ARITA

AUSTRALIAN RESTRUCTURING INSOLVENCY & TURNAROUND ASSOCIATION

ANNUAL REPORT 2016

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 businesses 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 STRATEGIC DRIVERS

CO-REGULATION
MEMBERSHIP BASE
EDUCATION
MEMBER SERVICES
STRUCTURE AND GOVERNANCE
PROFILE WITH BUSINESS AND THE PUBLIC

OUR VALUES

PROFESSIONALISM
LEADERSHIP
TECHNICAL EXCELLENCE
PROGRESSIVENESS
TEAMWORK
INFLUENCE

ANNUAL REPORT 2016

MICHAEL McCANN
Partner, Grant Thornton

PRESIDENT'S MESSAGE

2016: Rollouts, reforms and resilience

This year was one in which the strengthened business we have built at ARITA continued to deliver on its core strengths. While the restructuring, insolvency and turnaround markets remained generally quiet, ARITA was busy dealing with our own version of the 'Three R's': rollouts, reforms and resilience.

THE ROLLOUTS

In 2016 we transformed our education offerings by rolling out two key new education products.

The first, our replacement for the Insolvency Education Program (IEP) – ARITA Advanced Certification – commenced in Semester 1, 2016 with the Fundamentals of Restructuring, Insolvency and Turnaround subject offered through the University of Technology Sydney. Semester 2 saw the rollout of Advanced Insolvency and Advanced Restructuring and Turnaround subjects.

Given the IEP was our cornerstone education offering for so long, the importance of this new education program can't be understated. We are delighted with the initial feedback and are proud that, for the first time, we have the market-leading, most comprehensive, restructuring and turnaround education product available.

The second major product rollout was our Essential Skills program: a series of 10, monthly two-hour training sessions. This program was inspired by the need to ensure that small practices had access to the type of monthly training programs that major firms routinely deliver internally.

We are pleased that the program has been taken up not just by small practices, but also by mid-size and larger firms, who've had some of their junior and mid-level staff attend.

THE REFORMS

When it comes to law reform and public policy advocacy, there has not been a more demanding year for ARITA than 2016.

While the vast majority of the work was carried out by ARITA's CEO and Specialist Team behind the scenes, the fruits of that work will become obvious in the year ahead.

The *Insolvency Law Reform Act 2016* (ILRA) and the still-pending National Innovation and Science Agenda reforms adopting ARITA's safe harbour and ipso facto policy were the obvious advocacy highlights during the year.

Insolvency Law Reform Act

The ILRA is a vast piece of legislation, with the Act comprising 10 percent of all legislation passed by the Commonwealth in 2016. Added to that were another 800 pages of legislative instruments.

The ILRA is a disappointing piece of legislation in that it achieves little in the way of genuine reform and places a significant additional burden on practitioners.

Nonetheless, ARITA's staff have been in constant consultation with The Treasury and Attorney-General's Department to try to make the legislation as workable as possible. ARITA also achieved the all-important delay of the commencement of most the legislation, shifting it from an unachievable 1 March deadline to 1 September 2017.

ARITA's team has also been working on the roll out of a comprehensive education program to support members' firms transition to the ILRA, including an overview session and targeted training on personal insolvency, corporate insolvency and creditors under the new regime.

Safe harbour and ipso facto

ARITA's long running campaign for safe harbour and ipso facto reforms also gained considerable pace in 2016.

ARITA initiated the push for safe harbour and ipso facto moratoriums nearly 15 years ago. Along the way, we've partnered with others including Law Council and the Turnaround Management Association to try to raise the profile of these much-needed changes.

But it was ARITA's thought leadership work in our *A Platform for Recovery 2014* discussion paper that the Productivity Commission eventually embraced. That the Government is now embarking on these reforms as part of the National Innovation and Science Agenda is testimony to our long-term commitment to these reforms.

ASIC user-pays

ARITA has campaigned hard against the proposed introduction of an ASIC 'industry funding' model due to the very significant impact it will have on the profession.

The model will see registered liquidators having to fund $8.5 million of ASIC costs – or an average of $12,000 per registered liquidator, although in some cases, that fee may rise to well over $60,000 per practitioner.

Up to 30 percent of all registered liquidators are expected to hand in their registrations in the first two years as a result. The proposed model fails to consider the unique situation and role of IPs and is simply ill-considered. ARITA's advocacy on behalf of our members is the only voice standing in support of IPs against this proposal.

Remuneration

Our final area of advocacy work was also one of our most bold. Following several decisions in the NSW Supreme Court where IPs had their fees retrospectively cut and an arbitrary ad valorem percentage applied, ARITA chose to join, as amicus, the appeal of one such matter (*Sakr Nominees*).

This type of endeavour is almost unprecedented in ARITA's history. But the uncertainty wrought on the profession, nationally, by these decisions and the substance of ASIC's submissions to the Court on the matter, meant ARITA absolutely had to join the appeal.

The full bench rejected the original Judge's decision and submissions made by ASIC, in favour of returning to the prior status quo in which a wide-ranging view of the appropriateness of remuneration should be applied.

OUR RESILIENCE

Despite our substantial investment in the Sakr matter and the quiet market conditions, ARITA posted a highly profitable result for our financial year. In total, our retained earnings for the last two years now surpass $660,000.

Rebuilding the integrity and resilience of our balance sheet has been a major focus for ARITA. We know that we face substantial expenses in 2017 including the need to deliver law reform training to the profession at a low cost (despite high investment levels in developing the courses).

We are also preparing for lower revenues at our major conferences as we compete for a limited share of wallet in our profession against major international conferences including INSOL's Quadrennial and the International Bar Association, which are both in Sydney in 2017 and will be highly attractive to ARITA members who would otherwise invest in attending our events. We also need to relocate the ARITA offices in 2017 and will require capital provision for the move.

Despite these pressures, we go into 2017 with a solid balance sheet and a strengthened ability to weather cyclical downturns in our marketplace.

As I near the end of my term as President, I am particularly proud of what we've achieved at ARITA across my tenure. We've delivered solidly on our 2017 strategic plan and we are putting the finishing touches on an even more ambitious 2020 plan that will see ARITA continue to serve our members needs in education, advocacy and policy development.

Indeed, only ARITA has the domain expertise and focus to be able to deliver in these areas for practitioners in the restructuring, insolvency and turnaround space.

Finally, I'd like to thank the ARITA Board and the ARITA staff for their diligence and commitment.

Your volunteer board members give freely and expansively of their time and ensure ARITA's strategy and focus is aligned with the needs of the membership. The ARITA staff deliver on our programs and projects and create the products and services that we all rely on as members. For a small organisation in a niche market, what we are able to achieve together is astonishing.

It's been an honour to lead ARITA over the last two years. I wish all of you well and commend to you this annual report.

Michael G McCann

education

In 2016 we transformed our education offerings by rolling out innovative education products.

ARITA ADVANCED CERTIFICATION

The commencement of new ARITA Advanced Certification course, replacing our Insolvency Education Program (IEP), was a solid success.

With a core subject and a choice of two electives, the course better embraces the changing nature of our profession, with dedicated pathways for those looking to work in informal, restructuring and turnaround engagements and those looking to work in traditional formal appointment insolvency.

All three subjects are delivered by the University of Technology Sydney under the careful stewardship of highly regarded insolvency law academic, Associate Professor Jason Harris, co-author of Keays Insolvency.

Enrolments for the core subject – Fundamentals of Restructuring, Insolvency and Turnaround – were 153, which compares favourably with the average of 140 students attending the final two IEP subjects in 2015.

Particularly promising was the 41 students who undertook the inaugural Advanced Restructuring and Turnaround subject. We are optimistic of seeing strong growth in the take-up of this subject in the future.

ESSENTIAL SKILLS

2016 saw the rollout of the new Essential Skills program. The program was designed to replicate the regular training that most larger firms deliver in-house, and make it available across the profession in a standardised way. We viewed the rollout of this program as being especially important in benefiting those in small-medium practice who may not otherwise be able to access this type of training.

Take-up of these courses has been excellent with an average of 131 students attending each of the 10 subjects nationally, with a typical class size of 16 students (close to our optimal number). In total, the Essential Skills program had 1,307 enrolments over the year.

PROFESSIONAL STANDARDS TRAINING

Offering vital training in core competency areas of s 439A reports, Independence and Remuneration, our professional standards training had 79 attendees over the year with a total of 15 courses. Training is delivered in all major capital cities, subject to demand, and made available nationally via online classroom.

While these courses have only limited enrolments, we believe that must be made available for those needing or wanting to enhance their skills and/or compliance in these subjects.

ATTENDANCE AT FORMAL COURSES

Education program	Attendance	Courses
Introduction to Insolvency Program (IIP)	**251**	**13**
ARITA Advanced Certification		
• Fundamentals of Restructuring, Insolvency and Turnaround	153	1
• Advanced Insolvency	105	1
• Advanced Restructuring and Turnaround	41	1
	299	**3**
Essential Skills		
• ES1 Employee entitlements	193	12
• ES2 Practical employee issues	101	8
• ES3 Preparing financial data for insolvency appointments	127	7
• ES4 Trading on	137	7
• ES5 Creditors' meetings	117	7
• ES6 Interpreting financial data for investigations	139	7
• ES7 Sale of business/assets	135	8
• ES8 Stakeholder and statutory reporting	111	7
• ES9 Practical tax issues	137	8
• ES10 Finalisation processes	110	7
	1,307	**78**
Professional Standards		
• s 439A reports	32	6
• Independence	24	4
• Remuneration	23	5
	79	**15**

Building and sustaining a broader, expanded and active membership

active membership

ARITA has enjoyed solid membership growth across 2016.

In 2016 the Association had a total of 2,384 members across all categories, up from 2,223 in 2015.

Of note was growth in Professional Members, created by a combination of high levels of retention, 46 new professional members and 111 members who were accepted to convert from Associate Membership (recognising past amendments to ARITA's Constitution to expand our membership pathways).

New applicants in the Associate category are now only accepted from those in supporting roles to the profession; those in practice must now apply for Professional Membership.

Membership grew in all Divisions with the strongest growth coming in NSW/ACT with a 5.8 percentage point increase.

ARITA now represents 82 percent of all registered liquidators and 88 percent of all registered trustees.

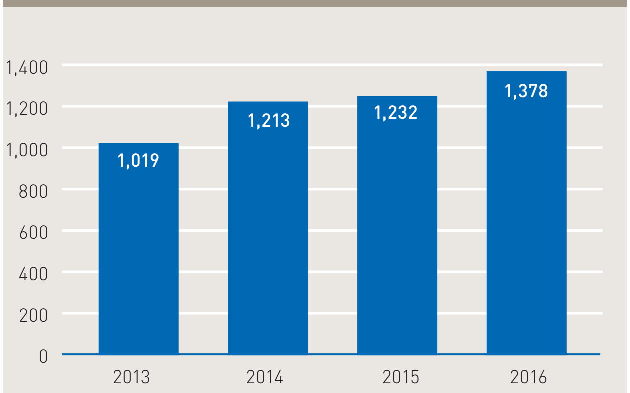
MEMBERSHIP SATISFACTION

Our third annual Member Survey once again showed high levels of satisfaction with ARITA's services and activities.

In detailed responses, ARITA's members indicated that they were most satisfied with ARITA's role in 'keeping them up-to-date with issues, changes and developments in the profession' with an average rating of 4.06 out of 5. The area of greatest improvement was in 'Advocating for or otherwise promoting the profession' which rose from 3.67 to 3.86.

Our area of lowest performance was in 'Providing products, tools or services that I can use in my everyday business' which rated a comparatively low 3.44 (this question was included in the survey for the first time this year). This last area has already been identified by the Board and staff as a major area of focus for the future.

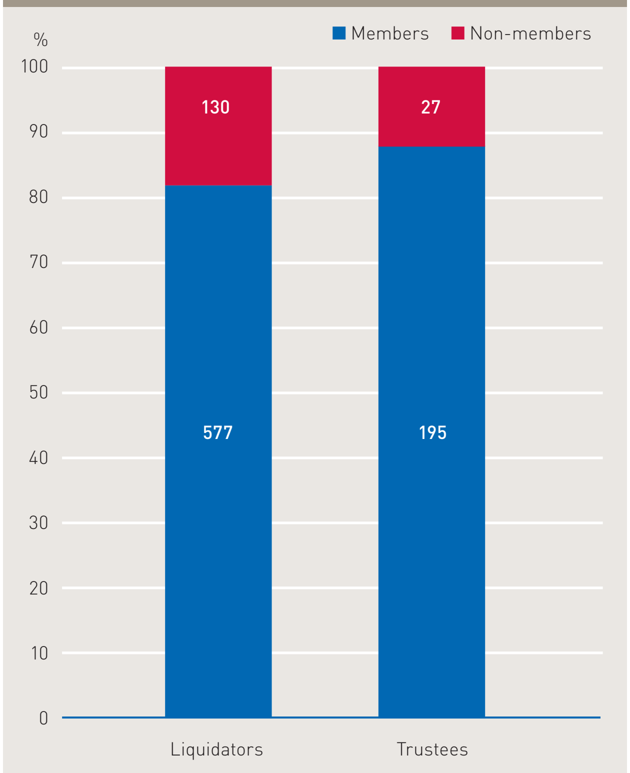
PROFESSIONAL MEMBERS 2013-2016



NEW MEMBERS 2016

Member category	No. of Members
Academic	1
Associate	2
Lenders and Investor	0
Graduate	150
Professional	46
Total	**199**

REGISTERED PRACTITIONERS – ARITA MEMBERSHIP



standards

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

ARITA receives and investigates complaints about the professional conduct of members, and about the professional processes of ARITA members' firms. 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, together with details of published outcomes from disciplinary proceedings.

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

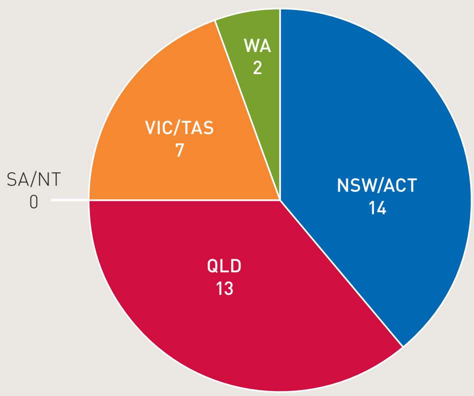
In 2016 ARITA received 36 complaints concerning the conduct of members. The number of complaints was substantially higher than 2015 (25). Each matter is investigated and assessed objectively, having regard to the requirements of natural justice.

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.

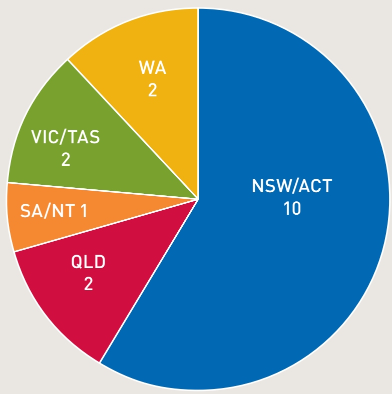
ARITA supports the reform in the *Insolvency Law Reform Act 2016* (effective from 1 September 2017) that may help improve communications to address this fundamental issue.

In the course of investigating complaints, ARITA often identifies other areas of non-compliance with legislation or professional standards. In such cases, we raise these issues

COMPLAINTS RECEIVED 2016 (36)



CONCERNS IDENTIFIED 2016 (17)



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.

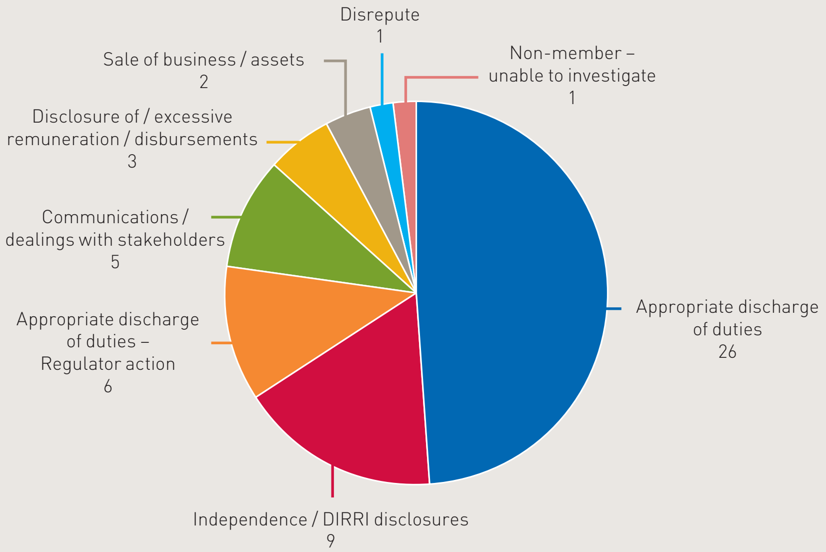
Concerns

ARITA has continued to proactively identify and investigate concerns. In 2016, 17 concerns were actioned, which is which is consistent with 2015 (18).

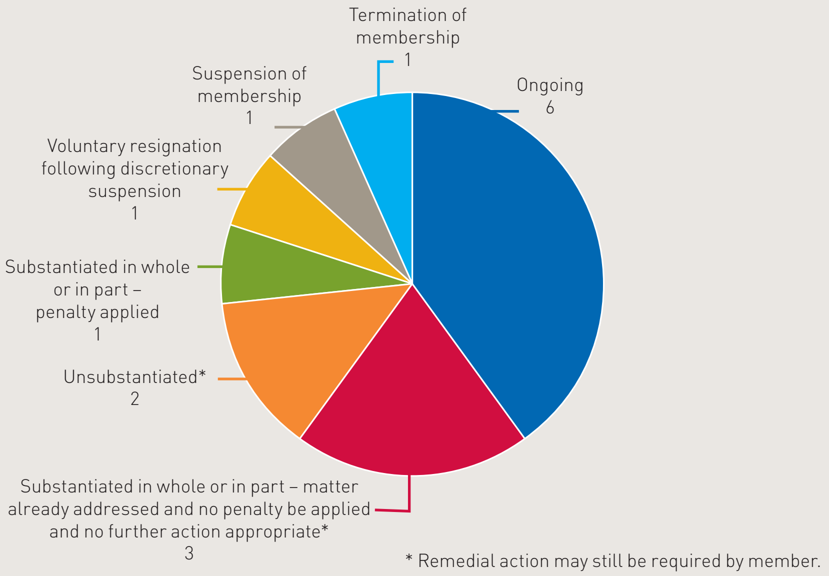
DISCIPLINARY PROCEEDINGS

Following investigation, 13 matters were investigated and considered by the Professional Conduct Committee in 2016 (including one ongoing matter from 2014). The referral of a matter to the Professional Conduct Committee constitutes the commencement of formal disciplinary proceedings against the members involved.

NATURE OF COMPLAINTS AND CONCERNS 2016



DISCIPLINARY PROCEEDINGS 2016 – OUTCOMES



* Remedial action may still be required by member.

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.

Two members (in respect of one conduct matter) were subject to discretionary termination and one member was subject to discretionary suspension of their ARITA membership in 2016.

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 imposing a penalty.

No members were subject to automatic termination or suspension of their ARITA membership in 2016.

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.

reputation

ARITA's public policy advocacy work was front and centre for our efforts throughout 2016.

INSOLVENCY LAW REFORM ACT

The passing of the *Insolvency Law Reform Act 2016* (ILRA) in early 2016 represented the culmination of many years of planned reform arising from the 2010 Senate Inquiry.

ARITA has worked tirelessly through the various iterations of the Insolvency Law Reform Bills and then, following passage of the Act, the attendant Rules and guidance, to influence the Government and drafters to deliver workable legislation that offered improvements to the regime.

Despite this, the legislation is still challenging. The sheer scale of it – over 1,200 pages of legislative instruments – is in and of itself onerous for the profession to adjust to.

It is now widely accepted that there are few regime improvements carried by this reform package. Nonetheless, ARITA is proud that our influence at least has made the legislation more workable for the profession and the wider community.

The scale of the ILRA drained ARITA's resources – in responding to drafts of the legislative instruments, advocating to Government for the all-important delay of commencement, and preparing the necessary training for the profession. Indeed, this is the largest single project ARITA has worked on.

ARITA has been working on building the following courses to ensure the profession is up to date for the ILRA changes:

- Overview training
  – 3-hour training
  (complimentary for professional members)
- Corporate Insolvency Specialised course
  – 4-hour session
- Personal Insolvency Specialised course
  – 4-hour session
- Dealing with Creditors Specialised course
  – 4-hour session

ARITA made the decision to deliver these courses in 2017 at a financial loss to the association (only partial cost recovery applied). This decision was made to deliver value to our members, but also in recognition that ensuring the profession was as ready for, and as compliant as possible with, this raft of changes was of paramount concern.

SAFE HARBOUR AND IPSO FACTO

The Federal Government's announcement that it would look to create safe harbour and ipso facto moratorium reforms as part of its National Innovation and Science Agenda as a response to the Productivity Commission's Inquiry into Business Set-up, Transfer and Closure represents the most significant forward motion on these reforms in over a decade since the then IPAA first proposed them.

Pleasingly, the draft framework being adopted closely resembles ARITA's proposals outlined in our *A Platform for Recovery 2014* discussion paper that were also endorsed by the Productivity Commission.

PRACTITIONER REMUNERATION

For the first time in many years, ARITA elected to become involved in a court appeal. The Sakr Nominees decision in the NSW Supreme Court and the subsequent submissions on the matter to the Court of Appeal by ASIC were of such grave concern that the ARITA board felt it was left with little option but to seek the Court's leave to appear as amicus.

ARITA engaged a very high level legal team to represent the profession, including the President of the NSW Bar Association as senior counsel. This necessitated a very significant financial investment, but the matter was of such gravity that the investment was warranted.

ARITA contended that practitioners have a right to reasonable certainty for their adequate remuneration for necessary work, properly performed. Importantly, ARITA contended that any notion of a simple, arbitrary percentage recovery failed to account for the extensive work that practitioners were required to undertake to meet their statutory obligations, regardless of the potential for recoveries. The Court of Appeal responded positively to ARITA's submission and clarity has now been provided.

QLD CHAIN OF RESPONSIBILITY LEGISLATION

ARITA advocated strongly to have liquidators carved out of Queensland's Chain of Responsibility legislation. In its as-passed form, liquidators could have been held liable for costs associated with site remediation caused by environmental damage, simply by the act of having taken the appointment.

We submitted that liquidators should only be held responsible for harm they caused or were negligent in attending to. A guide has now been published recognising this stance. With other States watching this closely, this telegraphed an important message.

ARITA is proud that our influence has made the *Insolvency Law Reform Act 2016* more workable for the profession and the wider community.

Submissions made by ARITA in 2016:

- **Throughout 2016**: Submissions and comments on draft Insolvency Practice Rules and associated legislative instruments (including formal November 2016 submission to Treasury's consultation on the 'Insolvency Practice Rules 2016 and other legislative instruments')
- **March 2016**: Submission to Senate Inquiry into 'The causes and consequences of the collapse of listed retailers in Australia'*
- **March 2016**: Submission to Senate Inquiry into 'The inconsistencies and inadequacies of current criminal, civil and administrative penalties for corporate and financial misconduct or white-collar crime'*
- **May 2016**: Submission on Federal Government's Proposals Paper on 'Improving Bankruptcy and Insolvency Laws' (Insolvency trading 'safe harbour', 'ipso facto' and bankruptcy discharge reforms under National Innovation and Science Agenda)
- **July 2016**: Submission to Productivity Commission's Inquiry into Data Availability and Use
- **September 2016**: Submission on 'Expansion of FOS's Small Business Jurisdiction' Consultation Paper
- **September 2016**: Submission on Recommendation 13 of the Small Business Loan Inquiry by the Small Business and Family Enterprise Ombudsman
- **November 2016**: Submission on Queensland Government's 'Chain of Responsibility' Environmental Protection Order Statutory Guideline (and participation between June and December 2016 in formal Working Group established by Qld Department of Environment and Heritage to assist in the development of the Statutory Guideline)
- **December 2016**: Submission on ASIC's performance against the Regulator Performance Framework
- **December 2016**: Submission on ASIC Industry Funding Proposals

* Inquiry lapsed due to the dissolution of the Senate and the House of Representatives on 9 May 2016 for the federal election.

financial performance

ARITA delivered a profit for 2016 of $252k on revenue of $4.315m.

ARITA continued to rebuild its balance sheet over 2016, consolidating its profits from 2015. Total profit for 2016 was $252,910 on revenue of $4,315,173, representing a margin of 5.9 percent. This compares with an abnormally high margin of 10.5 percent in 2015.

While ARITA maintained the same diligent approach to cost control as we did in 2015, 2016 saw a greater need to invest in our undertakings. Of greatest note was our decision to invest in the amicus appearance in the Sakr Nominees appeal. This was not budgeted for and was an unrecoverable expense. Despite this, the $252,802 profit for 2016 was in excess of our budgeted forecast of $225,557

As a result, ARITA now hold accumulated funds of $1,685,219 as at 31 December 2016, which the Board views as adequate to provide for the forecast expenses of 2017 and to ensure adequate insulation against future possible downturns and unexpected expenses. Our reserves now represent more than a full year of membership fees and provision for our Terry Taylor Scholarship fund.

ARITA expects to face a tougher financial situation in 2017, making this outcome important for our ongoing resilience.

BUSINESS UNIT PERFORMANCE SUMMARY

Business unit	Gross margin			
	Actual	Forecast	2016	Movement on 2015
Membership	86%	86%	87%	-1%
Education	50%	46%	42%	8%
Events	48%	41%	51%	-3%
Marketing	63%	64%	65%	-2%

CONTRIBUTION TO OVERALL RESULT BY ARITA DIVISION

Division	Contribution to overall result		
	Membership	Education	Events
NSW/ACT	39%	15%	17%
VIC/TAS	23%	9%	12%
SA/NT	8%	2%	2%
WA	9%	7%	7%
QLD	17%	9%	6%
	96%	**42%**	**44%**
	Other	Advanced Certificate	NC2016 & SMP
National	4%	58%	56%
	100%	**100%**	**100%**

association governance

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

ARITA BOARD

The Board met on five occasions in 2016: February, April (via circular and teleconference), May, July and November.

Active Committees during the year were:

Finance Committee Michael Brereton (Chair) Michael McCann, Cliff Rocke, Alan Scott, John Winter.	The Finance Committee met five times throughout 2016: February, April, July, October and November. The Committee reviewed monthly and quarterly financial reports and provided advice to the Chief Executive Officer on financial accounting and reporting.
Membership Committee Kate Barnet (Chair) John Lindholm, Robyn McKern, Cliff Rocke, Peter Schmidt, John Winter.	The Membership Committee met seven times in 2016: February, April, May, July, August, October and November.
Professional Conduct Committee Scott Atkins (Chair) Paul Cook, Anthony Elkerton, Robyn McKern, Peter Schmidt, John Winter.	During 2016, the Committee met four 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 Division members who were 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.

division committees

Members of ARITA's Division Committees in 2016.

Member	Firm
NSW/ACT	
Michael Brereton, Chair	KordaMentha
Michael Hughes, Deputy Chair	Minter Ellison
Tim Klineberg, Secretary	King & Wood Mallesons
Scott Atkins (INSOL Fellow & Director)	Henry Davis York
Kate Barnet	Bentleys Corporate Recovery
Andrew Bowcher	RSM
Ryan Eagle	Ferrier Hodgson
Anthony Elkerton	Dean-Willcocks Advisory
Kirsten Farmer	TressCox Lawyers
Danielle Funston	K&L Gates
Scott Hedge	Colin Biggers & Paisley
Jason Porter	SV Partners
Chad Rapsey	Rapsey Griffiths
Stephen Vaughan	KPMG
QLD	
Peter Schmidt, Chair	Norton Rose Fulbright
David O'Farrell, Vice Chair	HWL Ebsworth Lawyers
Glen Oldham, Secretary	Oldhams Advisory
Michael Brennan	Offermans Partners
Anthony Connelly	McGrathNicol
Chris Cook	Worrells Solvency
Ian Dorey	K&L Gates
Matthew Joiner	BDO
Tracy Knight	Bentleys
Michael McCann	Grant Thornton
Tim Michael	Ferrier Hodgson
Mark Pearce	Pearce & Heers
Peter Smith	Herbert Smith Freehills
Kelly-Anne Trenfield	FTI Consulting

Member	Firm
SA/NT	
Michael Hayes, Chair	Piper Alderman
David Kidman, Deputy Chair / Secretary	Ferrier Hodgson
Nicholas Gyss	Duncan Powell
Anthony Phillips	Heard Phillips
Leigh Prior	Pitcher Partners
Kym Ryder	O'Loughlins
Alan Scott	BRI Ferrier
VIC/TAS	
Michael Fung, Chair	PwC
Geoff Green, Secretary	National Australia Bank
Rachel Burdett-Baker	Cor Cordis Chartered Accountants
Paul Cook	Paul Cook & Associates
James Downey	JP Downey & Co
Guy Edwards	KPMG
Robyn Erskine	Brooke Bird & Co
Melissa Jeremiah	Mills Oakley Lawyers
Michael Lhuede	Piper Alderman
John Lindholm	Ferrier Hodgson
Stephen Longley	PPB Advisory
Ross McClymont	Ashurst
Robyn McKern	McGrathNicol
Natasha Toholka	Hall & Willcox Lawyers
WA	
Joseph Abberton, Chair	Lavan
Melissa Humann, Deputy Chair	PPB Advisory
Jeremy Nipps, Secretary	Cor Cordis
Victoria Butler	Jackson McDonald
Richard Johnson	HWL Ebsworth
Cliff Rocke	KordaMentha
Wayne Rushton	Ferrier Hodgson
Vic Yaschenko	National Australia Bank

ARITA
AUSTRALIAN RESTRUCTURING INSOLVENCY & TURNAROUND ASSOCIATION

FINANCIAL STATEMENTS 2016

Directors' Report

31 December 2016

The directors present their report on Australian Restructuring Insolvency and Turnaround Association (ARITA) for the financial year ended 31 December 2016.

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	Position	Meetings eligible to attend	Meetings attended
Scott Atkins	Vice President	5	5
Kate Barnet	Director	5	5
Michael Brereton	Vice President	5	5
Robyn Erskine	Director	5	5
John Lindholm	Director	5	5
David Lombe	Director	5	4
Michael McCann	President	5	5
Ross McClymont	Deputy President	5	5
Robyn McKern	Director	5	4
Cliff Rocke	Director	5	5
Peter Schmidt	Director	5	4
Alan Scott	Director	5	5
John Winter	Company Secretary / Director	5	5

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 2016, the total amount that members of the company are liable to contribute if the company is wound up is $238,400 (2015 $213,400).

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 nominee *Vice President*	B.Ec LLB, LLM, RITP Fellow – INSOL International Chairman – Henry Davis York	Professional Conduct (Chair) INSOL International Director
Kate Barnet NSW/ACT nominee	B.Com (Finance), M.Com, FCA, RITP Partner – Bentleys Corporate Recovery Registered Trustee – 2008 Official Liquidator – 2006 Registered Liquidator – 2004	Membership (Chair)
Michael Brereton NSW/ACT nominee *Vice President*	B.Com, B.Com (Honours), H.Dip Company Law, CA, MBA, RITP Executive Director – KordaMentha Official Liquidator – 2013 Registered Liquidator – 2005	Finance (Chair)
Robyn Erskine CPA Nominee	B.Bus, FCPA, CA, RITP Partner – Brooke Bird Official Liquidator – 1993 Registered Liquidator – 1992 Registered Trustee – 1992	AFSA Liaison Nominations
John Lindholm VIC/TAS nominee	B.Econ, FCA, RITP Partner – Ferrier Hodgson Official Liquidator – 2005 Registered Liquidator – 1997	Membership
David Lombe CAANZ nominee *Immediate Past President*	B.Com, FCA, RITP, JP Partner – Deloitte Registered Trustee – 2000 Official Liquidator – 1993 Registered Liquidator – 1991	ASIC Liaison Nominations
Michael McCann *President*	B.Econ, CA, RITP, GAICD Partner – Grant Thornton Australia Official Liquidator – 2001 Registered Liquidator – 1998	AFSA Liaison ASIC Liaison ATO Liaison Finance Nominations (Chair)
Ross McClymont VIC/TAS nominee *Deputy President*	LLB, B.Com, RITP Partner – Ashurst	ASIC Liaison Nominations

**Note that Committee and Liaison appointments generally rotate at the Board meeting following the AGM. This table represents directors having held an appointment to one of these groups over the annual reporting period.*

31 December 2016

Information on Directors *(continued)*

Director	Qualifications	Committee and Liaison Responsibilities
Robyn McKern s 20.2 Appointee	B.Econ, FCA, RITP Partner – McGrathNicol Registered Liquidator – 2000	Professional Conduct Membership
Cliff Rocke WA nominee	B.Bus, FCA, RITP Partner – Cor Cordis Official Liquidator – 2004 Registered Liquidator – 1985	Finance Membership
Peter Schmidt President's Division nominee – QLD s 20.2 Appointee	B.Com, LLB, RITP Partner – Norton Rose Fulbright	Professional Conduct Membership
Alan Scott SA/NT nominee	BA (Acctg), FCA, RITP Principal – BRI Ferrier Official Liquidator – 1996 Registered Liquidator – 1992 Registered Trustee – 1992	AFSA Liaison Finance
John Winter Chief Executive Officer Company Secretary	B.Com (Econ & Finance), MAICD	AFSA Liaison ASIC Liaison ATO Liaison Finance Membership Professional Conduct

**Note that Committee and Liaison appointments generally rotate at the Board meeting following the AGM. This table represents directors having held an appointment to one of these groups over the annual reporting period.*

For a period of two years after his or her retirement, a 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 2016, the Immediate Past President, David Lombe, remained as a full voting member of the Board courtesy of his position as the CAANZ nominee.

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 auditor's independence declaration for the year ended 31 December 2016 has been received and can be found on page 17 of the financial report.

Signed in accordance with a resolution of the Board of Directors

Michael G McCann
6 April 2017

Ross McClymont
6 April 2017

Nexia Australia

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 2016, 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.

Nexia Duesburys (Audit)
Canberra, 6 April 2017

G J Murphy
Partner

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Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	2016 $	2015 $
Income			
Advertising and marketing		94,736	91,559
Education and training		1,466,213	1,267,802
Events management		1,180,806	1,072,864
Interest		36,161	38,827
Membership		1,267,905	1,238,686
Sponsorship		269,352	253,230
		4,315,173	**3,962,968**
Expenditure			
Accounting and auditing fees		21,496	26,465
Advertising and marketing expenses		135,411	116,170
Consulting and professional fees		49,818	1,000
Depreciation and amortisation		58,056	72,721
Employee expenses		1,444,325	1,302,717
Education and training expenses		731,368	733,217
Events management expenses		619,312	526,014
Membership expenses		181,932	167,363
Information technology expenses		87,286	102,329
Occupancy expenses		164,895	123,991
Office and administration expenses		353,469	157,108
Superannuation		122,029	113,141
Travel and accommodation		92,866	104,770
		4,062,263	**3,547,006**
Surplus before income tax		252,910	415,962
Income tax (expense)/benefit	10	(108)	(7,925)
Total comprehensive income for the year		**252,802**	**408,037**

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2016

	Note	2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	2	2,439,193	2,424,798
Trade and other receivables	3	70,893	67,446
Other assets	4	179,998	169,003
Total current assets		**2,690,084**	**2,661,247**
Non-current assets			
Intangible assets	5	70,513	73,997
Property, plant and equipment	6	65,010	65,256
Deferred tax assets	10	91,315	91,423
Total Non-current Assets		**226,838**	**230,676**
Total Assets		**2,916,922**	**2,891,923**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	246,774	577,027
Provisions	8	106,227	66,862
Unearned revenue	9	878,702	794,513
Total current liabilities		**1,231,703**	**1,438,402**
Non-current Liabilities			
Provisions	8	–	21,104
Total non-current liabilities		**–**	**21,104**
Total liabilities		**1,231,703**	**1,459,506**
Net assets		**1,685,219**	**1,432,417**
EQUITY			
Accumulated funds		1,685,219	1,432,417
Total Equity		**1,685,219**	**1,432,417**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2016

	Accumulated Funds $	Total $
2016		
Balance at the beginning of the year	1,432,417	1,432,417
Total comprehensive income for the year	252,802	252,802
Balance at the end of the year	**1,685,219**	**1,685,219**
2015		
Balance at the beginning of the year	1,024,380	1,024,380
Total comprehensive income for the year	408,037	408,037
Balance at the end of the year	**1,432,417**	**1,432,417**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities:			
Receipts from operations		4,524,473	4,237,656
Payments to suppliers and others		(2,940,859)	(2,214,809)
Payments to employees		(1,548,094)	(1,421,425)
Net cash provided by/(used in) operating activities		**35,520**	**601,422**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(54,325)	(40,900)
Interest received		36,735	36,985
Increase in heldtomaturity investments		(3,535)	(4,300)
Net cash provided by/(used in) investing activities		**(21,125)**	**(8,215)**
Net increase/(decrease) in cash and cash equivalents held		14,395	593,207
Cash and cash equivalents at beginning of year		2,424,798	1,831,591
Cash and cash equivalents at end of financial year	2	**2,439,193**	**2,424,798**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2016

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 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.

The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

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 noncurrent 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 nonmembers, less certain allowable deductions.

The charge for current income tax expense is based on the profit for the year adjusted for any nonassessable 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.

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.

1 Summary of Significant Accounting Policies *(continued)*

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

Depreciation *(continued)*

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

Fixed asset class	Depreciation rate
Furniture and equipment	10%-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 amortisable amount of intangible assets is amortised on a straightline 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
IMIS	20%
Website development	20%-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 period.

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 noncurrent 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.

1 Summary of Significant Accounting Policies *(continued)*

e) Financial instruments *(continued)*

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 noncurrent 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 nonfinancial assets

At the end of each reporting period, 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 shortterm 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 judgments

The directors evaluate estimates and judgments 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 judgments used in the development of the financial statements that give rise to a significant risk of material adjustment in the future.

	2016 $	2015 $
2 Cash and Cash Equivalents		
Cash at bank and in hand	1,123,348	1,203,761
Short term deposits	1,315,845	1,221,037
	2,439,193	**2,424,798**

The short-term deposits have terms to maturity from 3-12 months.

	2016 $	2015 $
3 Trade and Other Receivables		
Trade receivables	24,352	39,033
Deposits	39,780	21,078
Other receivables	6,761	7,335
	70,893	**67,446**

Of the above receivables $16,244 are overdue.
None of the receivables are considered to be impaired.

	2016 $	2015 $
4 Other Assets		
Heldtomaturity investment	134,291	130,756
Prepayments	45,707	38,247
	179,998	**169,003**

The held-to-maturity investment relates to the Terry Taylor Scholarship Fund and is not considered to form part of cash and cash equivalents. The investment is a term deposit with an original term of 3 months.

	2016 $	2015 $
5 Intangible Assets		
IMIS – at cost	213,871	179,502
Less accumulated amortisation	(145,202)	(109,202)
	68,669	**70,300**
Website development at cost	110,161	110,161
Less accumulated amortisation	(108,317)	(106,464)
	1,844	3,697
	70,513	**73,997**

Movement in Carrying Amount

Current year	**IMIS** **$**	**Website development** **$**	**Total** **$**
Balance at the beginning of year	70,300	3,697	73,997
Additions	34,369	–	34,369
Amortisation expense	(36,000)	(1,853)	(37,853)
Balance at the end of the year	**68,669**	**1,844**	**70,513**

	2016 $	2015 $
6 Property, Plant and Equipment		
Furniture and equipment at cost	81,200	80,177
Less accumulated depreciation	(41,950)	(33,647)
	39,250	**46,530**
Computer equipment at cost	128,826	111,477
Less accumulated depreciation	(103,066)	(92,751)
	25,760	18,726
	65,010	**65,256**

Movement in Carrying Amount

Current year	**Furniture and equipment $**	**Computer equipment $**	**Total $**
Balance at the beginning of year	46,530	18,726	65,256
Additions	2,608	17,349	19,957
Depreciation expense	(9,888)	(10,315)	(20,203)
Balance at the end of the year	**39,250**	**25,760**	**65,010**

	2016 $	2015 $
7 Trade and Other Payables		
Trade payables	139,659	532,415
Accrued expenses	107,850	42,950
Other payables	(735)	1,662
	246,774	**577,027**
8 Provisions		
Current		
Annual leave	52,374	41,917
Long service leave	28,953	24,945
Make good	24,900	–
	106,227	**66,862**
Non-current		
Long service leave	–	21,104
	106,227	**87,966**
9 Unearned Revenue		
Membership subscriptions	818,869	759,372
Education, events and other income in advance	59,833	35,141
	878,702	**794,513**

	2016 $	2015 $
10 Income Tax		
(a) The components of tax expense/(benefit) are:		
– current tax	(2,727)	11,332
– deferred tax	2,835	(3,407)
	108	**7,925**
(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% (2015: 30%)	75,873	124,789
Increase in income tax expense due to non-tax deductible items:		
– expenses attributable to members	969,884	776,529
Decrease in income tax expense due to non-tax assessable items:		
– income attributable to members	(1,048,192)	(893,828)
	(2,435)	7,490
Non-deductible expenses	2,543	435
Income tax attributable to surplus/(deficit)	**108**	**7,925**
(c) Deferred Tax Assets:		
Non-current		
Deferred tax assets comprises:		
Provisions and accruals	9,973	12,808
Tax losses	81,342	78,615
	91,315	**91,423**

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 six key management personnel during the year are as follows:

	2016 $	2015 $
Total key management personnel compensation	**873,560**	**769,947**

In addition to the above compensation, the Company has paid an insurance premium of $5,030 (2015: $5,800) 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.

	Note	2016 $	2015 $
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	2,439,193	2,424,798
Loans and receivables	3	70,893	67,446
Held-to-maturity investment	4	134,291	130,756
Total financial assets		**2,644,377**	**2,623,000**
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	7	246,774	577,027
Unearned revenue	9	878,702	794,513
Total financial liabilities		**1,125,476**	**1,371,540**

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:

	2016 $	2015 $
Payable – minimum lease payments		
– no later than twelve months	163,456	119,153
– between twelve months and five years	672,240	65,411
	835,696	**184,564**

Operating leases relate to the premises. In December 2016 the Company entered into a lease for new premises for a period of five years commencing 10 January 2017.

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 and reissue 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, 191 Clarence Street, Sydney NSW 2000

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 29, 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 2016 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.

Michael G McCann
6 April 2017

Ross McClymont
6 April 2017

Nexia Australia

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Australian Restructuring Insolvency and Turnaround Association (the Company), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial statements of Australian Restructuring Insolvency and Turnaround Association 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 2016 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's directors' report and annual report for the year ended 31 December 2016, but does not include the financial statements and the auditor's report thereon.

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

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

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

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Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view 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 give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

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

Nexia Duesburys (Audit)
Canberra, 6 April 2017

G J Murphy
Partner

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