



THE TAX INSTITUTE

2010 

# ANNUAL REPORT

The Tax Institute

Australia's *Leading* Professional Association in Tax

**INFORMED  
INVOLVED  
IN TUNE  
IN THE LOOP**



# THE TAX INSTITUTE BRAND

What we *stand* for

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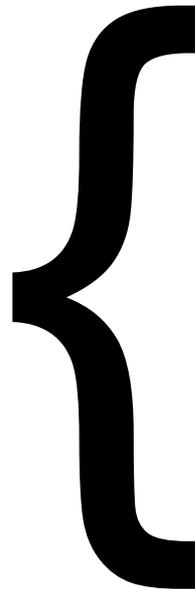
## Vision statement

The leading professional association  
in tax in Australia.

## Mission statement

To build the expertise and status  
of the tax professional.

Brand values:



- Integrity
- Professionalism
- Responsiveness
- Collaboration
- Commitment
- Leadership

# ABOUT THE TAX INSTITUTE

The leading *professional* association in tax

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As Australia's leading professional association in tax, The Tax Institute sets the benchmark for the most up-to-date tax professional development events and education programs in the country. That means that members of The Tax Institute are best placed to have the highest level of expertise in the field.

The growing membership base of more than 13,000 comprises tax professionals from commerce and industry, academia, government and public practice throughout Australia. However, it doesn't stop there.

The Institute's reach now extends to over 40,000 Australian business leaders, tax professionals, government employees and students through the numerous specialist, practical and accurate tax publications – all of which ensure that the latest information is available at their fingertips.

*“We strive to deliver outstanding education and information services to today's tax professional and to be a driving force behind the quest for a fair and equitable taxation system.”*

Established in 1943 the purpose of The Tax Institute was to provide education and information products and services to the tax profession as well as advocate for improvements in the tax law and its administration. That core purpose remains.

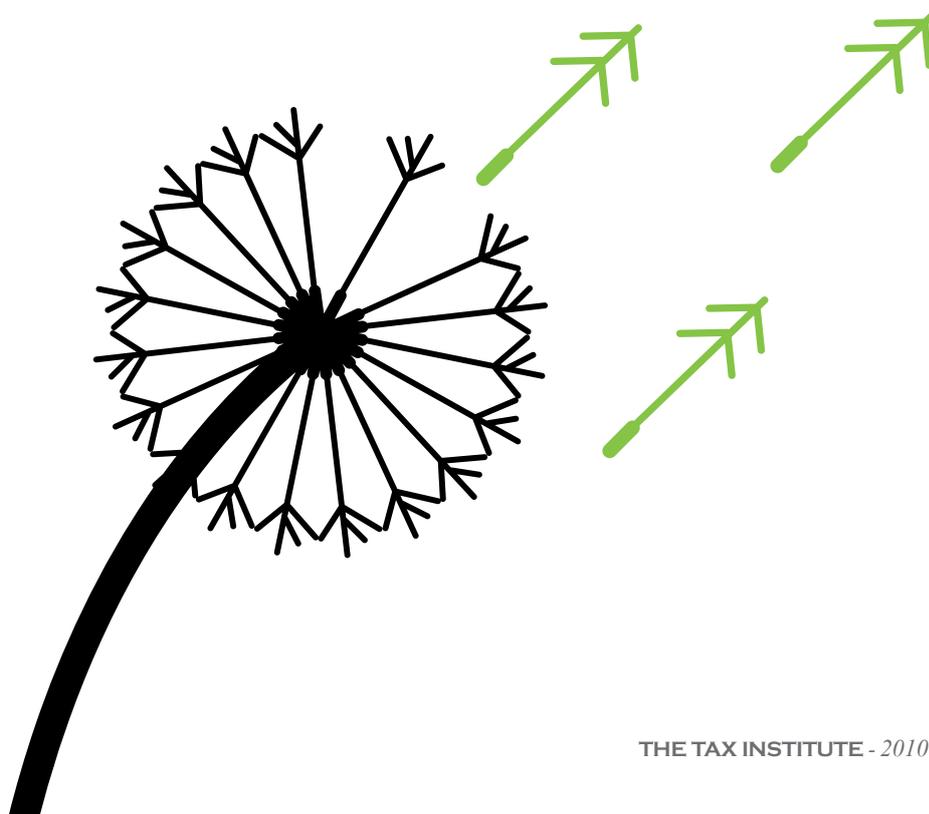
Today we aim to lead the tax profession with a strong and authoritative voice in advocating for a fair and equitable tax system in Australia, whilst at the same time providing a full suite of education and information products that keep today's tax professional up-to-date and build the capacity of the next generation of tax professionals.

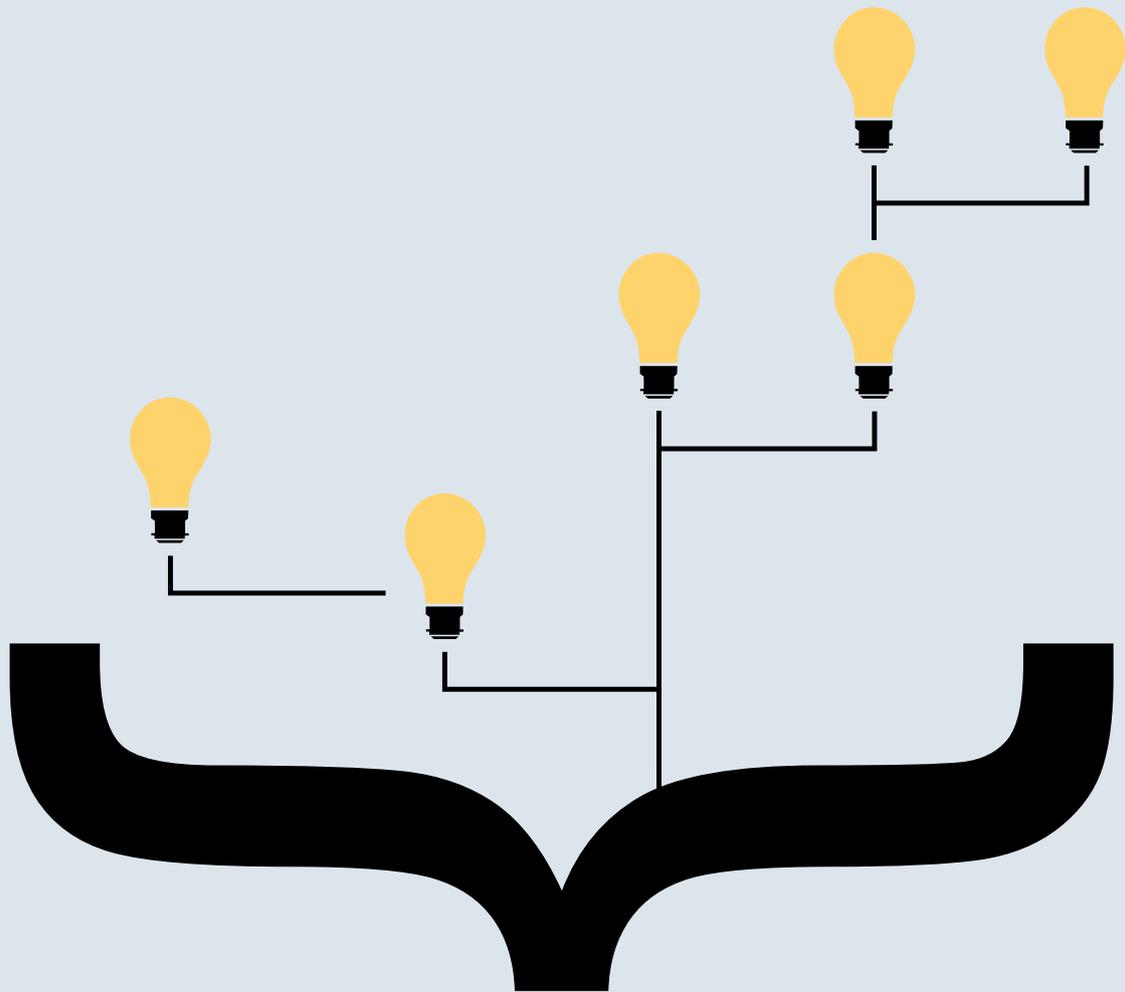


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**Focusing solely on tax,**  
The Tax Institute  
provides the best  
resources, education  
and networks.

# PRESIDENT'S REPORT

What a *year*

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All in all, 2010 has been a big year for The Tax Institute in general. We continued to champion the demand for a better tax system, and enhanced member benefits particularly through bigger and better events and education programs.

## **Recognised Tax Agent Association**

In 2010, The Tax Institute applied for and obtained status as a Recognised Tax Agent Association under the Tax Agent Services Regime. I want to thank everyone involved in getting this through because I know what an incredible amount of effort went into the application process. As a result of the new status, the Institute introduced a much more detailed disciplinary system which has been added to the By-Laws of the Constitution of The Tax Institute.

## **Tax Reform**

The much-awaited Henry Report dominated the tax reform agenda in 2010. Yet, to date, no significant changes have been legislated. Despite this, the wheels continue to grind and so we will continue to pinpoint practical changes which will deliver a better taxation system both in the short and long term.

## **Moving Forward During the Year**

The Tax Policy Division welcomed three new team members since I started my term as President early in 2010. As a result, they have been highly active with a diverse range of issues, dealing with these on practical, administrative and policy levels. The Tax Policy Division regularly deals with the Government, Treasury, ATO, IGOT and the TPB as well as several other bodies.

On the education front, National Education has delivered flagship events with each of the States continuing to deliver timely and relevant professional development events. In addition, The Tax Education Program continues to grow and I'd like to offer my warm congratulations to all members who completed their education courses during 2010.

We recognise that the diversity of our membership base often means that what works for one may not always work for another, that is why we continue to explore and evaluate different ways in which to engage with you, our members.



I would like to offer a heartfelt 'thank you' to the many people who have made my term as President so rewarding. Firstly, thank you to all employees of The Tax Institute for their valuable contribution during the year. Secondly, thank you to the enormous group of volunteers who, working alongside our employees, allow us to continue to provide the services which we do. I particularly want to thank CEO, Noel Rowland for his extremely valued leadership and the National Council members in their varying roles as chairs and members of the various National Committees.

## **Looking to the Future**

I extend my best wishes to Peter Murray as the 2011 President and to the 2011 National Council. I am confident that they, together with CEO Noel Rowland and his key managers, will lead the Institute forward so that it retains its position as the pre-eminent body in taxation education and encourage its enormous contribution to the community as a whole.

A handwritten signature in black ink that reads "D Williams". The signature is written in a cursive, slightly slanted style.

**David Williams**  
President

# A MESSAGE FROM THE CEO

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**I am pleased to report on the many and varied activities and successes of The Tax Institute during 2010.**

Following the extraordinarily volatile economic conditions of recent years, and the massive uncertainty across the global economy, 2010 presented a broad mix of challenges and opportunities for the Institute. We successfully navigated these and have delivered enhanced services to members which is reflected in a positive operational and financial result.

It was predicted that 2010 would be a big year and it proved to be just that. We were inundated with activity in the legislative, economic and political arena including the Henry Review, the Cooper Review, the Tax Agent Services Regime and a federal election, just to name a few.

## **2010 highlights and achievements**

### **Pleasing Results**

The Tax Institute achieved a surplus of \$191,713 in 2010, which was very pleasing after the challenges faced in the previous year.

### **Tax Agent Services Regime**

The first of March 2010 saw the commencement of the Tax Agent Services Regime after many years in gestation. We are proud to have been involved in the initial conceptualisation right through to leading our members through the transition and implementation of the new regime.

With the introduction of the new regime, the Institute took the necessary steps to obtain the status as a Recognised Tax Agent Association (RTAA). To achieve this status, the Institute made various changes to its By-Laws, and introduced a disciplinary and complaints process as well as updates to its database to collect relevant information on members. In May 2010, The Tax Institute received confirmation of having gained the status of RTAA. This was an important milestone for the Institute and its members.

### **Programs to help members with the transition**

To assist with the transition to the new Regime, The Tax Institute developed a number of programs to support members with practical up-to-date information including a roadshow around the country, the 'Tax Agents Manual', an essential companion to every tax agent, a regular e-newsletter and a dedicated web page with information, FAQs and updates on the Regime.



## **Growing and enhancing membership**

The Tax Institute recorded strong membership growth in 2010 with a 50% increase in new members on the previous year, the best growth in five years. This was reinforced with a 93% of membership renewals. Growth like this reflects the strong reputation of the Institute amongst those in the tax profession and the importance for newcomers to the profession looking for a quality, tax-focused association.

### **Rebranding The Tax Institute**

We are always mindful of the need to remain attuned to the needs our members, and of the tax profession more generally, and tireless in our endeavour to ensure the Institute's brand reflects the position our members hold as the leaders in the field.

In December 2007, The Tax Institute commissioned extensive market research to look at any areas where we could improve and add value to membership. The key findings confirmed that we were basically 'getting things right'. Most members rated the Institute's products and services very highly, with 'best in category' a common outcome of the survey. Member feedback did result, however, in providing us with the impetus for a number of initiatives throughout 2008 and 2009. The findings also gave us a clear understanding that we needed to increase the clarity of The Tax Institute brand.

In response to these findings, during 2010 we worked hard to refresh the Institute's brand identity, to modernise it and bring it in line with today's contemporary, vibrant tax profession. The new brand identity, which includes the new name "The Tax Institute", along with a new logo and visual concepts were launched in March 2011. This Annual Report reflects the refreshed identity of the Institute's brand.

As the Institute's brand becomes more widely known and our reputation as the authoritative leaders in tax is even stronger, members will reap the benefits of higher recognition amongst their clients.

# CEO REPORT

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## Thousands attend CPD

In line with our commitment to ensure members are kept in touch with all new developments and stay at the forefront of their profession, we offered over 370 continuing professional development events over the year, attended by almost 20,000 people.

In 2010, on top of the many events held throughout the year, we held eight national conferences, six state conventions and nine roadshows. The Tax Institute's premier event, the 25th National Convention, was held in Melbourne in March attracting over 500 delegates.

Major events in 2010 included:

- 25th National Convention
- Financial Services Taxation Conference
- 5th Consolidations Symposium
- 10th States' Taxation Conference
- GST Intensive Conference
- 18th Tax Intensive Retreat
- Annual Intensive Retreat
- Resources Conference
- State conventions held around the country included NSW, Victoria, WA, SA, Queensland and Tasmania.

In addition to the above we held a number of national roadshows at various locations around the country covering:

- Superannuation
- Trusts
- FBT
- International Taxation
- Tax-effective Accounting
- CGT

In response to many of the major decisions made throughout the year, we also held roadshows to keep members abreast of the latest legislations and resolutions. These included:

- Tax Agent Services Regime Roadshow
- *Bamford* Decision Roadshow
- Henry Review Roadshow

## Alternative CPD delivery methods

In 2010, the Institute continued to offer programs in alternate formats to suit those who cannot attend face-to-face CPD programs. Some of these options include products such as:

CPE.TV, a streaming media tax service; online learning modules that accompany online publications; online roadshows and numerous DVDs; and podcasts that were produced throughout the year covering popular tax topics. We continue to explore online delivery options for CPD, with a focus on usability and quality of content delivery.

## The Tax Institute's education program proved critical

We saw over 800 candidates enrolled across the three education courses, Foundation, Applied and Advance in 2010.

With the new Tax Agent Services Regime in place, new requirements for education for tax agents arose through extensive consultation with the profession by the Tax Practitioners Board. This culminated in the proposed guidelines being issued in December 2010 with the Institute expanding its curriculum to match the guidelines.

Under the guidance of the Education Advisory Board and the Education, Examinations and Quality Assurance Board, and through adherence to a continuous improvement cycle, all students in 2010 have continued to meet the tax agent education requirements for a course in Australian taxation law and enrollees will now access the following:

- Online tax research presentation
- Business writing skills podcast
- Tax Administration Portfolio
- Videos of Foundation Tax presentations to expand the resources for distance learners.

These enhancements also address the business-critical skills that employers and regulators require of tax professionals.

## Flexible programs to meet business needs

Last year we met with many member firms to check in on the changes they felt were necessary to improve the program. This resulted in the Institute creating a qualification stream named:

- Certificate in Foundation Tax
- Certificate in Applied Tax, and
- Diploma of Advanced Tax.

During 2010, the Institute continued to offer well-considered, on-demand intensive courses as well as the public program. The latter was devised to ensure those accessing the CA/CPA exemptions could also maintain the momentum of their study towards those qualifications.



# 2010

# CEO REPORT

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## Complaints and Disciplinary Activities

As a Recognised Tax Agent Association (RTAA) under the Tax Agent Services Act, the Institute during the year introduced a member complaints and disciplinary process.

The processes are set out in The By-laws and available on the Institute's website.

During 2010 there were:

2 Complaints received

0 Complaints dismissed

0 Complaints upheld

2 Complaints under investigation at year end

0 Disciplinary action -taken against member

## Achievements in tax policy and research

In 2010, The Tax Institute continued to be the authoritative opinion leader and driving force in improving the tax laws and administration.

### Members' input

Our members provided invaluable technical assistance, practical guidance and industry examples to help us achieve tax changes and influence tax policy and administration.

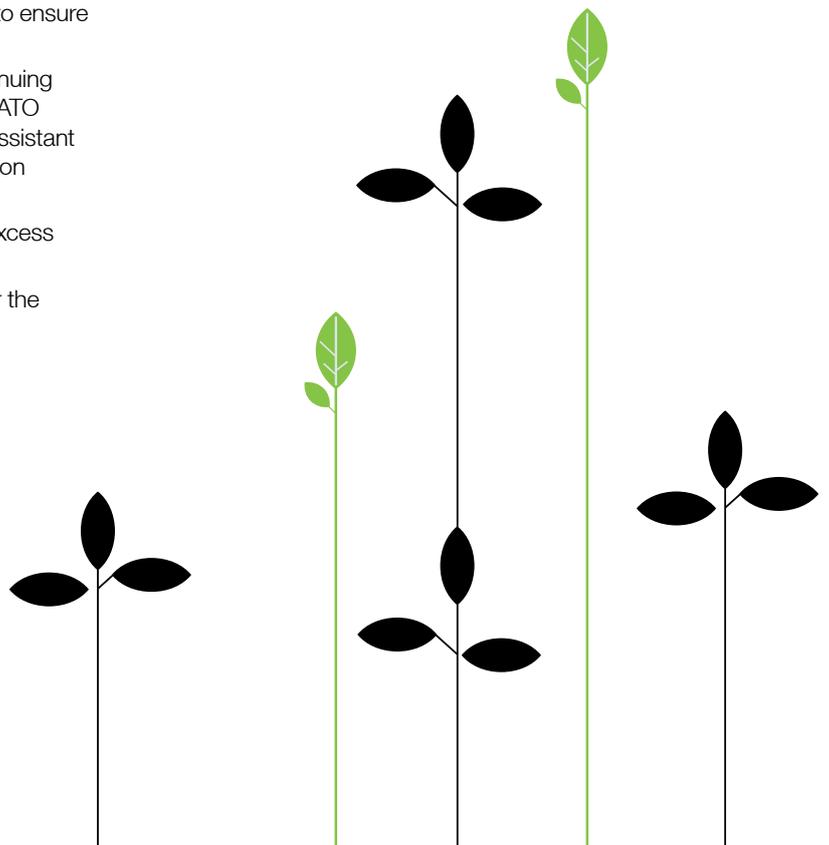
Highlights included:

- We vigorously argued against the ATO's ruling on unpaid present entitlements and urged the Commissioner to agree to an urgent test case to resolve the issue.
- After our sustained arguments for reform in the area, the Government committed to update Australia's trust taxation law
- We strongly advocated the case for everyone providing tax advice to be regulated by the Tax Practitioner's Board. Discussions continue on the key elements required to ensure appropriate consumer protection
- With regards to the ATO Change program, our continuing strong advocacy generated government action: the ATO understood the real impacts on members and the Assistant Treasurer announced an Inspector-General of Taxation investigation into the program
- We successfully highlighted the inequities with the excess superannuation contributions tax
- We publicly argued the need for true tax reform after the Henry Tax Review.

### Major consultations

During the year we actively consulted on improving the tax system in many areas. We consulted with numerous government bodies on a vast range of issues, including:

- Treasury on the regulation of financial planners, managed investment trusts, earnout arrangements, capital protected borrowings, instalment warrants, financial supplies (GST), the tax file number withholding arrangements to closely held trusts, reform of the controlled foreign company rules and foreign source income deferral rules, and scrip for scrip roll-over requirements.
- The ATO on Division 7A and unpaid present entitlements, private equity determinations, practice statements on applying the ATO view to past periods and technical discussion papers, application of the new rules for TFN withholding on distributions from closely held trusts, the transition to the new indirect tax rulings regime, application of the new limited recourse borrowings arrangements rules (for superannuation funds) and the ATO's uncertain tax positions project.
- The Board of Taxation on consolidation and Islamic finance.
- The Inspector General of Taxation on the change program.
- The Tax Practitioners Board on professional indemnity insurance requirements, education requirements, code of conduct and engagement letters.
- The Super System Review Panel on its Review into Australia's Superannuation System.
- The Policy Transition Group on the resources tax.



# CEO REPORT

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## Online and print resources

Last year was very busy and successful, with continuing improvements to existing publications as well as the development of a number of new products.

### Books and online publications

Our popular book publications were updated and revised in print and online including the Trust Structures Guide, SMSF Guide, Estate and Business Succession Planning, Division 7A Handbook and CGT Small Business Concessions Handbook. The seminal text, Trusts & Estates: Taxation and Practice, was made available as a separate online publication and was updated on a monthly basis.

New publications in 2010 included the Tax Agents Manual, published in January with CCH. This publication is now the leading manual on the Tax Agent Services Regime.

We continued to expand our range of online books which have allowed us to be agile and respond to our member needs. Our online books have the advantage of being regularly updated, accessible, practical and up-to-date. In June 2010 we released our first online only book – Discretionary Trust Distributions with subscription which proved to be extremely popular. The Tax Institute now offers eight online books which are regularly updated.

### Journals

Annual readership surveys of the Taxation in Australia journal and TaxVine newsletter indicated members remain very satisfied with these benefits and offered some valuable feedback on how they could be improved. Members and subscribers will notice improvements in these products in 2011 as a result.

### Online knowledge base

The online knowledge base has now grown to an archive of approximately 60,000 content items, consisting of seminar and convention papers, presentations, journal articles and submissions. In 2010, we added podcasts which are proving to be popular. Individual and corporate subscribers can now access our books online and these are proving very popular as users become more familiar with the site and the volume of information that is available.

### Tax Careers

In 2010, we saw a resurgence in tax job advertising through our online careers channel, Tax Careers, as it attracts a variety of advertisers from mid-tier and corporate firms seeking candidates who are Tax Institute members. This is a growing channel for our members who are seeking candidates with tax interest and experience and graduates who are looking for a career in tax.

## The way forward – building for the future

In 2011, our focus will be on building The Tax Institute. Building our brand, building on our products and services and building our capacity.

The roll out of the refreshed brand identity in 2011 will further enhance the recognition of the brand and what it stands for, not only amongst the tax profession but amongst employers, clients and students.

We will continue to develop the value of the range and quality of services on offer to members including publishing, CPD and education.

We will boost our capacity through the technology infrastructure, including our CRM, our website and our people.

## Conclusion

I'd like to conclude by acknowledging the hard work of our staff, the State Councils, the education, membership and the many advisory and policy development committees, presenters and facilitators who work with us on the many programs, events and courses.

In particular I'd like to thank the Institute's National Council, which has helped and guided us all the way this year. Working together with a shared vision, we have made outstanding progress on many initiatives this year.

Without the dedication of the multitude of volunteers these results would not have been possible. I'd like to thank each and every one of them for their hard work, dedication and contribution to the success of The Tax Institute and the tax profession in general. Finally, I would like to specially thank our members for their participation and vital contribution to achieving this success.



**Noel Rowland**  
Chief Executive Officer

# DIRECTORS' REPORT

To the *members* of The Tax Institute

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Your directors present this report of The Tax Institute, formerly known as the Taxation Institute of Australia ('the Institute') for the year ended 31 December 2010.

## Directors

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

|                          |   |
|--------------------------|---|
| <b>Arthur Athanasiou</b> | Appointed 1 January 2010                          |
| <b>Michael Flynn</b>     | Appointed 28 March 2007                           |
| <b>Stephen Healey</b>    | Appointed 25 September 2008                       |
| <b>Wayne Healy</b>       | Appointed 1 January 2010                          |
| <b>Peter Murray</b>      | Appointed 29 March 2006                           |
| <b>Matthew Pawson</b>    | Appointed 1 January 2010                          |
| <b>Tracey Rens</b>       | Appointed 1 January 2011                          |
| <b>Ken Schurgott</b>     | Appointed 31 March 2005                           |
| <b>Stephen Westaway</b>  | Appointed 29 November 2006                        |
| <b>David Williams</b>    | Appointed 28 March 2003, Retired 31 December 2010 |
| <b>Lachlan Wolfers</b>   | Appointed 1 January 2009                          |

Directors have been in office since the start of the 2010 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.

No significant change in the nature of these activities occurred during the year.

## Operating result

The operating result for the year was a profit of \$191,713 (2009: \$220,771).

The operating result includes an unrealised investment loss of \$37,221.

The Institute is exempt from income tax.

## Dividends

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.

## Review of operations

The results for the year reflect continuing strong demand for Institute products and services especially CPD.

## 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

On 10 February 2011, ASIC approved the change of name from Taxation Institute of Australia to The Tax Institute.

The Tax Institute moved premises in Sydney in March 2011.

Other than the above, 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 likely, in the opinion of the directors, to 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 is committed to delivering to its members a range of practical education and information services.

## 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

During the Financial year the Institute paid a premium for an Associations Liability Insurance policy. This policy provides cover for directors and officers of the Institute to the extent permitted by the Corporations Act (2001). Other than the insurance policy no indemnities have been given or agreed to be given during or since the end of the financial year, to any person who is or has been a director, 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 Institute 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.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

# DIRECTORS' REPORT

To the *members* of The Tax Institute

## Directors' meetings

Attendance at Board and Board Committee meetings during the year ended 31 December 2010:

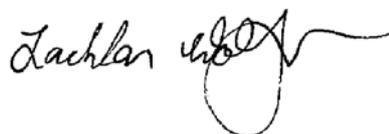
| Name                          | Board of directors |   | Investment committee |   |
|-------------------------------|--------------------|---|----------------------|---|
| Total number of meetings held | 5                  |   | 3                    |   |
| Directors                     | A                  | B | A                    | B |
| Arthur Athanasiou             | 5                  | 5 | 3                    | 3 |
| Michael Flynn                 | 5                  | 4 |                      |   |
| Stephen Healey                | 5                  | 3 |                      |   |
| Wayne Healy                   | 5                  | 5 |                      |   |
| Peter Murray                  | 5                  | 5 | 3                    | 1 |
| Matthew Pawson                | 5                  | 5 | 3                    | 3 |
| Ken Schurgott                 | 5                  | 5 |                      |   |
| Stephen Westaway              | 5                  | 4 |                      |   |
| David Williams                | 5                  | 5 |                      |   |
| Lachlan Wolfers               | 5                  | 2 |                      |   |

Note: A Meetings eligible to attend as a director  
B Meetings attended as a director

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



**Ken Schurgott**  
Director



**Lachlan Wolfers**  
Director

Dated this 23 day of March 2011.

# DIRECTORS' DECLARATION

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## Directors' Declaration

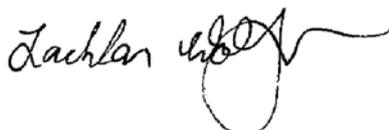
The directors of the Institute declare that:

- 1 The financial statements and notes, as set out on pages 18 to 35, are in accordance with the *Corporations Act 2001* and
  - (a) comply with Australian Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 31 December 2010 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.

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



**Ken Schurgott**  
Director



**Lachlan Wolfers**  
Director

Dated this 23 day of March 2011.

# AUDITOR'S INDEPENDENCE DECLARATION



Crowe Horwath Sydney  
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Member Crowe Horwath International  
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Sydney NSW 2000 Australia  
Tel +61 2 9262 2155  
Fax +61 2 9262 2190  
www.crowehorwath.com.au

A WHL Group Firm

23 March 2011

The Board of Directors  
The Tax Institute  
Level 10  
175 Pitt Street  
SYDNEY NSW 2000

Dear Board Members

## THE TAX INSTITUTE

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Tax Institute, formerly, Taxation Institute of Australia (the Institute).

As lead audit principal for the audit of the financial statements of The Tax Institute for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely

CROWE HORWATH SYDNEY

ROGER WONG  
Principal



Liability limited by a scheme approved under  
Professional Standards Legislation

Crowe Horwath Sydney Pty Ltd is a member of Crowe Horwath International, a Swiss entity.  
Each member firm of Crowe Horwath is a separate and independent legal entity.

# DIRECTORS' PARTICULARS

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## **Arthur Athanasiou, LLM, LLB, BEc, Grad Dip Acc, FTIA**

Date of Birth: 04/11/1963

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Qualifications: Barrister and Solicitor Supreme Court of Victoria

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Experience: Appointed National Council January 2010

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### Responsibilities:

- Victorian State Conference Committee Chair 2008/2009
- Victorian Education Committee Chair 2008/2009
- Victorian State Councillor since June 2008
- Deputy Chair National Education Committee 2010
- Member National Investment Committee 2010
- Victorian State Chair 2011
- Victorian State Councillor since June 2008
- Chair National Education Committee 2011
- Member National Investment Committee since 2010

## **Michael Flynn, LLB, B Com, ACA, FTIA**

Date of Birth: 14/03/1961

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Qualifications: Barrister-at-law

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Experience: Appointed National Council March 2007

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### Responsibilities:

- National Education Committee 2007
- National Tax Intensive Committee 2007 - 2010
- States' Taxation Conference Committee 2007
- Chair Victorian State Council 2006/07
- Victorian Education Committee 2006/07
- Victorian State Councillor since June 2000
- Deputy Chair National Technical Committee 2007
- Chair National Education Committee 2008/09
- Member Examinations & Quality Assurance Board since 2010

## **Stephen Healey, BHMS, B Bus, CA, FTIA**

Date of Birth: 15/08/1966

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Qualifications: Chartered Accountant

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Experience: Appointed to National Council September 2008

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### Responsibilities:

- Queensland State Councillor since 2000
- Chair Queensland State Council 2005/06
- Treasurer since 2009

## **Wayne Healy, B Bus FCPA FTIA**

Date of Birth: 10/04/1964

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Qualifications: Certified Practising Accountant

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Experience: Appointed to National Council January 2010

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### Responsibilities:

- Member Western Australian State Council since 2004
- Chair Western Australian State Council 2007/2008
- Member Western Australian Education Committee since 2000
- Chair Western Australian Education Committee 2005/2006
- Member Education Advisory Board since 2005
- Member National Education Committee 2005/2006
- Deputy Chair National Membership Committee 2010

## **Peter Murray, B Com, LLB, FCA, FTIA**

Date of Birth: 23/03/1959

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Qualifications: Chartered Accountant/Solicitor

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Experience: Appointed to National Council March 2006

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### Responsibilities:

- Victorian State Councillor since 1997
- Chair Victorian Education Committee 1999 - 2003
- Chair Victorian State Council 2003/04
- Member National Education Committee
- Chair National Information Products 2006
- Chair National Membership & Services Committee 2007/2008
- Deputy Chair National Technical Committee 2009
- Chair National Investment Committee 2010
- Director Australian Tax Research Foundation Appointed January 2010
- Chair National Technical Committee 2010
- Vice President 2010
- President 2011

## **Matthew Pawson, B Com, LLB, FTIA**

Date of Birth: 02/03/1973

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Qualifications: Solicitor

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Experience: Appointed to National Council January 2010

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### Responsibilities:

- Tasmania State Councillor 2010
- Member National Investment Committee 2010

# DIRECTORS' PARTICULARS

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## **Tracey Rens, FTIA**

Date of Birth: 01/02/1971

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Qualifications: Solicitor

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Experience: Appointed to National Council January 2010

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Responsibilities:

- NSW State Councillor since 2005
- Chair NSW State Council 2007/2008
- Deputy Chair NSW State Council 2006
- Member National Education Committee 2008-2010
- Member NSW Education Committee since 2002
- Chair NSW Education Committee 2005/2006

## **Ken Schurgott, B App Sc, BA (Acy), LLB, MLS, LLM, M App Fin, FTIA**

Date of Birth: 06/09/1949

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Qualifications: Solicitor

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Experience: Appointed to National Council March 2005

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Responsibilities:

- New South Wales State Councillor since 2003
- Member New South Wales Education Committee since 2003
- Chair South Australian State Council 2002
- Chair National Education 2006/07
- Member Education Advisory Board & Education, Examinations & Quality Assurance Board since 2009
- Deputy Chair National Technical Committee 2010
- Chair National Technical Committee 2011
- Chair Investment Committee 2011
- Member Nominations Committee

## **Stephen Westaway, B Fin Admin, FCA, FTIA**

Date of Birth: 24/01/1958

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Qualifications: Chartered Accountant

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Experience: Appointed to National Council November 2006

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Responsibilities:

- South Australian State Councillor since February 2000
- Chair Education Advisory Board 2007/2008
- Chair South Australian State Council 2007
- Chair National Membership & Services Committee 2009/10

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

Date of Birth: 06/06/1953

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Qualifications: Solicitor

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Experience: Appointed to National Council March 2003

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Responsibilities:

- New South Wales State Councillor 1992 - 1996 and since 2000
- NSW State Chair 2003/2004
- Chair National Education Committee 2004 - 2006
- Member National Education Committee 2007
- Deputy Chair National Technical Committee March 2006/2007
- Chair Information Products 2007
- Treasurer 2008
- Vice President 2009
- Chair National Technical Committee 2009
- Director Australian Tax Research Foundation Appointed July 2009
- President 2010

## **Lachlan Wolfers, B Ec, LLB (Hons), MTax (Hons) ACA, FTIA**

Date of Birth: 06/06/1974

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Qualifications: Solicitor

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Experience: Appointed to National Council January 2009

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Responsibilities:

- New South Wales State Councillor since 2007
- Chair Information Products Working Group 2009
- Chair National Education Committee 2010/2011

## **Company secretary**

### **Noel Rowland**

Date of Birth: 21/01/1967

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Qualifications: Chief Executive Officer and Company Secretary

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Experience: Appointed Company Secretary March 1998

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Responsibilities:

- Director Australian Tax Research Foundation Appointed November 2009

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

|   | Note | 2010           | 2009           |
|---|------|----------------|----------------|
|   |      | \$             | \$             |
| Revenue   | 2    | 13,594,021     | 11,688,782     |
| Employee benefits expense   |      | (5,890,071)    | (4,998,123)    |
| Depreciation and amortisation expenses  | 3    | (295,259)      | (361,504)      |
| CPD events and member services  |      | (4,697,057)    | (4,399,339)    |
| Administration expenses   |      | (2,482,700)    | (1,940,459)    |
| Net change in fair value of financial assets held at fair value through profit and loss | 3    | (37,221)       | 231,414        |
| Profit before income tax expense  | 3    | 191,713        | 220,771        |
| Income tax expense  | 1(i) | -              | -              |
| <b>Profit after income tax expense</b>  |      | <b>191,713</b> | <b>220,771</b> |
| Other comprehensive income  |      | -              | -              |
| <b>Total comprehensive income</b>   |      | <b>191,713</b> | <b>220,771</b> |

The accompanying notes form part of these financial statements.

# BALANCE SHEET

As at 31 December 2010

|   | Note | 2010             | 2009             |
|---|------|------------------|------------------|
|   |      | \$               | \$               |
| <b>CURRENT ASSETS</b>                                 |      |                  |                  |
| Cash and Cash Equivalents                             | 5    | 5,101,814        | 5,001,393        |
| Trade and Other Receivables                           | 6    | 1,178,933        | 1,038,527        |
| Financial Assets at fair value through profit or loss | 7    | 2,206,243        | 2,163,329        |
| <b>TOTAL CURRENT ASSETS</b>                           |      | <b>8,486,990</b> | <b>8,203,249</b> |
| <b>NON-CURRENT ASSETS</b>                             |      |                  |                  |
| Plant and Equipment                                   | 8    | 385,691          | 462,559          |
| <b>TOTAL NON-CURRENT ASSETS</b>                       |      | <b>385,691</b>   | <b>462,559</b>   |
| <b>TOTAL ASSETS</b>                                   |      | <b>8,872,681</b> | <b>8,665,808</b> |
| <b>CURRENT LIABILITIES</b>                            |      |                  |                  |
| Trade and Other Payables                              | 9    | 3,950,174        | 4,043,710        |
| Short Term Provision                                  | 10   | 324,938          | 223,189          |
| <b>TOTAL CURRENT LIABILITIES</b>                      |      | <b>4,275,112</b> | <b>4,266,899</b> |
| <b>NON-CURRENT LIABILITIES</b>                        |      |                  |                  |
| Long Term Provisions                                  | 10   | 157,183          | 150,236          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                  |      | <b>157,183</b>   | <b>150,236</b>   |
| <b>TOTAL LIABILITIES</b>                              |      | <b>4,432,295</b> | <b>4,417,135</b> |
| <b>NET ASSETS</b>                                     |      | <b>4,440,386</b> | <b>4,248,673</b> |
| <b>EQUITY</b>   |      |                  |                  |
| Retained Profits                                      |      | 4,440,386        | 4,248,673        |
| <b>TOTAL EQUITY</b>                                   |      | <b>4,440,386</b> | <b>4,248,673</b> |

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

|  | 2010             | 2009             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Retained Earnings</b>                   |                  |                  |
| Opening retained earnings                  | 4,248,673        | 4,027,902        |
| Net Profit for the Year                    | 191,713          | 220,771          |
| <b>Retained earnings at year end</b>       | <b>4,440,386</b> | <b>4,248,673</b> |
| <br>                                       |                  |                  |
| <b>Total equity at the end of the year</b> | <b>4,440,386</b> | <b>4,248,673</b> |

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

|  | Note         | 2010             | 2009             |
|--|--------------|------------------|------------------|
|  |              | \$               | \$               |
| <b>Cash flows from operating activities</b>  |              |                  |                  |
| Receipts from members and others   |              | 14,432,568       | 13,142,173       |
| Payments to suppliers and employees  |              | (14,460,999)     | (12,479,618)     |
| Interest Received  |              | 327,392          | 199,787          |
| <b>Net cash provided by operating activities</b>   | <b>13(b)</b> | <b>298,961</b>   | <b>862,342</b>   |
| <b>Cash flows from investing activities</b>  |              |                  |                  |
| Proceeds from sale of financial assets at fair value through profit or loss  |              | 118,192          | 206,343          |
| Payment for plant and equipment  |              | (218,391)        | (45,653)         |
| Dividend income  |              | 99,986           | 94,066           |
| Dividend income and proceeds from sale of financial assets reinvested in financial assets at fair value through profit or loss |              | (198,327)        | (509,054)        |
| <b>Net cash used in investing activities</b>   |              | <b>(198,540)</b> | <b>(254,298)</b> |
| Net Increase in Cash Held  |              | 100,421          | 608,044          |
| Cash at beginning of the financial year  |              | 5,001,393        | 4,393,349        |
| <b>Cash at end of the financial year</b>   | <b>13(a)</b> | <b>5,101,814</b> | <b>5,001,393</b> |

The accompanying notes form part of these financial statements.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

## Note 1. Statements of significant accounting policies

The financial statements of The Tax Institute ("the Institute") for the year ended 31 December 2010 was authorised for issue by a resolution of the directors on 23 March 2011.

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

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

### Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions events and conditions to which they apply.

The accounting policies set out below have been consistently applied to all years presented unless otherwise stated. The financial statements have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair values of selected non-current assets, financial assets and financial liabilities.

### (a) 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.

Dividends income are recognised as revenue when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

### (b) Plant and equipment

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

### Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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.

### Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the Institute 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 |
|----------------------|-------------------|
| Plant and Equipment  | 20.0%–33.3%       |
| Development Costs    | 20%               |

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

### 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.

### (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.

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

### (d) Financial instruments

#### Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

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## **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

## **Classification and subsequent measurement**

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

### **(i) Financial assets held at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

### **(ii) Loans and receivables**

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

### **(iii) Held-to-maturity investments**

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

### **(iv) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

## **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

## **Impairment**

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

### **(e) Impairment of assets**

At each reporting date, the entity reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent upon on the assets ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

### **(f) Employee benefits**

Provision is made for the Institute's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs.

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.

### **(g) Cash and cash equivalents**

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

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

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## (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 Balance Sheet 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) Provisions

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

## (k) Trade and other payables

These amounts represent liabilities for goods provided to the Institute prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

## (l) Comparative Figures

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

## (m) Critical Accounting Estimates and Judgements

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

## Key Estimates - Impairment

The Institute assesses impairment at each reporting date by evaluating conditions specific to the Institute that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair values less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised for the year ended 31 December 2010.

## (n) New accounting standards for application in future periods

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

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

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Institute has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit and loss and there is no impairment or recycling on disposal of the instruments;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing financial assets; and (b) the characteristics of the contractual cash flows.

The Institute does not anticipate early adoption of the above Australian Accounting Standards.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

|   | 2010              | 2009              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>Note 2. Revenue</b>                  |                   |                   |
| <b>Operating Activities</b>             |                   |                   |
| Membership Services including Education | 5,993,780         | 5,700,572         |
| Rendering of services (CPD and Events)  | 6,023,810         | 4,481,566         |
| Sales of publications                   | 989,067           | 1,083,583         |
| Commercial sponsorship                  | 0                 | 1,013             |
| Advertising revenue                     | 150,825           | 129,188           |
|   | <b>13,157,482</b> | <b>11,395,922</b> |
| <b>Other Income</b>                     |                   |                   |
| Interest                                | 336,553           | 198,794           |
| Dividend Income                         | 99,986            | 94,066            |
|   | <b>436,539</b>    | <b>292,860</b>    |
| <b>Total revenue</b>                    | <b>13,594,021</b> | <b>11,688,782</b> |

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

|   | 2010            | 2009           |
|---|-----------------|----------------|
|   | \$              | \$             |
| <b>Note 3. Profit from ordinary activities</b>  |                 |                |
| Profit from ordinary activities before income tax expense has been determined after:    |                 |                |
| <b>Expenses</b>   |                 |                |
| Depreciation of non-current assets  |                 |                |
| - plant and equipment   | 295,259         | 361,504        |
|   | <b>295,259</b>  | <b>361,504</b> |
| <b>Remuneration of auditor</b>  |                 |                |
| - audit   | 20,600          | 20,000         |
| - other services  | 1,350           | 4,570          |
|   | <b>21,950</b>   | <b>24,570</b>  |
| <b>Rental expense on operating leases</b>   |                 |                |
| - minimum lease payments  | 595,585         | 572,004        |
|   | <b>595,585</b>  | <b>572,004</b> |
| <b>Significant revenue and (Expenses)</b>   |                 |                |
| Net change in fair value of Financial Assets held at fair value through profit and loss | (37,221)        | 231,414        |
|   | <b>(37,221)</b> | <b>231,414</b> |

#### 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 FINANCIAL STATEMENT

For the year ended 31 December 2010

|   | 2010             | 2009             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Note 5. Cash and cash equivalents</b>                                    |                  |                  |
| Cash at bank and on hand  | 435,691          | 75,082           |
| Short term deposits   | 4,666,123        | 4,926,311        |
|   | <b>5,101,814</b> | <b>5,001,393</b> |
| (a) The Institute's exposure to interest rate risk is discussed in note 14. |                  |                  |

|   |                  |                  |
|---|------------------|------------------|
| <b>Note 6. Trade and other receivables</b>  |                  |                  |
| CURRENT   |                  |                  |
| Trade Receivables   | 300,956          | 311,769          |
| Prepayments   | 877,977          | 726,758          |
|   | <b>1,178,933</b> | <b>1,038,527</b> |
| (a) Impaired receivables and receivables past due<br>None of the current receivables are impaired or past due but not impaired. |                  |                  |
| (b) The Institute's exposure to credit risk is discussed in note 14.  |                  |                  |

|   |           |           |
|---|-----------|-----------|
| <b>Note 7. Financial assets at fair value through profit or loss</b>  |           |           |
| Investment in Unit Trusts at fair value   |           |           |
| Investment in Unit Trusts at fair value   | 2,206,243 | 2,163,329 |
| Listed equity investments are managed by JB Were and consist of investments in wholesale funds and therefore have no fixed maturity date or coupon rate.        |           |           |
| Changes in fair values of financial assets at fair value through profit and loss are recorded in the Statement of Comprehensive Income and disclosed in note 3. |           |           |
| (a) Risk exposure<br>Information about the Institute's exposure to credit risk and the price risk is provided in note 14.                                       |           |           |

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

|                                    | 2010           | 2009           |
|------------------------------------|----------------|----------------|
|                                    | \$             | \$             |
| <b>Note 8. Plant and equipment</b> |                |                |
| Plant and Equipment – at cost      | 1,211,735      | 2,056,775      |
| Less: accumulated depreciation     | (826,044)      | (1,594,216)    |
| <b>Total Plant and Equipment</b>   | <b>385,691</b> | <b>462,559</b> |

|   | Plant and equipment | Total          |
|---|---------------------|----------------|
| <b>(a) Movements in carrying amounts.</b>   |                     |                |
| Movement in carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year. |                     |                |
| Balance at the beginning of the year  | 462,559             | 462,559        |
| Additions   | 218,391             | 218,391        |
| Depreciation or amortisation expense  | (295,259)           | (295,259)      |
| <b>Carrying amount at the end of the year</b>   | <b>385,691</b>      | <b>385,691</b> |

## Note 9. Trade and other payables

Current

|                   |                  |                  |
|-------------------|------------------|------------------|
| Trade payables    | 682,138          | 719,252          |
| Income in advance | 3,268,036        | 3,324,458        |
|                   | <b>3,950,174</b> | <b>4,043,710</b> |

(b) The Institute's exposure to liquidity risk is discussed in note 14.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

|                                     | 2010    | 2009    |
|-------------------------------------|---------|---------|
|                                     | \$      | \$      |
| <b>Note 10. Provisions</b>          |         |         |
| CURRENT                             |         |         |
| Employee benefits                   | 324,938 | 223,189 |
| NON-CURRENT                         |         |         |
| Employee benefits                   | 61,430  | 73,828  |
| Make good on premises               | 95,753  | 76,408  |
|                                     | 157,183 | 150,236 |
| (a) Aggregate employee benefits     | 386,368 | 297,017 |
| (b) Number of employees at year end | 59      | 50      |

|  | 2010      | 2009    |
|--|-----------|---------|
|  | \$        | \$      |
| <b>Note 11. Capital and leasing commitments</b>  |           |         |
| <b>Operating Lease Commitments</b>   |           |         |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: |           |         |
| Payable – minimum lease payments   |           |         |
| – not later than one year  | 540,333   | 575,603 |
| – later than one year but not later than 5 years   | 2,712,362 | 285,279 |
|  | 3,535,014 | 860,882 |

The property leases are non-cancellable leases with one 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.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

## Note 12. Controlled entities

Australian Tax Research Foundation (ATRF)

The Institute took over administrative responsibility for the ATRF in 2002. Before 2009 the Institute did not exercise control over the ATRF, and the ATRF continued to be run as an independent organisation with an independent board.

In late 2009 the Institute took over control of the ATRF and appointed new directors to the ATRF Board.

It is the opinion of the Institute's directors that given the immateriality of the ATRF's operations, assets and liabilities consolidating the ATRF into the Institute's results would not lead to more meaningful information being provided to the users of the Institute's Financial Report.

|   | 2010           | 2009           |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>Note 13. Cash flow information</b>   |                |                |
| <b>(a) Reconciliation of cash</b>   |                |                |
| 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  | 5,101,814      | 5,001,393      |
| <b>(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>   |                |                |
| Profit after Income Tax   | 191,713        | 220,771        |
| <b>Non-cash flows in profit from ordinary activities</b>  |                |                |
| Depreciation  | 295,259        | 365,264        |
| Net change in fair value of financial assets held at fair value through profit or loss  | 37,221         | (231,414)      |
| Dividend Income   | (99,986)       | (94,066)       |
| Loss from disposal of investment in subsidiary  | -              | 6              |
| <b>Changes in assets and liabilities</b>  |                |                |
| (Increase)/decrease in trade and other receivables  | (140,406)      | 233,139        |
| Decrease in receivables   | -              | 7,648          |
| Increase/(decrease) in trade and other payables   | (93,536)       | 471,365        |
| Increase/(decrease) in provisions   | 108,696        | (110,371)      |
| <b>Cash flows from operations</b>   | <b>298,961</b> | <b>862,342</b> |

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

## Note 14. Financial risk management objectives and policies

The Institute's principal financial instruments comprise receivables, payables, financial assets held at fair value through profit or loss, cash, and short term deposits.

The main risks arising from the Institute's financial instruments are interest rate risk, price risk, credit risk and liquidity risk. The Institute uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessments of market forecasts for interest rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

### Risk Exposures and Responses

#### Interest rate risk

The Institute's exposure to market interest rates relates primarily to the Institute's cash and cash equivalents.

At the reporting date, the Institute had the following financial assets exposed to Australian variable interest rate risk that are not hedged:

|  | Floating<br>Interest rate | Fixed<br>Interest rate | Non interest<br>bearing | Total            | Weighted<br>average effective<br>interest rate |
|--|---------------------------|------------------------|-------------------------|------------------|--|
|  | \$                        | \$                     | \$                      | \$               | %  |
| <b>Year ended 31 December 2010</b>                         |                           |                        |                         |                  |  |
| <b>Financial assets</b>                                    |                           |                        |                         |                  |  |
| Cash and cash equivalents                                  | 5,100,664                 | -                      | 1,150                   | 5,101,814        | 5.28%  |
| Trade and other receivables                                | -                         | -                      | 1,178,933               | 1,178,933        |  |
| Financial assets held at fair value through profit or loss | -                         | -                      | 2,206,243               | 2,206,243        |  |
|  | <b>5,100,664</b>          | <b>-</b>               | <b>3,386,326</b>        | <b>8,486,990</b> |  |
| <b>Financial liabilities</b>                               |                           |                        |                         |                  |  |
| Trade and other payables                                   | -                         | -                      | 3,950,174               | 3,950,174        |  |
|  |                           |                        | <b>3,950,174</b>        | <b>3,950,174</b> |  |
| <b>Year ended 31 December 2009</b>                         |                           |                        |                         |                  |  |
| <b>Financial assets</b>                                    |                           |                        |                         |                  |  |
| Cash and cash equivalents                                  | 5,000,311                 | -                      | 1,082                   | 5,001,393        | 3.89%  |
| Trade and other receivables                                | -                         | -                      | 1,038,527               | 1,038,527        |  |
| Financial assets held at fair value through profit or loss | -                         | -                      | 2,163,329               | 2,163,329        |  |
|  | <b>5,000,311</b>          | <b>-</b>               | <b>3,202,938</b>        | <b>8,203,249</b> |  |
| <b>Financial liabilities</b>                               |                           |                        |                         |                  |  |
| Trade and other payables                                   | -                         | -                      | 4,043,710               | 4,043,710        |  |
|  |                           |                        | <b>4,043,710</b>        | <b>4,043,710</b> |  |

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

For the year ended 31 December 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

|                        | Post-tax profit higher/(lower) |          |
|------------------------|--------------------------------|----------|
|                        | 2010                           | 2009     |
|                        | \$                             | \$       |
| +1% (100 basis points) | 51,007                         | 50,003   |
| -1% (100 basis points) | (51,007)                       | (50,003) |

The movements in profit are due to higher/lower interest income from cash balances.

## Price risk

The Institute's exposure to commodity price risk is minimal.

Equity securities price risk arises from investments in equity securities. In 2007, the Institute employed JB Were to manage part of its investments. The Institute also formed an Investment Committee to meet with JB Were on a quarterly basis and review the investment strategy. JB Were invest surplus cash across a range of investments including cash, fixed interest, property trusts, equities both in Australia and overseas. The Institute does not hold any direct equity investments.

The Institute has some exposure to price risk for both listed and unlisted securities. The investment portfolio is structured to minimise risk from fluctuations in the investment market. If the market value of the entire portfolio moved by 10%, the effect on the 2010 profit would have been approximately \$221,000.

## Credit risk

Credit risk arises from the financial assets of the Institute, which comprise cash and cash equivalents, trade and other receivables and available for sale financial assets. The Institute's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Institute does not hold any credit derivatives to offset its credit exposure.

The Institute trades only with recognised, creditworthy third parties, and as such collateral is not requested nor it is the Institute's policy to securitise its trade and other receivables.

In addition, receivables balances are monitored on an ongoing basis with the result that the Institute's exposure to bad debts is not significant.

There is no significant concentration of credit risk within the Institute.

## Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Institute manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Institute has no borrowings and as such has no exposure to liquidity risk.

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

## Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available - for - sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Institute is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Fair values of held-to-maturity investments are based on quoted marked prices at the end of the reporting period.

## Financial instruments measured at fair value

The financial instruments recognised at fair value in the balance sheet have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements. The fair value hierarchy consists of three levels, referred to as Level 1, Level 2 and Level 3. The Institute determines the fair value of financial instruments based on quoted prices in active markets for identical assets or liabilities (Level 1).

Included within the Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

|  | Level 1   | Level 2   | Level 3   | Total     |
|--|-----------|-----------|-----------|-----------|
| <b>2010 Financial Assets</b>                 | <b>\$</b> | <b>\$</b> | <b>\$</b> | <b>\$</b> |
| Held to Maturity Investments                 | -         | 4,666,123 | -         | 4,666,123 |
| Financial assets held through profit or loss | 2,206,243 | -         | -         | 2,206,243 |
|  | 2,206,243 | 4,666,123 | -         | 6,872,366 |

|  | Level 1   | Level 2   | Level 3   | Total     |
|--|-----------|-----------|-----------|-----------|
| <b>2009 Financial Assets</b>                 | <b>\$</b> | <b>\$</b> | <b>\$</b> | <b>\$</b> |
| Held to Maturity Investments                 | -         | 4,926,311 | -         | 4,926,311 |
| Financial assets held through profit or loss | 2,163,329 | -         | -         | 2,163,329 |
|  | 2,163,329 | 4,926,311 | -         | 7,089,640 |

## Note 15. 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 its 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).

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2010

## Note 16. Related party transactions

### Key management personnel

Key management personnel are employed under fixed term contracts up to five years duration.

Common features with employment agreements include:

- Entitlement to Annual Leave and Sick Leave
- Entitlement to Long Service Leave
- 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 or blackberry

### Key management personnel

| 2010             |                                      | 2009            |                                      |
|------------------|--------------------------------------|-----------------|--------------------------------------|
| Noel Rowland     | Chief Executive Officer              | Noel Rowland    | Chief Executive Officer              |
| Robert Jeremenko | Senior Tax Counsel                   | Michael Dirkis  | Senior Tax Counsel (resigned)        |
| Ruth Ferraro     | General Manager of Education         | Ruth Ferraro    | General Manager of Education         |
| Des Reynolds     | Chief Financial Officer              | Des Reynolds    | Chief Financial Officer              |
| Zeina Khodr      | General Manager E-Business           | Zeina Khodr     | General Manager Information Products |
| Alex Munroe      | General Manager Information Products | Alex Munroe     | General Manager Information Products |
| Anna Mirzayan    | General Manager Marketing            | Anna Mirzayan   | General Manager Marketing            |
|                  |                                      | Adrian Devenish | General Manager CRM & E-business     |

|   | 2010             | 2009             |
|---|------------------|------------------|
|   | \$               | \$               |
| Remuneration for key management personnel |                  |                  |
| Base salaries                             | 1,223,168        | 1,217,913        |
| Superannuation                            | 103,135          | 99,707           |
| <b>Total remuneration</b>                 | <b>1,326,303</b> | <b>1,317,620</b> |

### Directors remuneration

No income was paid or is payable to the directors of the company.

The President is paid for services he provides to the company. 75,096 73,552

# NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2010*

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## **Note 17. Events after the reporting date**

On 10 February 2011, ASIC approved the change of name from Taxation Institute of Australia to The Tax Institute.

The Tax Institute has moved premises in Sydney in March 2011. The operating lease commitment for this move is included in note 11.

Other than the above 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 likely, in the opinion of the directors, to affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in future financial years.

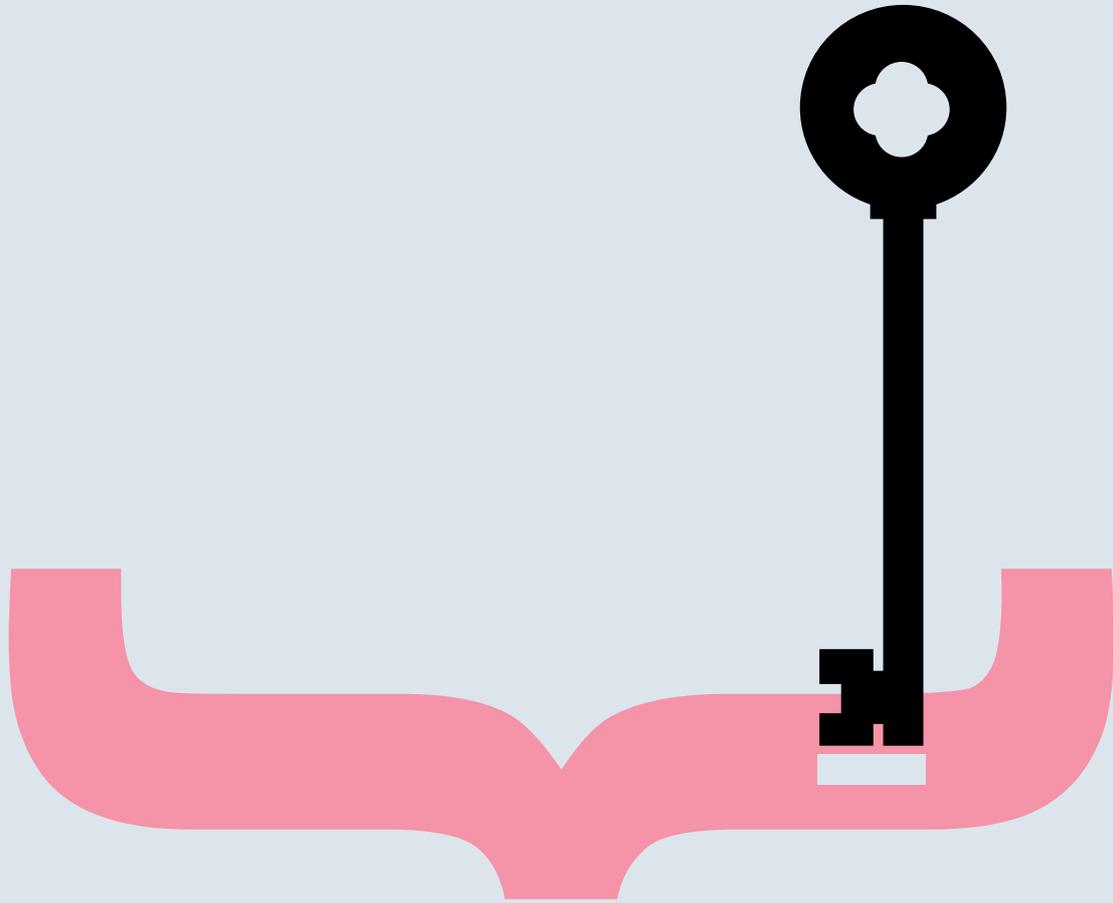
## **Note 18. Contingent liabilities and contingent assets**

There are no contingent liabilities or contingent assets at reporting date.

## **Note 19. Company details**

The registered office and principal place of business of the company is:

The Tax Institute  
Level 10, 175 Pitt St  
Sydney, NSW 2000



**Members** of The Tax Institute are part of the group which advocates for a better tax system, shares knowledge with peers and advances professional standing.

# INDEPENDENT AUDIT REPORT

To the *members* of The Tax Institute



Crowe Horwath Sydney  
Level 15 300 Kent Street  
Sydney NSW 2000 Australia  
Tel +61 2 9292 2100  
Fax +61 2 9292 2100  
www.crowehorwath.com.au

A 999 Group Firm

## Independent Auditor's Report to the members of The Tax Institute

We have audited the accompanying financial statements of The Tax Institute, formerly, Taxation Institute of Australia (the Institute), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' Responsibility

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

### Auditor's Responsibility

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

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

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

### Independence

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

### Audit Opinion

In our opinion, the financial statements of The Tax Institute, formerly, Taxation Institute of Australia, are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Institute's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1.

*Crowe Horwath Sydney*

*R. Wong Peter Wong*

CROWE HORWATH SYDNEY

ROGER WONG  
Principal

Dated this 23<sup>rd</sup> day of March 2011



Liability limited by a scheme approved under Professional Standards Legislation

Crowe Horwath Sydney Pty Ltd is a member of Crowe Horwath International, a Swiss entity. Each member firm of Crowe Horwath is a separate and independent legal entity.

# CONTACT DETAILS

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## Executive team

|                  |                                       |
|------------------|---------------------------------------|
| Noel Rowland     | Chief Executive Officer               |
| Robert Jeremenko | Senior Tax Counsel                    |
| Ruth Ferraro     | General Manager, Education            |
| Zeina Khodr      | General Manager E-Business            |
| Alex Munroe      | General Manager, Information Products |
| Anna Mirzayan    | General Manager, Marketing            |
| Des Reynolds     | Chief Financial Officer               |

## National office

CEO Noel Rowland  
Level 10, 175 Pitt St  
Sydney, NSW 2000

Tel: 02 8223 0000  
Fax: 02 8223 0099  
Email: ceo@taxinstitute.com.au

## State divisions

### New South Wales and ACT

Chairman: Marcus Leonard, FTIA  
State Manager: Claire Kasses  
Level 10, 175 Pitt Street  
Sydney, NSW 2000

Tel: 02 8223 0040  
Fax: 02 8223 0077  
Email: nsw@taxinstitute.com.au

### Victoria

Chairman: Arthur Athanasiou, FTIA  
State Manager: Ruth White  
Level 15, 350 Collins Street  
Melbourne, VIC 3000

Tel: 03 9603 2000  
Fax: 03 9603 2050  
Email: vic@taxinstitute.com.au

### Queensland

Chairman: Peter Godber, FTIA  
State Manager: Paula Quirk Russo  
Level 11, Emirates Building  
167 Eagle Street,  
Brisbane, QLD 4000

Tel: 07 3225 5200  
Fax: 07 3225 5222  
Email: qld@taxinstitute.com.au

### Western Australia

Chairman: Mathew Chamberlain, FTIA  
State Manager: Asta Morton  
Level 7, 16 St Georges Terrace  
Perth, WA 6000

Tel: 08 9322 2004  
Fax: 08 9322 2153  
Email: wa@taxinstitute.com.au

### South Australia and Northern Territory

Chairman: Stephen Heath, FTIA  
State Manager Angelika Hislop  
Ground Floor  
5-7 King William Road  
Unley, SA 5061

Tel: 08 8463 9444  
Fax: 08 8463 9455  
Email: sa@taxinstitute.com.au

### Tasmania

Chairman: Lucinda Mills, ATIA  
State Manager Ruth White  
Level 15, 350 Collins Street  
Melbourne, VIC 3000

Tel: 1800 620 222  
Fax: 1800 620 292  
Email: tas@taxinstitute.com.au





## THE TAX INSTITUTE

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For information, please contact  
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[membership@taxinstitute.com.au](mailto:membership@taxinstitute.com.au)

