

ARCS AUSTRALIA

ANNUAL REPORT 2016/17



**2016/2017
PERFORMANCE
HIGHLIGHTS**

EVENTS

1828

Members

133

Educational events held

4

Updated/new events

1

Major conferences

548

Attendees at conferences

1,923

Attendees at interest area meetings

427

Computer-based learning students

91%

Average quality rating of educational events

VISION

A vibrant and engaged membership adding value to the Healthcare sector

MISSION

To bring together industry, government and academia through education, networking and forums for the betterment of the healthcare sector

GOALS

Our goals are to:

- Deliver consistent, high quality content
- Broaden program offerings over the career spectrum
- Develop partnerships with other content providers and key stakeholders
- Be a neutral forum for advocacy to improve stakeholder engagement
- Foster exchange of information and experience in order to enhance professional competency

EVENTS AND INITIATIVES

We encourage and foster exchange of information via leading edge conferences, forums, seminars and networking events.

We act in an impartial and neutral way to provide awareness of relevant government, research and industry initiatives.

During the 2016-17 financial year we had a number of successful events. The Canberra Conference was held in August 2016 with a regulatory affairs, Quality/GMP and reimbursement focus. The theme was disruptive technologies and the feedback was overwhelmingly positive.

We continue to build collaborations and partnerships with key stakeholders that will boost our offerings to members.

Reinvigorated the old Source document – the ARCS journal – named ‘*Cognitio*’ and now published quarterly as an electronic document. *Cognitio* is latin for ‘idea or knowledge transfer’ – quite apt for our journal.

Implemented a new website and database to improve functionality and ease of use.

Implemented DO: MANAGE: LEAD



EDUCATIONAL HIGHLIGHTS

LANDSCAPE CHANGE

Increased use of eCTD, including regulatory incentive

Update to PIC/S Guide to Good Manufacturing Practice PE009-13

The reimbursement landscape in Australia: The review and reform agenda

Biosimilars

MMDR / TGA reform agenda

ICH-GCP E6 (R2) update

NHMRC initiatives to improve the clinical trial landscape

EXAMPLES OF OUR RESPONSE IN 2016/17

- Introduction to the eCTD format - Electronic Submissions Discussion Forum meeting
- Submitting Pre-ACPM responses in eCTD format - Electronic Submissions Discussion Forum meeting
- Product Information Lifecycle in an AUV3.0 eCTD Drug Product Application – 2 x Electronic Submissions Discussion Forum meetings
- Dedicated educational sessions at the 2016 Canberra Conference
- What's new in the most recent PIC/S Guide to GMP, PE 009-13, Released 1 January 2017 (interest area meeting)
- Worked with the Department of Health to help deliver PBAC/ Department of Health workshop
- Overview of MMDR Reforms for Health Economists - Health Economics Interest Area
- Dedicated educational sessions at the 2016 Canberra Conference
- Biosimilar naming- Update: version 2.0 (interest area meeting)
- Non-clinical requirements for biosimilars (interest area meeting)
- Dedicated educational sessions at the 2016 Canberra Conference
- An Overview of Prescription Medicines MMDR Reforms - MMDR Webinar Series
- An Overview of Complementary Medicines MMDR Reforms - MMDR Webinar Series
- Strengthening monitoring of medicines in Australia and Provisional Approval pathway - MMDR Webinar Series
- The future regulation of low risk products and reforms to the Scheduling Policy Framework - MMDR Webinar Series
- TGA Webinar: Update on PI reformatting – have your say - MMDR Webinar Series
- Dedicated educational sessions at the 2016 Canberra Conference
- Dedicated communication to the sector (education hub)
- Participation in TGA targeted consultations
- Adaptive Monitoring Approach – Experience in India and Australia - Clinical Monitoring interest area
- Risky Business: Update and Discussion on ICH GCP E6 (R2) - Clinical Site and Monitoring interest area
- NHMRC webinar: Good Practice Process for site assessment and authorisation phases of clinical trials research governance
- NHMRC webinar: Guidance for Safety Monitoring and Reporting in Clinical Trials Involving Therapeutic Goods- Recent changes
- NHMRC webinar: HREA: Human Research Ethics Application
- NHMRC webinar: Clinical trial initiatives: bringing it all together

LANDSCAPE CHANGE

EXAMPLES OF OUR RESPONSE IN 2016/17

Critical sector updates	<ul style="list-style-type: none">• ASMI Update:ARCS Industry Webinar Series• CMA Update:ARCS Industry Webinar Series• MTAA Update:ARCS Industry Webinar Series• MA Update:ARCS Industry Webinar Series
Executive education	<ul style="list-style-type: none">• CEO breakfast (Sydney)• Strategic Thinking - Leadership Interest Area Meeting
Changing RMP / PV requirements	<ul style="list-style-type: none">• TGA RMP Workshop (Canberra summit)• TGA PV Workshop (Canberra summit)• Review of Recent PV-Related TGA Consultations – Interest Area Meeting• Strengthening monitoring of medicines in Australia and Provisional Approval pathway - MMDR Webinar Series and Interest Area Meeting• Review of TGA Draft Guideline: Pharmacovigilance responsibilities of medicine sponsors – Interest Area Meeting• Dedicated educational sessions at the 2016 Sydney Conference
Making the patient central to healthcare decision making	<ul style="list-style-type: none">• Dedicated educational sessions at the 2016 Canberra Conference
Improving our sector landscape	<ul style="list-style-type: none">• Establishment of the CRO steering committee• Establishment of the Medical Devices Education Advisory Panel (MDEAP)

SECTOR REPRESENTATIONS

The ARCS Business Office staff and CEO worked on a number of initiatives related to the therapeutics environment and Healthcare. These involved:

- Leadership in the R&D Taskforce – an initiative of Medicines Australia and MTAA.
- Participation in NSW Health and Medical Research Forum
- Participation in the Ausbiotech conference in Melbourne (October 2016)
- Participation in the SCRS meeting in Melbourne in July 2016.
- Education Affiliate to MTP Connect

THE OFFICE AND THE TEAM

Belinda King (Membership and Volunteer officer) went on maternity leave in March 2016. We welcomed Mounie Abraham (accounts manager) and Carolina Diaz (admin assistant) to the team.

THE FUTURE

With the new Vision and Mission, ARCS will be very focused on building value to its members and the sector.

We will pursue our goals to

- Deliver consistent, high quality content
- Broaden program offerings over the career spectrum
- Develop partnerships and collaborations with other content providers and key stakeholders
- Be a neutral forum for advocacy to improve stakeholder engagement
- Foster exchange of information and experience in order to enhance professional competency



PRESIDENT'S REPORT

The financial year 2016-2017 was a year of consolidation for ARCS. We have again taken important steps in setting a strategic course that will position the association to capture emerging opportunities in our rapidly-changing environment.

ARCS's strategic transformation is well-entrenched. Members would be aware of our endeavour to build strategic partnerships with key stakeholders in our sector. Over the financial year 2016-2017 ARCS built a partnership offering and attracted four partnerships, a number which continues to grow.

Additionally, ARCS is now well-positioned to advocate for the betterment of our sector. An example of such advocacy is the Clinical Research Organisation Steering Committee held in May 2017 which brought together sector leaders to identify and begin to explore common issues.



Furthermore, ARCS has furthered the commitment to deliver events targeted to our more experienced members. The executive stream designed for our Annual Congress, and the ARCS CEO breakfasts, are testaments to the Association meeting member needs.

Our new database and website went live in April, improving back-end operations and offering a more user-friendly interface to staff and external users alike.

As expected and as communicated to members at our last AGM, this financial year ARCS recorded an overall operating loss, of which the investment in a new IT system was a significant contributor. Whilst reporting a loss is always difficult, it is an integral component of our financial strategy, which looks to more favourable net result next financial year. Membership numbers and event attendance records and feedback support that the core of our business deliverables is sound.

As a matter of good governance and in accordance with the Australian Charities and Not-for-profits Commission, a detailed financial audit was conducted at the end of the financial year. This audit confirms that the association is in sound financial shape, with healthy balance sheet reserves and cash-flows. We are therefore in a position to improve the association's profitability and this is a continued focus over the short and medium term.

The ARCS Board initiated the search for an Independent Non-Executive Director to join the ARCS Board for a 12 month term. Appointment of Independent Directors is widely accepted as good governance. Another aspect of good governance is the regular review of governing documents. ARCS now has an updated Constitution, aligned with the changes endorsed by members at the 2016 AGM.

On behalf of the ARCS Board, I would like to extend our appreciation to the ARCS team and also to the volunteers who supported the Association throughout the year.



Handwritten signature of Mary Nteris.

Mary Nteris, PhD, GAICD
ARCS President

CEO'S REPORT

This year has been one of change, energy and I would say a real buzz!

I am very pleased to have engaged with so many of you over the last year. This was a year of restructuring, consolidation and setting the scene for a new and invigorated organisation. As shared at the last AGM, we needed to initiate several changes to our systems, processes and scheduling – these have been done successfully to set us up for the future.

The Board has been working on a new strategy throughout the year and have put forward a new Vision for ARCS – it is for us to be:

‘A vibrant and engaged membership adding value to the Healthcare Sector’.

We will achieve this by our Mission:

To bring together industry, government and academia through education, networking and forums for the betterment of the Healthcare sector.

The key strategic objectives are:

- Deliver consistent, high quality content
- Broaden program offering over career spectrum
- Develop partnerships with other content providers and key stakeholders
- Be a neutral forum for advocacy to improve stakeholder engagement



With this change, we have also implemented the changes to the ARCS Australia Constitution which you voted for last year. The most significant change is the 3-year period for Board directors that is in alignment with our new regulator, the Australian Charities and Not for Profit Commission (ACNC). Although the ACNC doesn't require us to have an AGM, we have chosen to continue this tradition by having an Annual Members Meeting (AMM).

For the financial year 2016-17 – this report, together with the audited financials and the President's and Director's reports will provide a summary of the year.

As mentioned in the Presidents report, the organisation finished the year with a loss with a planned return to break even in the 17-18 year. While this will be a stretch for us in the current economic climate, we are still confident this can be achieved. The reasons for these losses are to build for the future, with a planned profit back in the 2018 financial year (FY18). This included a strategic decision to consolidate to a single three-day conference each August (commencing in FY18) resulting in a better outcome for members but taking a financial hit in FY17 with only the smaller Canberra conference in this financial year. Whilst it is always difficult to report a loss, last year we embarked on a three-year plan that will drive growth through an expansion of delivery platforms and partnerships with key stakeholders.

I am pleased to note that whilst we make these adjustments, our core activities of education delivery were strong. We have grown education events, such as workshops, Interest Area meetings and conferences, by 25%, with a particularly strong growth in regulatory affairs. Participation in Interest Area meetings was up 30% - this is again indicating the value of these meetings as a member benefit. In addition, the initiation of the successful CEO Breakfasts and CRO steering committee meetings that address the needs of the leaders and senior colleagues within our membership community, we are creating an ever increasing offering.





Within the ARCS office, several important initiatives were delivered. A highlight was the successful implementation of the new ARCS website and database that has been seamlessly integrated providing better utility and functionality for members.

The year was one of many changes in many areas of our sector. I have provided some highlights across the educational portfolio outlining our response to the landscape changes in our sector. We are providing these through a range of delivery platforms and options with many sector partners and stakeholders (see summary under educational highlights).

We were very pleased to announce the winner of the inaugural Katrina Champion Developing Leaders Programme, Ashley Prest, from STADA Pharmaceuticals Australia for her application titled “Strategy for the cultivation of talent amongst students and young professionals within ARCS and across STEM specialties”. We look forward to seeing the outcomes from Ashley’s application.

From the market research outcomes, we will continue to build on the important partnerships we have established with our stakeholders. In this year, announced that ARCS was the education affiliate for MTPConnect, we have successfully worked with SCRS in relation to clinical sites and the International Society for Pharmaceutical Engineering (ISPE) to coordinate streams at the conference to support our Quality/GMP colleagues. A relationship with the Drug Information Association (DIA) is developing well and will result in some exciting initiatives in 2017. We believe that developing these partnership activities will benefit the members through greater collaboration and access to information and networks.



We also initiated a formal ARCS Partnership programme with key stakeholders. In this financial year, we confirmed 4 partnerships and anticipate that this will grow in momentum as we roll out our strategy and new programs. We express our thanks to the partners who have taken the first steps with us in this journey and believe that greater value to our members will be achieved through these growing partnerships.

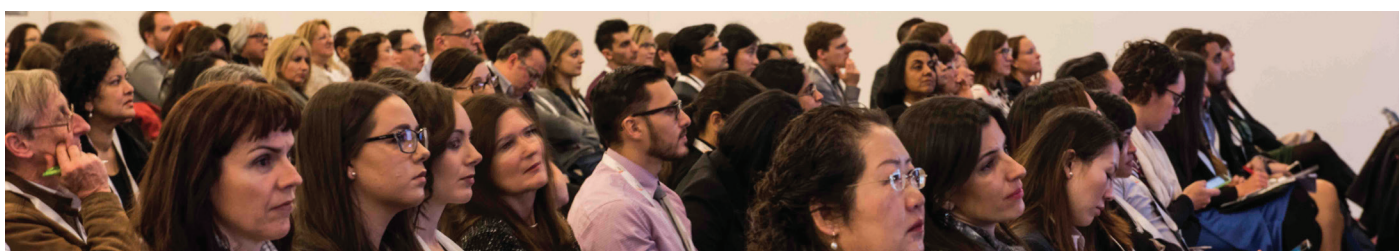
I would like to say a big thank you to our ARCS Board, the Convenors, facilitators, volunteers and so many members who are so integral to the running of the organisation together with the wonderful ARCS staff. Thanks for your input throughout the year and I look forward to your continued support in the years to come.

Shanny Dyer PhD GAICD

A handwritten signature in black ink, appearing to read "Shanny Dyer". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Shanny Dyer PhD, GAICD

Chief Executive Officer



DIRECTORS' REPORT

The Directors of ARCS Australia Limited (ARCS) present this report and the Financial Statements of the Company for the year ended 30 June 2017.

I. DIRECTORS 2016/2017

The details of the Directors who held office during or since the end of the financial year are provided below. Seven Board meetings in total were held from July 2016 to June 2017.

Four positions were declared vacant with 4 directors standing down. The board declared only three positions to be filled from the membership with the board electing to implement Clause 11.1 (b) of the constitution, which provides the board the option to appoint an independent director. Seven (7) nominations for the role of Director were received and therefore an election was held. Following the results of the election, Jessica Keast commenced her term on the 30th November. Lucas Litewka and Kaylene O'Shea were returned to the board with Robert Kent and Sally Kinrade standing down. On 13th December 2016, Lucas Litewka stood down from the Board and Robert Kent took his place at the request of the Board following Clause 11.3(c).

Board Meetings July 1 2016- 30 June 2017

		Commencement	Cessation	A (B)	Key Activities
Elizabeth Joshi	Bayer ANZ/Sandoz	26 Nov 2015		5(7)	Membership & Education Committee
Jessica Keast	Independent Consultant	30 Nov 2016		3(3)	Corporate Governance Committee, Membership & Education Committee
Robert Kent	The Kinghorn Cancer Centre		30 Nov 2016	3(3)	Membership & Education Committee
Alex Leung	CareFusion/Hologic	26 Nov 2015		7(7)	Chair, Audit & Risk Management Committee, Company Secretary
Lucas Litewka	University of the Sunshine Coast	13 Nov 2014	15 Dec 2016	7(7)	Vice President Chair, Membership & Education Committee
Sally Kinrade	Medicines Development Ltd	13 Nov 2014	30 Nov 2016	2(3)	Vice President, Corporate Governance Committee
Mary Nteris	Pfizer, Independent Consultant	1 Jul 2014		7(7)	President Chair, Corporate Governance Committee, Audit & Risk Management Committee
Kaylene O'Shea	Celgene	13 Nov 2014		6(7)	Chair, Corporate Governance Committee
George Papadopoulos	Emerald Corporate Group	26 Nov 2014		5(7)	Membership & Education Committee



2. PRESIDENT

Mary Nteris held the role of President for the year. Lucas Litewka was Vice President until the 13th December 2016 when he stepped down and Kaylene O'Shea was elected by the Board as Vice President.

3. COMPANY SECRETARY

Kaylene O'Shea stepped down from the role on the 13th December 2016 to take on the role of VP. Alex Leung was then appointed to the role.

4. SHORT- AND LONG- TERM OBJECTIVES AND STRATEGY

The objective of the Company is the promotion of education in relation to the development and quality use of pharmaceuticals and medical technologies and pharmaceutical goods. This includes providing support in the form of networking opportunities, representation of member interests, education and information services for the benefit of its members and for interested non-members. The Board implemented a new strategy that aims to improve offerings and increase value to members

5. PRINCIPLE ACTIVITIES

The Company's principal activities during the year were:

- Holding the Canberra Scientific Congress in August 2016. This event covered regulatory affairs, health economics and Quality/GMP
- The delivery of workshops, interest area meetings, peer-to-peer events, webinars and networking events
- Representation of members interest at government lead meetings and forums
- Transitioning to a new database and building a new website

These activities have assisted the company in achieving its objectives by:

- Providing high-quality, relevant, and current education programmes that are targeted to specific member groups
- Providing opportunities for members to exchange information and collaborate with peers from within the sector
- Providing information relevant to members
- Representing member interests in significant areas
- Providing an interactive website that hosts a multitude of member only resources, training material, collaborative forum and professional development tracking process.

6. ARCS AUSTRALIA CONSTITUTION UPDATE

The board initiated a revision of the Constitution. The constitution was last update in November 2008. The key points for revision were to reflect the company's regulator as the Australian Charity and Not for Profit Commission (ACNC) and the extension of the term for Directors from two to three years. The new constitutional changes were voted in by the members at the last AGM and so became effective on 30 November 2016.

7. PARTNERSHIPS

In 2016, the board approved the development of partnerships with key stakeholders. The purpose of these partnerships was to strengthen the organisations ability to maintain value and relevance to the Australian market place looking to ensure:

- Collaboration between industry, government and academia hospitals and MRI's to improve the clinical research framework
- Expanded relationship with key government regulators such and TGA and OGTR.
- Ability to influence the direction of the sector both nationally and internationally

By the end of June 30 2017, partnerships were established with:

- On Q Recruitment
- Extedo
- QuintilesIMS
- Frost & Sullivan

Collaborative relationships in place with:

- RACI
- APPA
- SCRS
- MTP Connect
- ISPE

8. PERFORMANCE MEASURES

The company measures performance as follows:

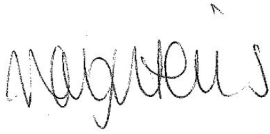
- Number of members
- Delivery of educational events to each participant group
- Updated/new events
- Attendees at conferences
- Attendance at educational and networking events
- Computer-based learning
- Average quality rating of educational events

9. MEMBERS' GUARANTEE

In accordance with the Company's constitution, each member is liable to contribute an amount not exceeding \$10.00 in the event that the Company is wound up. On the basis of membership numbers at June 30 2017, the total amount members would contribute is \$18,280.

10. AUDITORS' INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended June 30 2017 has been received and is attached. This Directors' Report is made and signed in accordance with a resolution of the Board of Directors made pursuant to the Australian Charities and Not for Profit Commission (ACNC).



Mary Nteris
Director

Dated: This day of 6 November 2017

ARCS Australia Limited
Notes to the financial statements
30 June 2017

ARCS AUSTRALIA LIMITED
ABN 25 050 334 444

Annual Report - 30 June 2017

ARCS Australia Limited
Financial report
For the year ended 30 June 2017

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Independent auditor's report to the members of ARCS Australia Limited

General information

The financial report covers ARCS Australia Limited as an individual entity. The financial report is presented in Australian dollars, which is ARCS Australia Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

ARCS Australia Limited is a not-for-profit unlisted public company limited by guarantee.

The financial report was authorised for issue, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial report.

ARCS Australia Limited
Statement of profit and loss and other comprehensive income
For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
Revenue from continuing operations	3	1,528,158	1,714,074
Cost of sales		(480,250)	(537,928)
Gross profit		<u>1,047,908</u>	<u>1,176,146</u>
Other income	3	18,230	24,187
Gain/(loss) on financial assets at fair value through profit and loss	3	67,088	(23,840)
Marketing expenses		(4,144)	(14,455)
Occupancy expenses		(106,191)	(96,988)
Administration expenses	4	(1,333,976)	(1,425,096)
Net surplus/(deficit) for the year	15	<u>(311,085)</u>	<u>(360,046)</u>
Other comprehensive income/ (expense) for the year	3	<u>(161,776)</u>	-
Total comprehensive income/(loss) for the year		<u><u>(472,861)</u></u>	<u><u>(360,046)</u></u>

To be read in conjunction with the notes to the financial statements

ARCS Australia Limited
Statement of financial position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	5	779,787	802,992
Trade and other receivables	6	148,517	124,490
Other financial assets	7	81,835	81,835
Financial investments at fair value through profit and loss	8	440,297	493,209
Total current assets		1,450,436	1,502,526
Non-current assets			
Property, plant and equipment	9	21,619	38,424
Intangible assets	10	77,218	161,777
Total non-current assets		98,837	200,201
Total assets		1,549,273	1,702,727
Liabilities			
Current liabilities			
Trade and other payables	11	116,015	95,561
Employee benefits	12	119,266	95,317
Income in advance	13	448,336	167,332
Lease incentive liability	14	6,000	6,000
Total current liabilities		689,617	364,210
Non-current liabilities			
Lease incentive liability	14	3,000	9,000
Total non-current liabilities		3,000	9,000
Total liabilities		692,617	373,210
Net assets		856,656	1,329,517
Equity			
Retained surpluses	15	856,656	1,329,517
Total equity		856,656	1,329,517

To be read in conjunction with the notes to the financial statements

ARCS Australia Limited
Statement of changes in funds
For the year ended 30 June 2017

	Retained surpluses \$	Total equity \$
Balance at 1 July 2015	1,689,563	1,689,563
Surplus for the year	(360,046)	(360,046)
Other comprehensive income / (loss)	-	-
	<hr/>	<hr/>
Total comprehensive income / (loss) for the year	(360,046)	(360,046)
	<hr/>	<hr/>
Balance at 30 June 2016	1,329,517	1,329,517
	<hr/>	<hr/>
	Retained surpluses \$	Total equity \$
Balance at 1 July 2016	1,329,517	1,329,517
Surplus/(deficit) for the year	(311,085)	472,861
Other comprehensive income / (loss)	(161,776)	(161,776)
	<hr/>	<hr/>
Total comprehensive income / (loss) for the year	(472,861)	(472,861)
	<hr/>	<hr/>
Balance at 30 June 2017	856,656	856,656
	<hr/>	<hr/>

To be read in conjunction with the notes to the financial statements

ARCS Australia Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,979,432	1,862,809
Payments to suppliers and employees (inclusive of GST)		(2,049,562)	(2,115,000)
		(70,130)	(252,191)
Interest received		14,783	25,137
Net cash from / (used in) operating activities		(55,347)	(227,054)
Cash flows from investing activities			
Payments for property, plant and equipment		(87,858)	(2,913)
Proceeds from disposal of available-for-sale investments held		120,000	-
Increase in term deposits held as bonds		-	-
Net cash from / (used in) investing activities		32,142	(2,913)
Net increase/(decrease) in cash and cash equivalents		(23,205)	(229,967)
Cash and cash equivalents at the beginning of the year		802,992	1,032,959
Cash and cash equivalents at the end of the year	5	779,787	802,992

To be read in conjunction with the notes to the financial statements

ARCS Australia Limited

Notes to the financial statements

30 June 2017

Note 1. Corporate Information

The financial statements of the not-for-profit company, ARCS Australia Limited, (the company) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors.

ARCS Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia. The nature of the operations and principal activities of the company are described in the directors' report.

Note 2. Summary of Accounting Policies

(A) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the requirements of :

- the Australian Charities and Not-for-profits Commission Act 2012 and
- the Australian Charities and Not-for-profits Commission Regulation 2013,
- Australian Accounting Standards – Reduced Disclosure Requirements, Accounting Interpretations and
- other authoritative pronouncements of the Australian Accounting Standards Board, as appropriate for not-for-profit entities.

These financial statements do not comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared on the basis of historical cost except for the following:

- Available for sale financial assets are measured at fair value.

Cost is based on the fair values of the consideration given in exchange for assets.

Currency and rounding of amounts

The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

(B) Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgements

Leases

Operating lease rental expense is recognised as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the Company's benefit.

Lease incentives are recognised in the books of the lessee and amortised over the lease period on a systematic basis

Significant accounting estimates and assumptions

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service.

The amount of these provisions would change should any of these factors change in the next 12 months.

Fair value of intangible assets

The estimated useful life of the database and related website is estimated as four years from the date on which the asset was first completed and ready for use, being 12 April 2017. Should that useful life vary (up or down), then the resulting provision for amortisation may have a material impact on that intangible asset.

ARCS Australia Limited

Notes to the financial statements

30 June 2017

(C) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office.

Sales Revenue

Revenue from member subscriptions, seminars, training sessions, workshops and advertising is recognised when the amount of revenue can be measured reliably and it is probable that it will be received by the Company. Revenue in advance is accounted for when invoices are raised, or funds are received in respect of events occurring in the subsequent financial year.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(D) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Management and administration costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

(E) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(F) Trade and Other Receivables

Other receivables are recognised at amortised cost, less any provision for impairment. An allowance for doubtful debts, if any, is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

ARCS Australia Limited

Notes to the financial statements

30 June 2017

(G) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office equipment & furniture	5 years
Software	5 years
Office fitouts	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(H) Trade Creditors and Other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(I) Employee Benefits

Employee benefits comprise wages and salaries, annual, accumulating sick and long service leave, and contributions to superannuation plans.

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. Liabilities for annual leave in respect of employees' services up to the reporting date that are expected to be settled within 12 months after the end of the period in which the employees render the related services are recognised in the provision for annual leave. Both liabilities are measured at the amounts expected to be paid when the liabilities are settled and amounts expected to be settled after 12 months from the end of the reporting period are discounted.

ARCS Australia Limited

Notes to the financial statements

30 June 2017

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(J) Taxation

Income tax

As the company is a public educational institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Cash flow is included in the statement of cash flow on a gross basis. The GST component of cash flow arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as operating cash flow.

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 3. Revenue

	2017	2016
	\$	\$
<i>Sales revenue</i>		
Membership subscriptions	398,053	421,980
Education activities	1,022,563	1,042,495
Partnership Income: Advertising & sponsorship	100,544	240,397
Miscellaneous income	6,998	9,202
	<u>1,528,158</u>	<u>1,714,074</u>
<i>Other revenue</i>		
Interest income	18,230	24,187
Increase/(decrease) in the value of Investments	67,088	(23,840)
	<u>85,318</u>	<u>347</u>
Revenue	<u>1,613,476</u>	<u>1,714,421</u>

Other Comprehensive Income

During the year ended 30 June 2017, the directors resolved to scrap the database that was in existence at 30 June 2016. By April 2017, a new database product had been purchased, tested and implemented ready for use on 12 April 2017.

The write off of the older, defective database asset resulted in a one off expense in the Profit and Loss statement of \$161,776 (2016: \$Nil)

Note 4. Expenses

	2017	2016
	\$	\$
Surplus/(loss) includes the following specific expenses:		
Rent and rates	106,191	96,988
Depreciation of property, plant and equipment	16,804	16,000
Amortisation of intangible assets	4,299	43,018
Superannuation expense	82,338	83,888
Gross Salaries wages and benefits	795,210	913,866
Auditor remuneration (2017,including \$4,000 other services)	19,300	19,345
	<u>19,300</u>	<u>19,345</u>

Note 5. Current assets - cash and cash equivalents

	2017	2016
	\$	\$
Cash on hand	500	500
Cash at bank	393,765	202,093
Cash on deposit	385,522	600,399
	<u>779,787</u>	<u>802,992</u>

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 6. Current assets - trade and other receivables

	2017	2016
	\$	\$
Other receivables	125,084	80,569
Prepayments & other debtors	23,433	43,921
	<u>148,517</u>	<u>124,490</u>

Note 7. Current assets - other

	2017	2016
	\$	\$
Short term deposits	81,835	81,835
	<u>81,835</u>	<u>81,835</u>

Note 8. Financial Investments at Fair Value

	2017	2016
	\$	\$
Investments in Unlisted Funds at Fair Value	440,297	493,209
	<u>440,297</u>	<u>493,209</u>

Note 9. Non-current assets - property, plant and equipment

	2017	2016
	\$	\$
Office Furniture & Equipment - at cost	83,936	123,689
Less: Accumulated depreciation	(72,967)	(102,752)
	<u>10,968</u>	<u>20,937</u>
Software - at cost	3,340	13,267
Less: Accumulated depreciation	(1,688)	(10,780)
	<u>1,651</u>	<u>2,487</u>
Office Fitout - at cost	30,000	30,000
Less: Accumulated depreciation	(21,000)	(15,000)
	<u>9,000</u>	<u>15,000</u>
	<u>21,619</u>	<u>38,424</u>

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 10. Intangible Assets

	2017	2016
	\$	\$
Website Development Costs	81,517	210,881
Less: Accumulated amortisation	(4,299)	(49,104)
	<u>77,218</u>	<u>161,777</u>

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 11. Current liabilities - trade and other payables

	2017	2016
	\$	\$
Trade payables	26,656	36,491
BAS payable	47,509	14,943
Other payables & accruals	41,850	44,127
	<u>116,015</u>	<u>95,561</u>

Note 12. Current liabilities - employee benefits

	2017	2016
	\$	\$
Provision for annual leave and long service leave	<u>119,266</u>	<u>95,317</u>

Note 13. Income in Advance

	2017	2016
	\$	\$
Income in Advance: Members' subscriptions, conference income and partnership income	<u>448,336</u>	<u>167,332</u>

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 14. Lease Incentive Liability

	2017	2016
	\$	\$
Lease incentive liability - current	6,000	6,000
Lease incentive liability – non current	3,000	9,000
Total lease incentive liability	<u>9,000</u>	<u>15,000</u>

Note 15. Equity - retained surpluses

	2017	2016
	\$	\$
Retained surpluses at the beginning of the financial year	1,329,517	1,689,563
Surplus/(deficit) for the year	<u>(472,861)</u>	<u>(360,046)</u>
Retained surpluses at the end of the fin year	<u>856,656</u>	<u>1,329,517</u>

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 16. Key management personnel disclosures

	2017	2016
	\$	\$

Directors' Compensation

None of the Directors received remuneration in the current or previous financial years.

Key management personnel

The totals of remuneration paid to KMP of the company during the year are as follows:

Short-term employee benefits including superannuation	401,893	403,875
Post-employment benefits	<u>-</u>	<u>61,225</u>
	<u>401,893</u>	<u>465,100</u>

Note 17. Contingent liabilities

The company had no contingent liabilities as at 30 June 2017 and 30 June 2016.

ARCS Australia Limited
Notes to the financial statements
30 June 2017

Note 18. Commitments

Operating leases payable

	2017	2016
	\$	\$
Not later than 1 year	110,820	127,142
Later than 1 year not later than 5 years	56,508	188,220
Later than 5 years	-	-
	<u>167,328</u>	<u>315,362</u>

Note 19. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 16.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

ARCS Australia Limited
Notes to the financial statements
30 June 2017

ARCS Australia Limited

Directors' declaration – per section 60.15 of the Australian Charities and Not-for-profits Commission Regulation 2013

The directors' declare that in the directors' opinion:

- There are reasonable grounds to believe that ARCS Australia Limited is able to pay all of its debts, as and when they become due and payable; and
- The financial statements and notes satisfy the requirements of the Australian Charities and Not-for-profits Commission Act 2012.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

Alex Leung

Director

Dated this 6th day of Nov 2017
Sydney

Psaltis Advisory

Audit - Valuation - Due Diligence - Expert Opinion - Advisory

Opinion

We have audited the financial report of ARCS Australia Limited (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, statement of changes in funds 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 report of ARCS Australia Limited is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act), including:

- giving a true and fair view of the company's financial position as at 30 June 2017 and of its financial performance and cash flows for the year ended on that date; and
- complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our

opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

Psaltis Advisory



Edward Psaltis

Principal

Dated this 6th day of November, 2017

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Audit - Valuation - Due Diligence - Expert Opinion - Advisory

AUDITOR'S DECLARATION OF INDEPENDENCE

To the directors of ARCS Australia Limited:

I declare that, to the best of my knowledge and belief, for the year ended 30 June 2017, there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

Psaltis Advisory



Edward Psaltis
Principal

Dated this 6th day of November, 2017

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