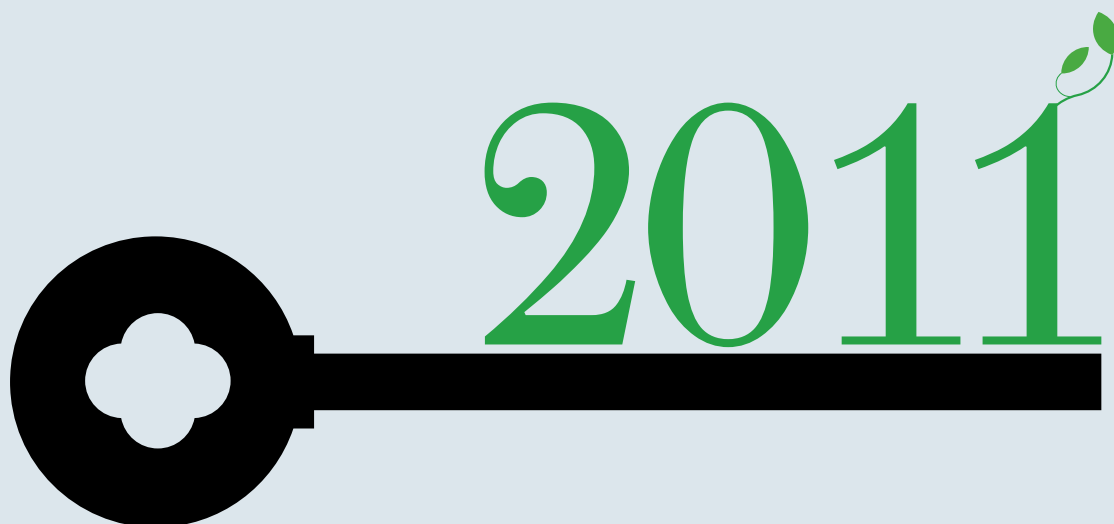




THE TAX INSTITUTE



ANNUAL REPORT

The Tax Institute

Australia's *leading* professional association and educator in tax

**INFORMED
INVOLVED
IN TUNE
IN THE LOOP**



ABOUT THE TAX INSTITUTE

The leading *professional* association in tax

As Australia's leading professional association and educator 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 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 numerous specialist, practical and accurate tax publications – all of which ensure that the latest information is available at their fingertips.

Established in 1943, the main activity of the Institute is 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.

We aim to lead the tax profession by providing a full suite of education and information products that keep today's tax professional up to date to build the capacity of the next generation of tax professionals, while advocating for a fair and equitable tax system in Australia.



THE TAX INSTITUTE BRAND

What we *stand* for

The new identity is strong and unique.

The Tax Institute brand proudly represents what the Institute stands for. It is a visible assurance of the quality, reliability and performance that can be expected from the Institute's products and services.

Our pride in our brand is based on knowing that we develop the best products and services to educate the tax profession and to represent the brightest in the profession.

To continue to be recognised as the leading educator and professional association in tax, we need to maximise the visibility and recognition of the Institute's brand by bringing it to life.

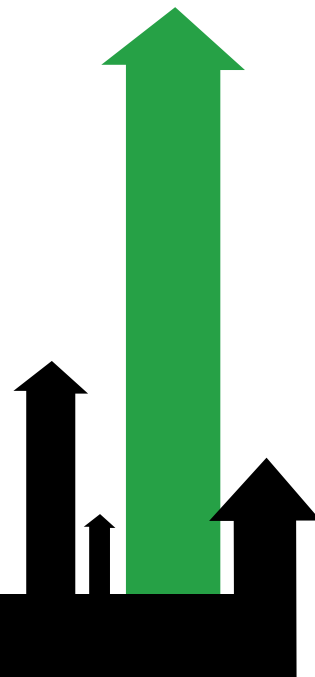
A refreshed identity

In March 2011, The Tax Institute launched its refreshed brand identity.

In addition to being formally renamed "The Tax Institute", the brand refresh includes a new logo and redesigned website and collateral, all of which is the result of significant research with members and the tax profession.

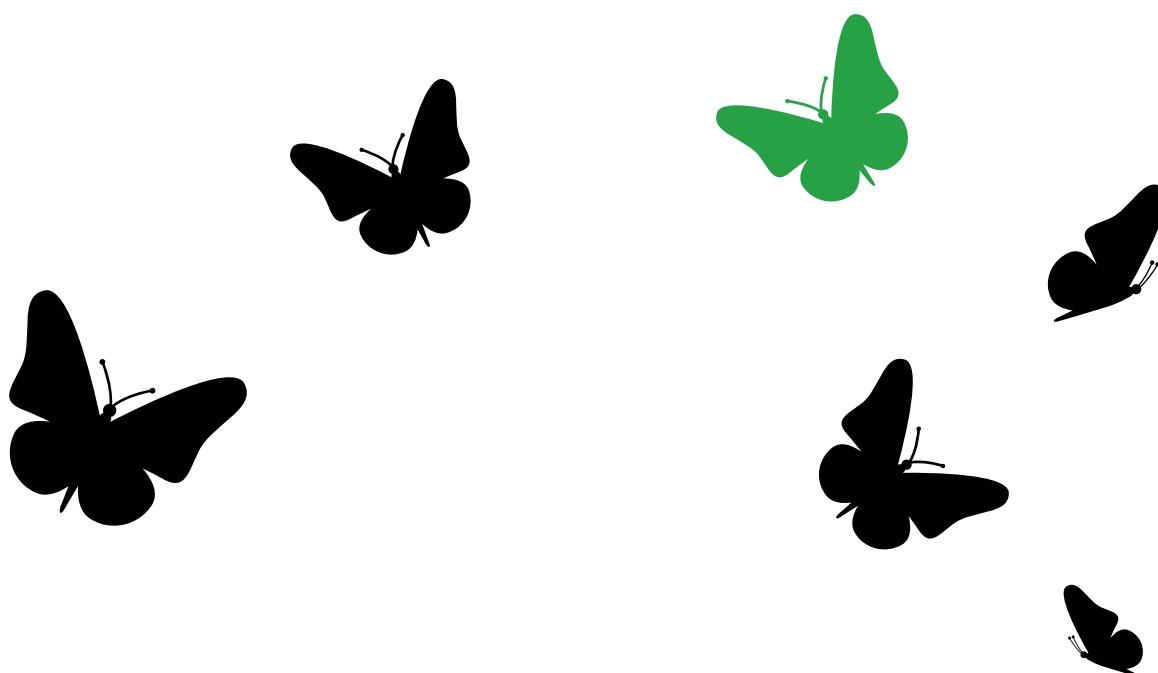
The new identity supports the brand values of the Institute. It represents the strength and characteristics of the tax profession and members of The Tax Institute as the leading, expert tax advisers, with a look and feel for members to be proud of. It is aspirational, sophisticated and confident, yet accessible.

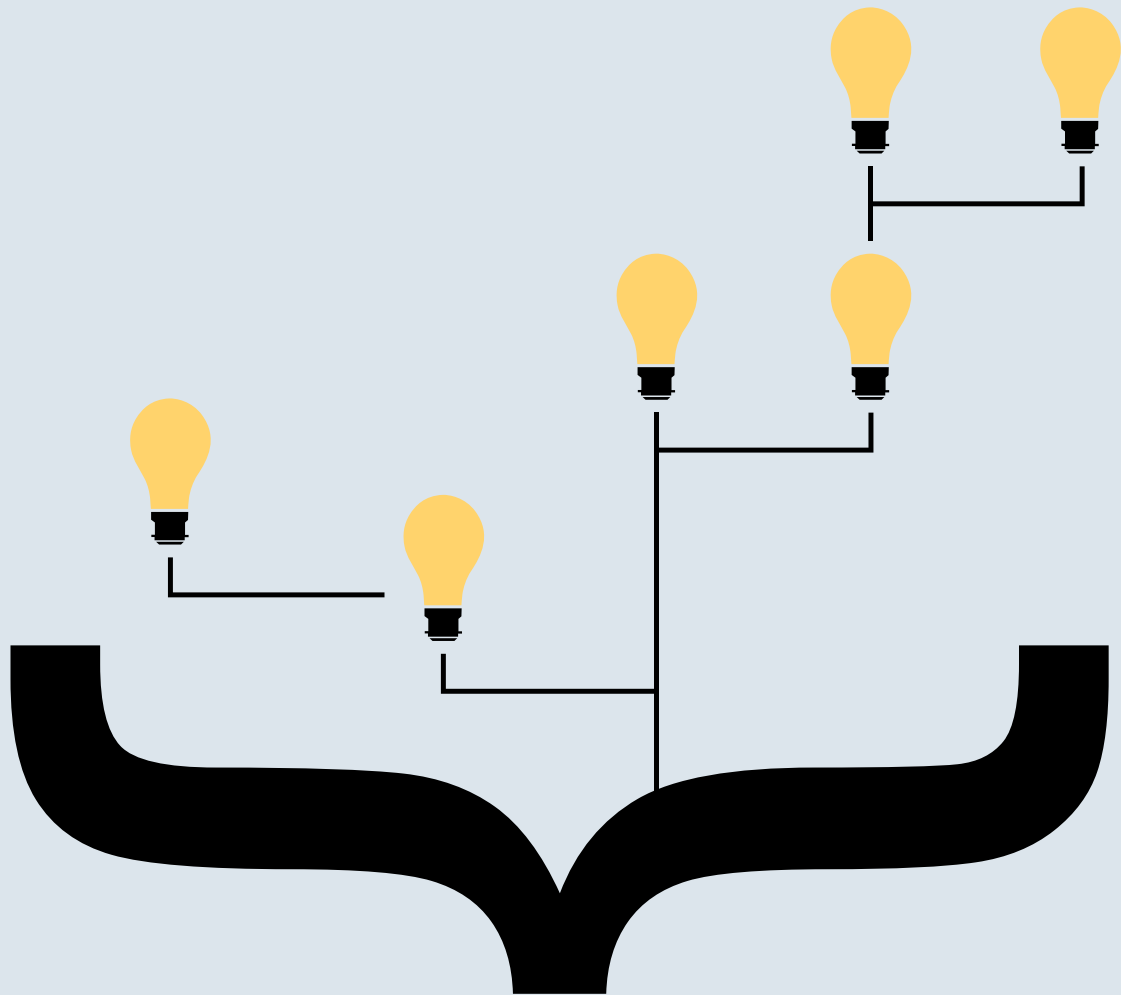
This identity maintains and celebrates the history and heritage of the Institute while preparing for tomorrow's tax professional. It will represent The Tax Institute and its members into the next decade and "the next generation of tax".



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

A MESSAGE FROM THE PRESIDENT

What a *year*

2011 has been a significant year for The Tax Institute. Apart from advancing public knowledge and continuing to champion for the best tax system and the best member benefits, this year saw the launch of the Institute's new identity.

I am pleased to advise that members and the tax industry have been energised by this change, with a renewed enthusiasm in our events and our education program. Our new brand identity is modern, authoritative and progressive — more closely reflecting our membership.

Consultation

The key areas of consultation in 2011 have been rights to future income and residual assets and trusts.

The announcement in November 2011 in relation to reforms to the tax treatment of rights to future income and residual assets on consolidation brought to an end the consultation period that started following the Assistant Treasurer's request to the Board of Taxation to review this area. While these reforms are yet to be legislated, the most concerning element of tax reform with this government is its willingness to address tax reform with retrospective legislation. In the context of tax consolidation and rights to future income and residual assets, it's 10 years; in the case of petroleum resource rent tax, it's 25 years; and for transfer pricing, eight years.

The concern this creates for the tax system is the lack of certainty in the laws implementing tax reform and the active discrimination of those taxpayers who await certainty in the tax laws, as compared to those who are bullish and will make material tax claims even though the law is uncertain.

The reform of the taxation of the trust provisions has been long overdue and it is pleasing to see the traction that has been gained in this area.

Finally, law development in consultation can only be effective where there is open dialogue between Treasury, the Australian Taxation Office and externals.

The Tax Policy Group has again been active this year, with participation in 19 different ATO National Tax Liason Group sub-forum consultative groups and 46 submissions lodged in 2011. This could not be achieved without the continuing involvement of our volunteers.

Looking to the future

I extend my best wishes to Ken Schurgott as the 2012 president, and to the 2012 National Council. I am confident that they, together with CEO Noel Rowland and his management team, will lead the Institute forward so that it retains its position as the pre-eminent body in taxation education and the leading tax professional body enhancing the tax system.



Thank you

I would like to thank the many people who have made my term as president both rewarding and enjoyable.

First, I would like to thank the Tax Policy Group for its efforts in managing the many sub-committees within the Institute, the coordination of the consultation, preparation of submissions and liaison with the other relevant professional bodies.

We have strong relationships with government which provide the Institute with a unique opportunity to liaise at the highest levels.

I also thank Noel, his team and our volunteers whose enormous efforts are the backbone which continues to facilitate the services.

A handwritten signature in blue ink that reads "Peter Murray".

Peter Murray
President

A MESSAGE FROM THE CEO

| 2011 – Building for the future

Following the positive results of 2010, it was anticipated that 2011 would be another good year for the Institute. The Institute's plans for 2011 were focused on brand building, building on our products and services, and building our infrastructure.

It was projected that economic growth would continue in Australia and that the global economy would continue its recovery. Unfortunately, however, the general economic climate deteriorated early in the year and many legislative changes were narrow or non-contentious. The combination of these two factors has resulted in a minor operating loss.

In spite of these challenges, many very good results were achieved during the year. The brand refresh launched in March has been well received and has significantly enhanced the Institute's position. Further, increased media activity continues to build a much greater profile for the Institute across a wider audience.

A number of new products and services were developed and delivered in 2011, including various forms of online continuing professional development (CPD) and information products such as the *Taxation in Australia* iPad app.

The key infrastructure building project in 2011 was the upgrade of the Institute's customer relationship management system, which is to be completed in 2012. This upgrade will provide the Institute with a solid platform from which to deliver better member services while achieving internal efficiencies.

Upon expiry of our existing property lease in Sydney, in 2011 the Institute moved its premises to achieve greater efficiencies and to better service our growing needs.

2011 highlights and achievements

The Institute experienced a loss of (\$406,792) in 2011. This is a modest loss, given the volatile economic circumstances and the resultant drop in demand for CPD.

Like most businesses, when the economic climate did not improve as expected, the Institute implemented cost-saving measures during the course of the year by carefully cutting expenditure while maintaining and increasing member services to ensure that any loss was minimised.

Enhancing members' status

In 2011, membership numbers continued to grow, with strong new memberships and a high membership renewal rate of 93%.

As in previous years, the Institute participated in the Annual Business and Professionals Study conducted by Beaton Consulting to assist us to identify areas where there may be scope to improve member services and add value to membership.



The key findings confirmed that we were basically “getting things right”. The Institute was a top performer in member engagement, including providing access to information, supporting development of knowledge and keeping members up to date. Member feedback did, however, provide an impetus for a number of initiatives developed throughout the year.

Membership benefits

The Tax Institute continually strives to ensure that the member experience is a positive one and supports the development of tax knowledge.

In 2011, to increase the visibility and accessibility of the benefits of membership, the Institute launched a new web page making available, in one place, all the exclusive offers and resources available to members.

Additionally, the Institute began to offer a selected technical paper for members to download free each month to assist them in expanding their knowledge base and skill set. The free paper joins many other complimentary benefits available exclusively to members, including access to presentation slides, CPE.TV, podcasts, TaxLine and the library service, the “find a tax specialist” service, tax rates table, careers guide, journals and newsletters.

Rebranding The Tax Institute

The Institute is mindful of remaining attuned to the needs of members and to those of the tax profession more generally. This includes endeavouring to ensure that the Institute's brand reflects the position our members hold as leaders in their field.

Taking this into account, the Institute launched its refreshed brand identity in March 2011. The new brand identity includes the new name “The Tax Institute”, along with a new logo and a range of updated visual standards.

A MESSAGE FROM THE CEO

CPD continues to keep members in the loop with more delivery formats

In order to keep tax professionals at the forefront of the industry, delivering up-to-date CPD is a core focus of the Institute. We offered over 390 CPD events in 2011. These events were attended by approximately 18,000 people.

We also held eight national conferences, five state conventions and five roadshows. The Institute's flagship event, the 26th National Convention, was held in Brisbane in March, with 320 delegates attending.

Major events in 2011 included:

- 26th National Convention
- Financial Services Taxation Conference
- 11th States' Taxation Conference
- GST Intensive Conference
- 19th Tax Intensive Retreat
- Tax Specialists Workshop
- 6th Consolidation Symposium
- State conventions in SA, VIC, QLD, TAS, WA and NSW.

Alternative access to CPD

The Institute continues to offer CPD programs in alternate formats to suit those who cannot attend in person, including webinars, DVDs, seminars live streamed to the internet, and video on demand. These can be an invaluable resource for those members who live regionally or are time poor. Several sessions at the National Convention, a trust distributions event, an R&D event and all sessions at the Consolidation Symposium were streamed live online.

Webinars held included the roadshow series, the Young Tax Practitioners series, a tax agent registration renewal information session and a selection of topical pop-up events. In total, over 450 people attended these sessions.

Of those delegates that chose to attend events online, 49% were from regional areas, 32% from the CBD and 19% from suburban locations.

The Tax Education Program continues to go from strength to strength

In 2011, the key initiatives for the Tax Education Program focused on ensuring that we support members with a means to meet the re-registration requirement of their tax agent status. This included making certain that the first two courses of the program were approved by the Tax Practitioners Board (TPB) as courses in Australian taxation law. To achieve this, the Institute was required by the TPB to become an approved provider.

The launch of the Diploma of Australian Taxation Law

In June 2011, the Certificate in Foundation Tax and Certificate in Applied Tax were combined to form the Diploma of Australian Taxation Law. The award was approved by the TPB as a course satisfying the Australian taxation law education requirement. The diploma was launched in September and October, with information sessions held in each state and online, attended by over 550 people. Additionally, in October, an agreement was reached with the Law Society of NSW to use and promote the diploma as the pathway to specialist accreditation.

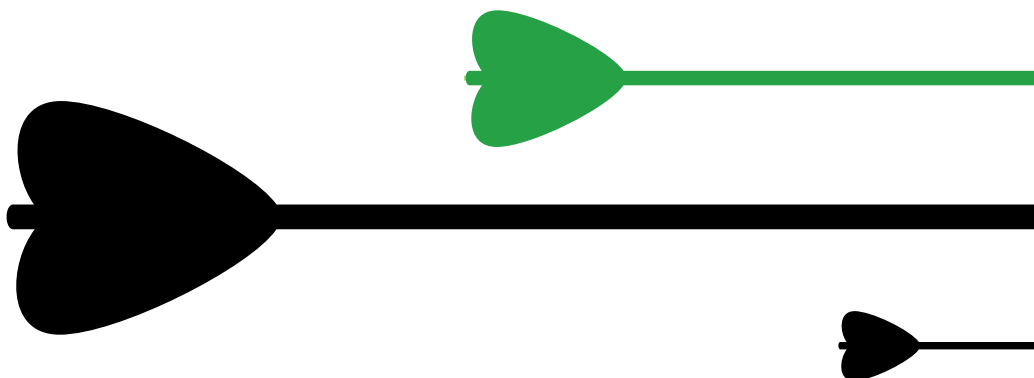
Further course development

Due to its approved provider status with the TPB, the Institute was approached to design an exam for those GST/BAS providers who have nominated that they will be registering with the TPB. This was introduced in October 2011.

In 2011, we continued to provide tax education to firms which prefer to access training and education in-house. Under this delivery format, the integrity of the credentials is maintained by the candidates sitting public examinations.

In addition to in-company courses, the growth in the number of people accessing the qualifications through distance learning was met with increased online and flexible learning resources and programming efforts. An intensive course was held in November and December 2011 to enable people to complete and enrol in the second component of the program early in 2012. This proved a popular choice, with many enrolling. A number of these people are studying prior to migrating to Australia.

In 2011, over 900 candidates studied with The Tax Institute.



A MESSAGE FROM THE CEO

Achievements in tax policy and research

In 2011, The Tax Institute continued to be the most respected tax professional representative body in the development of tax policy, maintaining our influential position on legislation and administration.

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

The past year has been an exciting one for those of us interested in tax policy. The Henry Tax Review continues to be a rich source from which springs much debate on areas in our tax and transfer system in need of reform. The government's Tax Forum in October also provided two days of public discussion about potential changes to various aspects of the tax system.

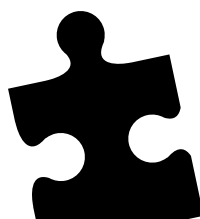
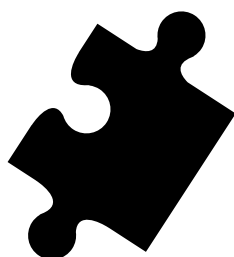
Highlights included:

- proactively leading the debate on the need for further tax reform by co-hosting in August (with the Australian Tax Research Foundation) *The Great Tax Debate: Constructing Tomorrow's Tax System*, well ahead of the government's Tax Forum
- actively participating in the Tax Forum in October where we argued for reform in many areas, including state taxes, and we called for the establishment of a Tax Reform Commission to set out a reform blueprint for the years ahead
- after our sustained arguments for reform in the area, the government legislated to address the streaming concerns post-Bamford and commenced the first stage of consultation on the rewrite of our trust tax laws
- successfully highlighting the problems with the excess superannuation contributions tax, which led to the government announcing some relief in the federal budget for first-time breaches of the caps
- publicly arguing against the trend towards retrospective tax legislation, including the changes with respect to consolidation rights to future income
- appearing before the Parliamentary Joint Committee of Public Accounts and Audit during its biannual hearings with the Commissioner of Taxation to publicly share members' experiences on ATO performance.

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 tax treatment of rights to future income acquired by a consolidated group, carbon tax, reforms to excess super contributions tax, self-assessment for indirect taxes, taxation of trusts, transfer pricing, reforms to the living-away-from-home allowance, review of anti-avoidance rules, managed investment trusts, taxation of not-for-profits, the work-related expenses standard deduction, the introduction of a statutory tax advice privilege, the set-up of the Tax System Advisory Board, reforms to the tax treatment of share buy-backs, the minerals resource rent tax, the petroleum resource rent tax, and the regulation of financial planners
- **the ATO** on Div 7A and unpaid present entitlements, the practice statements on u-turns and tripartite consultation, ATO audit practices, ATO benchmarking practices, the tax determinations on the incorporation of professional practices, the reportable tax positions project, the tax treatment of New Zealand temporary residents, the international dealings schedule, the TOFA questionnaire, and the ATO's response to precedential case law
- **the Board of Taxation** on the Tax Design Review Panel's recommendations on consultation, collective investment vehicles, and the tax treatment rights to future income acquired by a consolidated group
- **the Inspector General of Taxation** on the ATO change program, ATO audit practices, the self-assessment system and ATO benchmarking practices
- **the Tax Practitioners Board** on professional indemnity insurance requirements, education requirements, code of conduct requirements and engagement letters.



A MESSAGE FROM THE CEO

Online and print resources

2011 was an exciting year for the Institute's publications and online services.

Taxation in Australia, the Institute's signature publication, was developed into an iPad app, allowing members to download the latest edition to their device. To date, the app has received very positive feedback from members.

As a result of the legislative activity relating to the trust streaming provisions, we released the *Discretionary Trust Distributions* manual (previously only available as an online product) as a printed book. Additionally, we provided members with a dedicated portal on our website with the latest updates on trust streaming. This included online resources such as seminar papers, worked examples, the *Discretionary Trust Distributions* manual online, an online learning module, blogs and video streaming from events.

2011 also saw the development of a new online series, based on collecting all of the most relevant papers, videos, podcasts and other materials on a particular topic of interest to practitioners. The first two publications in this series were *The GST Collection* and *The Super and Estate Planning Collection*.

Tax Knowledge eXchange

Tax Knowledge eXchange has grown to an archive of approximately 65,000 content items. These include seminar and convention papers, presentations, journal articles and submissions. In 2011, the subscription service was expanded to include online books as an optional upgrade, which has seen an increase in the number of subscribers. As we attract more visitors to our website who engage with the depth of industry information available, this subscription service continues to experience an upward trend.

Complaints and disciplinary activities

As a Recognised Tax Agent Association (RTAA) under the *Tax Agent Services Act 2009*, the Institute reports annually on member complaints and disciplinary processes.

During 2011, there were:

0 complaints received

0 complaints dismissed

0 complaints upheld

0 complaints under investigation at year end

0 disciplinary actions taken against members.

The two complaints reported on in the 2010 Annual Report were withdrawn in 2011.

The way forward in 2012

In 2012, the Institute will continue to meet the education needs of the tax profession and focus on building the status of membership. This will include reviewing members' post-nominals in line with the re-branding, the fellow entry criteria, the development of new CPD programs to emerging segments, the delivery of a broad range of younger practitioner initiatives, using technology-assisted delivery (such as online video, e-books and learning management systems) in addition to print. Additionally, the Institute will continue to build on its influential position in tax policy by commenting on issues of relevance to members and the broader benefit of the tax system in Australia.

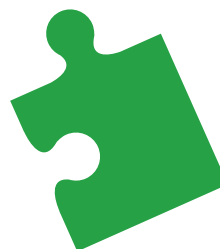
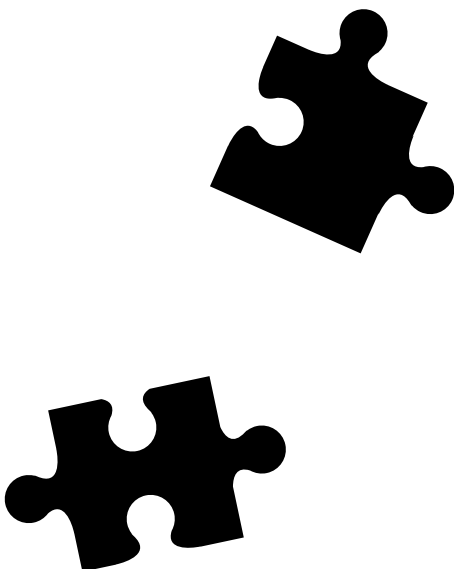
Conclusion

I'd like to conclude by thanking the National Council, the individual state councils, all volunteers who worked on our committees, on programs, and on policy development, plus the executive team and our staff for their hard work, dedication and contribution to the many initiatives in 2011.

Without the dedication of the multitude of volunteers, we would not be able to deliver the services that we do.



Noel Rowland
Chief Executive Officer



DIRECTORS' REPORT

To the *members* of The Tax Institute

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 2011.

Directors

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

Arthur Athanasiou	Appointed 1 January 2010
Graeme Cooper	Appointed 6 April 2011
Michael Flynn	Appointed 28 March 2007
Stephen Healey	Appointed 25 September 2008
Wayne Healy	Appointed 1 January 2010
Stephen Heath	Appointed 25 January 2012
Peter Murray	Appointed 29 March 2006 Retired 31 December 2011
Matthew Pawson	Appointed 1 January 2010
Tracey Rens	Appointed 1 January 2011
Ken Schurgott	Appointed 31 March 2005
Stephen Westaway	Appointed 29 November 2006
Lachlan Wolfers	Appointed 1 January 2009 Retired 31 March 2011

Directors have been in office since the start of the 2011 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 loss of \$406,792 (2010: profit of \$191,713).

The operating result includes a realised and unrealised investment loss of \$181,118.

The Institute is exempt from income tax.

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 results for the year reflect difficult trading conditions for the Institute, particularly with CPD events held in most states.

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 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 s 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 2011:

Name	Board of Directors		Investment Committee	
Total number of meetings held	6		3	
Directors	A	B	A	B
Arthur Athanasiou	6	6	3	3
Graeme Cooper	5	4		
Michael Flynn	6	5		
Stephen Healey	6	6		
Wayne Healy	6	6		
Peter Murray	6	6		
Matthew Pawson	6	5	3	3
Tracey Rens	6	5		
Ken Schurgott	6	6	3	3
Stephen Westaway	6	6		
Lachlan Wolfers	1	1		

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



Tracey Rens
Director

Dated this 21st day of March 2012.

DIRECTORS' DECLARATION

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 2011 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



Tracey Rens
Director

Dated in Sydney this 21st day of March 2012.

AUDITOR'S INDEPENDENCE DECLARATION



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

Crowe Horwath Sydney

ABN 97 895 683 573
Member Crowe Horwath International

Level 15 309 Kent Street
Sydney NSW 2000 Australia
Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

A WHK Group Firm

21 March 2012

Dear Board Members

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 the Taxation Institute of Australia.

As lead audit principal for the audit of the financial statements of The Tax Institute for the financial year ended 31 December 2011, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

CROWE HORWATH SYDNEY

ROGER WONG
Principal



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Professional Standards Legislations

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

DIRECTORS' PARTICULARS

Arthur Athanasiou, LLM, LLB, BEc, GradDipAcc, FTIA

Date of birth: 04/11/1963

Qualifications: Barrister and Solicitor, Supreme Court of Victoria

Experience: Appointed National Council January 2010

Responsibilities:

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

Graeme Cooper, BA, LLM (Hons), DipJur, JSD, FTIA

Date of birth: 05/01/1957

Qualifications: Professor of Taxation Law, University of Sydney;
Consultant, Greenwoods & Freehills

Experience: Appointed National Council April 2011

Responsibilities:

- Deputy Chair, National Education Committee 2011
- Deputy Chair, National Technical Committee 2012
- Chair, NSW State Council 2006
- NSW State Councillor since 2003
- Chair, NSW Technical Committee 2003-2005
- Member, National Technical Committee 2003-2006
- Member, National Education Committee 1999-2004
- Member, Research Advisory Board, Australian Tax Research Foundation since 2009
- Member, Board of Governors, Australian Tax Research Foundation 2005-2009

Michael Flynn, LLB, BCom, ACA, FTIA

Date of birth: 14/03/1961

Qualifications: Barrister-at-Law

Experience: Appointed National Council March 2007

Responsibilities:

- National Education Committee 2007
- National Tax Intensive Committee 2007-2010
- States' Taxation Conference Committee 2007
- Chair, Victorian State Council 2006-2007
- Victorian Education Committee 2006-2007
- Victorian State Councillor since June 2000
- Deputy Chair, National Technical Committee 2007
- Chair, National Education Committee 2008-2009
- Member Examinations & Quality Assurance Board since 2010
- Chair, National Membership & Services Committee 2012

Stephen Healey, BHMS, BBus, CA, FTIA

Date of birth: 15/08/1966

Qualifications: Chartered Accountant

Experience: Appointed to National Council September 2008

Responsibilities:

- Queensland State Councillor since 2000
- Chair, Queensland State Council 2005-2006
- Treasurer 2009-2011
- National Strategy Representative 2012

Wayne Healy, BBus, FCPA, FTIA

Date of birth: 10/04/1964

Qualifications: Certified Practising Accountant

Experience: Appointed to National Council January 2010

Responsibilities:

- Western Australian State Councilor 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

Stephen Heath, LLB (Hons), BEc, FTIA

Date of birth: 25/05/1960

Qualifications: Solicitor

Experience: Appointed to National Council January 2012

Responsibilities:

- Deputy Chair, National Education Committee 2012
- South Australian State Councillor since April 2004
- South Australian Education Committee 2000-2009
- Chair, South Australian State Education Committee 2005-2006

Peter Murray, BCom, LLB, FCA, FTIA

Date of birth: 23/03/1959

Qualifications: Chartered Accountant/Solicitor

Experience: Appointed to National Council 2006

Responsibilities:

- Victorian State Councillor since 1997
- Chair, Victorian Education Committee 1999-2003
- Chair, Victorian State Council 2003-2004
- Member, National Education Committee
- Chair, Information Products Working Group 2006
- Chair, National Membership & Services Committee 2007-2008
- Deputy Chair, National Technical Committee 2009

DIRECTORS' PARTICULARS

- Chair, National Investment Committee 2010
- Director, Australian Tax Research Foundation January 2010
- Chair, National Technical Committee 2010
- Vice President 2010
- President 2011

Matthew Pawson, BCom, LLB, FTIA

Date of birth: 02/03/1973

Qualifications: Solicitor

Experience: Appointed to National Council January 2010

Responsibilities:

- Tasmania State Councillor 2010
- Member, Investment Committee since 2010
- Member, Nominations Committee 2012
- Chair, Information Products Working Group 2012
- Chair, Tasmanian State Council 2012

Tracey Rens, FTIA

Date of birth: 01/02/1971

Qualifications: Solicitor

Experience: Appointed to National Council January 2011

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
- Treasurer 2012
- Member, Investment Committee 2012

Ken Schurgott, BAppSc, BA (Acy), LLB, MLS, LLM, MAppFin, FTIA

Date of birth: 06/09/1949

Qualifications: Solicitor

Experience: Appointed to National Council 2005

Responsibilities:

- Member, Education, Examinations & Quality Assurance Board
- New South Wales State Councillor since 2003
- Member, New South Wales Education Committee
- Chair, South Australian State Council 2002
- Chair, National Education Committee 2006-2007
- Member, Education Advisory Board and Education, Examinations & Quality Assurance Board 2009
- Deputy Chair, National Technical Committee 2010

- Chair, National Technical Committee 2011
- Chair, Investment Committee 2011
- President, 2012
- Member, Nominations Committee 2012
- Director, Australian Tax Research Foundation

Stephen Westaway, BFinAdmin, FCA, FTIA

Date of birth: 24/01/1958

Qualifications: Chartered Accountant

Experience: Appointed to National Council November 2006

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 2009-2011
- Vice President, 2012
- Chair, Investment Committee 2012
- Member, Nominations Committee 2012
- Chair, National Technical Committee 2012

Lachlan Wolfers, BEc, LLB (Hons), MTax (Hons), ACA, FTIA

Date of birth: 06/06/1974

Qualifications: Solicitor

Experience: Appointed to National Council
January 2009 - March 2011

Responsibilities:

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

Company secretary

Noel Rowland

Date of birth: 21/01/1967

Qualifications: Chief Executive Officer and Company Secretary

Experience: Appointed Company Secretary March 1998

Responsibilities:

- Director, Australian Tax Research Foundation appointed
November 2009

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December *2011*

	Note	2011	2010
		\$	\$
Revenue	2	13,219,946	13,594,021
Employee benefits expense		(6,206,609)	(5,890,071)
Depreciation and amortisation expenses	3	(412,865)	(295,259)
CPD events and member services		(4,471,935)	(4,697,057)
Administration expenses		(2,354,211)	(2,482,700)
Net change in fair value of financial assets held at fair value through profit and loss	3	(181,118)	(37,221)
(Loss)/Profit before income tax expense		(406,792)	191,713
Income tax expense	1(i)	-	-
(Loss)/Profit after income tax expense		(406,792)	191,713
Other comprehensive income		-	-
Total comprehensive income		(406,792)	191,713

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 December 2011

	Note	2011	2010
		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	5	4,525,874	5,101,814
Trade and Other Receivables	6	1,125,522	1,178,933
Financial Assets at fair value through profit or loss	7	2,119,492	2,206,243
TOTAL CURRENT ASSETS		7,770,888	8,486,990
NON-CURRENT ASSETS			
Plant and Equipment	8	1,530,239	385,691
TOTAL NON-CURRENT ASSETS		1,530,239	385,691
TOTAL ASSETS		9,301,127	8,872,681
CURRENT LIABILITIES			
Trade and Other Payables	9	4,079,817	3,945,168
Other Liability	10	200,678	5,006
Short Term Provision	11	262,225	324,938
TOTAL CURRENT LIABILITIES		4,542,720	4,275,112
NON-CURRENT LIABILITIES			
Other Liability	10	652,207	-
Long Term Provisions	11	72,606	157,183
TOTAL NON-CURRENT LIABILITIES		724,813	157,183
TOTAL LIABILITIES		5,267,533	4,432,295
NET ASSETS		4,033,594	4,440,386
EQUITY			
Retained Profits		4,033,594	4,440,386
TOTAL EQUITY		4,033,594	4,440,386

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December *2011*

	2011	2010
	\$	\$
Retained Earnings		
Opening retained earnings	4,440,386	4,248,673
(Loss)/Profit for the Year	(406,792)	191,713
Other comprehensive income	-	-
Total comprehensive income for the year	(406,792)	191,713
Retained earnings at year end	4,033,594	4,440,386
Total equity at the end of the year	4,033,594	4,440,386

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December *2011*

	Note	2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from members and others		14,138,460	14,432,568
Payments to suppliers and employees		(13,504,472)	(14,460,999)
Interest Received		328,181	327,392
Net cash from operating activities	13(b)	962,169	298,961
Cash flows from investing activities			
Proceeds from sale of financial assets at fair value through profit or loss		397,575	118,192
Payment for plant and equipment		(1,557,413)	(218,391)
Dividend income		113,671	99,986
Dividend income and proceeds from sale of financial assets reinvested in financial assets at fair value through profit or loss		(491,942)	(198,327)
Net cash used in investing activities		(1,538,109)	(198,540)
Net increase in Cash and cash equivalents		(575,940)	100,421
Cash and cash equivalents at beginning of the financial year		5,101,814	5,001,393
Cash and cash equivalents at end of the financial year	13(a)	4,525,874	5,101,814

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2011

Note 1. Statements of significant accounting policies

The financial statements of the The Tax Institute ("The Institute") for the year ended 31 December 2011 was authorised for issue by a resolution of the Directors on 21 March 2012.

The Tax Institute 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 a 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 of 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.

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2011

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 determined as the 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.

(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.

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

(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 charges in presentation for the current financial year.

(m) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2011

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 2011.

(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:

- 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.

Revised AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (Effective from 1 July 2011).

In November 2010 the AASB issued, AASB 2010-6 Disclosures on Transfer of Financial Assets which amends AASB 1 First-time Adoption of the Australian Accounting Standards and AASB 7 Financial Instruments: disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments are not expected to have any significant impact on the Institute's disclosures. The Institute has applied the revised Standards from 1 July 2011.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (Effective from 1 January 2011).

In December 2009 the AASB issued revised AASB 124 Related Party Disclosure. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Institute has applied the amended standard from 1 July 2011. The Institute needs to disclose any transactions between its subsidiaries and associates. However, as the Institute does not have any subsidiaries and associates, the amendment will not have any effect on the Institute's financial statements.

Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 January 2011).

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Institute does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 10 Consolidated Financial Statements (effective from 1 January 2013).

AASB 10 Consolidated Financial Statements introduces a single model of control, which is used to determine whether an investee must be consolidated. The existence of control is determined based on the power to direct the activities of an investee; exposure, or rights, to variable returns from its involvement with the investee; the ability to use its power over the investee to affect the amount of the investor's return. However, as the Institute does not have any subsidiaries and associates, the amendment will not have any effect on the Institute's financial statements.

AASB 11 Joint Arrangements (effective from 1 January 2013).

AASB 11 Joint Arrangements classifies all joint arrangements as either joint operations or joint ventures. Management does not expect this to have a significant impact on the Institute's financial statements as the Institute does not have joint arrangements.

AASB 12 Disclosure of Involvement with other entities (effective from 1 January 2013).

AASB 12 Disclosure of Involvement with other entities requires the disclosure of information to enable users to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance, and cash flows. AASB 12 applies to all entities that have subsidiaries, associates, or unconsolidated structured entities, and requires disclosures grouped into four categories. However, as the Institute does not have any subsidiaries, associates, or unconsolidated entities, the amendment will not have any effect on the Institute's financial statements.

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2011*

	2011	2010
	\$	\$
Note 2. Revenue		
Operating Activities		
Membership Services including Education	6,295,319	5,993,780
Rendering of services (CPD and Events)	5,160,139	6,023,810
Sales of publications	1,150,835	989,067
Advertising revenue	185,650	150,825
	12,791,943	13,157,482
Other Income		
Interest	314,332	336,553
Dividend Income	113,671	99,986
	428,003	436,539
Total revenue	13,219,946	13,594,021

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2011*

	2011	2010
	\$	\$
Note 3. Profit from ordinary activities		
Profit from ordinary activities before income tax expense has been determined after:		
Expenses		
Depreciation of non-current assets		
- plant and equipment	412,865	295,259
	412,865	295,259
Remuneration of auditor		
- audit	21,000	20,600
- other services	1,485	1,350
	22,485	21,950
Rental expense on operating leases		
- minimum lease payments	587,132	595,585
	587,132	595,585
Significant Revenue and (Expenses)		
Net change in fair value of Financial Assets held at fair value through profit and loss		
- Unrealised loss	(90,892)	(37,221)
- Realised loss	(90,226)	-
	(181,118)	(37,221)

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 *2011*

	2011	2010
	\$	\$
Note 5. Cash and cash equivalents		
Cash at bank and on hand	572,750	435,691
Short term deposits	3,953,124	4,666,123
	4,525,874	5,101,814
(a) The Institute's exposure to interest rate risk is discussed in note 15.		

Note 6. Trade and other receivables		
CURRENT		
Trade Receivables	378,538	300,956
Prepayments	746,984	877,977
	1,125,522	1,178,933
(a) Impaired receivables and receivables past due 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 15.		

Note 7. Financial assets at fair value through profit or loss		
Investment in Unit Trusts at fair value		
Investment in Unit Trusts at fair value	2,119,492	2,206,243
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 Information about the Institute's exposure to credit risk and the price risk is provided in note 15.		

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2011*

	2011	2010
	\$	\$
Note 8. Plant and Equipment		
Plant and Equipment – at cost	2,620,886	1,211,735
Less: Accumulated Depreciation	(1,090,647)	(826,044)
Total Plant and Equipment	1,530,239	385,691

	Plant and Equipment	Total
	\$	\$
(a) Movements in carrying amounts.		
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	385,691	385,691
Additions	1,557,413	1,557,413
Depreciation or amortisation expense	(412,865)	(412,865)
Carrying amount at the end of the year	1,530,239	1,530,239

Note 9. Trade and other payables

Current

Trade payables	659,148	677,132
Income in advance	3,420,669	3,268,036
	4,079,817	3,945,168

(b) The Institute's exposure to liquidity risk is discussed in note 15.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2011*

	2011	2010
	\$	\$
Note 10. Other Liability		
CURRENT		
Lease incentive liability	200,678	5006
NON-CURRENT		
Lease incentive liability	652,207	-

Note 11. Provisions		
CURRENT		
Employee benefits	262,225	324,938
NON-CURRENT		
Employee benefits	57,159	61,430
Make good on premises	15,447	95,753
	72,606	157,183
(a) Aggregate employee benefits	319,384	386,368
(b) Number of employees at year end	58	59

	2011	2010
	\$	\$
Note 12. Capital and leasing commitments		
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable – minimum lease payments		
– not later than one year	710,287	540,333
– later than one year but not later than 5 years	2,389,318	2,712,362
	3,099,605	3,252,695

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 *2011*

Note 13. 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.

	2011	2010
	\$	\$
Note 14. 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 and cash equivalents	4,525,874	5,101,814
(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
(Loss)/Profit after Income Tax	(406,792)	191,713
Non-cash flows in profit from ordinary activities		
Depreciation	412,865	295,259
Net change in fair value of financial assets held at fair value through profit or loss	181,118	37,221
Dividend Income	(113,671)	(99,986)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	53,411	(140,406)
Increase/(decrease) in trade and other payables	134,649	(98,542)
Increase in other liability	847,879	5,006
Increase/(decrease) in provisions	(147,290)	108,696
Net Cash from operating activities	962,169	298,961

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2011

Note 15. 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 Interest rate	Fixed Interest rate	Non interest bearing	Total	Weighted average effective interest rate
	\$	\$	\$	\$	%
Year ended 31 December 2011					
Financial assets					
Cash and cash equivalents	4,524,724	-	1,150	4,525,874	5.54%
Trade and other receivables	-	-	1,125,522	1,125,522	
Financial assets held at fair value through profit or loss	-	-	2,119,492	2,119,492	
	4,524,724	-	3,246,164	7,770,888	
Financial liabilities					
Trade and other payables	-	-	4,079,817	4,079,817	
			4,079,817	4,079,817	
Year ended 31 December 2010					
Financial assets					
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	
	5,100,664	-	3,386,326	8,486,990	
Financial liabilities					
Trade and other payables	-	-	3,945,168	3,945,168	
			3,945,168	3,945,168	

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2011*

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

For the year ended 31 December 2011, 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)	
	2011	2010
	\$	\$
+1% (100 basis points)	45,247	51,007
-1% (100 basis points)	(45,247)	(51,007)

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 2011 profit would have been approximately \$212,000.

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 *2011*

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 market 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
2011 Financial Assets	\$	\$	\$	\$
Held to Maturity Investments	-	3,953,124	-	3,953,124
Financial assets held through profit or loss	2,119,492	-	-	2,119,492
	2,119,492	3,953,124	-	6,072,616

	Level 1	Level 2	Level 3	Total
2010 Financial Assets	\$	\$	\$	\$
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

Note 16. 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 *2011*

Note 17. 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

2011		2010	
Noel Rowland	Chief Executive Officer	Noel Rowland	Chief Executive Officer
Robert Jeremenko	Senior Tax Counsel	Robert Jeremenko	Senior Tax Counsel
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 (resigned)	Zeina Khodr	General Manager E-Business
Alex Munroe	General Manager Information Products	Alex Munroe	General Manager Information Products
Anna Mirzayan	General Manager Marketing	Anna Mirzayan	General Manager Marketing

	2011	2010
	\$	\$
Remuneration for key management personnel		
Base salaries	1,336,137	1,223,168
Superannuation	113,303	103,135
Total remuneration	1,449,440	1,326,303

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. 78,005 75,096

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2011*

Note 18. Events after the reporting date

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.

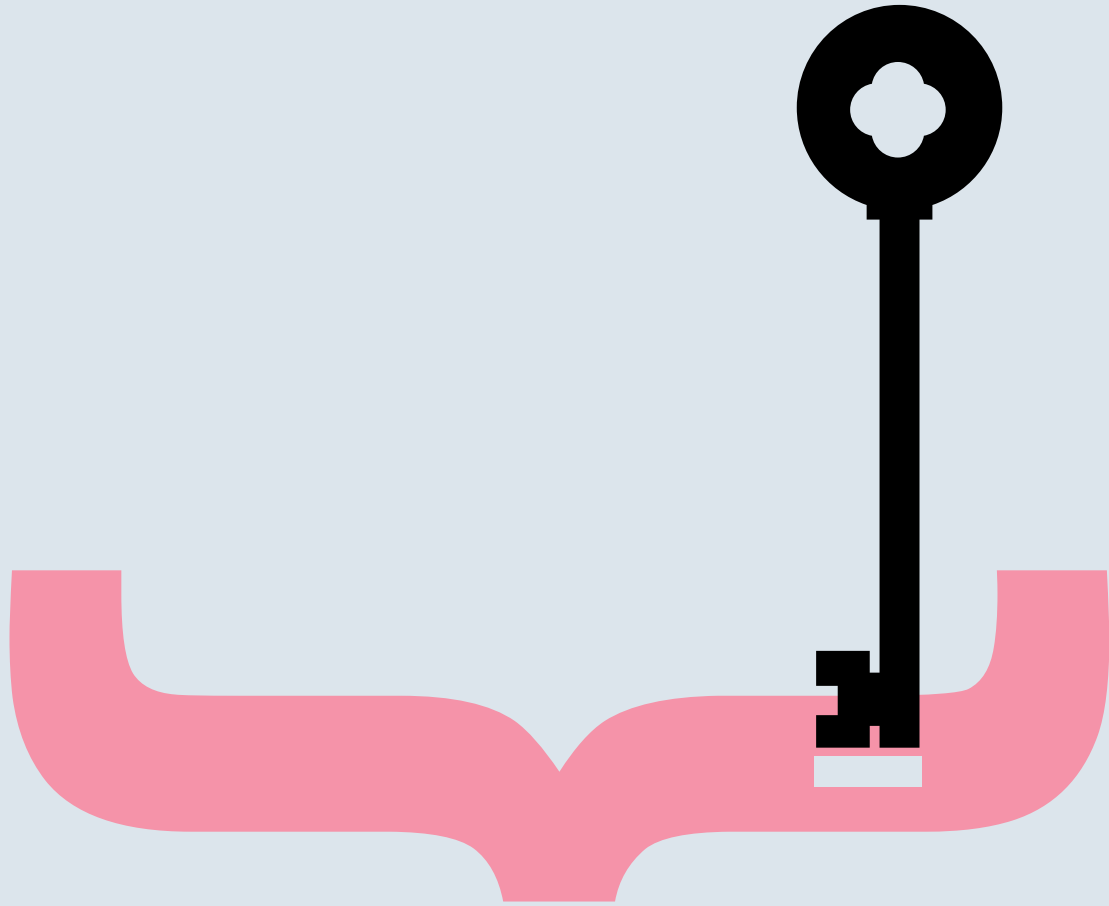
Note 19. Contingent liabilities and contingent assets

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

Note 20. 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



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Member Crowe Horwath International
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Sydney NSW 2000 Australia
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A WHK Group Firm

INDEPENDENT AUDITOR'S REPORT To the members of The Tax Institute

Report on the Financial Report

We have audited the accompanying financial report of The Tax Institute (the company), formerly, the Taxation Institute of Australia, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards. □

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 report.

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*.

Opinion

In our opinion:

- a) the financial report of The Tax Institute is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

CROWE HORWATH SYDNEY

ROGER WONG
Principal

Dated this 21st day of March 2012



Liability limited by a scheme approved under Professional Standards Legislation

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

CONTACT DETAILS

Executive team

Noel Rowland	Chief Executive Officer
Robert Jeremenko	Senior Tax Counsel
Ruth Ferraro	General Manager, Education
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
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Tel: 02 8223 0040
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Victoria

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Queensland

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State Manager: Asta Morton
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State Manager: Angelika Hislop
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