



TAXATION INSTITUTE  
OF AUSTRALIA



# 2005 annual report



# 2005 annual report

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## National Council

John de Wijn QC (President)  
Andrew Mills (Vice President; Chair, National Technical Committee)  
Peter Moltoni (Treasurer)  
David Williams (Chair, National Education Committee)  
Harry Rigney (Chair, National Education Advisory Board)  
Joan Roberts (Chair, National Membership and Services Committee)  
Damien Lockie  
Arlene Macdonald  
Ken Schurgott  
Sue Williamson

ABN 45 008 392 372

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# President's report

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In my opening address at the 2005 National Convention I focused on the duty of tax advisors to get the balance right.

The last year has seen the Institute focus on its balance and in particular its core activity of providing education. Through the hard work of both our volunteers and staff we have improved the quality and relevance of our education functions by improving both our planning and the calibre of our presentations.

The Taxation Institute is truly a remarkable body, organising approximately 300 educational functions a year. Its role in the Australian tax system is not to be underestimated. In fact it is pleasing to note that we are held in the highest esteem by both the Australian Taxation Office and the judiciary, both of whom continue to support the Institute.

It was particularly pleasing to see the Institute develop and launch its Structured Education Program in late 2005. For some time the Institute has been concerned at the lack of structured education for tax practitioners to enable them to progress through all levels of tax learning in a practical way. The launch of the Structured Education Program is to be applauded and I thank the staff and volunteers, particularly our two advisory boards, who have worked tirelessly to get this important project off the ground. I am confident that the program will, over a period of time, be seen as playing a critical role in the administration of tax in Australia. With its focus on practical learning it will help practitioners get the balance right.

2005 has also seen the Institute provide more and improved human resources

to assist in the efficient running of the Institute as detailed in the CEO's report. From an administrative viewpoint we have also made important improvements and changes during 2005. Importantly, we have moved our head office in Sydney to more suitable premises having outgrown our Castlereagh Street premises.

The move to new premises has required us to consider and adopt a long term investment strategy which National Council is presently considering. As part of that strategy National Council has decided to sell at least one of the floors in Castlereagh Street. Due to the foresight of previous National Councils we are fortunate to be the owner of these two floors that have performed reasonably well as an investment. However the time has now come to look to the next decade and critically consider the Institute's investment strategy, bearing in mind that these floors are no longer suitable for the Institute's activities.

I should pay tribute to the Institute's continuing efforts and involvement in the consultation process, both through the National Technical Committee and the Institute's role on the National Tax Liaison Group. The Institute has continued to be involved in important submissions concerning our tax system. In particular the Institute has played a critical role in the review into service trusts and the promoter penalties regime. While it is likely that in respect of each of these matters there will be practitioners who will not be happy with the end result, the fact of the matter is that the Institute has in each case played a critical role in improving the outcome for Members by obtaining a more balanced result.

The role of the Institute, in particular its volunteers, in the submissions it presents to the Australian Taxation Office, to Treasury and to other bodies such as the Inspector General of Taxation and the Board of Taxation, is critical. We have a place at the table of each of these bodies. This process, although slow, plays an important part in improving our tax system.

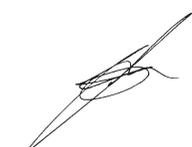
During 2005 we lodged some 136 submissions with various bodies, including the ATO and Treasury. While the number of submissions lodged is not necessarily an indicator of our success, it is an indication of the enthusiasm of the various committees at a state and national level, and having read, although perhaps not fully understood, each submission I can assure Members that they are, generally speaking, of the highest calibre.

Notable achievements from our consultation work included:

- the adoption by the Government of a range of recommendations put forward by the Institute in respect of the removal of the superannuation surcharge, restoration of the mutuality doctrine following the Coleambally case and proposed changes which would have impacted adversely due to the interaction of GST going concern provisions and the margin scheme.
- working with the ATO and also the Inspector General of Taxation to solve systemic problems that seriously impede the efficient and equitable administration of our tax regime (successes include securing much needed changes to ATO procedures around GST refunds);

- 
- initiating important legislative change through direct consultation with government on matters such as the creation of \$20 million turnover exemption from the debt-equity rules for at-call loans and an undertaking by the Government to explore the removal of inequities in superannuation for the self-employed;
  - protecting the status of the tax profession through input into regulatory proposals such as the proposed promoter penalty regime; and
  - continuing to influence debate through highlighting Member concerns in the media particularly in relation to compliance costs, the impact of increased ATO audit activity and in the tax reform debate.

Finally, I thank Noel Rowland for another excellent year as CEO, and thank all our staff and volunteers who are the heart of the Institute. I also wish Andrew Mills a successful and enjoyable year as your next President.



John De Wijn QC, President

# CEO's report

It is my pleasure to report on the activities of the Institute for 2005.

## An 'Essential Membership'

I have little doubt that in years to come we will look back on 2005 as a very significant year in the Institute's history. Whilst the focus in 2005 continued to be to grow the quality and range of products and services available to Institute Members, and more broadly the tax profession, there was significant development work that culminated in the November launch of changes to the membership structure, an exciting new education program and the repositioning of the Institute.

I believe the changes to the membership structure are part of the maturing and natural evolution of the Institute from a membership association to an 'essential' professional membership for those in tax. The changes are designed to maintain and build the status of the tax profession, with a new and rigorous entry route to Fellow, and mandatory CPD requirement for Fellows and Associates designed to achieve this. The mandatory requirement of 30 hours of tax related CPD is an important element of building the status of the profession by being able to demonstrate the maintenance of up to date skills and knowledge.

The changes have in some part been influenced by the overseas experience of many other tax institutes, particularly Ireland and the UK, where the status and credibility of the tax profession has clearly been enhanced by strict entry standards into the profession.

## A new education program

A central feature of the launch was the announcement of the Institute's new Structured Education Program. Designed to provide the best hands on and practical tax training, it

ensures that staff who complete the program become immediately more productive to your business. Of course, the new program is designed to complement the Institute's existing and vast offering of high quality CPD.

In early 2005 Ruth Ferraro was appointed to the newly created position of General Manager, Education, with responsibility for the development and delivery of the Institute's new program, as well as our existing CPD events. In a very short space of time, Ruth has, in conjunction with the Advisory Boards, fully developed and piloted the new programs so that they are ready for enrolments in 2006. The feedback received from those in the pilots has provided us with significant encouragement that the courses are in fact delivering the unique practical training solution that we set out to develop in response to Member demand.

Whilst a lot of work was directed at developing our new programs and changes announced late in the year, we continued to focus on delivering a full range of high quality products and services to Members.

## CPD/Event Highlights

In 2005 the Institute delivered 287 events and 849 hours across Australia which attracted 16,023 attendees. The major national events all attracted excellent attendances and generated very positive feedback. In particular, we were very pleased with the enhancements to the National Convention in Perth in March, particularly the new streaming and additional sessions. A major highlight for the year was the sell-out of both National Intensive retreats in the second half of the year. No doubt the Succession Planning/Wealth Preservation focus was a major factor, as was the case study workshop format using experienced practitioners as our leaders. It was also great

to see continuing growth in the numbers attending the Financial Services conference.

STATE	EVENT, HOURS & DELEGATES
NSW	69 events, 180 hours, 3903 delegates.
VIC	45 events, 123 hours, 3044 delegates.
QLD	39 events, 134 hours, 2175 delegates.
WA	48 events, 108 hours, 1874 delegates.
SA	37 events, 145 hours, 2231 delegates.
TAS	41 events, 62 hours, 1081 delegates.

## Information Products

2005 saw further enhancements to the Institute's information offering including publication of the second edition of the popular Trusts Structures Guide. A major revision of the TSG is due for release in 2006 with a significant online offering to enhance the print version.

A major part of the re-branding of the Institute was a re-design of the Taxation in Australia journal with a more modern look and feel. The Tax Specialist journal was also enhanced and now includes an editorial and article summaries.

During the course of 2005 the Institute's information products team ran extensive focus groups to ascertain Members' online needs. A significant amount of development work has already been undertaken on the next phase of our online information strategy and I look forward to launching to all Members our significantly improved online offering early in 2006.

## Tax Policy and Research

During 2005, the Taxation Institute was again instrumental in bringing about a range of much needed technical changes to our tax laws, as well as significantly advancing improvements to the administration of our tax system. The

notable achievements that resulted are detailed in the President's column of this annual report.

### Marketing

An important part of the Institute's repositioning in 2005 was the change made to the Institute's branding and corporate style. Members would have noticed the new style flowed through all products and services and was designed to project a more contemporary and professional image whilst retaining the important historical and prestigious elements. One key element of the repositioning strategy was the introduction of the statement "It's Essential" to describe not only the Institute's importance to the tax profession but also the our products and services in relation to competitor offerings.

### Corporate Services

At the conclusion of 2005 the Institute moved from a number of back-office software applications to a single integrated application to allow us to provide significantly better service to Members as well as achieve internal efficiencies. As a result in early 2006 all Members will be able to interact more electronically where they desire to do so.

During the course of the year National Council implemented a new Risk Management framework. The new framework ensures that risks are clearly identified, staff are made aware of risks, monitoring of risks takes place, and risk is appropriately managed.

As already mentioned by the President in his report, the Institute moved to more efficient and contemporary premises in April 2005. The move has resulted in substantial improvements in staff productivity and

communication due to all staff being on a single floor and in a more open plan environment.

2005 was a solid year financially, with the Institute reporting a surplus of just over \$140,000. We consider the result to be very satisfactory given the development costs of the new education program, branding changes and investment in the new back office system.

### Acknowledgements

Finally, I wish to thank all of those who have contributed to the work and life of the Institute in 2005. The Institute is incredibly fortunate to have access to an enormous number of tax professionals whose support allows us to provide the various services to members. We are extremely appreciative of their support and I would like to thank them all on your behalf. Further, the Institute is also very fortunate to have a dedicated team of professional staff around Australia. On behalf of all Members, can I thank them for their hard work and enthusiasm they show on a daily basis.

### The year ahead – 2006

Our major focus during the year will be to deliver an outstanding new and unique practical education program as promised by the Institute and demanded by employers and the profession. We will continue to offer a vast range of CPD events and seek to find new and better ways to provide practical and useful information to our membership. Of course, our Senior Tax Counsel Dr Michael Dirkis, and his team of dedicated staff and volunteers will continue to take-up the important technical issues with the Government, Treasury and the ATO.



*Noel Rowland*

Noel Rowland, CEO

# 2005. financial report

## DIRECTORS' REPORT

Your Directors present this report of the Taxation Institute of Australia for the year ended 31 December 2005.

### DIRECTORS

The names of each person who has been a Director during the year and to the date of this report are:

John de Wijn QC

Neil Earle (appointed 19/3/97, resigned 30/3/05)

Michael Flynn (alternate – appointed 21/6/05, resigned 22/6/05)

Stephen Healy (alternate – appointed 21/6/05, resigned 22/6/05)

Damien Lockie

Arlene Macdonald

Andrew Mills

Peter Moltoni

Peter Murray (alternate – appointed 23/8/05, resigned 24/8/05)

Harry Rigney

Joan Roberts

Ken Schurgott (appointed 31/3/05)

David Williams

Sue Williamson

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

### PRINCIPAL ACTIVITIES

The principal activity of the Institute during the year was the advancement of public knowledge and understanding of the laws relating to taxation. Principally by way of conferences, seminars and meetings and the dissemination of information relating to such laws.

## OPERATING RESULT

The operating result for the year was a profit of \$144,588 (2004: \$181,178). The Institute is exempt from income tax.

### ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the Taxation Institute of Australia's financial report has been prepared in accordance with those Standards. Refer Note 1 *Statement of Compliance*.

### DIRECTORS' MEETINGS

During the financial year to 31 December 2005, the following meetings were held and attendances were:

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
John de Wijn QC	7	7
Neil Earle	2	2
Michael Flynn	1	1 - as alternate for Damien Lockie
Stephen Healey	1	1 - as alternate for Harry Rigney
Damien Lockie	7	6
Arlene Macdonald	7	6
Andrew Mills	7	6
Peter Moltoni	7	5
Peter Murray	1	1 - as alternate for Sue Williamson
Harry Rigney	7	5
Joan Roberts	7	7
Ken Schurgott	5	5
David Williams	7	6
Sue Williamson	7	6

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## DIVIDENDS

The Institute's Constitution precludes the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend. No dividend has been paid or declared since the commencement of the financial year.

## REVIEW OF OPERATIONS

The aforementioned results for the year were considered pleasing, particularly in light of moving premises, re-branding and the introduction of Structured Education.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Institute that occurred during the financial year under review not otherwise disclosed in this report.

## AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the financial year and the date of the report any item, transaction or event of a material and unusual nature except the likely sale of Level 7, 64 Castlereagh Street (refer note 22), that in the opinion of the Directors, is likely to substantially affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in future financial years.

## FUTURE DEVELOPMENTS

The Institute will continue to pursue its policy of improving education services to members and the public on taxation issues.

## ENVIRONMENTAL ISSUES

The Institute's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## INDEMNIFYING OFFICER OR AUDITOR

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the Institute.

## PROCEEDINGS ON BEHALF OF THE INSTITUTE

No person has applied for leave of court to bring proceedings on behalf of the Institute or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Institute for all or any of those proceedings.

The Institute was not a party to any such proceedings during the year.

## Financial Report 2005 - Auditor's Independence Declaration

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TAXATION INSTITUTE OF AUSTRALIA

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2005 there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.



WHK Greenwood



David Sinclair, Principal

13 February 2006  
Level 15 309 Kent Street  
SYDNEY NSW 2000

## Financial Report 2005 - Directors' Particulars

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### **John de Wijn, QC, B. Juris, LLB (Hons), MPhil, FTIA**

Date of Birth 29/03/52; Queen's Counsel; Appointed to National Council 2003; Victorian State Councillor 1989 -1997, since 2002; Member National Executive Committee; Junior Vice President; Member National Technical Committee; Chair National Technical Committee 2004; President 2005.

### **Neil Earle, FCA, FTIA**

Date of Birth 20/03/49; Chartered Accountant; Appointed to National Council 1997; Victorian State Councillor since 1994; Junior Vice President 2002; Senior Vice President 2003; President 2004; Chair National Technical Committee 2003.

### **Michael Flynn, LLB/B Comm, FTIA**

Date of Birth 14/03/61; Barrister and Chartered Accountant; Alternate Director 21 June 2005; Chair Victorian State Council; Chair Victorian Technical Committee 2001-02; Member National Technical Committee 2001-02.

### **Stephen Healey, B Bus, B.H.M.S, CA, FTIA**

Date of Birth 15/08/66; Alternate Director 21 June 2005; Queensland State Councillor since 2003; Chair Queensland State Council 2005; State Convention Committee since 2003; Sponsorship (BAPs) Committee since 2003.

### **Damien Lockie, B Ec, LLB, LLM, FCA, FTIA**

Date of Birth 22/09/58; Barrister-at-Law; Appointed to National Council 1999, resigned March 2002; Reappointed to National Council 2004; Victorian State Councillor since 1994; Chair Victorian State Council 1999-2000; Chair National Membership & Services Committee 2002-2004; Deputy Chair National Technical Committee 2005.

### **Arlene Macdonald, BA/LLB, GDLP, FTIA**

Date of Birth 20/03/52; Barrister; Appointed to National Council 2001; South Australian State Councillor since 1998; Member National Education Committee since 2002; Deputy Chair National Education Committee since 2004; Chair South Australian Education Committee 2002-2003; Member Examinations & Quality Assurance Board 2005.

### **Andrew Mills, B Bus, LLM, Grad Dip Tax Law, FTIA**

Date of Birth 29/09/61; Appointed to National Council 2001; New South Wales State Councillor since 2000; Chair New South Wales State Council 2002-2003; Chair National Technical Committee March 2002 and 2005; Treasurer 2003-2004; Vice President 2005.

### **Peter Moltoni, B Comm, CA, FTIA**

Date of Birth 27/04/58; Chartered Accountant; Appointed to National Council 1996; Western Australian State Councillor since 1991; Chair Western Australian State Council 1996; Treasurer 2005.

### **Peter Murray, B/Comm, LLB, CA, FTIA**

Date of Birth 23/03/59; Chartered Accountant/Solicitor; Alternate Director 23 August 2005; Victorian State Councillor since 1997; Chair Victorian State council 2003-2004; Member National Education Committee; Chair Victorian Education Committee 1999-2003.

### **Harry Rigney, LLB (Hons), LLM, Grad.Dip.Ed, FTIA**

Date of Birth 02/04/48; Barrister and Solicitor, Registered Tax Agent; Appointed to National Council 2004; Queensland State Councillor 2004; Chair Queensland Regional Committee 2005; Chair Education Advisory Board 2005; Member National Technical Committee 2005.

### **Joan Roberts, BA (Hons), LLB (Hons), LLM, FTIA**

Date of Birth 18/08/49; Barrister and Solicitor; Appointed to National Council 1999; Tasmanian State Councillor since 1988; Member National Education Committee; Chair National Membership & Services Committee 2005.

### **Ken Schurgott, BApp.Sc, BA(Acy), LLB, MLS, LLM, MApp. Fin, FTIA**

Date of Birth 06/09/49; Solicitor; Appointed to National Council 2005; New South Wales State Councillor since 2003; Member Education Committee New South Wales Division; Chair South Australian State Council 2002; Member Education, Examinations & Quality Assurance Board 2005; Director Australian Tax Research Foundation 2005.

### **David Williams, B Com, LLB, LLM (Hons), FTIA**

Date of Birth 06/06/53; Solicitor; Appointed to National Council 2003; New South Wales State Councillor 1992-1996 and since 2000; Chair New South Wales State Council 2003-2004; Chair National Education Committee since 2004.

### **Sue Williamson, LLB, LLM, B Comm, FTIA**

Date of Birth 28/02/60; Barrister and Solicitor; Appointed to National Council 2000; Victorian State Councillor since 1995; Member National Education Committee 2005.

### **COMPANY SECRETARY**

#### **Noel Rowland**

Date of Birth 21/01/67; Chief Executive Officer and Company Secretary Appointed Company Secretary March 1998.

## Income Statement - for the year ended 31 December 2005

	Note	2005	2004
		\$	\$
Revenue from ordinary activities	2	9,259,090	8,620,139
Employee benefits expense		(3,731,655)	(3,393,994)
Depreciation and amortisation expenses		(206,861)	(297,341)
Membership services		(3,482,602)	(3,537,764)
Administration expenses		(1,693,384)	(1,209,862)
Profit from ordinary activities before income tax expense		144,588	181,178
Income tax expense relating to ordinary activities	1(i)	-	-
Net profit from ordinary activities after income tax expense attributable to members of the company		144,588	181,178
Net increase/(decrease) in asset revaluation reserve	15	-	545,004
Total changes in Equity other than those resulting from transactions with the owners as owners.		144,588	726,182

## Balance Sheet - as at 31 December 2005

	Note	2005	2004
		\$	\$
<b>CURRENT ASSETS</b>			
Cash Assets	5	2,378,177	2,707,915
Receivables	6	349,075	142,480
Inventories	7	1,332	10,273
Other Assets	8	320,547	368,787
Assets held for sale	9	1,119,100	-
<b>TOTAL CURRENT ASSETS</b>		<b>4,168,231</b>	<b>3,229,455</b>
<b>NON CURRENT ASSETS</b>			
Other Financial Assets	10	6	6
Property, Plant and Equipment	12	1,882,528	2,348,925
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,882,534</b>	<b>2,348,931</b>
<b>TOTAL ASSETS</b>		<b>6,050,765</b>	<b>5,578,386</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	3,194,487	2,857,048
Provisions	14	212,288	282,017
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,406,775</b>	<b>3,139,065</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	115,217	55,136
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>115,217</b>	<b>55,136</b>
<b>TOTAL LIABILITIES</b>		<b>3,521,992</b>	<b>3,194,201</b>
<b>NET ASSETS</b>		<b>2,528,773</b>	<b>2,384,185</b>
<b>EQUITY</b>			
Reserves	15	795,004	795,004
Retained Profits	16	1,733,769	1,589,181
<b>TOTAL EQUITY</b>		<b>2,528,773</b>	<b>2,384,185</b>

## Statement of Changes in Equity - for the year ended 31 December 2005

	Note	2005	2004
		\$	\$
<b>Retained Profits</b>			
Opening Retained Earnings	16	1,589,181	1,408,003
Net Profit for the Year	16	144,588	181,178
Retained Earnings at year end		1,733,769	1,589,181
<b>Reserves</b>			
Opening Reserves	15	795,004	250,000
Increase in Reserves		-	545,004
Balance at the end of the year		795,004	795,004
Total Equity at the end of the year		2,528,773	2,384,185

## Statement of Cash Flows - for the year ended 31 December 2005

	Note	2005	2004
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and others		8,937,825	9,316,887
Payments to suppliers and employees		(8,569,258)	(8,867,443)
Interest received		171,851	145,090
Net cash provided by (used in) operating activities	19(b)	540,418	594,534
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(870,156)	(91,930)
Net cash provided by (used in) investing activities		(870,156)	(91,930)
Net increase/(decrease) in cash held		(329,738)	502,604
Cash at beginning of year		2,707,915	2,205,311
Cash at end of year	19(a)	2,378,177	2,707,915

## Notes to the Financial Statements - for the year ended 31 December 2005

### NOTE 1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of the Taxation Institute of Australia for the year ended 31 December 2005 was authorised for issue by a resolution of the Directors on 21 February 2006.

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Taxation Institute of Australia is a company limited by guarantee, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

#### Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). A statement of compliance with International Financial Reporting Standards cannot be made due to the Taxation Institute of Australia applying the not for profit sector specific requirements contained in the AIFRS.

This is the first financial report prepared based on AIFRS and the figures to 31 December 2004 have been reviewed accordingly. There were no material differences between the 2004 financial report prepared under previous GAAP and AIFRS, hence no restatement of balances has taken place and equity has not changed.

#### (a) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and only include direct costs.

#### (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 any impairment in value.

#### Investment Property

Strata building floors are measured on the fair value basis, with changes in fair value recognised in the profit and loss in the period that they arise. It is the policy of the Institute to have an independent valuation every three years, with annual appraisals being made by the Directors. An independent valuation was obtained in December 2004.

#### Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

#### Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If such an indication exists and where the carrying values exceed the recoverable amount, the asset is written down to the recoverable amount.

#### Depreciation

The depreciable amount of all fixed assets including buildings are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use. The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Investment Property	2%
Plant and Equipment	20.0% - 33.3%
Development Costs	20%

#### Make Good provision on leased premises

Costs required to return the premises to its original condition as set out in the lease agreement are recognised as a provision in the financial statements.

The provision has been calculated as an estimate of future costs and discounted to a present value.

## Notes to the Financial Statements - for the year ended 31 December 2005

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### (c) Leases

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

### (d) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

### (e) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, and annual leave which will be settled after one year, have been measured at the amount expected to be paid. 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.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

### (f) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

### (g) Revenue

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

Revenue from sales of goods is recognised upon the delivery of the goods to the customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from members received in advance is deferred to the period to which it relates and included as an accrual on the balance sheet.

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

### (i) Income Tax

The Institute is exempt for income tax purposes under Section 50-5 of the *Income Tax Assessment Act of 1997*.

### (j) Inventories held for distribution

Brochures published for distribution to members free of charge are held as inventory held for distribution as the lower of cost and net replacement cost.

### (k) Sale of Assets

Property Assets that satisfy the criteria in AASB 5 as assets held for sale are transferred to current assets and separately disclosed as assets held for sale on the face of the balance sheet. These assets are measured at the lower of carrying amount and fair value less costs to sell. These assets cease to be depreciated from the date they satisfy the held for sale criteria.

The net gain or loss on asset sales are included as revenue at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

## Notes to the Financial Statements - for the year ended 31 December 2005

	2005	2004
	\$	\$
<b>NOTE 2. REVENUE</b>		
<b>Operating Activities</b>		
Membership Services	3,852,105	3,720,418
Rendering of services (Conventions and Seminars)	4,289,330	3,702,119
Sales of publications	769,169	875,634
Commercial sponsorship	91,234	72,925
Advertising revenue	84,732	102,331
	9,086,570	8,473,427
<b>Non-operating activities</b>		
Sundry Income	669	1,622
<b>Interest</b>		
Bank Interest	171,851	145,090
Total revenue	9,259,090	8,620,139

### NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been determined after:

#### Expenses

##### Depreciation of non-current assets

- buildings	41,900	35,004
- plant and equipment	164,961	262,337

##### Remuneration of auditor

- audit or review	12,500	11,108
- other services	1,680	1,430

##### Rental expense on operating leases

- minimum lease payments	281,992	113,120
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### NOTE 4. DIVIDENDS

The company's constitution precludes the payment of dividends. No Dividend has been paid or declared since the commencement of the financial year.

## Notes to the Financial Statements - for the year ended 31 December 2005

	2005	2004
	\$	\$
<b>NOTE 5. CASH ASSETS</b>		
Cash at bank	2,377,077	2,706,815
Cash on hand	1,100	1,100
	2,378,177	2,707,915
<b>NOTE 6. RECEIVABLES</b>		
<b>CURRENT</b>		
Trade debtors	349,075	142,480
<b>NOTE 7. INVENTORIES</b>		
<b>CURRENT</b>		
At cost		
Goods for resale	1,332	10,273
<b>NOTE 8. OTHER ASSETS</b>		
<b>CURRENT</b>		
Prepayments	320,547	368,787
<b>NOTE 9. ASSETS HELD FOR SALE – PROPERTY</b>		
<b>CURRENT</b>		
Carrying amount	1,119,100	-
<b>NOTE 10. OTHER FINANCIAL ASSETS</b>		
Shares in other corporations – at cost	6	6

Shares in other corporations have been written down to their recoverable amount being the expected disposal proceeds from the sale of shares by all shareholders.

### NOTE 11. CONTROLLED ENTITIES

Subsidiary: The Australian Institute of Certified Tax Practitioners Pty Ltd  
Country of incorporation: Australia  
Percentage owned: 100% (2004: 100%)

The Institute's subsidiary – The Australian Institute of Certified Tax Practitioners Pty Ltd did not trade in 2004 and 2005, and hence its results are not materially significant.

### Australian Tax Research Foundation (ATRF)

The Institute took over administrative responsibility for the ATRF in 2002. Whilst the Institute could exercise control over the ATRF, it does not and the Foundation continues to be run as an independent organisation with an independent Board.

It is the opinion of the Institute's auditor that consolidating the Foundation and the Institute's results would not lead to more meaningful information being provided to the users of the Institute's Financial Report.

## Notes to the Financial Statements - for the year ended 31 December 2005

	Note	2005	2004
		\$	\$
<b>NOTE 12. PROPERTY, PLANT AND EQUIPMENT</b>			
Investment Property			
- independent valuation 2004		1,050,000	2,190,000
Less Accumulated Depreciation		(21,000)	-
		<u>1,029,000</u>	<u>2,190,000</u>
Plant and Equipment – at cost		2,110,745	1,555,166
Less: Accumulated Depreciation		(1,286,889)	(1,396,241)
		<u>823,856</u>	<u>158,925</u>
Online Education & Web Site Facility		-	740,000
Less: Accumulated Amortisation		-	(740,000)
		<u>-</u>	<u>-</u>
Development Costs		29,672	-
Less Amortisation on Development		-	-
		<u>29,672</u>	<u>-</u>
Total Property, Plant and Equipment		<u>1,882,528</u>	<u>2,348,925</u>

### (a) Movements in carrying amounts.

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Investment Property	Plant and Equipment	Development Costs	Total
	\$	\$	\$	\$
Balance at the beginning of the year	2,190,000	158,923	-	2,348,923
Additions	50,796	789,688	29,672	870,156
Property Held for Sale	(1,119,100)	-	-	(1,119,100)
Disposals	-	-	-	-
Depreciation or amortisation expense	(52,494)	(164,957)	-	(217,451)
Carrying amount at the end of the year	<u>1,069,202</u>	<u>783,654</u>	<u>29,672</u>	<u>1,882,528</u>

## Notes to the Financial Statements - for the year ended 31 December 2005

	2005	2004
	\$	\$
<b>NOTE 13. PAYABLES</b>		
CURRENT		
Trade creditors	942,407	681,474
Income in advance	2,252,080	2,175,574
	3,194,487	2,857,048
<b>NOTE 14. PROVISIONS</b>		
CURRENT		
Employee benefits	212,288	282,017
NON-CURRENT		
Employee benefits	64,421	55,136
Make Good on Premises	50,796	-
	115,217	55,136
	327,505	337,153
(a) Aggregate employee benefits	276,709	337,153
(b) Number of employees at year end	38	33
<b>NOTE 15. RESERVES</b>		
Asset Revaluation Reserve	795,004	795,004
(a) Movements during the year		
Opening balance	795,004	250,000
Revaluation increase arising on revaluing buildings to fair value	-	545,004
Closing balance	795,004	795,004
The asset revaluation reserve records revaluations of non-current assets measured at fair value.		
<b>NOTE 16. RETAINED PROFITS</b>		
Retained profits at the beginning of the financial year	1,589,181	1,408,003
Net profit (loss) attributable to members of the company	144,588	181,178
Retained profits at the end of the financial year	1,733,769	1,589,181

## Notes to the Financial Statements - for the year ended 31 December 2005

	2005	2004
	\$	\$

### NOTE 17. CAPITAL AND LEASING COMMITMENTS

#### Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

#### Payable

- not later than one year	250,585	244,761
- later than one year but not later than 5 years	1,269,955	530,960
- later than 5 years	44,880	-
	1,565,420	775,721

The property leases are non-cancellable leases with three to five-year terms, with rent payable monthly in advance. An option exists on some of the leases to renew the term for an additional period up to five years.

### NOTE 18. SEGMENT REPORTING

The Institute is a not for profit Member Association with branches in each State and provides educational services to members and the public. It conducts conventions and seminars as part of its educational services and produces a monthly journal as a service to members but it does not ascribe separate results or use of assets to its educational or member services segments.

### NOTE 19. CASH FLOW INFORMATION

#### (a) Reconciliation of Cash

For the purpose of the statement of cash flows "cash" includes cash on hand, deposits and managed funds. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the items in the income statement as follows:

Cash on hand and at bank	2,378,177	2,707,915
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#### (b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax

Profit from ordinary Activities after Income Tax	144,588	181,178
Non-cash flows in profit from ordinary activities		
Depreciation	217,451	297,341
<b>Changes in assets and liabilities</b>		
Increase in Receivables	(206,595)	(37,527)
Increase in Other Assets	48,240	(25,978)
Increase in Inventories	8,943	6,456
Decrease Payables	337,439	116,362
Increase in Provisions	(9,648)	56,702
Cash flows from operations	540,418	594,534

## Notes to the Financial Statements - for the year ended 31 December 2005

### NOTE 20. FINANCIAL INSTRUMENTS

#### (a) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the weighted average interest rates on those financial assets, is as follows:

Financial Assets	Note	Weighted Average interest rate		Floating Interest Rate		Non-Interest Bearing	
		2005	2004	2005	2004	2005	2004
		%	%	\$	\$	\$	\$
Cash at bank	5	5.00	4.28	178,177	7,915		
Deposits at call	5	5.57	4.63	2,200,000	2,700,000		
Receivables	6					349,075	142,480
Total Financial Assets				2,378,177	2,707,915	349,075	142,480
<b>Financial Liabilities</b>						<b>Non-Interest Bearing</b>	
Payables	13					3,194,487	2,857,048
Provisions	14					327,505	337,153
						3,521,992	3,194,201

#### (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the income statement and notes to the financial statements.

#### (c) Net Fair Values

The Institute's financial assets and liabilities are carried at an amount that is approximate net fair value.

The company does not have any material risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

### NOTE 21. MEMBERS' GUARANTEE

The Institute is a company limited by guarantee. Every member of the Institute undertakes to contribute to the assets of the Institute in the event of it being wound up while he/she is a member or within one year afterwards for the payment of the debts and liabilities of the Institute contracted before he/she ceases to be a member and the costs, charges and expenses of winding up and for the adjustment of the rights of the contributors among themselves such amount as may be required not exceeding two dollars (\$2.00).

### NOTE 22. EVENTS SUBSEQUENT TO REPORTING DATE

The Institute has agreed to sell Level 7, 64 Castlereagh St Sydney. The exact details of this sale are not available at the date of preparing this report. The sale of the above property will generate a profit for the Institute in the 2006 financial year.

### NOTE 23. COMPANY DETAILS

The registered office of the company is:  
C/O PricewaterhouseCoopers  
Level 1 25 National Circuit, Forrest ACT 2603

The principal place of business is:  
Taxation Institute of Australia  
Level 2 95 Pitt St, Sydney NSW 2000

## Notes to the Financial Statements - for the year ended 31 December 2005

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### NOTE 24. RELATED PARTIES

Key Management Personnel are employed under fixed term contracts up to five years duration. Salary packages are benchmarked against the market salary for each job position.

Common features with employment agreements include:

- Entitlement to 4 weeks Annual Leave
- Entitlement to 10 days Sick Leave
- Entitlement to Long Service Leave is based on contract
- All Contracts may be terminated without notice for serious misconduct
- Reasonable notice of termination is to be given by both employee and the Institute
- A performance bonus may be paid but this is a discretionary payment
- Where required staff are provided with a mobile phone for business calls

#### 2005 Remuneration for Key Management Personnel (5 staff)

Base Salaries	Superannuation	Bonuses	Total Remuneration
741,086	59,363	40,000	840,449

The bonus amounts paid in 2005 were performance bonuses for 2004 year.

#### DIRECTORS REMUNERATION

2005

\$

No income was paid or is payable to the Directors of the company other than the President.

In 2004 the President was not a Director. In 2005 this changed and the President became a Director.

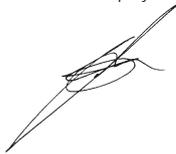
59,020

## Directors' Declaration

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The Directors of the Institute declare that:

1. The Financial Reports and Notes, as set out on pages 6 to 22, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulation 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2005 and of the performance for the year ended on that date of the Institute.
2. In the Directors' opinion there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.



John de Wijn, Director



Andrew Mills, Director

This declaration is made accordance with a resolution of the Board of Directors, Sydney, 21st day of February, 2006

# Independent Audit Report - to the Members of Taxation Institute of Australia

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## Scope

### The financial report and Directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Taxation Institute of Australia Limited, for the year ended 31 Dec 2005. The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report is presented fairly in accordance with the Corporation Act 2001, including compliance with Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Audit opinion

In our opinion, the financial report of Taxation Institute of Australia Limited is in accordance with:

- a. the *Corporations Act 2001* including:
  - i. giving a true and fair view of the company's financial position as at 31 Dec 2005 and of its performance for the year ended on that date ; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory financial reporting requirements in Australia.



WHK GREENWOODS



DAVID SINCLAIR, Principal

Dated this twenty first day February 2006



#### EXECUTIVE TEAM

Noel Rowland – Chief Executive Officer  
Michael Dirkis – Senior Tax Counsel  
Ruth Ferraro – General Manager, Education  
Alex Mohan – General Manager, Information Products  
Deborah Patison – Marketing Manager  
Des Reynolds – General Manager, Finance and Administration

#### NATIONAL OFFICE

##### CEO NOEL ROWLAND

Level 2, 95 Pitt Street, Sydney 2000  
Telephone: (02) 8223 0000,  
Facsimile: (02) 8223 0099  
Email: ceo@taxinstitute.com.au

#### STATE DIVISIONS

##### New South Wales

Chairman Paul Dowd  
Manager Claire Larroumet  
Level 2, 95 Pitt Street, Sydney 2000  
Telephone: (02) 8223 0040,  
Facsimile: (02) 8223 0077  
Email: nsw@taxinstitute.com.au

##### Victoria

Chairman Michael Flynn  
Manager Anita Kwong  
Suite 605, 530 Little Collins Street,  
Melbourne 3000  
Telephone: (03) 9909 7730,  
Facsimile: (03) 9909 7728  
Email: vic@taxinstitute.com.au

##### Queensland

Chairman Stephen Healey  
Manager Julliette Rowan  
Level 11, 82 Eagle Street, Brisbane 4000  
Telephone: (07) 3225 5200,  
Facsimile: (07) 3225 5222  
Email: qld@taxinstitute.com.au

##### Western Australia

Chairman Mike Frampton  
Manager Trish Webb  
Level 2, Parmelia House,  
191 St Georges Terrace, Perth 6005  
Telephone: (08) 9322 2004,  
Facsimile: (08) 9322 2153  
Email: wa@taxinstitute.com.au

##### South Australia (with Northern Territory)

Chairman Andrew Sinclair  
Manager Jody Heptinstall  
Ground Floor,  
5-7 King William Road,  
Unley Adelaide 5061  
Telephone: (08) 8357 8113,  
Facsimile: (08) 8357 8082  
Email: sa@taxinstitute.com.au

##### Tasmania

Chairman Janine Healey  
Manager Anita Kwong  
Suite 605, 530 Little Collins Street,  
Melbourne 3000  
Telephone: 1800 620 222,  
Facsimile: 1800 620 292  
Email: tas@taxinstitute.com.au

# 2005 annual report

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