



THE TAX INSTITUTE
THE MARK OF EXPERTISE



2012

ANNUAL REPORT

The Tax Institute

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



CTA

Global Leaders in Tax.

In recognition of the standards of excellence in our programs and the reputation of members for their tax expertise, The Tax Institute launched the global tax designation Chartered Tax Adviser (CTA) in Australia on 29 May 2012.

INTRODUCING THE CHARTERED TAX ADVISER DESIGNATION

The Tax Institute launches the global brand of *excellence* for Australian tax professionals

Chartered Tax Adviser is Australia's only global designation in tax. It is an internationally recognised and respected mark of technical excellence and professional integrity. Attaining this designation means joining a coveted network of thousands of Chartered Tax Advisers who are regarded for their leadership and expertise on the world stage, from the UK through to Ireland and Europe.

Until this year, the Chartered Tax Adviser designation was held only by members of the CIOT, but it has been extended in a bid to recognise and promote the highest standards of tax advice internationally.

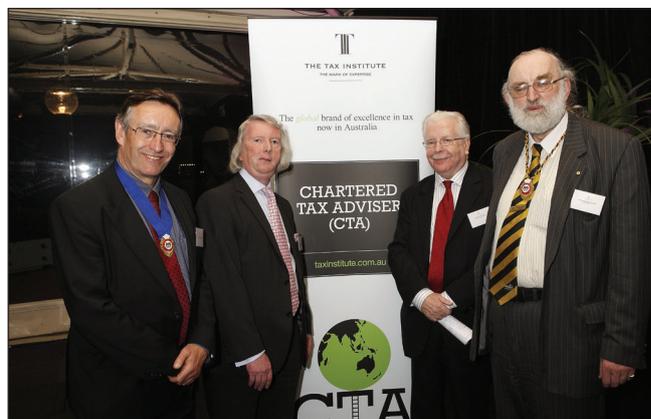
Exclusive to members of The Tax Institute, this initiative is the result of the signing of a licensing agreement between The Tax Institute and the Chartered Institute of Taxation (CIOT) in the UK.

As global leaders in tax, Chartered Tax Advisers are at the forefront of the Australian tax profession. They are integral to the growth of The Tax Institute and the profession at large. It is for this reason that Chartered Tax Advisers have an impeccable record of integrity and character.

As more and more nations join, the power of the Chartered Tax Adviser brand grows. Already, Institutes in a number of countries are lifting their standards to join the prestigious collective.

It is our goal to promote the designation and create a tomorrow where taxpayers, employers and peers are aware that their Chartered Tax Adviser is a global leader with the qualifications, experience and integrity to manage their tax affairs.

The Chartered Tax Adviser mark of expertise will be the most sought after tax designation in Australia, as it is in the UK, Europe and Ireland and beyond.



“This achievement recognises the status and standing of our senior members in their tax advisory skills. Of course, responsibility accompanies status and recognition, and members who take up the new designation will be required to maintain higher levels of professional development activity than other members.

Our younger members especially often travel and live internationally to gain knowledge and experience. In future, their status as a Chartered Tax Adviser will bring them immediate recognition in the UK, Ireland and Europe as possessing superior tax skills and will favourably impress employers ... The opportunities presented by the new designation are almost endless.”

Ken Schurgott, CTA
President, The Tax Institute

THE MARK OF EXPERTISE



THE TAX INSTITUTE

THE MARK OF EXPERTISE

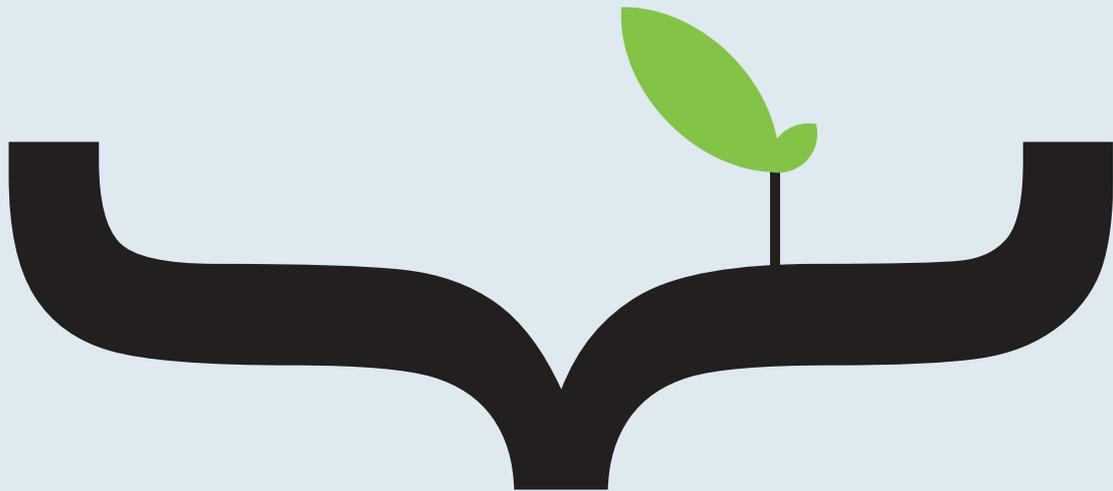
In 2012, The Tax Institute adopted the tagline “the mark of expertise”. The tagline expresses what the Institute and its members stand for. It now appears with The Tax Institute logo, and is displayed on all members’ certificates describing the member’s level of expertise.

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Tax is a dynamic profession, touching everyone from government and large corporations to small business and individuals.



To provide great advice, practitioners must remain up to date with the changing landscape.

A MESSAGE FROM THE PRESIDENT

Every year is a special and significant one for The Tax Institute, its president, staff and members. This one has been no exception and perhaps has been a little exceptional.

Chartered Tax Adviser (CTA) status

The early part of the year saw the sealing of the arrangements with the Chartered Institute of Taxation and the launching of the CTA qualification in Australia. The uptake by our existing members has been phenomenal, not to mention the increase in membership by some 1,700. The additional CPD requirements of the CTA qualification will mean that the community can look to its CTA tax advisers for an even more professional service. The designation also provides international recognition for the standing and status of our CTA-qualified members and, the Institute has carefully aligned its structured education delivery to reflect the requirements of member advancement to CTA status.

Tax education

The Tax Institute has continued to provide the most comprehensive tax education in Australia through both its professional development activities and structured education courses. The National Convention in Canberra was a standout with attendances and participation. Both national and state events were very well received. I mention particularly the third Resources Tax Conference which was held in Perth in October and continues to be very well supported by the profession and industry alike.

Tax reform

The Tax Institute has been at the forefront in consultation on significant tax reform measures during 2012. The most important have been the government's proposed amendments to the general anti-avoidance provision, the retrospective amendments to transfer pricing rules, the rights to future income amendments, and the taxation of trusts rewrite project. Countless hours of Institute staff and volunteers' time has been directed at these measures with the hope of achieving the best possible outcome for the community's tax system.

Tax policy

The Tax Policy team led by Senior Tax Counsel, Robert Jeremenko, has had an extremely busy and productive year. Not only have they steered the Institute and its volunteers through the consultations I have just mentioned, but they have also been heavily engaged in promoting a simpler and fairer tax system through discussion and debate in the press and at meetings of concerned parties. Two examples worth mentioning are the Small Business Roundtable in April (designed to raise the debate about the inconsistent legislative treatments of small business by the Commonwealth and States) and the Revolutionising State Taxes debate in December (raising issues about state taxes which require review).

ATO consultations

The Tax Institute has continued its significant presence in consultation with the Australian Taxation Office during 2012. In particular, we have a leadership role in the National Tax Liaison Group (NTLG) which continues to bear fruit for our members and the taxpayer community. The direct involvement of the president and vice-president of The Tax Institute with the NTLG is one of the most satisfying roles of the executive.



In all of the consultations with the ATO, Treasury and government ministers, our success is dependent on the goodwill built up over the years by our staff members and, most importantly our volunteer members who generously provide insights into tax and commercial matters that allow us to represent the Institute confidently at the highest level.

Special mention should be made that this year has been a watershed for the ATO in that both Michael D'Ascenzo and Jenny Grainger have not continued in their respective roles. These significant changes are underpinned by the appointment of Chris Jordan as the first Commissioner ever appointed from the private sector. I express my and The Tax Institute's appreciation for the efforts put in by Michael and Jenny to enhance the collaboration between the ATO and the Institute, and wish them all the very best in their future roles. The Tax Institute also looks forward to working with the new Commissioner in the coming years.

Looking to the future

I extend my best wishes to Steve Westaway as the president for 2013 and to the 2013 National Council. I am highly confident that, together with CEO Noel Rowland and his senior management team, they will maintain the Institute's position as the pre-eminent tax educator and lead it to even greater success in the future.

Personal thanks

I wish to express my personal appreciation to the many people who gave me great support during my year as president. There are too many to mention but I would like to express special thanks to the Tax Policy team who made life so much easier in the consultations and also to the National Events team who graciously and efficiently organised the President's participation in so many important events this year.

Lastly, but certainly not least, I wish to thank Noel Rowland and Marilyn Partridge for guiding me through the year.

A handwritten signature in black ink that reads "Ken Schurgott". The signature is written in a cursive style.

Ken Schurgott, CTA
President

A MESSAGE FROM THE CEO

2012 – Increasing the status of members

2012 was an important year for the Institute. We saw the successful launch of the new global tax designation, Chartered Tax Adviser, as well as the enhanced education program resulting in substantial growth in our membership and education programs.

Like many businesses, due to the volatility and uncertainty pervading the global economy, the flat economic conditions in Australia and the lack of significant legislative/administrative tax reforms, we had to rethink our expectations and offerings to members.

Our 2012 priorities were focused on the launch of the global designation, enhancement of our education program, providing professional development programs to emerging segments and increased technology-driven programs.

These initiatives meant that we obtained record numbers of new members, the highest renewal rate ever, and record enrolments into our education programs.

While there was a large take-up of online professional development events, attendance at face-to-face CPD events was down due to the lack of legislative changes and general cuts in training budgets.

Financial results

The Institute experienced a loss of (\$326,349) in 2012. The financial result was largely as a result of the downturn in the demand for face-to-face CPD as well as the commitment by National Council to maintain the level of member services despite the difficult trading environment.

2012 highlights and achievements

Chartered Tax Adviser designation

In order to increase the status and reputation of its members, the Institute launched the globally recognised tax designation, Chartered Tax Adviser (CTA), at the end of May. Recognised in the UK and across Europe, the CTA designation allows qualifying members to join a growing international network of Chartered Tax Advisers, and provides international opportunities previously unattainable for Australian tax professionals.

Australia is only the third tax body to be granted the use of this designation, with more countries around the world expected to join as they meet the minimum requirements.

The Tax Institute received an overwhelming response to the launch of this designation in Australia. Over 6,500 members upgraded to CTA, while an additional 1,150 new CTAs came on board from a total of 1,700 new members.

We will now work with our sister bodies overseas to ensure that this brand is increasingly recognised internationally for the technical excellence, professionalism and integrity of those that hold it.



Brand

The changes to the Institute's brand in 2011 proved extremely successful in helping to reinvigorate and position us as the authoritative leader in tax. This resulted in increased measurable brand recognition and increased take-up of membership.

To emphasise the fact that the Institute and its members are known for delivering the highest standards in tax, we adopted the tagline "the mark of expertise" in May 2012.

The tagline is an expression of what the Institute and its members stand for. It describes to clients, employers and newcomers to the profession that they are dealing with the best and brightest in tax.

Media

With a proactive media strategy focused on key policy issues, we made considerable progress in raising awareness of these issues, resulting in a 30% increase in the Institute's media profile with commentary featured in a diverse range of key electronic and print media.

Membership

The Institute had a record number of new memberships taken up in 2012, with 1,700 new members and a very high renewal rate of 95%.

Meeting members' needs

To ensure that we continue to be responsive to members' needs, the Institute once again participated in the Annual Business and Professions Study (run by Beaton Research and Consulting) to measure member satisfaction, engagement and the overall performance of the Institute. The results showed:

- a very high engagement score and an increase from previous years
- a significant increase in overall performance compared to the previous year
- significant improvements in all attributes, including:
 - communicating to members
 - keeping up to date with developments

A MESSAGE FROM THE CEO

- providing access to information
- representing members' interest
- supporting the development of knowledge and skill.

We are pleased to see that the strategies we initiated to address weaknesses from previous surveys has paid off and this year's results reflect the hard work put in the place through the year.

As always, we appreciate member feedback, as this helps to confirm that we are moving in the right direction and ensure that we quickly respond to any areas needing improvement.

Social media

Our social media channels are growing in popularity, with over 4,000 followers/likes. This has provided us with another channel to connect tax professionals with the Institute and with each other.

Professional development

The Institute's CPD program is always a key focus, and in 2012 we offered over 400 events, attended by over 17,000 people.

We held 7 national conferences, 6 state conventions and 5 roadshows. The Institute's flagship event, the 27th National Convention, was held in Canberra in March, with over 460 in attendance.

Other major events in 2012 included:

- Financial Services Taxation Conference
- 12th States' Taxation Conference
- GST Intensive Conference
- 20th Tax Intensive Retreat
- Tax Specialists Workshop

The face-to-face attendance programs were generally down on previous years, providing us with lower than expected income from this activity. However, online CPD had strong numbers, proving that this new mode of delivery is what members are increasingly looking for.

iCPD program continues to grow

The Institute continued to expand the iCPD program throughout the year. The program offers alternative access to CPD through webinars and live-streamed events for those unable to attend traditional face-to-face events.

In 2012 the Institute produced over 30 webinars, 9 new DVDs and a live stream of the recent Part IVA session. These programs are proving very popular with those practitioners who live regionally or who are looking for a convenient and time-efficient way to access CPD.

Webinars included the roadshow series, the Young Tax Practitioners series, monthly tax updates, a Superannuation and Estate Planning series of eight webinars, and several other hot topic sessions. There was a 250% increase on last year's attendance numbers for these online delivery modes. With the success of this mode, we will look at increased levels of online CPD delivery in 2013.

Tax Education Program

In May 2012, with the launch of the Chartered Tax Adviser designation, the Institute was required to align its program with the relevant international courses. While all existing courses remain part of the pathway to this designation, it was important to highlight this alignment and rename the courses accordingly.

In light of these changes, existing arrangements with the Institute of Chartered Accountants in Australia, CPA Australia and The Law Society of NSW were extended and/or renewed.

Strong interest in the course encouraged us to offer over 10 intakes for the new CTA program (with over 1,131 enrolments), as well as continued enrolments into the GST/BAS course and the new CTA3 Advisory examination which now leads to the new CTA designation.

Several companies added to these numbers by enrolling their staff in in-company courses.

The Institute also launched the TASA 2009 and the Code of Professional Conduct course. We are the first and only provider to have its course approved by the Tax Practitioners Board.

The new courses and challenge tests for registering BAS agents continued to cement the Institute's position as an education provider to all segments of the tax profession.

A MESSAGE FROM THE CEO

Achievements in tax policy and advocacy

With the invaluable input of our members who provided technical assistance, practical guidance and industry experience, we significantly influenced the development of tax policy and legislation and improved its administration.

Over the past 12 months, there has been a continuing refrain of the need for a frank and open public debate about the merits of reforming our tax system. For Australia to be able to afford the spending priorities of the coming decade and beyond, we must consider the sustainability of our tax system.

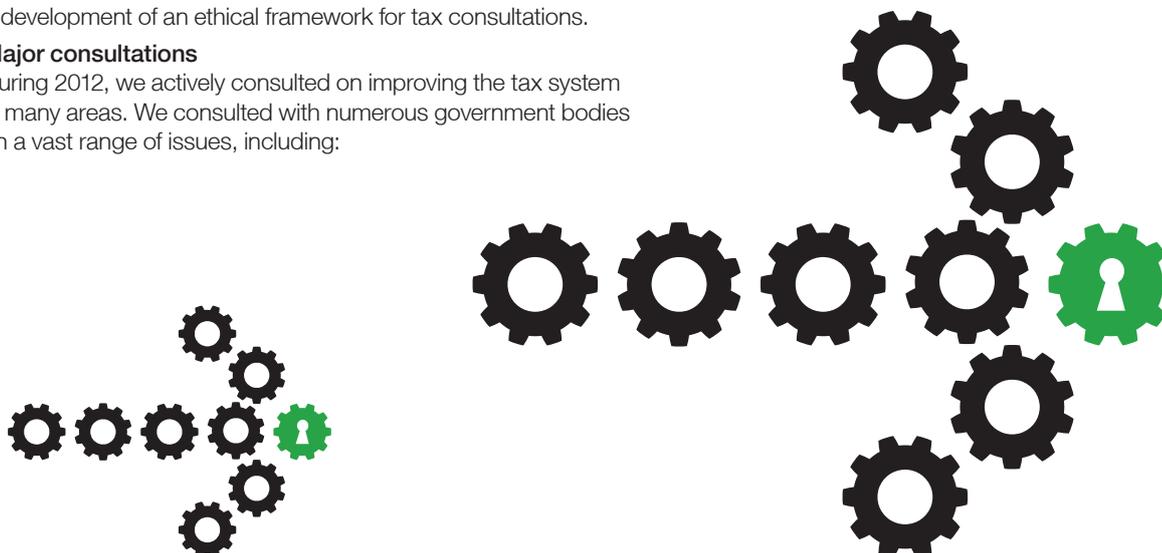
Highlights included:

- proactively leading the debate on the need for further state tax reform by hosting an event with the Australian Tax Research Foundation – *Revolutionising State Taxes: Finding a way forward*;
- after our sustained arguments for reform in the area, the government engaged in further consultation on the rewrite of our trust tax laws;
- continuing to publicly argue against the trend towards retrospective tax legislation, including transfer pricing and consolidation changes (rights to future income);
- leading a roundtable discussion, co-hosted with the Council of Small Business Australia, to actively discuss small business issues with key stakeholders of the small business community;
- again appearing before the Parliamentary Joint Committee of Public Accounts and Audit during its annual hearing with the Commissioner of Taxation to publicly share members' experiences on ATO performance;
- engaging in extensive consultation with the Business Tax Working Group in relation to the benefits of a company tax rate cut and potential offsetting savings measures; and
- achieving significant progress with the Assistant Treasurer on announced but unenacted tax law measures and also in the development of an ethical framework for tax consultations.

Major consultations

During 2012, 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 reforms to the general anti-avoidance rule, the taxation of trusts, the tax treatment of rights to future income acquired by a consolidated group, the interaction between the consolidation rules and the taxation of financial arrangements, transfer pricing, reforms to the living-away-from-home allowance, managed investment trusts, refunds of excess GST, retention of refunds of indirect taxes, taxation of not-for-profits, the definition of "charity", the loss carry-back rules, the tax treatment of Tier 2 capital under the Basel III capital reforms, the establishment of the Tax Studies Institute, and the regulation of financial planners providing tax advice.
- **The ATO** on audit practices, benchmarking practices, the treatment of professional practices structuring, the reportable tax positions project, the ATO's lodgment differentiation framework, the administration of the new director penalty regime, business tax return forms, and franking dividends after changes to the Corporations Act.
- **The Board of Taxation** on the review of tax arrangements applying to permanent establishments, Division 7A, and the establishment of the Tax Studies Institute.
- **The Business Tax Working Group** on the tax treatment of losses and proposals to cut the company tax rate.
- **The Inspector-General of Taxation** on the ATO's use of benchmarking, the ATO's use of compliance risk assessment tools, and the Inspector-General's forward Work Program.
- **The Tax Practitioners Board** on reasonable care requirements in ascertaining a client's state of affairs and ensuring that tax laws are applied correctly, and the regulation of financial planners providing tax advice.
- **Senate and House Economics Committees** on changes to the living-away-from-home allowance, changes to the tax treatment of rights to future income acquired by a consolidated group, and transfer pricing reforms.



A MESSAGE FROM THE CEO

Online and print resources

The Institute continues to provide the tax profession with highly specialised and accurate publications, bringing the best tax information to the market. In 2012, new editions were published for most of our titles. We continue to provide publications on the essential reading list for a number of university and education courses.

The Institute's journal, *Taxation in Australia*, continues to be considered the compulsory read by tax professionals and was awarded finalist in Publisher Australia's Magazine Excellence Awards in the category of Best Association Magazine. The journal iPad app, launched in late 2011, has been extremely popular and downloaded over 15,000 times. It now features *Taxation in Australia Extra*, a supplement with additional first class content and the added bonus of CPD hours.

We continue to publish *The Tax Specialist*, a popular journal with corporate tax professionals, and the Australian Tax Forum, a well-regarded vehicle for publishing academic and international tax policy papers.

Tax Knowledge eXchange

The Tax Knowledge eXchange subscription service was further improved this year with the launch of the new online tax research package and now offers up to 17 CPD hours. This, along with the online books, has been well-received in 2012 as the database of knowledge continues to grow with every new seminar thanks to our presenters and authors.

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 2012, there were:

0 complaints received

1 complaint dismissed

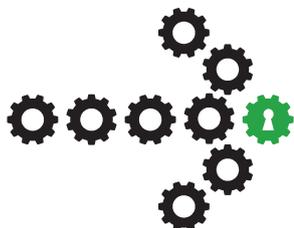
0 complaints upheld

0 complaints under investigation at year end

0 disciplinary actions taken against members.

Looking towards 2013

In 2013, our focus will be to continue to build on the groundwork built in 2012, to increase the status of members, and increase the recognition of the CTA designation as a truly global designation and the gold standard in tax advice.



Our key strategic priorities for 2013 include:

- members' experience – ensuring that we continue to be responsive to members' needs and that their engagement with the Institute is first class;
- products and services – ensuring that we continue to provide the best quality and best value products and services to the tax profession;
- leadership – continuing to play a key role in improvements in, and the application of, tax law and its administration, and as the champion of the tax profession to raise professional and ethical standards ensuring members are sought after tax experts; and
- people and infrastructure – ensuring that our engagement with our people and use of infrastructure enables and strengthens our business operations and offerings.

Celebrating 70 years

In July 2013, we will be celebrating the 70th anniversary of the founding of The Tax Institute. To celebrate this milestone, the Institute will organise a number of activities throughout the year to provide an opportunity for tax professionals to reflect on how the Institute and its members have helped to shape the industry over the years.

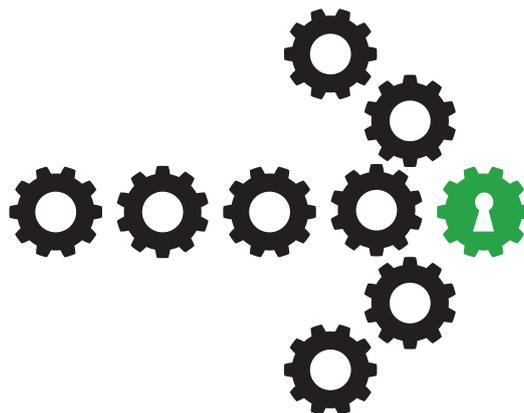
Conclusion

As always, I would like to take the opportunity to acknowledge the generous contribution of the large group of volunteers whose hard work and dedication make the Institute what it is today.

It is this fundamental and unselfish commitment of professionals to willingly give their time to share their knowledge with peers which separates the Institute's members.

A special thank you to 2012 President, Ken Schurgott, for his enormous support during what was a very big year.

Noel Rowland
Chief Executive Officer



DIRECTORS' REPORT

To the *members* of The Tax Institute

Your directors present this report of The Tax Institute ('the Institute') for the year ended 31 December 2012.

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 |
| Tim Neilson | Appointed 1 January 2013 |
| Matthew Pawson | Appointed 1 January 2010 |
| Tracey Rens | Appointed 1 January 2011 |
| Ken Schurgott | Appointed 31 March 2005 ceased 1 January 2013 |
| Stephen Westaway | Appointed 29 November 2006 |

Directors have been in office since the start of the 2012 year to the date of this report unless otherwise stated.

Short-term and long-term objectives

The Institute's short- and long-term objectives are to:

- Advance education in relation to taxation and Taxation Laws
- Advance public knowledge and understanding of Taxation Laws
- Encourage research into the reform of Taxation Law
- Be the leading knowledge provider in taxation through our products and services

The Institute's strategies to achieve these objectives include to:

- Provide a highly sought after quality taxation education program
- Offer a diverse and broad range of continuing professional development opportunities through an event program and publications.
- Be the authoritative opinion leader in tax policy and administration
- Build the Chartered Tax Advisor designation as the gold standard in tax

Performance measures

The Institute measures its performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial performance of the Institute and whether the objectives are being achieved in a cost effective manner.

Members' guarantee

The Institute is a company limited by guarantee. In accordance with the Institute's constitution, each member is liable to contribute \$2 in the event that the Institute is wound up. The total amount members would contribute at 31 December 2012 would be \$21,260.

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.

The Institute aims to advance education in relation to taxation and taxation laws through its professional education arm.

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

Operation result

The operating result for the year was a loss of \$326,349 (2011: loss of \$487,473).

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 a continuing downturn in the demand for CPD as a result of smaller training budgets and less tax reform. The financial result also reflects the significant investment made by the Institute in the launch into Australia of the internationally recognised designation Chartered Tax Adviser.

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 a broad 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.

DIRECTORS' REPORT

To the *members* of The Tax Institute

Indemnifying officer or auditor

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

Proceedings on behalf of the institute

No person has applied for leave of court to bring proceedings on

behalf of the Institute or intervene in any proceedings to which the Institute is a party for the purpose of taking responsibility on behalf of the Institute for all or any of those proceedings.

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

Auditor's independence declaration

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

Directors' meetings

Attendance at Board and Board Committee meetings during the year ended 31 December 2012:

| Name | Board of Directors | | Investment Committee | |
|--------------------------------------|--------------------|----------|----------------------|----------|
| | A | B | A | B |
| Total number of meetings held | 6 | | 4 | |
| Directors | A | B | A | B |
| Arthur Athanasiou | 6 | 6 | | |
| Graeme Cooper | 6 | 5 | | |
| Michael Flynn | 6 | 6 | | |
| Stephen Healey | 6 | 6 | | |
| Wayne Healy | 6 | 5 | | |
| Stephen Heath | 6 | 6 | | |
| Matthew Pawson | 6 | 6 | 4 | 4 |
| Tracey Rens | 6 | 6 | 4 | 4 |
| Ken Schurgott | 6 | 6 | | |
| Stephen Westaway | 6 | 5 | 4 | 4 |

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.



Graeme Cooper
Director



Tracey Rens
Director

Dated in Sydney this 25th day of March 2013.

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 2012 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.



Graeme Cooper
Director



Tracey Rens
Director

Dated in Sydney this 25th day of March 2013.

AUDITOR'S INDEPENDENCE DECLARATION



The Board of Directors
The Tax Institute
Level 10, Pitt Street
Sydney, NSW 2000

25 March 2013

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, Level 10, Pitt Street.

As lead audit principal for the audit of the financial statements of The Tax Institute, Level 10, Pitt Street for the financial year ended 31 December 2012, 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

A handwritten signature in blue ink that reads "Roger Wong".

CROWE HORWATH SYDNEY

A handwritten signature in blue ink that reads "Roger Wong".

ROGER WONG
Partner

Crowe Horwath Sydney

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Professional Standards Legislations*

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Each member firm of Crowe Horwath is a separate and independent legal entity.*

DIRECTORS' PARTICULARS

Arthur Athanasiou, LLM, LLB, BEc, Grad Dip Acc, CTA

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 2010-2012
- Chair, National Education Committee 2011-2012
- Member, Investment Committee 2010-2011

Graeme Cooper, BA, LLM (Hons), Dip Jur, JSD, CTA

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
- Member, Education Examination & Quality Assurance Board since 2012

Michael Flynn, LLB, B Com, ACA, CTA

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
- Chair, National Technical Committee 2013
- Chair, Investment Committee 2013
- Member, Nominations Committee 2013

Stephen Healey, BHMS, B Bus, CA, CTA

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
- Chair, National Membership & Services Committee 2013

Wayne Healy, B Bus, FCPA, FCA, CTA

Date of birth: 10/04/1964

Qualifications: Certified Practising Accountant,
Chartered 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
- Chair, Education Advisory Board since 2013
- Member, National Education Committee 2005-2006

Stephen Heath, LLB (Hons), BEc, CTA

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
- Deputy Chair, National Education Committee 2013

DIRECTORS' PARTICULARS

Tim Neilson, LLB (Hons), LLM (Lond), CTA

Date of birth: 11/08/1961

Qualifications: Lawyer admitted to practice by the Supreme Court of Victoria

Experience: Appointed to National Council January 2013

Responsibilities:

- Victorian State Council since 2006
- Victorian Technical Committee 2006
- Deputy Chair Victorian State Council 2008
- Chair Victorian State Council 2009
- Victorian Convention Committee 2009

Matthew Pawson, BCom, LLB, CTA

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
- Treasurer 2013

Tracey Rens, CTA

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
- Chair, National Education Committee 2013

Ken Schurgott, BApp Sc, BA(Acy), LLB, MLS, LLM, M App Fin, CTA

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 appointed 2012

Stephen Westaway, B Fin Admin, FCA, CTA

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

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 2012

| | Note | 2012 | 2011 |
|---|------|------------------|------------------|
| | | \$ | \$ |
| Revenue | 2 | 14,433,953 | 13,219,946 |
| Employee benefits expense | | (6,931,351) | (6,206,609) |
| Depreciation and amortisation expenses | 3 | (487,318) | (412,865) |
| CPD events and member services | | (5,000,374) | (4,471,935) |
| Administration expenses | | (2,520,046) | (2,434,892) |
| Net change in fair value of financial assets held at fair value through profit and loss | 3 | 178,787 | (181,118) |
| Profit before income tax expense | | (326,349) | (487,473) |
| Income tax expense | 1(i) | - | - |
| Profit after income tax expense | | (326,349) | (487,473) |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (326,349) | (487,473) |

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 December 2012

| | Note | 2012 | 2011 |
|---|------|------------------|------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 5 | 4,184,226 | 4,525,874 |
| Trade and Other Receivables | 6 | 1,477,475 | 1,125,522 |
| Financial Assets at fair value through profit or loss | 7 | 2,371,801 | 2,119,492 |
| TOTAL CURRENT ASSETS | | 8,033,502 | 7,770,888 |
| NON-CURRENT ASSETS | | | |
| Plant and Equipment | 8 | 1,211,695 | 1,530,239 |
| TOTAL NON-CURRENT ASSETS | | 1,211,695 | 1,530,239 |
| TOTAL ASSETS | | 9,245,197 | 9,301,127 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 9 | 4,415,272 | 4,079,817 |
| Other Liability | 10 | 200,678 | 178,490 |
| Short Term Provision | 11 | 319,302 | 262,225 |
| TOTAL CURRENT LIABILITIES | | 4,935,252 | 4,520,532 |
| NON-CURRENT LIABILITIES | | | |
| Other Liability | 10 | 573,303 | 755,076 |
| Long Term Provisions | 11 | 110,078 | 72,606 |
| TOTAL NON-CURRENT LIABILITIES | | 683,381 | 827,682 |
| TOTAL LIABILITIES | | 5,618,633 | 5,348,214 |
| NET ASSETS | | 3,626,564 | 3,952,913 |
| EQUITY | | | |
| Retained Profits | | 3,626,564 | 3,952,913 |
| TOTAL EQUITY | | 3,626,564 | 3,952,913 |

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

| | 2012 | 2011 |
|--|------------------|------------------|
| | \$ | \$ |
| Retained Earnings | | |
| Opening retained earnings | 3,952,913 | 4,440,386 |
| Net Profit for the Year | (326,349) | (406,792) |
| Restatement of prior year | - | (80,681) |
| Retained earnings at year end | 3,626,564 | 3,952,913 |
| Total equity at the end of the year | 3,626,564 | 3,952,913 |

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

| | Note | 2012 | 2011 |
|--|--------------|------------------|--------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from members and others | | 15,773,161 | 14,138,460 |
| Payments to suppliers and employees | | (16,275,656) | (13,504,472) |
| Interest Received | | 242,149 | 328,181 |
| Net cash provided by operating activities | 14(b) | (260,346) | 962,169 |
| Cash flows from investing activities | | | |
| Proceeds from sale of financial assets at fair value through profit or loss | | 198,141 | 397,575 |
| Payment for plant and equipment | | (168,774) | (1,557,413) |
| Dividend income | | 160,994 | 113,671 |
| Dividend income and proceeds from sale of financial assets reinvested in financial assets at fair value through profit or loss | | (271,663) | (491,942) |
| Net cash used in investing activities | | (81,302) | (1,538,109) |
| Net Increase (decrease) in Cash Held | | (341,648) | (575,940) |
| Cash at beginning of the financial year | | 4,525,874 | 5,101,814 |
| Cash at end of the financial year | 14(a) | 4,184,226 | 4,525,874 |

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

Note 1. Statements of significant accounting policies

The financial statements of the The Tax Institute ("The Institute") for the year ended 31 December 2012 was authorised for issue by a resolution of the Directors on 25 March 2013.

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 Institute has elected to early adopt the Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010 - 2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. As a consequence, the entity has also adopted AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements and AASB 2011-6: Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation- Reduced Disclosure Requirements. This is because the reduced disclosure requirements in AASB 2011-2 and AASB 2011-6 relate to Australian Accounting Standards that mandatorily apply to annual reporting periods beginning on or after 1 July 2011.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001. The Institute is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

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

The depreciation rates used for each class of assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Plant and Equipment | 20.0%–33.3% |
| Development Costs | 20% |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

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

Make good provision on leased premises

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

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

(c) Leases

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

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

(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 the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and subsequent measurement

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Financial liabilities

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

Fair value

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

Impairment

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

(e) Impairment of assets

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

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

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

(f) Employee benefits

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

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

(g) Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

(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 changes in presentation for the current financial year.

(m) Critical Accounting Estimates and Judgements

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

Key Estimates - Impairment

The Institute assesses impairment at each reporting date by evaluating conditions specific to the Institute that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair values less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised for the year ended 31 December 2012.

(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.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Institute's financial assets, but no impact on the Institute's financial liabilities.

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

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.

AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Institute is currently its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accountancy policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Institute. However, the Institute may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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

(o) Prior year adjustment

The Institute has amended the recognition of lease expenses to reflect the effect of straight-lining the fixed rental increases over the lease term. This change had the effect of reducing the profit after income tax for 2011, opening retained earnings as at 1 January 2012, and other liabilities at 31 December 2011 by \$80,681.



Members of *The Tax Institute* are part of the essential dialogue with the tax community.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Note 2. Revenue | | |
| Operating Activities | | |
| Membership Services including Education | 7,651,579 | 6,295,319 |
| Rendering of services (CPD and Events) | 5,223,559 | 5,160,139 |
| Sales of publications | 1,032,869 | 1,150,835 |
| Advertising revenue | 122,152 | 185,650 |
| | 14,030,159 | 12,791,943 |
| Other Income | | |
| Interest | 242,800 | 314,332 |
| Dividend Income | 160,994 | 113,671 |
| | 403,794 | 428,003 |
| Total revenue | 14,433,953 | 13,219,946 |

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|----------------|------------------|
| | \$ | \$ |
| 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 | 487,318 | 412,865 |
| | 487,318 | 412,865 |
| Remuneration of auditor | | |
| - audit | 22,000 | 21,000 |
| - other services | 5,150 | 1,350 |
| | 27,150 | 22,485 |
| Rental expense on operating leases | | |
| - minimum lease payments | 639,108 | 667,813 |
| | 639,108 | 667,813 |
| Significant Revenue and (Expenses) | | |
| Net change in fair value of Financial Assets held at fair value through profit and loss | | |
| | 178,787 | (181,118) |

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 2012

| | 2012 | 2011 |
|--|------------------|------------------|
| | \$ | \$ |
| Note 5. Cash and cash equivalents | | |
| Cash at bank and on hand | 71,996 | 572,750 |
| Short term deposits | 4,112,230 | 3,953,124 |
| | 4,184,226 | 4,525,874 |

Note 6. Trade and other receivables

CURRENT

| | | |
|-------------------|------------------|------------------|
| Trade Receivables | 514,503 | 378,538 |
| Prepayments | 962,972 | 746,984 |
| | 1,477,475 | 1,125,522 |

(a) Impaired receivables and receivables past due

None of the current receivables are impaired or past due but not impaired.

Note 7. Financial assets at fair value through profit or loss

| | | |
|---|-----------|-----------|
| Investment in Unit Trusts at fair value | 2,371,801 | 2,119,492 |
|---|-----------|-----------|

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.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

| | 2012 | 2011 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Note 8. Plant and Equipment | | |
| Plant and Equipment – at cost | 2,768,819 | 2,620,886 |
| Less: Accumulated Depreciation | (1,557,124) | (1,090,647) |
| Total Plant and Equipment | 1,211,695 | 1,530,239 |

| | 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 | 1,530,239 | 1,530,239 |
| Additions | 168,774 | 168,774 |
| Depreciation or amortisation expense | (487,318) | (487,318) |
| Carrying amount at the end of the year | 1,211,695 | 1,211,695 |

| Note 9. Trade and other payables | | |
|---|------------------|------------------|
| Current | | |
| Trade payables | 550,211 | 659,148 |
| Income in advance | 3,865,061 | 3,420,669 |
| | 4,415,272 | 4,079,817 |

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

| | 2012 | 2011 |
|---------------------------------|---------|---------|
| | \$ | \$ |
| Note 10. Other Liability | | |
| CURRENT | | |
| Lease liability | 200,678 | 178,490 |
| NON-CURRENT | | |
| Lease liability | 573,303 | 755,076 |

| | | |
|-------------------------------------|---------|---------|
| Note 11. Provisions | | |
| CURRENT | | |
| Employee benefits | 319,302 | 262,225 |
| NON-CURRENT | | |
| Employee benefits | 73,811 | 57,159 |
| Make good on premises | 36,267 | 15,447 |
| | 110,078 | 72,606 |
| (a) Aggregate employee benefits | 393,113 | 319,384 |
| (b) Number of employees at year end | 60 | 58 |

| | | |
|--|-----------|-----------|
| 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 | 774,462 | 710,287 |
| – later than one year but not later than 5 years | 1,887,262 | 2,389,318 |
| | 2,661,724 | 3,099,605 |

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 2012

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.

| | 2012 | 2011 |
|---|------------------|----------------|
| | \$ | \$ |
| 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 on hand and at bank | 4,184,226 | 4,525,874 |
| (b) Reconciliation of Cash Flow from Operations with Profit after Income Tax | | |
| Profit after Income Tax | (326,349) | (487,473) |
| Non-cash flows in profit from ordinary activities | | |
| Depreciation | 487,318 | 412,865 |
| Net change in fair value of financial assets held at fair value through profit or loss | (178,787) | 181,118 |
| Dividend Income | (160,994) | (113,671) |
| Changes in operating assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | (351,952) | 53,411 |
| Increase/(decrease) in trade and other payables | 335,455 | 134,649 |
| Increase in other liability | (159,585) | 928,560 |
| Increase/(decrease) in provisions | 94,549 | (147,290) |
| Cash flows from operations | (260,346) | 962,169 |

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December 2012

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.

Fair value

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

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

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

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

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 2012

Note 17. Related party transactions

Key management personnel

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

Key management personnel

| 2012 | | 2011 | |
|------------------|--------------------------------------|------------------|---------------------------------------|
| 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 |
| Alex Munroe | General Manager Information Products | Zeina Khodr | General Manager E-Business (resigned) |
| Anna Mirzayan | General Manager Marketing | Alex Munroe | General Manager Information Products |
| | | Anna Mirzayan | General Manager Marketing |

Remuneration for key management personnel

| | 2012 | 2011 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Employee benefits | 1,380,929 | 1,449,440 |
| Total remuneration | 1,380,929 | 1,449,440 |

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. 79,824 78,005

NOTES TO FINANCIAL STATEMENT

For the year ended 31 December *2012*

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.

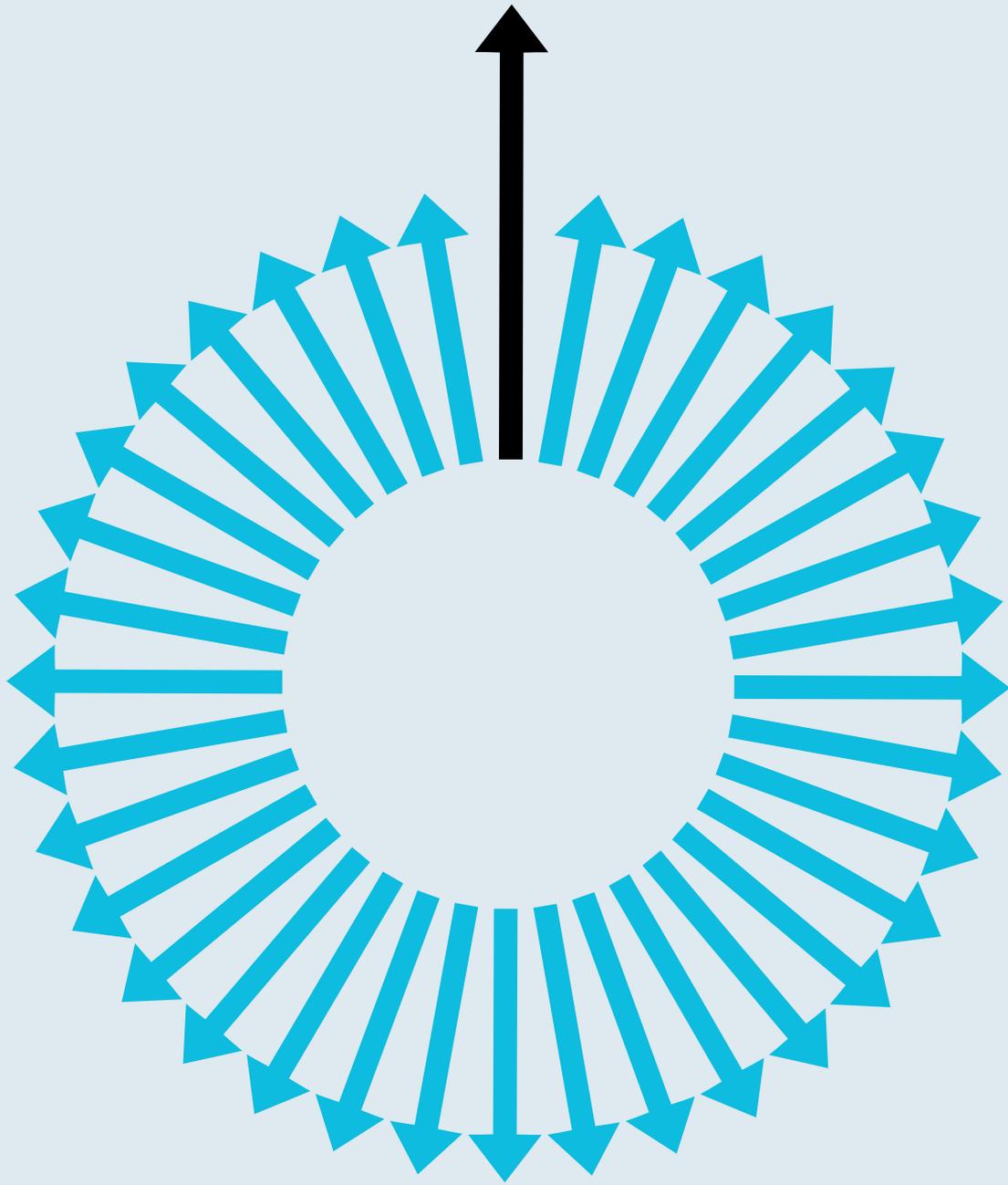
Note 19. Contingent liabilities and contingent assets

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 essential tax network.

INDEPENDENT AUDIT REPORT

To the *members* of The Tax Institute



Crowe Horwath Sydney
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Member Crowe Horwath International
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Sydney NSW 2000 Australia
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Fax +61 2 9262 2190
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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 Institute'), which comprises the statement of financial position as at 31 December 2012, 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 Institute 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 Institute's financial position as at 31 December 2012 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
Partner

Dated this 25th day of March 2013



Liability limited by a scheme approved under
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.

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

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Tel: 02 8223 0000
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State Divisions

New South Wales and ACT

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Manager: Vacant

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Victoria

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Manager: Ruth White

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Email: vic@taxinstitute.com.au

Queensland

Chairman: Peter Godber, CTA

Manager: Paula Quirk Russo

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Email: qld@taxinstitute.com.au

Western Australia

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Manager: Nicky Nickolakis

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Perth, WA 6000

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South Australia and Northern Territory

Chairman: John O'Connell, CTA

Manager: Angelika Hislop

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Tasmania

Chairman: Matthew Pawson, CTA

Manager: Ruth White

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THE TAX INSTITUTE

THE MARK OF EXPERTISE

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