



TAXATION INSTITUTE OF AUSTRALIA

# ANNUAL REPORT 2002

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**NATIONAL COUNCIL**

Office bearers appointed March 2002	
President	Barry Low FTIA
Immediate Past President	Alice McCleary FTIA
NSW	Gil Levy FTIA Carlo Moretti FTIA Andrew Mills FTIA
VIC	Neil Earle FTIA John de Wijn QC, FTIA Sue Williamson FTIA
SA	Arlene Macdonald FTIA Andrew Sinclair FTIA
TAS	Joan Roberts FTIA Craig Leighton FTIA
QLD	Jane Madden FTIA John Newby FTIA
WA	Glen Barton FTIA Peter Moltoni FTIA
	Gordon Cooper FTIA (Observer) Damien Lockie FTIA (Observer)

**NATIONAL EXECUTIVE COMMITTEE**

Barry Low FTIA	President
Alice McCleary FTIA	Immediate Past President
Gil Levy FTIA	Senior Vice President and Treasurer
Neil Earle FTIA	Junior Vice President
Glen Barton FTIA	National Education Committee Chairman
Gordon Cooper FTIA	International Relations Committee Chairman
Damien Lockie FTIA	National Membership Services Committee Chairman
Andrew Mills FTIA	National Technical Committee Chairman

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# PRESIDENT'S REPORT



The principal objectives of the Taxation Institute of Australia are:

- To advance the public knowledge and understanding of the laws relating to taxation within Australia;
- To encourage the study of taxation;
- To encourage research into the reform of any taxation law;
- To encourage and maintain high ethical and professional standards amongst taxation advisers and other persons interested in or concerned with taxation matters so as to protect the public and to encourage a wider and more useful employment by taxpayers generally of such persons; and
- To disseminate information concerning the work of the Institute.

At the considerable risk of being “deemed” to be biased or even worse to be considered not “to be dealing at arm’s length” I believe that the Institute fully met its ongoing commitment to the above objectives in 2002. Throughout 2002 the Institute was there – providing independent, authoritative advice to the Government, the Board of Taxation and the ATO, even when the advice was neither sought nor welcomed.

In February 2002 the Institute held its Financial Services Conference in Queensland at Sanctuary Cove, which featured presentations from industry leaders in the financial services and taxation fields – it was widely acclaimed as the best ever! In the same month every State Education Committee unleashed their programmes for February and March with Seminars, Breakfast Clubs, Half-day Sessions, Regional Sessions etc, culminating in a very successful National Convention in Canberra.

The Minister for Revenue, Senator Helen Coonan, gave the Opening Address at the Convention and everybody present was impressed with her knowledge of the issues and the enthusiasm, passion and honesty she has towards giving Australia a better taxation system. The Chairman of the Board of Taxation, Mr Dick Warburton also addressed the Convention on the role of the

Board and his vision as to its contribution to the ongoing reform process. Delegates were left in no doubt that the Board’s clear intention is to make a difference.

The events continued in April and May with South Australia, Queensland and Western Australia all holding their State Conventions in May. I was delighted to be able to attend each of those State Conventions, catch up with some old acquaintances and meet a large number of practitioners. The quality of the programmes, the speakers and the papers were first-class and every person involved should feel very proud.

It was obvious to me from attending those Conventions that the first four to five months of 2002 had been very difficult for tax practitioners, their staff and their clients. Common threads in discussions were the compliance workload, “tax reform fatigue” and the deterioration in the relationship between practitioners and the ATO. This was of great concern and the Institute told everyone who would listen that our tax system would implode if practitioners’ concerns were not taken seriously and acted upon.

Around this time the National Review of Standards was “back on the agenda” with discussion recommencing between the ATO and the professional bodies. The Institute was indeed fortunate that a former President, Gordon Cooper, who was involved for the Institute in the original discussions some years ago, agreed to again represent us in the Review of Standards consultation team.

In July 2002 the 2nd Annual States’ Taxation Conference was held in Melbourne. It was an outstanding success and the feedback was such that I am sure it will be a regular feature in the Institute’s programme. You never know but one day it might be that this conference will be the catalyst for genuinely uniform State Taxes – it may be a dream but it’s a nice dream!

At the same time the General Value Shifting regime was included in the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measurers) Bill 2002* to apply from July 2002. In my view this was the final nail in the coffin of

“...the Institute will never forget its principal objectives, it will never forget its members and it will continue to strive for a simpler, fairer tax system for all Australians”

Barry Low, President

“simplification”. Although the age-old fundamentals of a good tax system have always been equity, efficiency and simplicity there has been a groundswell of opinion, particularly political and bureaucratic, that simplicity is a lofty goal that can’t be achieved. To be fair there are also some academics and tax professionals who share this view. The proposition is that simplicity disappears when even a simple idea is superimposed onto a complex, almost infinite set of commercial transactions and entities and then interposed with revenue policy, political constraints, other laws, other taxes etc. Proponents of this theory also argue (probably quite correctly) that politicians of all persuasions will always lean towards “equity” when there has to be a trade-off between “equity” and “simplicity”.

The Institute’s position is simple (no pun intended): “Simplicity” is not a lofty goal that can’t be achieved – it is the heart and soul of a good tax system. There should never be a trade-off between “equity” and “simplicity” – they are intertwined. If a tax system is incomprehensible to the majority of Australian taxpayers how can they self-assess? How can they believe it is equitable?

The Institute is very aware that our task is not easy but we cannot allow politicians and bureaucrats to give up simplicity. To do so will not be good in the long term for the Australian tax system, Australian taxpayers and eventually the Australian economy. The ATO and tax practitioners will be the big losers if we sit back and allow others to make decisions and enact voluminous and complex legislation for the ATO to administer and tax practitioners to implement.

The Victorian and Tasmanian State Conventions were held in September and October respectively and they were very impressive. Having attended the other States’ Conventions in May, I was able to monitor whether there had been any improvements in ATO performance over the period. Prior to attending these Conventions I had also been to Cairns for the inaugural Far North Queensland Convention and the 10th National Tax Intensive on the Sunshine Coast in Queensland. Based on discussions at those meetings it was clear that practitioners weren’t coping any better than they were in May and there was still widespread dissatisfaction with the compliance burden.

As a result I reported in the September 2002 *Taxation in Australia*® journal that, “We are telling everyone involved what the problems are and highlighting how serious they are – some action is being taken but not enough and not quickly enough”.

As they say “the rest is history” – the worsening situation and the breakdown in personal communication between practitioners and the ATO led to the tax profession’s equivalent of industrial action with some practitioners advocating lodgement of paper returns only, all communication to be in writing etc.... Fortunately, it hasn’t come to that across the board, but in all honesty I don’t expect 2003 to be much better – I sincerely hope I am wrong!

Whatever happens in 2003 be assured that the Institute will never forget its principal objectives, it will never forget its members and it will continue to strive for a simpler, fairer tax system for all Australians.

You will see in the Financial Reports that follow that the Institute exceeded budget by a modest amount and is in a reasonably sound financial position to continue its work. This is due to the great efforts of volunteer members and our employed staff. As President, I received fantastic support from everyone in the National Office and in every State and it would be very unfair of me to single out one or more volunteers or staff members to thank. To steal and adapt the words of a great Australian boxer:

“I love you all!”

Thank you.



Barry Low, President

# CEO'S REPORT



Constant change seems to be the norm in today's tax profession and 2002 was no exception. With another challenging year behind us we've seen more changes in tax administration and policy, and an overload of information taking its toll on members. For the Institute this means a greater challenge to ensure its member services are well targeted and of high value.

The Institute's major areas of focus during 2002 were:

1. Continuing improvements in the Institute's professional development programme to deliver the highest quality and best range of tax training in Australia;
2. Introduction of new, and development of existing information products and services;
3. Advocating improvements in tax policy and administration;
4. Growth in membership and expansion of membership services; and
5. Financial security and stability for the Institute.

Looking at our achievements in each area:

## PROFESSIONAL DEVELOPMENT

The Institute held 219 educational events in 2002, providing 736 hours of professional development, an increase of 2.7 per cent on 2001. Attendance at events was up 3.3 per cent to 14,866 delegates in total.

A number of specialist National events have enjoyed continued growth and popularity. Key events included the 2nd Financial Services Conference, 5th GST Symposium, National Convention, National Tax Retreat, National Symposium and the 2nd States' Taxation Conference. 2002 also saw the development of the 1st Consolidation Symposium, run in conjunction with the Corporate Tax Association in early 2003. Early indications are that this specialist event will address a major and current area of focus for members.

A new event, 'Tax School', ran over two days in each state, taking delegates through the 'Life

Cycle of a Business'. Member feedback suggested it was one of the best programmes ever run by the Institute and four events are planned in this style in 2003: FBT, Life Cycle of a Business; Year End Tax Planning and CGT.

## INFORMATION PRODUCTS AND SERVICES

During the year we implemented numerous improvements in the Institute's flagship product, *Taxation in Australia*<sup>®</sup> and over 90 per cent of members now receive *TaxVine*, the Institute's weekly electronic newsletter.

Two newsletters for members' clients were introduced in 2002. Each version of *TaxWise*<sup>®</sup> *News*, one for individuals, the other for small business clients, provides a valuable marketing tool for members, assisting them in raising awareness of their services among their client base and generating enquiries.

The Institute also launched *Tax In Action*, an in-house training guide developed from the Tax School education programme run nationally during 2002.

All members received a complimentary copy of the *Tax Survival Kit*, produced in conjunction with CCH. The Kit includes the latest tax rates, tables and tax calendar, all in a convenient, portable format.

Practitioners have delivered a resounding vote of approval for our MemberPLUS and GroupPLUS online knowledge base with subscription numbers doubling over the course of the year. Complementing commercial publishers' commentary and a firm's internal online knowledge base, subscribers confirm it's their essential desktop resource.

With Solution 6 withdrawing from the provision of IT services, the Institute concluded its relationship with this organisation in late 2002 and now has its website hosted by AlphaWest.

The Institute achieved a significant reduction in publishing-related costs in 2002, while improving the quality of materials produced. Increased efficiencies have also enabled the publishing department to be used as a design resource for other divisions in the Institute.

“*The Institute will continue to direct its energy into providing exceptional service to all members*”

Noel Rowland, Chief Executive Officer

## TAX POLICY AND RESEARCH

The Institute was relentless over the 12 months of 2002 in its efforts to improve conditions for tax practitioners. Our achievements include:

- Raising issues directly with the Treasurer, Assistant Treasurer, Treasury, Commissioner, ATO and Australian National Audit Office;
- Highlighting issues through the media including automatic lodgement extensions, running balance accounts reforms, proof of identity, ATO telephone service and a revision of compliance processes;
- Leading the opponents of inequitable and costly laws such as the Tax Value Method and the Entity Tax measures to halt their introduction;
- Providing an objective and respected voice on all major tax changes – Consolidation, Simplified Imputation, Demergers, General Value Shifting – via our independent, expert practitioners;
- Continuing to present a sought after independent viewpoint on major Government Inquiries including Review of International Tax Arrangements and the Inspector-General of Taxation;
- Forming a new alliance with the Australian Tax Research Foundation to further our shared objectives for enhancements to the tax system and its administration; and
- Ongoing involvement with the National Review of Standards for the Tax Profession.

## MEMBERSHIP SERVICES

A new membership system was introduced in 2002 allowing improved tracking and recording of members' interests and contact with the Institute. During 2003 further refinements are planned to allow us to provide an even more targeted service to members.

In 2002 the Institute worked with a number of organisations across Australia many of which offered discounts to members: ATP, National Australia Bank, CCH, CGU Workers Insurance, Taxability, Europcar, Macquarie Day Cutten, Great Southern Securities, Tatachilla Winery, Prestige Walkerville, Ashby Molitor Executive, Kemeny's and Briar Ridge. We value the continued support of these firms and the benefits, both direct and indirect, these alliances provide to members.

## FINANCIAL PERFORMANCE

A major focus for the Institute during the year was to ensure a positive financial outcome for 2002 following the negative result in 2001. It is therefore particularly pleasing to report a surplus of \$121,418 for the 2002 year.

The result was achieved through a focus on cost efficiencies and improving margins across the Institute. As we move into a new year, the National Council have approved a budget that is expected to achieve a modest surplus, and we are confident about a good financial result again in 2003.

## 2003 – THE YEAR AHEAD

The Institute will continue to direct its energy into providing exceptional service to all members.

Among the initiatives for 2003:

- Continuing to advocate strongly on behalf of our members for improvements to the administration of the tax system and to assist them in their dealings with the ATO on behalf of their clients;
- National Review of Standards – we await with interest the release of a draft framework concerning the regulation of tax agents;
- World Tax Conference in May – the first time this event has come to Australia, to be held in conjunction with our sister bodies: Institute of Taxation Ireland; Chartered Institute of Taxation UK; Canadian Tax Foundation; Malaysian Institute of Taxation; and Tax Institutes in Spain, the Netherlands and the Czech Republic; and
- The Institute's 60<sup>th</sup> Anniversary – our opportunity to recognise the input of the hundreds of volunteers involved in the Institute's activities.

Finally, I'd like to thank all the volunteers for their tireless efforts and contribution to the Institute's achievements in 2002. I also want to thank all the outstanding individuals at the Institute; it's a pleasure to work with such a dedicated and enthusiastic team.



Noel Rowland, Chief Executive Officer

# FINANCIAL REPORTS 2002

## DIRECTORS' REPORT

Your Directors present this report of the Institute for the year ended 31 December 2002.

### DIRECTORS

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

<b>Glen Barton</b>	
<b>Ray Conwell</b>	(appointed 21/03/01, resigned 26/03/02)
<b>John de Wijn QC</b>	(appointed 26/03/02)
<b>Neil Earle</b>	
<b>Craig Leighton</b>	
<b>Gil Levy</b>	
<b>Damien Lockie</b>	(appointed 23/03/99, resigned 26/03/02) (appointed 23/09/02, resigned 24/09/02 alternate for Sue Williamson)
<b>Barry Low</b>	(appointed 24/03/98, resigned 26/03/02)
<b>Arlene Macdonald</b>	
<b>Alice McCleary</b>	(appointed 26/03/02)
<b>Peter McKnoulty</b>	(appointed 31/03/00, resigned 26/03/02)
<b>Jane Madden</b>	(appointed 26/03/02, resigned 31/12/02)
<b>Greg May</b>	(appointed 21/03/01, resigned 26/03/02)
<b>Andrew Mills</b>	
<b>Peter Moltoni</b>	
<b>Carlo Moretti</b>	
<b>John Newby</b>	(appointed 26/03/02)
<b>Joan Roberts</b>	
<b>Andrew Sinclair</b>	(appointed 26/03/02)
<b>Sue Williamson</b>	

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

### PRINCIPAL ACTIVITIES

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

### OPERATING RESULT

The operating result for the year was a profit of \$121,418 (2001: loss of \$799,740). 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 aforementioned results for the year were considered pleasing, particularly in light of the loss incurred in 2001. The result was achieved through a focus on cost efficiencies and improving margins across the Institute.

### 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 substantially the operations of the Institute, the results of those operations or the state of affairs of the Institute in future financial years.

### FUTURE DEVELOPMENTS

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

### ENVIRONMENTAL ISSUES

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

### INDEMNIFYING OFFICER OR AUDITOR

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

### PROCEEDINGS ON BEHALF OF THE INSTITUTE

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

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



## DIRECTORS' MEETINGS

During the financial year, the following meetings were held and attendances were:

Name	Directors' Meetings		Executive Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Glen Barton	4	3	12	12
Ray Conwell	2	2	2	2
John de Wijn, QC	2	-	-	-
Neil Earle	4	3	14	10
Craig Leighton	4	4	-	-
Gil Levy	4	4	14	13
Damien Lockie Alternate for S Williams 23/9/02	2	3	12	11
Barry Low	2	2	14	14
Arlene Macdonald	4	4	-	-
Alice McCleary	2	2	14	12
Peter McKnoulty	2	2	-	-
Jane Madden	2	1	-	-
Greg May	2	2	-	-
Andrew Mills	4	4	12	12
Peter Moltoni	4	3	-	-
Carlo Moretti	4	3	-	-
John Newby	2	1	-	-
Joan Roberts	4	4	-	-
Andrew Sinclair	2	2	-	-
Sue Williamson	4	2	-	-

## DIRECTORS' PARTICULARS

**Glen Barton**, BA, LLB, LLM, FTIA

Date of Birth 10/09/47

- Qualifications – Barrister and Solicitor
- Experience – Appointed to National Council 1999
- Responsibilities – State Councillor since 1994  
– Chairman National Education Committee

**Ray Conwell**, LLB (Hons), FCA, FTIA

Date of Birth 22/03/47

- Qualifications – Chartered Accountant, Barrister and Solicitor
- Experience – Appointed to National Council 1991, resigned March 2002
- Responsibilities – State Councillor since 1989

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

Date of Birth 29/03/52

- Qualifications – Barrister and Solicitor
- Experience – Appointed to National Council 2002
- Responsibilities – State Councillor 1985-1995, since 2002

**Neil Earle**, FCA, FTIA

Date of Birth 20/03/49

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 1997
- Responsibilities – State Councillor since 1994  
– Junior Vice President

**Craig Leighton**, B Bus, M Tax, CA, FTIA

Date of Birth 09/01/69

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 2001
- Responsibilities – State Councillor since 1996  
– Tasmanian State Chairman since 2002

**Gil Levy**, B Comm, FCA, Dip Law (BAB), FTIA

Date of Birth 08/03/47

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 1997
- Responsibilities – State Councillor since 1993  
– Senior Vice President  
– Treasurer

**Damien Lockie**, B Ec, LLB, LLM, CA, FTIA

Date of Birth 22/09/58

- Qualifications – Chartered Accountant, Barrister and Solicitor
- Experience – Appointed to National Council 1998, resigned March 2002
- Responsibilities – State Councillor since 1993  
– Chairman Membership Services Committee

**Barry Low**, B Comm, M Tax, FCA, FTIA

Date of Birth 6/10/45

- Qualifications – Chartered Accountant
- Experience – Appointed National Council 1997, resigned March 2002
- Responsibilities – State Councillor since 1997  
– President 2002

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

Date of Birth 20/03/52

- Qualifications – Barrister
- Experience – Appointed to National Council 2001
- Responsibilities – State Councillor since 1998  
– Member National Education Committee

**Alice McCleary**, B Ec, FCA, FTIA

Date of Birth 24/06/59

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 1995, resigned March 2001, reappointed March 2002
- Responsibilities – State Councillor since November 1990  
– Immediate Past President

**Peter McKnoulty**, B Comm, LLB (Hons), FTIA

Date of Birth 23/04/58

- Qualifications – Solicitor
- Experience – Appointed to National Council 2000, resigned March 2002
- Responsibilities – State Councillor since 1997

**Jane Madden**, B Comm, ACA, FTIA

Date of Birth 24/08/61

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 2002
- Responsibilities – State Councillor 1991-1995, since 2000

**Greg May**, LLB, FTIA

Date of Birth 23/07/62

- Qualifications – Solicitor
- Experience – Appointed to National Council 2001, resigned March 2002
- Responsibilities – State Councillor since 1995

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

Date of Birth 29/09/61

- Experience – Appointed to National Council 2001
- Responsibilities – State Councillor since 2000
- Appointed New South Wales Chairman 2001
- Appointed Chairman National Technical Committee March 2002

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

Date of Birth 27/04/58

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 1996
- Responsibilities – State Councillor since 1991

**Carlo Moretti**, B Bus, M Tax, CA, FTIA

Date of Birth 12/09/60

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 2000
- Responsibilities – State Councillor since 1998

**John Newby**, B Comm, LLB, ACA, FTIA

Date of Birth 19/08/53

- Qualifications – Chartered Accountant
- Experience – Appointed to National Council 2002
- Responsibilities – State Councillor since 1995
- Appointed Queensland State Chairman 2003

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

Date of Birth 18/08/49

- Qualifications – Barrister and Solicitor
- Experience – Appointed to National Council 1999
- Responsibilities – State Councillor since 1988
- Member National Education Committee

**Andrew Sinclair**, B.Ec, LLB, CA, FTIA

Date of Birth 26/12/62

- Qualifications – Chartered Accountant
- Solicitor
- Experience – Appointed to National Council March 2002
- Responsibilities – State Councillor since March 1998

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

Date of Birth 28/02/60

- Qualifications – Barrister and Solicitor
- Experience – Appointed to National Council 2000
- Responsibilities – State Councillor since 1995
- Member National Education Committee

## Statement of Financial Performance for the year ended 31 December 2002

	Note	2002	2001
		\$	\$
Revenue from ordinary activities	2	7,624,237	7,518,697
Employee benefits expense		(2,786,985)	(2,829,404)
Depreciation and amortisation expenses		(539,374)	(455,478)
Membership services	23(a)	(3,229,790)	(3,949,964)
Administration expenses	23(b)	(946,670)	(1,083,591)
Profit from ordinary activities before income tax expense		121,418	(799,740)
Income tax expense relating to ordinary activities	1(j)	-	-
Net profit from ordinary activities after income tax expense attributable to members of the company		121,418	(799,740)
Net increase/(decrease) in asset revaluation reserve	15	-	250,000
Total changes in Equity other than those resulting from transactions with the owners as owners.		121,418	(549,740)

## Statement of Financial Position for the year ended 31 December 2002

	Note	2002	2001
		\$	\$
<b>CURRENT ASSETS</b>			
Cash Assets	6	1,373,824	1,066,229
Receivables	7	126,585	193,414
Inventories	8	13,248	15,617
Other Assets	9	264,030	178,209
<b>TOTAL CURRENT ASSETS</b>		<b>1,777,687</b>	<b>1,453,469</b>
<b>NON CURRENT ASSETS</b>			
Other Financial Assets	10	6	6
Property, Plant and Equipment	12	2,401,382	2,661,563
<b>TOTAL NON CURRENT ASSETS</b>		<b>2,401,388</b>	<b>2,661,569</b>
<b>TOTAL ASSETS</b>		<b>4,179,075</b>	<b>4,115,038</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	2,367,906	2,433,697
Provisions	14	161,450	154,774
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,529,356</b>	<b>2,588,471</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	59,427	57,693
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>59,427</b>	<b>57,693</b>
<b>TOTAL LIABILITIES</b>		<b>2,588,783</b>	<b>2,646,164</b>
<b>NET ASSETS</b>		<b>1,590,292</b>	<b>1,468,874</b>
<b>EQUITY</b>			
Reserves	15	250,000	250,000
Retained Profits	16	1,340,292	1,218,874
<b>TOTAL EQUITY</b>		<b>1,590,292</b>	<b>1,468,874</b>

## Statement of Cash Flows for the year ended 31 December 2002

	Note	2002	2001
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and others		8,424,737	8,757,308
Payments to suppliers and employees		(7,766,882)	(8,536,998)
Interest Received		68,369	70,524
Goods and Services Tax		(316,435)	(202,988)
Net cash provided by (used in) operating activities	19(b)	409,789	87,846
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(102,194)	(154,088)
Net cash provided by (used in) investing activities		(102,194)	(154,088)
Net Increase/(Decrease) in Cash Held		307,595	(66,242)
Cash at beginning of year		1,066,229	1,132,471
Cash at end of year	19(a)	1,373,824	1,066,229

## Notes to the Financial Reports for the year ended 31 December 2002

### NOTE 1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

#### (a) Inventories

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

#### (b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

##### Property

Strata buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the company to have an independent valuation every three years, with annual appraisals being made by the Directors.

##### Plant and Equipment

Plant and equipment are measured on the cost basis.

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

##### Depreciation

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

The depreciation rates used for each class of asset are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2%
Plant and Equipment	20-33.3%
Online Education and Web Site Facility	33.3%

#### (c) Leases

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

#### (d) Investments

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

#### (e) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures as a result of the application of revised Accounting Standards.

## Notes to the Financial Reports for the year ended 31 December 2002

### (f) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

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

### (g) Cash

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

### (h) 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 the rendering of a service is recognised upon the delivery of the service to the customers.

### (i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

### (j) Income Tax

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

## NOTE 2. REVENUE

	Note	2002	2001
Operating Activities			
Membership Services		3,495,175	3,072,250
Rendering of services (Conventions and Seminars)		3,275,135	3,468,293
Cost of Sales (Publications)		699,588	788,928
Commercial sponsorship		22,277	49,406
Advertising revenue		56,320	59,107
		<b>7,548,495</b>	<b>7,437,984</b>
Non-operating activities			
Sundry Income		7,373	10,189
Interest from			
Other persons		68,369	70,524
<b>Total revenue</b>		<b>7,624,237</b>	<b>7,518,697</b>



## Notes to the Financial Reports for the year ended 31 December 2002

	Note	2002	2001
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### NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

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

#### Expenses

Other Publications		224,066	238,307
Depreciation of non-current assets			
– buildings		35,000	–
– plant and equipment		504,374	455,478
Remuneration of auditor			
– audit or review		24,670	12,515
– other services		–	–
Rental expense on operating leases			
minimum lease payments		101,697	80,576

### NOTE 4. REMUNERATION AND RETIREMENT BENEFITS

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

### NOTE 5. DIVIDENDS

The company'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.

### NOTE 6. CASH ASSETS

Cash at Bank	1,372,624	1,065,179
Cash on Hand	1,200	1,050
	<b>1,373,824</b>	<b>1,066,229</b>

### NOTE 7. RECEIVABLES

#### CURRENT

Trade Debtors	<b>126,585</b>	<b>193,414</b>
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### NOTE 8. INVENTORIES

#### CURRENT

At cost		
Goods for resale	<b>13,248</b>	<b>15,617</b>

### NOTE 9. OTHER ASSETS

#### CURRENT

Prepayments	<b>264,030</b>	<b>178,209</b>
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### NOTE 10. OTHER FINANCIAL ASSETS

Shares in other corporations – at cost	<b>6</b>	<b>6</b>
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Shares in other corporations have been written down to their recoverable amount being the expected disposal proceeds from the sale of shares by all shareholders.

## Notes to the Financial Reports for the year ended 31 December 2002

	Note	2002	2001
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### NOTE 11. CONTROLLED ENTITIES

Subsidiary: The Australian Institute of Certified Tax Practitioners Pty Ltd

Country of incorporation: Australia

Percentage owned: 100 per cent (2001: 100 per cent)

The Institute's subsidiary – The Australian Institute of Certified Tax Practitioners Pty Ltd has not traded, hence its results are not materially significant.

### NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Buildings at:

– independent valuation 2001	1,750,000	1,750,000
Less: Accumulated Depreciation	(35,000)	–

<b>1,715,000</b>	<b>1,750,000</b>
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Plant and Equipment – at cost	1,390,020	1,287,827
Less: Accumulated Depreciation	(893,631)	(805,177)

<b>496,389</b>	<b>482,650</b>
----------------	----------------

Online Education & Web Site Facility	740,000	740,000
Less: Accumulated Amortisation	(550,007)	(311,087)

<b>189,993</b>	<b>428,913</b>
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<b>Total Property, Plant and Equipment</b>	<b>2,401,382</b>	<b>2,661,563</b>
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#### (a) Movements in carrying amounts.

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

	Property	Plant and Equipment	Online Education and Web Site Facility	Total
	\$	\$	\$	\$
Balance at the beginning of the year	1,750,000	482,650	428,913	2,661,563
Additions	–	281,220	–	281,220
Disposals	–	(179,028)	–	(179,028)
Depreciation or amortisation expense	(35,000)	(265,454)	(238,920)	(539,374)
Depreciation written back on disposal	–	177,001	–	177,001
<b>Carrying amount at the end of the year</b>	<b>1,715,000</b>	<b>496,389</b>	<b>189,993</b>	<b>2,401,382</b>

### NOTE 13. PAYABLES

CURRENT

Trade creditors	323,064	411,907
Income in advance	2,044,842	2,021,790

<b>2,367,906</b>	<b>2,433,697</b>
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### NOTE 14. PROVISIONS

CURRENT

Employee entitlements	161,450	154,774
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NON-CURRENT

Employee entitlements	59,427	57,693
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(a) Aggregate employee entitlements	<b>220,877</b>	<b>212,467</b>
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(b) Number of employees at year end	<b>36</b>	<b>33</b>
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## Notes to the Financial Reports for the year ended 31 December 2002

	Note	2002	2001
<b>NOTE 15. RESERVES</b>			
Asset Revaluation Reserve		250,000	–
Movements during the year:			
Opening balance		250,000	–
Revaluation increase arising on revaluing buildings to fair value		–	250,000
Closing balance		250,000	250,000

The asset revaluation reserve records revaluations of non-current assets

### NOTE 16. RETAINED PROFITS

Retained profits at the beginning of the financial year	1,218,874	2,018,614
Net profit (loss) attributable to members of the company	121,418	(799,740)
Retained profits at the end of the financial year	1,340,292	1,218,874

### NOTE 17. CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the Financial Reports:

Payable		
– not later than one year	82,671	82,671
– later than one year but not later than 5 years	125,498	208,169
	208,169	290,840

The property leases are non-cancellable leases with three to five-year terms, with rent payable monthly in advance.

Contingent rental provisions within the lease agreements require that the minimum lease payments shall be increased by the lower of CPI or 4 per cent per annum. An option exists to renew the lease at the end of the terms for an additional term of three or five years.

During the year ended 31/12/2000 an online education and web site facility was developed. The costs of the facility are to be amortised over three years with the carrying balance reviewed annually.

A contract has been entered into with Alpha West Pty Limited for the ongoing development of this facility. Under this agreement the Institute is committed to paying the balance of the contract for the amount of \$366,030 over the period 01/01/2003 – 30/09/2003.

### NOTE 18. SEGMENT REPORTING

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

## Notes to the Financial Reports for the year ended 31 December 2002

	Note	2002	2001
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### NOTE 19. CASH FLOW INFORMATION

#### (a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand and at bank		1,373,824	1,066,229
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#### (b) Reconciliation of Cash Flow from operations with profit from ordinary activities after Income Tax

Profit from ordinary activities after Income Tax	121,418	(799,740)
Non-cash flows in profit from ordinary activities		
Depreciation	362,374	432,793
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase)/Decrease in receivables	66,829	296,998
(Increase)/Decrease in other assets	(85,821)	32,992
(Increase)/Decrease in inventories	2,369	4,624
(Decrease)/Increase in payables	(65,791)	54,717
(Decrease)/Increase in provisions	8,411	65,462
Cash flows from operations	409,789	87,846

### NOTE 20. FINANCIAL INSTRUMENTS

#### (a) Interest rate risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2002	2001	2002	2001
<b>Financial Assets</b>	%	%	\$	\$
Cash at bank	4.08	4.43	1,373,824	66,229
Deposits at call	4.08	4.69	-	1,000,000
<b>Total Financial Assets</b>			1,373,824	1,066,299

#### (b) Credit Risk

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

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

## Notes to the Financial Reports for the year ended 31 December 2002

	Note	2002	2001
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### NOTE 21. MEMBERS' GUARANTEE

The Institute is a company limited by guarantee. Every member of the Institute undertakes to contribute to the assets of the Institute in the event of 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).

### NOTE 22. COMPANY DETAILS

The registered office of the company is:

C/O PricewaterhouseCoopers  
53 Blackall Street  
Barton ACT 2600

The principal place of business is:

Taxation Institute of Australia  
Level 9 64 Castlereagh Street  
Sydney NSW 2000

### NOTE 23. DETAILS OF OPERATING EXPENSES

#### (a) Membership services

Education	1,713,535	2,169,604
Publications	536,191	680,257
Technology support including web site and computer systems	783,457	892,440
Library and other services	196,607	207,663
	<b>3,229,790</b>	<b>3,949,964</b>

#### (b) Administrative expenses

Annual meetings	25,032	48,644
Audit fees	24,670	12,515
Bank charges	92,544	100,094
Electricity	12,303	14,642
Insurance	23,975	24,263
Legal fees	64,356	47,391
National Committees	88,669	106,895
National Council	21,673	48,214
Occupancy costs	183,294	171,499
Postage, courier, DX and telephone	128,752	160,309
President's remuneration	60,102	50,713
Printing and stationery	123,568	128,995
Promotion of Institute	17,643	73,236
Repairs and maintenance	8,764	6,724
State Committee meetings	11,383	17,185
Sundries	-1,686	8,420
Travelling expenses	61,628	63,852
	<b>946,670</b>	<b>1,083,591</b>

The additional financial data presented above in Note 23 is in accordance with the books and records of Taxation Institute of Australia Limited which have been subjected to the auditing procedures applied by Williams Hatchman & Kean in their statutory audit of the company for the year ended 31 December 2002.

It will be appreciated that the statutory audit performed by Williams Hatchman & Kean did not cover all details of the financial data presented in Note 23. Accordingly, Williams Hatchman & Kean do not express an opinion on such financial data and no warranty of accuracy or reliability is given. Neither Williams Hatchman & Kean nor any member or employee of Williams Hatchman & Kean undertakes responsibility in any way whatsoever to any person in respect of such data, including any errors or omissions therein however caused.

## DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The Financial Reports and Notes, as set out on pages 12 to 21, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting standards and the Corporations Regulation 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2002 and of the performance for the year ended on that date of the company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**GIL LEVY**  
Director



**ANDREW MILLS**  
Director

Dated this Seventeenth day of February 2003

## INDEPENDENT AUDIT REPORT

### TO THE MEMBERS OF THE TAXATION INSTITUTE OF AUSTRALIA

#### Scope

We have audited the Financial Report of the Taxation Institute of Australia for the financial year ended 31 December 2002 as set out on pages 12 to 22.

The company's Directors are responsible for the Financial Report. We have conducted an independent audit of this Financial Report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Financial Report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Financial Report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Financial Report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In our opinion, the Financial Report of the Taxation Institute of Australia is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2002 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporation Regulations 2001; and
- (b) other mandatory professional reporting requirements.

#### Williams Hatchman & Kean



#### DAVID SINCLAIR

Partner

Dated this Twentieth day of February 2003

## INSTITUTE CONTACT DETAILS

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