

In 2014 we changed our name, welcomed a new CEO, released our first strategic plan, published a discussion paper on corporate financial distress, and further embraced the restructuring and turnaround profession.



David JF Lombe
President

01

DELIVERING WORLD CLASS EDUCATION SERVICES

ARITA's highly regarded education courses are a cornerstone of our offering.

Our education courses include the two-day Introduction to Insolvency Program (IIP) and the two semester Insolvency Education Program (IEP). Completion of the IEP is mandatory to achieve Professional Membership of ARITA.

EDUCATION PARTNER

The coursework elements of the IEP have been delivered by Queensland University of Technology (QUT) for the last five years. This agreement is ARITA's most financially significant contractual arrangement, and was set to expire in June 2014.

Given the need to consider an expanded education offering that embraces restructuring and turnaround, an interim extension to the QUT arrangements was negotiated for a further 18 months (expiring December 2015). ARITA was also able to secure improved financial terms as part of that arrangement.

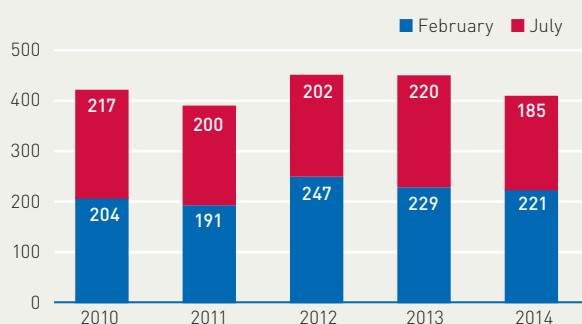
IIP

The IIP course continues to serve its important role in providing a foundation on the complexities of insolvency to new entrants to the profession. Some 227 students completed the two-day course in 2014, with face-to-face sessions being held in most major capital cities.

IEP

2014 was another strong year for IEP enrolments with just over 400 registrations combined for each of the two modules. Enrolment did dip from highs across 2012 and 2013 where just under 450 enrolments were posted. It is anticipated that enrolments will continue to soften in 2015 as the insolvency market slows and fewer new entrants are recruited to the profession.

IEP ENROLMENTS



SHORT COURSES

Our compliance-focussed, half-day courses on remuneration, independence and s 439A reporting saw a total of just over 130 enrolments.

ATTENDANCE AT FORMAL COURSES

Course	Attendance
IIP	227
IEP	406
Remuneration	42
Independence	39
s 439A report training	52

2014 was another strong year for IEP enrolments with just over 400 registrations combined for each of the two modules.

BUILDING AND SUSTAINING A BROADER, EXPANDED AND ACTIVE MEMBERSHIP

ARITA continues to enjoy a strong, stable and engaged membership.

Importantly, we represent more than three-quarters of all registered liquidators and trustees. Our membership comes from the full spectrum of practitioner firms, from small practices, large boutiques and divisions of large law and accounting firms.

The majority of our membership continues to be drawn from small-to-medium practices.

MEMBER SATISFACTION

Despite being a small team, ARITA strives to provide world-class services to our members. Our success in achieving this is recognised by the net-promoter rating that our members give to the Association. Ninety-two percent of respondents in our annual member survey reported that they would recommend ARITA to their peers.

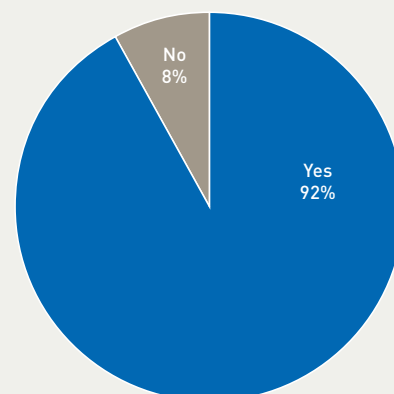
QUALITY OF SERVICES

In the same survey, our members gave the highest ratings to the following ARITA activities: keeping them up to date with information, advocacy for the profession and our thought leadership work.

The survey also reflected the excellent reputation that the Australian Insolvency Journal has amongst our members. Other highly regarded services include our formal education offerings and our largest event, the National Conference.

Held in Melbourne, our 2014 National Conference was attended by over 330 members and guests with the gala dinner seating over 600. This event was a major contributor to funding ARITA's operations.

WOULD YOU RECOMMEND ARITA MEMBERSHIP TO YOUR PEERS?

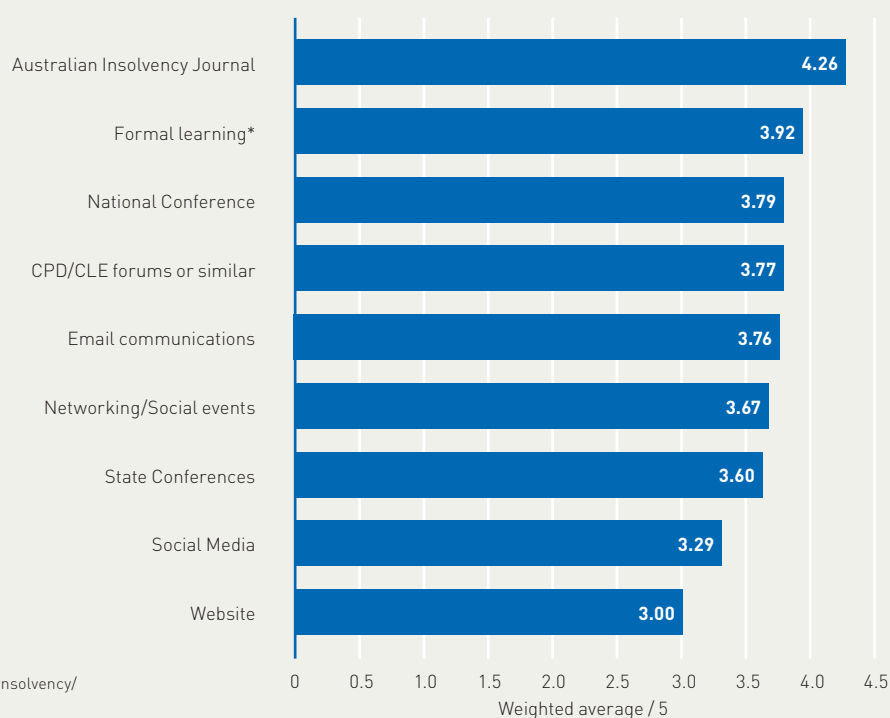


SURVEY RATINGS

ARITA'S PERFORMANCE RATING OVER THE LAST 12 MONTHS

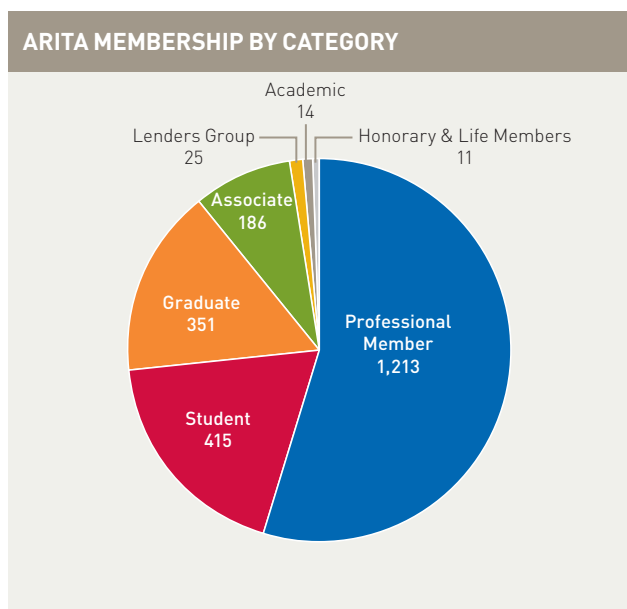


ARITA'S QUALITY OF ACTIVITY RATING OVER THE LAST 12 MONTHS

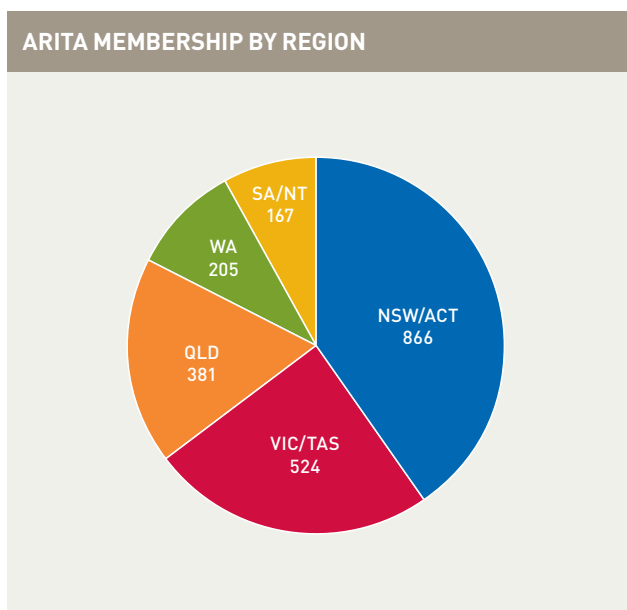


* Insolvency Education Program/Introduction to Insolvency/
Remuneration/Independence/s439A

MEMBER PROFILE

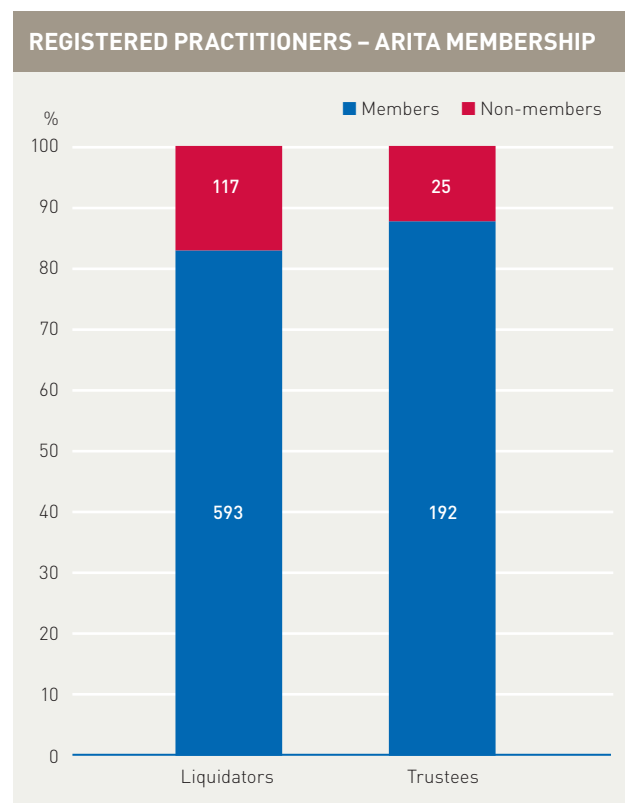


Our membership comes from the full spectrum of practitioner firms, from small practices, large boutiques and divisions of large law and accounting firms.



NEW MEMBERS 2014

Category	No. of Members
Academic	2
Associate	5
Professional Member	86
Lenders Group	3
Graduate	256
Total	352



MAINTAINING INDEPENDENT PROFESSIONAL STANDARDS AND CONDUCT OVERSIGHT

ARITA plays a key role in the advocacy, development and maintenance of high standards of professional and ethical conduct among its members, and more generally throughout the profession.

During 2013 we reviewed our Code of Professional Practice with the aim of improving the disclosure of interests, remuneration and relationships. This continues ARITA's commitment to ensure that the standard of ARITA members' practices is exemplary. The 3rd Edition of the Code came into effect on 1 January 2014.

ARITA's professional technical and legal staff work with members to assist them in understanding their obligations under the Code and how to meet them. This work is proactive and operates as a positive service separate to the complaints and concerns process.

As part of ARITA's commitment to ensuring that professional standards and legal obligations are met, we receive and investigate complaints about the professional conduct of members, and about the professional processes of the firms of our members. We also investigate concerns about the professional conduct of members that arise other than by way of a complaint.

You can find details of the processes followed by ARITA in investigating complaints and concerns on our website.

We support the conduct of quality assurance reviews of registered insolvency practitioners who are ARITA members carried out by CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CAANZ).

MEMBER CONDUCT

Complaints

A complaint under the Constitution is a written complaint made to ARITA about the professional conduct of a member as a practitioner. This refers to the conduct of work of a registered trustee, registered liquidator, other insolvency practitioner, or legal practitioner.

During the year ended 31 December 2014, ARITA received 29 complaints concerning the conduct of members. The number of complaints was consistent with 2013 (30). Each matter is investigated and assessed objectively, having regard to the requirements of natural justice.

COMPLAINTS RECEIVED

ARITA Division	2014	2013	2012
NSW/ACT	15	12	12
Qld	4	5	5
SA/NT	1	3	1
Vic/Tas	7	8	5
WA	2	2	1
Total	29	30	24
Unresolved matters as at 31/12/14	15	16	4

In addition to the above, one complaint remained unresolved from 2010 and is subject to court determination and ongoing consideration.

The regulators, along with ARITA, continue to emphasise the need for good communications by practitioners. Complaints are often generated because of confusion or uncertainty on the part of creditors and other interested parties about what is happening in their particular matter, leading them to infer incorrectly that misconduct is involved. ARITA supports current law reform proposals in this area that may go to improving means of communication to address this fundamental issue.

NATURE OF COMPLAINT		
	2014	2013
Recognition of/dealing with stakeholders' interests	1	6
Appropriate discharge of duties	9	5
Disclosure of/excessive remuneration/disbursements	–	4
Communications/dealings with stakeholders	10	4
Distribution of funds/dealings with proofs of debt	4	3
Independence/DIRRI disclosures	–	3
Sale of business/assets	1	2
Validity of appointment	2	2
No details provided (complaint not pursued)	–	1
Investigation of misconduct	2	–
Total	29	30

In the course of investigating complaints, ARITA often identifies other areas of non-compliance with legislation and/or professional standards. In such cases, we raise these issues with the member for their attention and future compliance, separate from any response given to the complainant and irrespective of whether the initial complaint is substantiated.

Concerns

A concern under the Constitution is information available to ARITA about the professional conduct of a member as a practitioner other than by way of a complaint. This refers to the conduct of work of a registered trustee, registered liquidator, other insolvency practitioner, or a legal practitioner.

Circumstances giving rise to a concern may be identified to or by ARITA via a number of means. These include, but are not limited to:

- judgments or other court documents or transcripts that relate or refer to the conduct of a member
- announcements or advice of action taken by a regulator or another professional body
- media articles, or
- general feedback from external parties, including other members.

ARITA has continued to proactively identify and investigate concerns. In the year ended 31 December 2014, 15 concerns were actioned, which is a slight decrease on 2013 (17).

CONCERNS IDENTIFIED			
ARITA Division	2014	2013	2012
NSW/ACT	7	10	6
Qld	3	3	1
SA/NT	2	1	–
Vic/Tas	2	3	6
WA	1	–	–
Total	15	17	13
Unresolved matters as at 31/12/14	9	9	2

ARITA continues to emphasise the need for good communications by practitioners.

NATURE OF CONCERN		
	2014	2013
Disclosure of/excessive remuneration/disbursements	1	6
Appropriate discharge of duties	2	3
Disrepute	1	3
Independence/DIRRI disclosure	3	2
Sale of business/assets	3	2
Regulator action	2	1
Meeting conduct	1	–
False declaration to ARITA	2	–
Total	15	17

DISCIPLINARY PROCEEDINGS

Following investigation, eight matters were investigated and considered by ARITA's Professional Conduct Committee in 2014 (including three ongoing matters from 2013). The referral of a matter to the Professional Conduct Committee constitutes the commencement of formal disciplinary proceedings against the members involved.

PROFESSIONAL CONDUCT COMMITTEE – DETERMINATIONS		
	2014	2013
Ongoing	1	3
Unsubstantiated*	2	1
Substantiated in whole or in part – matter already addressed and/or not in the interests of the public, the member, ARITA or the insolvency profession that any penalty be applied and no further action is appropriate*	3	1
Warrants referral to the National Committee	2	–
Superseded by automatic termination	–	2
Internal review of ARITA investigation – no further action required	–	1
Total	8	8

* Remedial action may still be required by member.

Of the two matters referred to the National Committee, one matter remained under consideration as at 31 December 2014 and the other led to the suspension of the member's membership (refer to the Member Discipline Actions – 2014 section below for further information).

A relatively small number of complaints and concerns result in disciplinary action because most matters are found not to have substance, often because they involve a misunderstanding of the insolvency processes being undertaken, or arise from poor communication on the part of a member. ARITA also requires sufficient evidence of a breach of their professional conduct requirements to warrant a referral of the matter to the Professional Conduct Committee and mere speculation or innuendo is not sufficient.

In instances where formal disciplinary action is not considered warranted, ARITA may still recommend a member undertake remedial action and/or attend training and development courses. Decisions that rely on the exercise of commercial judgement by a member (e.g. to sell assets or to close down a business) are not generally investigated by ARITA, although the processes applied in reaching the decision are often reviewed.

AUTOMATIC TERMINATION OR SUSPENSION OF ARITA MEMBERSHIP

Action by the regulators is a significant area of attention for ARITA and, under the Constitution, often has an automatic impact on ARITA membership. For example, if a member's registration as a liquidator or trustee is terminated or suspended, their ARITA membership is also automatically terminated or suspended. In contrast, if the regulator imposes a lesser sanction on a member that does not affect their registration, this may constitute a concern and lead to ARITA undertaking its own investigation.

Three members were subject to automatic termination or suspension of their ARITA membership in 2014.

DISCRETIONARY TERMINATION OR SUSPENSION OF ARITA MEMBERSHIP

The Constitution provides the Board with discretionary power to terminate or suspend ARITA membership where disciplinary or legal proceedings, including ARITA disciplinary proceedings, are commenced or determined against a member. The Board may also impose such conditions or penalties as prescribed in the Regulations.

One member was subject to discretionary suspension of their ARITA membership in 2014.

MEMBER DISCIPLINE ACTIONS – 2014

Liquidator required to resign and remuneration limited due to conflict issues – Unnamed member

ARITA completed an investigation into a member who took an appointment over a company providing computer maintenance services where his firm had a business relationship.

Although the member had considered conflict issues prior to their appointment, and considered that the appointment was not prohibited under ARITA's Code of Professional Practice (the Code), the Professional Conduct Committee determined that it was not appropriate for the member to have accepted the appointment.

The member was given the option of convening a creditors' meeting to facilitate their replacement or making an application to the court to have the appointment ratified or a replacement appointed. The remuneration to be drawn by the member in respect of the appointment was capped to ensure that he did not benefit or profit from his behaviour and no costs associated with ARITA's investigation or the replacement of the appointee were recoverable.

A meeting of creditors was convened and replacement liquidators were appointed by the creditors. The member also advised creditors of the cap on his the remuneration.

Suspension of membership – William (Bill) Hamilton

Mr Hamilton's ARITA membership was automatically suspended for six months effective from 2 June 2014 following a decision by the Companies Auditors and Liquidators Disciplinary Board (CALDB).

Mr Hamilton's membership was reinstated on 2 December 2014 at the conclusion of the suspension period.

Suspension of membership – Mr Pino Fiorentino

As a consequence of Mr Fiorentino's failure to adequately respond to reasonable inquiries made by ARITA, in accordance with and subject to the provisions of Constitution, the Board suspended his membership pending the receipt of an adequate response.

Termination of membership – Mr Stephen Jay

Mr Jay's ARITA membership was automatically terminated effective from 16 June 2014 following his agreement with the Australian Securities and Investments Commission to the cancellation of his registration as a liquidator and his agreement not to re-apply for registration as a liquidator, pending the finalisation of all of his external administrations, including the lodgement of numerous statutory documents.

Termination of membership – Mr Pino Fiorentino

Mr Fiorentino's ARITA membership was automatically terminated effective from 8 July 2014 following a decision of CALDB.

Prior to the termination of Mr Fiorentino's membership, ARITA had made a decision suspending his membership, and his membership remained suspended up until the time of its termination.

Discretionary suspension of membership - Mr Peter Macks

ARITA immediately and indefinitely suspended the membership of Mr Peter Macks, an Adelaide practitioner, on 19 December 2014 following the decision in the matter of *Viscariello v Macks* [2014] SASC 189. In that case Kourakis CJ held that Mr Macks had breached his statutory duties under the Corporations Act and that he had created a document with the intention of passing it off as the original document, or a true photocopy, of the original.

The suspension of Mr Macks' membership is subject to any appeal decision and/or other provision of the Constitution.

QUALITY ASSURANCE

This report has been prepared based on the information provided to ARITA by CAANZ as part of its Quality Assurance review program of insolvency practitioners.

ARITA relies on CAANZ to provide review details and correctly identify which of its members who have been reviewed are also members of ARITA.

2012/2013 REVIEW CYCLE

For the 2012/2013 review cycle there were 11 insolvency reviews conducted by CAANZ, all in relation to ARITA members. The following table summarises the findings of the reviews.

SUMMARIES OF 2012/2013 REVIEW CYCLE

Category	Education issue **	Remedial/ Discipline issue**	Pending **	Yet to be determined
Funds handling	–	–	–	1
Remuneration	2	–	1	1
Independence	2	–	–	1
CPE	–	1	–	–
Work papers and checklists	–	–	–	2
Compliance	–	–	–	2
Total	4	1	1	7

** Some matters fall into multiple categories of concern

2013/2014 REVIEW CYCLE

For the 2013/2014 review cycle there were 17 insolvency reviews conducted by CAANZ. Two of those reviews related to practitioners that were not ARITA members.

The following table summarises the findings of the reviews. Reviews that relate to non ARITA members have been excluded from this table.

SUMMARIES OF 2013/2014 REVIEW CYCLE

Category	Yet to be determined	Unknown member**
Remuneration	8	2
Independence	6	2
Work papers and checklists	4	2
Compliance	4	2
CPE	1	2
Insurance	3	2
Total	26	10

** Some matters fall into multiple categories of concern

The 2013/2014 review cycle identified some interesting trends:

Remuneration

- Initial advice to creditors regarding basis of remuneration not being sent with the first communication to creditors in 4 of 15 reviews (27 percent).
- Not including declarations as to remuneration/ disbursements being necessary and proper in 3 of 15 reviews (20 percent).

Independence

- DIRRIs not being prepared and issued on all appointments in 4 of 15 reviews (27 percent).

Work papers and checklists

- Lack of work papers or checklists to support DIRRIs in 3 of 15 reviews (20 percent).
- Lack of investigations checklists in 4 of 15 reviews (27 percent).

Insurance

- No 30 day automatic covernote in place in 4 of 15 reviews (27 percent)

ARITA uses the outcome of the reviews to inform the development of communications and guidance to members.

INFLUENCING MARKETS AND COMMUNITIES AS ACTIVE INDUSTRY ADVOCATES

One of ARITA's key strengths, and a focus of a large portion of our resources, is in the area of public policy advocacy.

ARITA is not a lobby group. However, our liaison with key areas of government and government agencies allows us to promote ideas and have input into improving the law and practice of insolvency and restructuring.

As a professional body, we view our role in using our technical and legal expertise to advocate for improvements to our regulatory regime as being critical for promoting the efficient operation of markets and ensuring appropriate social outcomes.

THOUGHT LEADERSHIP

To further these goals, ARITA released *A Platform for Recovery*, a comprehensive discussion paper on corporate financial distress in Australia. A Platform for Recovery was widely circulated amongst the ARITA membership as well as other stakeholders, including government.

The discussion paper received very positive feedback and allowed ARITA to move toward finalising our policy positions in 2015.

***A Platform for Recovery* articulated seven key recommendations:**

- 1 **Issue:** Lack of a restructuring culture in Australia
Solution: Restructuring moratorium
- 2 **Issue:** Value destruction as a result of entering external administration
Solution: Informal restructuring
- 3 **Issue:** No 'Chapter 11' style regime to aid in the rehabilitation of large enterprises in financial distress
Solution: Reworked schemes/voluntary administration
- 4 **Issue:** Critical supplier contracts automatically terminated on appointment of an external administrator, inhibiting formal restructuring
Solution: Extension of moratorium to ipso facto clauses
- 5 **Issue:** Maximising the chance of continuing the operations of financially distressed but viable small companies
Solution: Micro restructuring
- 6 **Issue:** Maximising the return to creditors where companies with minimal liabilities fail
Solution: Streamlined liquidation
- 7 **Issue:** Enabling viable businesses to continue, and maximise return for creditors, via a sale of business negotiated prior to the appointment
Solution: Pre-positioning

Our liaison with the government and regulators allows us to promote ideas and have input into improving the insolvency and restructuring regime.

CONSULTATION SUBMISSIONS

Over the course of 2014, ARITA was particularly active in responding to a range of major government inquiries and proposals. The most significant of these were:

Insolvency Law Reform Bill 2014

The Federal Government released an insolvency law reform bill that represented a progression from the Insolvency Law Reform Bill 2013. While it did not propose wholesale reform of the regime, it was nonetheless a vast document that required high levels of expertise in our response.

ARITA engaged with the Treasury directly to work through the technicalities of the Bill, and provided a comprehensive submission outlining further improvements that we believed are required to make the Bill effective. Regrettably, the Bill has not yet progressed to Parliament.

Australian Financial System Inquiry

ARITA lodged a lengthy submission to this inquiry but the final report gave only limited consideration to insolvency issues. Our submission recommended that further submissions be called for on a number of issues: consideration of elements of Chapter 11, ipso facto clauses, and a restructuring moratorium. Other recommendations in the report are tangentially relevant: access to finance, use of technology, and public access to government databases.

Productivity Commission inquiry into business set-ups, transfers and exits

The Productivity Commission is inquiring into the impediments to setting up, transferring and closing businesses in Australia. This includes examining the efficiency of the personal and corporate insolvency regimes.

In addition to meeting with the Productivity Commission on the inquiry, ARITA gave a well-received presentation to the Commission in Canberra in December 2014 on insolvency and its processes.

ARITA submissions

In 2014 ARITA made formal submissions to 16 government inquiries and reviews:

Treasury review of the
Insolvency Law Reform Bill 2014

Australian Financial System
Inquiry

Australian National Audit
Office review of ASIC's use of
enforceable undertakings

Senate committee inquiry into
forestry managed investment
schemes

Senate committee inquiry into
the performance of ASIC

Professional Standards Councils'
Professional Standards Scheme

ASIC's Regulatory Guide 174

Senate committee inquiry into
the abolition of CAMAC

Treasury review of unclaimed
moneys

ASIC's Deregulatory Initiatives
Report 391

Personal Property Securities Act
2009 review

ATO's voidable transaction claim
form

AFSA's review of the statement
of affairs

AFSA's proposal for a national
panel of registered trustees

Inspector General for Taxation's
review of ATO debt recovery

Insolvency Service UK's
review of the remuneration of
practitioners.

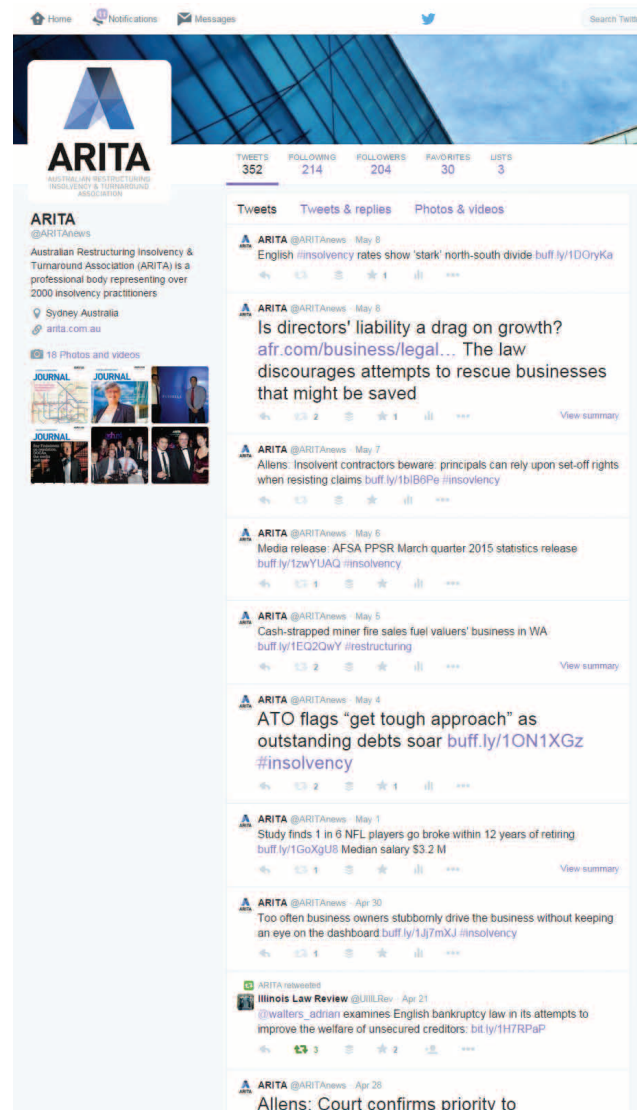
MANAGING OUR REPUTATION

Thought leadership initiatives, liaison with regulators and stakeholders, and proactive media relations helped build the profession's reputation in 2014.

ARITA's primary roles include protecting and enhancing the reputation of our members and the broader profession, and maintaining public confidence in the role that practitioners play in the effective operation of the market system.

In 2014 ARITA regularly responded to media inquiries on insolvency related issues, including participating in print and television interviews commenting on major collapses and general policy matters. We also worked with a number of key journalists to provide background information and advice on insolvency issues.

We expanded our social media presence in 2014, launching a Twitter stream – @ARITAnews – to coincide with our National Conference. Since that time, we've used social media to share insights and general news around our core areas of expertise.



ARITA's Twitter stream.

IMPROVING ARITA'S FINANCIAL PERFORMANCE

ARITA delivered a profit for 2014 of \$162k on revenue of \$4.134m.

The ARITA Board's Finance Committee and ARITA staff invested considerable effort during 2014 to ensure that ARITA's operations were as lean and efficient as possible. This effort was particularly important given that the forecast beyond 2014 is for revenue pressure to increase.

SPONSORSHIP AND ADVERTISING

A significant overhaul of commercial sponsorship arrangements was completed in 2014. This will help ensure we maintain more equitable and market-driven commercial relationships with our sponsorship and advertising partners. The net result has been a higher return on each sponsorship dollar received.

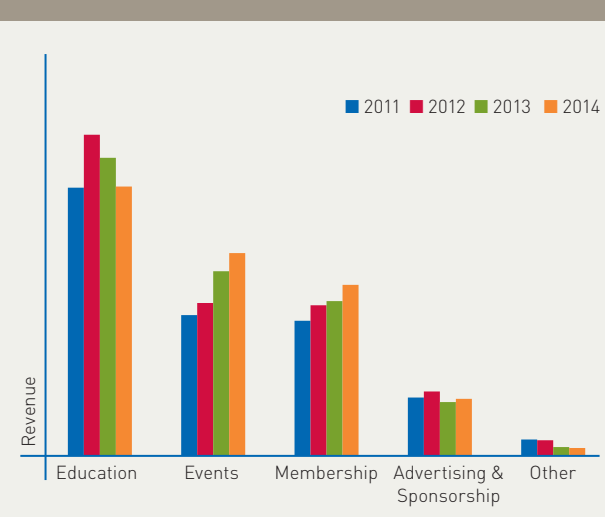
KEY NUMBERS AT A GLANCE

- \$4.134m revenue in 2014 compared to \$4.079m in 2013
- \$162k profit (against budget of \$50k) versus \$27k in 2013

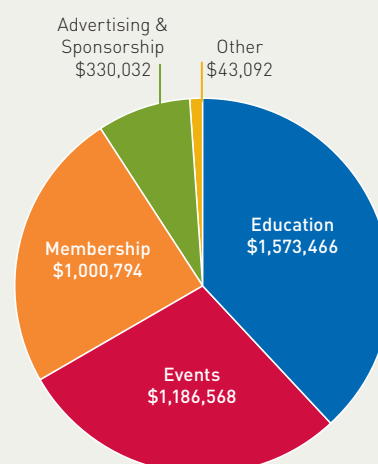
TRADING OPERATIONS

Major operations	2014 \$	2013 \$	Change \$
Education	1,573,466	1,740,741	(167,275)
Events	1,186,568	1,078,231	108,337
Membership	1,000,794	902,491	98,303
Advertising & Sponsorship	330,032	309,251	20,781

ARITA REVENUE STREAMS 2011-2014



ARITA REVENUE STREAMS 2014



07

ASSOCIATION GOVERNANCE

ARITA advocates good association governance by maintaining high standards in regulating its own affairs.

ARITA BOARD

There were only a few changes to the Board in 2014; John Park resigned from the Board on 17 February with Robyn McKern appointed in his place on 14 April. At the Annual General Meeting in May all of the re-standing Directors were reappointed. The past President advisory term was extended for Mark Robinson (NSW/ACT).

The Board met on six occasions in 2014; February, March, April (via teleconference), May, August and November. The Board also met in July for a two-day strategy session.

Active Committees during the year were:

Finance Committee Michael Brereton (Chair), John Lindholm, David Lombe, Cliff Rocke, Alan Scott	The Finance Committee met throughout the year on a monthly basis, predominantly via teleconference. The Committee reviewed monthly and quarterly financial reports and provided advice to the Chief Executive on financial accounting and reporting.
Governance Committee Mark Robinson (Chair), Kate Barnet, Robyn McKern, John Park	The Governance Committee did not meet during 2014. The Board as a whole commenced a review of the Constitution late in 2014 based on the recommendations provided by the restructuring and turnaround taskforce.
Membership Committee Scott Atkins (Chair), Kate Barnet, Michael Brereton, Robyn Erskine, John Lindholm, Ross McClymont, Cliff Rocke, Alan Scott	The Membership Committee met three times in 2014. The main focus was dealing with applications that were considered exceptions to the criteria and overseas based applicants unknown to local division committees. The Membership Committee formed part of the ad-hoc taskforce formed to review the Constitution towards the end of the year.
Professional Conduct Committee Scott Atkins (Chair), Paul Cook, Anthony Elkerton, Robyn Erskine, John Winter	During 2014 the Committee met five times to consider matters arising from the investigation of complaints made in respect of Member conduct and concerns initiated by ARITA. In addition, a meeting of specially convened Committee members, drawn from state division members who are not members of the Board, was held to consider a concern in relation to a Board member. This Committee meeting was chaired by Mr Atkins for procedural consistency; however, he did not participate in the discussion or consideration of the concern.
Professional Standards Committee Robyn Erskine (Chair), David Lombe, John Lindholm, Mike McCann, Robyn McKern	The Professional Standards Committee was formed in 2012 from the Discipline Review and Quality Assurance Committees to facilitate the review of member conduct procedures and policies independently of specific conduct matters that are considered by the Professional Conduct Committee. No Committee meetings were held in 2014.
Education Committee John Lindholm (Chair), Kate Barnet, Anthony Elkerton, Robyn McKern, Alan Scott. With non-director invitees Stephen Williams, Phil Jefferson	The Education Committee met a few times via teleconference in 2014 and was mainly focused on the short term extension of the QUT contract, incorporating restructuring and turnaround in the education offering, and a curriculum review of the IEP.

DIVISION COMMITTEES

Members of ARITA's Division Committees in 2014 were:

Member	Firm
NSW/ACT	
Michael Brereton , Chairman	KordaMentha
Michael Hughes , Deputy Chairman	Minter Ellison
Tim Klineberg , Secretary	Shaw Gidley
Scott Atkins	Henry Davis York
Katherine Barnett	Bentleys Corporate Recovery
Andrew Bowcher	RSM Bird Cameron
Ryan Eagle	Ferrier Hodgson
Anthony Elkerton	Dean-Willcocks Insolvency Solutions
Paul Gidley	Shaw Gidley
Peter Harrison	Kemp Strang
Barry Kogan	McGrathNicol
Ben O'Hearn	O'Hearn Lawyers
Jason Porter	Pitcher Partners
Jim Sarantinos	Ferrier Hodgson
Peter Sheppard	BRI Ferrier
Murray Smith	McGrathNicol
Stephen Vaughan	KPMG
QLD	
Michael McCann , Chairman	Grant Thornton
David O'Farrell , Vice Chairman	Minter Ellison Lawyers
John Cronin , Secretary	McGrathNicol
Ian Dorey	K&L Gates
Phil Jefferson	Jefferson Advisors
Tracy Knight	Bentleys
Angela Laylee	McCarthy Durie Lawyers
Tim Michael	Ferrier Hodgson
Glen Oldham	Oldhams Advisory
Mark Pearce	Pearce & Heers
Peter Schmidt	Norton Rose Australia
Peter Smith	Herbert Smith Freehills

Member	Firm
SA/NT	
Stephen Williams , Chairman	Norman Waterhouse
Austin Taylor , Deputy Chairman / Secretary	Meertens
Michael Hayes	Lynch Meyer
Andrew Heard	Heard Phillips
David Kidman	Ferrier Hodgson
Peter Lanthois	KordaMentha
Hillary Orr	Hillary Orr Chartered Accountants
Kym Ryder	O'Loughlins Lawyers
Alan Scott	BRI Ferrier
VIC/TAS	
Robyn McKern , Chairman	McGrathNicol
Michael Fung , Secretary	PwC
Paul Cook	Paul Cook & Associates
Jim Downey	JP Downey & Co
Robyn Erskine	Brooke Bird & Co
Geoff Green	National Australia Bank
John Lindholm	Ferrier Hodgson
Stephen Longley	PPB Advisory
Ross McClymont	Ashurst
Rod Slattery	PPB Advisory
WA	
Cliff Rocke , Chairman	KordaMentha
Joseph Abberton , Deputy Chairman	Lavan Legal
Jeremy Nipps , Secretary	FTI Consulting
Katie Blyth	PPB Advisory
Victoria Butler	Jackson McDonald
Sam Freeman	Ernst & Young
Bryan Hughes	Pitcher Partners
George Lopez	Melsom Robson
Vic Yaschenko	National Australia Bank



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Directors' Report

31 December 2014

Your Directors present their report on Australian Restructuring Insolvency and Turnaround Association (ARITA) for the financial year ended 31 December 2014.

Principal Activities

The principal activities of ARITA during the financial year were the provision of member services including education and training.

Objectives

The Company's short-term and long-term objectives are to:

- Deliver world class education services
- Build and sustain a broader, expanded and active membership
- Maintain independent professional standards and conduct oversight
- Influence markets and communities as active industry advocates
- Manage reputation
- Improve ARITA's financial performance

Strategies

To achieve its stated objectives, the 'ARITA 2017 Our Strategic Plan' was developed as a result of intensive facilitated sessions with the Board and senior ARITA staff. The Plan outlines a framework for progressive improvements that build on the already strong foundations.

Key Performance Measures

ARITA measures its performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of ARITA and whether the short-term and long-term objectives are being achieved.

Meetings of Directors

During the financial year, five meetings of directors were held. Attendances were as follows:

Board of Directors	Meetings eligible to attend	Meetings attended
Scott Atkins	5	5
Kate Barnett	5	5
Michael Brereton	5	5
Anthony Elkerton	5	5
Robyn Erskine	5	5
John Lindholm	5	4
David Lombe	5	5
Michael McCann	5	5
Ross McClymont	5	5
Robyn McKern	3	3
John Park	1	0
Cliff Rocke	5	5
Alan Scott	5	5
John Winter (Company Secretary)	5	5
Non-Director Board Participants		
Mark Robinson	5	3

31 December 2014

Members' Guarantee

ARITA 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 \$100 each towards any outstanding obligations of the company. At 31 December 2014, the total amount that members of the company are liable to contribute if the company is wound up is \$162,000 (2013 \$150,300).

Information on Directors

The names of each person who has been a director during the year and to the date of this report, their qualifications and special responsibilities are as follows:

Director	Qualifications	Committee and Liaison Responsibilities
Scott Atkins NSW/ACT	B.Ec LLB, LLM, IPA Fellow – INSOL International Partner – Henry Davis York	ASIC Liaison Membership Professional Conduct INSOL International Director
Kate Barnet NSW/ACT	B.Com (Finance), M.Com FCA, IPA Director – Bentleys Corporate Recovery Pty Ltd Official Liquidator – 2006 Registered Liquidator – 2004	Education Governance Membership
Michael Brereton NSW/ACT	B.Com, B. Com (Honours), H.Dip Company Law, CA, MBA, IPA Executive Director – KordaMentha Official Liquidator – 2013 Registered Liquidator – 2005	ASIC Liaison Finance Membership
Anthony Elkerton NSW/ACT	B.Bus, CA, IPA Principal – Dean-Willcocks Insolvency Solutions Official Liquidator – 2005 Registered Liquidator – 2002	ATO Liaison Professional Conduct Professional Standards Education
Robyn Erskine VIC/TAS CPA Nominee	B.Bus, FCPA, CA, IPA Partner – Brooke, Bird & Co Official Liquidator – 1993 Registered Trustee – 1992	AFSA Liaison ASIC Liaison ATO Liaison Membership Nominations Professional Conduct Professional Standards Treasury Liaison
John Lindholm VIC/TAS	B.Econ, FCA, IPA Partner – Ferrier Hodgson Official Liquidator – 2005 Registered Liquidator – 1997	Advocacy Education Finance Membership Professional Standards
David Lombe NSW/ACT ICA Nominee	B.Com, FCA, IPA, AICD, JP Partner – Deloitte Official Liquidator – 1993 Registered Trustee – 2000	ASIC Liaison Finance Nominations Professional Standards Reputation & Media Treasury Liaison

Directors' Report *continued*

for the year ended 31 December 2014

Information on Directors *(continued)*

Director	Qualifications	Committee and Liaison Responsibilities
Michael McCann QLD	B.Econ, CA, IPA Partner – Grant Thornton Australia Limited Official Liquidator – 2001 Registered Liquidator – 1998	AFSA Liaison ASIC Liaison ATO Liaison Professional Standards
Ross McClymont VIC/TAS	LLB, B.Com, Law Institute of Victoria, IPA Partner – Ashurst	Membership Professional Conduct Professional Standards
Robyn McKern VIC/TAS <i>Appointed 14 April 2014</i>	FCA, IPA CEO – McGrathNicol Registered Liquidator – 2000	ASIC Liaison Education Governance Membership Professional Standards
John Park QLD <i>Resigned 17 February 2014</i>	B.Bus, CA, IPA Senior Managing Director – FTI Consulting Official Liquidator – 2003 Registered Trustee – 2001	ASIC Liaison Governance Membership Professional Standards
Cliff Roche WA	B.Bus, FCA, IPA Partner – KordaMentha Official Liquidator – 2004 Registered Liquidator – 1995	Finance Membership Reputation & Media
Alan Scott SA/NT	BA (Acctg), FCA, IPA Principal – BRI Ferrier Official Liquidator – 1996 Registered Liquidator – 1992 Registered Trustee – 1992	AFSA Liaison Education Finance Membership
John Winter <i>Appointed 1 February 2014</i>	B.Com (Econ & Finance), MAICD CEO – ARITA	AFSA Liaison ASIC Liaison ATO Liaison Membership Nominations Professional Conduct Professional Standards Treasury Liaison

Company Secretary	Qualifications	Responsibilities
John Winter <i>Appointed 1 February 2014</i>	B.Com (Econ & Finance), MAICD CEO – ARITA	AFSA Liaison ASIC Liaison ATO Liaison Membership Nominations Professional Conduct Professional Standards Treasury Liaison

Directors' Report *continued*

for the year ended 31 December 2014

Information on Directors *(continued)*

For a period of two years after his or her retirement, the Immediate Past President acts as an advisor to the Board and the Executive and is entitled to attend Board and Executive meetings and receive all information that Directors will receive, but does not have any voting rights. For 2014, the Immediate Past President, Robyn Erskine, remained as a full voting member of the Board courtesy of her position as CPA Australia nominee. As a result, the previous Immediate Past President, Mark Robinson consented to remain in this advisory role.

Past Presidents	Qualifications	Responsibilities
Mark Robinson NSW/ACT	B.Com (Merit), M.Econ, FCA, CPA, IPA Partner – PPB Advisory Official Liquidator – 2005 Registered Liquidator – 2001 Registered Trustee – 1998	Governance INSOL International Director Nominations

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Auditor's Independence Declaration

The lead auditor's independence declaration of the year ended 31 December 2014 has been received and can be found on page 24 of the financial report.

Signed in accordance with a resolution of the Board of Directors



David JF Lombe
President
14 April 2015



Michael G McCann
Deputy President
14 April 2015

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AUSTRALIAN RESTRUCTURING INSOLVENCY AND TURNAROUND ASSOCIATION

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014, there have been:

- i. no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.


Duesburys Nexia
Canberra, 14 April 2015


G J Murphy
Partner

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Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	2014 \$	2013 \$
Income			
Advertising and marketing		93,932	79,201
Education and training		1,573,466	1,740,741
Events management		1,186,568	1,078,231
Interest		43,085	47,660
Membership		1,000,794	902,491
Sponsorship		236,100	230,050
Other income		7	137
		4,133,952	4,078,511
Expenditure			
Accounting and audit		15,926	27,453
Advertising and marketing expenses		145,705	164,054
Bad and doubtful debts		–	29
Consultancy		23,382	–
Depreciation and amortisation		84,443	80,482
Employee expenses		1,263,073	1,137,108
Education and training expenses		998,743	1,158,611
Events management expenses		707,171	749,253
Membership expenses		143,602	197,426
Information Technology		122,210	90,908
Occupancy		127,509	128,515
Office and administration expenses		179,223	177,244
Superannuation		106,446	96,703
Terry Taylor Scholarship		–	10,000
Travel and accommodation		72,470	63,970
		3,989,903	4,081,756
Surplus/ (deficit) before income tax		144,049	(3,245)
Income tax benefit/(expense)	10	17,946	30,401
Total comprehensive income for the year		161,995	27,156

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2014

	Note	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	2	1,831,591	1,199,259
Trade and other receivables	3	257,971	93,556
Other assets	4	132,908	206,891
Total current assets		2,222,470	1,499,706
Non-current assets			
Intangible assets	5	135,015	199,543
Property, plant and equipment	6	36,059	35,767
Deferred tax assets	10	99,348	8,402
Total non-current assets		270,422	316,712
Total assets		2,492,892	1,816,418
LIABILITIES			
Current liabilities			
Trade and other payables	7	561,116	678,912
Provisions	8	61,513	52,930
Unearned revenue	9	813,863	222,191
Total current liabilities		1,436,492	954,033
Non-current liabilities			
Provisions	8	32,020	–
Total non-current liabilities		32,020	–
Total liabilities		1,468,512	954,033
Net assets		1,024,380	862,385
EQUITY			
Accumulated funds		1,024,380	862,385
Total equity		1,024,380	862,385

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2014

2014

Balance at the beginning of the year

Total comprehensive income for the year.

Balance at the end of the year.

2013

Balance at the beginning of the year

Total comprehensive income for the year.

Balance at the end of the year.

Accumulated Funds \$	Total \$
862,385	862,385
161,995	161,995
1,024,380	1,024,380
835,229	835,229
27,156	27,156
862,385	862,385

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from operations		4,871,264	4,531,214
Payments to suppliers		(2,927,611)	(3,099,906)
Employee costs		(1,328,916)	(1,256,688)
Net cash provided by/(used in) operating activities		614,737	174,620
Cash flows from investing activities			
Acquisition of property, plant and equipment		(14,706)	(7,354)
Acquisition of intangible assets		(6,557)	(41,978)
Interest received		43,429	48,363
Increase in held to maturity investments		(4,571)	(5,220)
Net cash provided by/(used in) investing activities		17,595	(6,189)
Net increase (decrease) in cash and cash equivalents held		632,332	168,431
Cash and cash equivalents at beginning of year		1,199,259	1,030,828
Cash and cash equivalents at end of financial year	2	1,831,591	1,199,259

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2014

The financial statements are for Australian Restructuring Insolvency and Turnaround Association (the Company) as an individual entity, incorporated and domiciled in Australia. The Company is a not for profit company limited by guarantee, incorporated under the Corporations Act 2001.

1 Summary of Significant Accounting Policies

Basis of Preparation

The Company has elected to adopt the Australian Accounting Standards Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010 2 Amendments to Australian Accounting Standard arising from Reduced Disclosure Requirements).

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Act 2001*.

A number of new and revised Australian Accounting Standards are effective for the first time in the current financial year. These standards have had no material impact on the entity.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

(a) Income Tax

The principle of mutuality applies to the Company's income tax liability, whereby income derived from members is not assessable for income tax. The income tax liability arises in respect of income derived from non-members, less certain allowable deductions.

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-allowable items. It is calculated using tax rates that have been enacted or are substantively enacted by reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets

and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed at the end of the reporting period to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other costs (eg. repairs and maintenance) are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

Notes to the Financial Statements *continued*

for the year ended 31 December 2014

1 Summary of Significant Accounting Policies

(continued)

(b) Property, Plant and Equipment *(continued)*

Depreciation

The depreciable amount of fixed assets, excluding computer equipment, is depreciated on a diminishing value basis over their useful lives commencing from the time the asset is held ready for use. Computer equipment is depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use.

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

Fixed asset class	Depreciation rate
Furniture and equipment.....	2%-50%
Computer equipment.....	20%-40%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(c) Intangible Assets

Expenditure during the research phase of a software development project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs (where relevant). Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Amortisation

The amortised amount of intangible assets is amortised on a straight line basis over their useful lives commencing from the time the asset is held ready for use.

The amortisation rates used for each class of intangible asset are:

Intangible asset class	Amortisation rate
Member manager	20%
Website development	33.33%

At the end of each annual reporting period, the amortisation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(d) Leases

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(e) Financial instruments

Recognition and measurement

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, 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.

Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

for the year ended 31 December 2014

1 Summary of Significant Accounting Policies

(continued)

(e) Financial instruments *(continued)*

Recognition and measurement *(continued)*

Held-to-maturity investments

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

Held to maturity investments are included in non current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in an investment revaluation reserve.

Available for sale financial assets are included in non-current assets, except for those which are expected to be sold within 12 months after the end of the reporting period.

Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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 the end of the reporting period the Company assesses whether there is objective evidence that a financial asset has been impaired.

In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate an impairment. Impairment losses are recognised in the profit or loss. However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income. Where a subsequent event causes the amount of the impairment loss to decrease (eg. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

(f) Impairment of non-financial assets

At the end of each reporting year, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria in AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In calculating the present value of the future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

1 Summary of Significant Accounting Policies

(continued)

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(j) Revenue and other income

Revenue from membership subscriptions is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue in relation to rendering of services is recognised upon delivery of the service to customers. All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, 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 (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(l) Comparative Figures

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

Critical accounting estimates and judgements

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

The directors do not believe that there were any key estimates or key judgements used in the development of the financial statements that give rise to a significant risk of material adjustment in the future.

Notes to the Financial Statements *continued*

for the year ended 31 December 2014

	2014 \$	2013 \$
2 Cash and Cash Equivalents		
Cash at bank and on hand	1,131,591	499,259
Short term deposits	700,000	700,000
	1,831,591	1,199,259
The short term deposits have a maturity of 3 months.		
3 Trade and Other Receivables		
Trade Receivables	252,328	83,205
Deposits	150	2,718
Other receivables	5,493	7,633
	257,971	93,556
Of the above receivables \$159,754 are overdue, none are considered to be impaired. Of the above receivables \$98,217 are neither overdue nor impaired.		
Movements in the provision for impairment were as follows:		
At 1st of January	–	16,314
Net (write back) / charge for the year	–	(16,314)
	–	–
4 Other Assets		
Held-to-maturity investment	126,456	121,885
Prepayments	6,452	85,006
	132,908	206,891
Held-to-maturity investments are term deposits with original terms of 12 months. The Interest rate at year end is 3.40%.		
5 Intangible Assets		
Member manager – at cost	179,502	172,945
Less accumulated amortisation	(73,301)	(37,700)
	106,201	135,245
Website development – at cost	110,161	110,161
Less accumulated amortisation	(81,347)	(45,863)
	28,814	64,298
	135,015	199,543

Movement in Carrying Amount

	Member manager \$	Website development \$	Total \$
Current year			
Balance at the beginning of year	135,245	64,298	199,543
Additions	6,557	–	6,557
Amortisation expense	(35,601)	(35,484)	(71,085)
Balance at the end of the year	106,201	28,814	135,015

Notes to the Financial Statements *continued*

for the year ended 31 December 2014

6 Property, Plant and Equipment

	2014 \$	2013 \$
Furniture and equipment at cost	54,299	54,284
Less accumulated depreciation	(27,990)	(27,580)
	26,309	26,704
Computer equipment – at cost	96,455	86,250
Less accumulated depreciation	(86,705)	(77,187)
	9,750	9,063
	36,059	35,767

Movement in Carrying Amount

	Furniture and equipment \$	Computer equipment \$	Total \$
Current year			
Balance at the beginning of year	26,704	9,063	35,767
Additions	4,501	10,205	14,706
Disposals	(1,056)	–	(1,056)
Depreciation expense	(3,840)	(9,518)	(13,358)
Balance at the end of the year	26,309	9,750	36,059

7 Trade and Other Payables

	2014 \$	2013 \$
Trade and other payables	512,763	116,058
GST payable/(receivable)	–	3,905
Accrued expenses	47,307	558,949
Other payables	1,046	–
	561,116	678,912

8 Provisions

Current

Annual leave	39,798	33,542
Long service leave	21,715	19,388
	61,513	52,930

Non-current

Long service leave	32,020	–
	93,533	52,930

9 Unearned Revenue

Membership subscriptions	688,745	136,759
Education and events	125,118	85,432
	813,863	222,191

Notes to the Financial Statements *continued*

for the year ended 31 December 2014

	2014 \$	2013 \$
10 Income Tax		
(a) The components of tax expense/(benefit) are:		
– current tax	(8,935)	(26,682)
– deferred tax	(2,438)	(3,719)
– overprovision prior years	(6,573)	–
	(17,946)	(30,401)
(b) The prima facie tax on surplus/(deficit) for the year before income tax is reconciled to the income tax as follows:		
Prima facie income tax on surplus/(deficit) for the year at 30% (2013:30%)	43,215	(974)
Increase in income tax expense due to non-tax deductible items:		
– expenses attributable to members	909,546	982,764
Decrease in income tax expense due to non-tax assessable items:		
– income attributable to members	(965,191)	(1,004,234)
	(12,430)	(22,444)
Non-deductible expenses	1,057	–
Prior year deductible temporary differences not previously brought to account	–	(7,980)
Prior year under/(over) accrual	(6,573)	23
Income tax attributable to surplus/(deficit)	(17,946)	(30,401)
(c) Assets:		
Non-current		
Deferred tax assets comprises:		
Provisions and accruals	9,401	3,719
Tax losses	89,947	77,683
	99,348	81,402
11 Key Management Personnel Compensation		
Key management personnel is defined by AASB 124 'Related Party Disclosures' as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the entity.		
The totals of remuneration paid to the key management personnel during the year are as follows:		
Total key management personnel compensation	716,088	609,401

In addition to the above compensation, the Company has paid an insurance premium of \$5,644 (2013: \$6,314) for Management Liability Insurance which incorporates directors' and officers' liability insurance. It is not practical to obtain details of the component of the insurance premium that relates to key management personnel.

12 Related Party Disclosure

Other than the compensation of key management personnel, which is separately disclosed in these statements, there were no related party transactions during the financial year.

Notes to the Financial Statements *continued*

for the year ended 31 December 2014

	Note	2014 \$	2013 \$
13 Financial Risk Management			
The Company's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable.			
The Company is not exposed to any significant credit, liquidity or interest rate risk.			
The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:			
Financial Assets			
Cash and cash equivalents	2	1,831,591	1,199,259
Loans and receivables	3	257,971	93,556
Held to maturity investment	4	126,456	121,885
Total financial assets		2,216,018	1,414,700
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	7	561,116	678,912
- Unearned revenue	9	813,863	222,191
Total financial liabilities		1,374,979	901,103
Net fair values			
Financial assets and financial liabilities are carried at their net fair value at the end of the reporting period. The carrying values of financial assets and financial liabilities approximate their net fair values due to their short term maturity or market interest rate. No financial assets or financial liabilities are traded on organised markets in standardised form.			
;			
14 Leasing Commitments			
Operating lease commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements:			
Payable minimum lease payments			
- no later than twelve months		110,730	110,730
- between twelve months and five years		169,005	279,735
		279,735	390,465

Operating leases comprise a photocopier and premises.

15 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets at the end of the financial year.

16 Events After the End of the Reporting Period

The financial statements were authorised for issue by the directors on the date of signing the attached Directors' Declaration. The directors have the power to amend the financial statements after they are issued.

There are no events after the reporting period which require amendment of, or further disclosure in, the financial statements.

17 Company Details

The registered office and principal place of business of the company is:
Australian Restructuring Insolvency and Turnaround Association
Level 5, 33 Erskine Street, Sydney NSW 2000

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 25 to 36, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.
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.



David JF Lombe
Director
14 April 2015



Michael G McCann
Director
14 April 2015



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN RESTRUCTURING INSOLVENCY AND TURNAROUND ASSOCIATION

We have audited the accompanying financial statements of Australian Restructuring Insolvency and Turnaround Association (the Company), which comprises the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

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

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

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INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion, the financial statements 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 31 December 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

A handwritten signature in black ink, appearing to read "Duesburys Nexia".

Duesburys Nexia
Canberra, 14 April 2015

A handwritten signature in black ink, appearing to read "G J Murphy".

G J Murphy
Partner



**Australian Restructuring Insolvency
and Turnaround Association**
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