THE TAX INSTITUTE

Financial Report for the period 1 January 2020 to 30 June 2020

Contents

Directors' particulars

David Earl

BCom, LLB(Hons), LLM, FTI

Qualifications
Australian Legal Practioner

Experience
National Council member since January 2018

Responsibilities
- Chair, International Relations Committee 2019
- Member, Audit and Risk Committee since 2018
- Member, Education Advisory Board since 2018
- Member, International Relations Committee 2018

Stuart Glasgow

M(Tax), BBus(Acc), FCA, CTA

Qualifications
Chartered Accountant

Experience
National Council member since February 2015

Responsibilities
- Treasurer 2019
- Chair, Finance & Investment Committee 2019
- Member, Audit Committee 2017
- Chair, National Membership & Services Committee 2016–2018
- Member, Investment Committee 2016–2017
- Member, Finance & Investment Committee 2018
- Member, VIC State Council since 2011

Peter Godber

BCom, LLM, FCA, CTA, MAICD

Qualifications
Chartered Accountant, Solicitor

Experience
National Council member since January 2014

Responsibilities
- Vice President 2019
- Treasurer 2017–2018
- Chair, Finance Committee 2017
- Chair, Finance & Investment Committee 2018
- Member, Finance & Investment Committee 2019
- Member, Audit Committee 2017
- Member, Audit & Risk Committee since 2018
- Member, Investment Committee 2016–2017
- Chair, National Professional Development Committee 2016
- Member, Nominations Committee 2015–2016 (ex Officio 2018–2019)
- Member, QLD State Council since 2003

Leonard Hertzman

M(Tax), LLB, CTA

Qualifications
Admitted as a lawyer in Western Australia and Ontario, Canada

Experience
National Council member since January 2016

Responsibilities
- Chair, National Professional Development Committee 2017–2018
- Member, Nominations Committee since 2017
- Member, Professional Standards Committee since January 2016–2018
- Member, International Relations Committee 2019
- Chair, Knowledge & Learning Committee 2019
- Member, WA State Council since 2008

Margaret Marshall

FCA, M(Tax), BBus, CTA

Qualifications
Chartered Accountant

Experience
National Council member since January 2016

Responsibilities
- Deputy Chair, National Professional Development Committee 2019
- Member, Finance Committee 2017
- Member, Finance/Investment Committee since 2018
- Chair, Technology Strategy Advisory Group since 2017
- Member, Information Products Advisory Group
- Member, Technology Strategy Advisory Group 2016
- Member, TAS State Council since 2013

Timothy Neilson

LLB (Hons), LLM (Lond), CTA

Qualifications
Admitted as a lawyer in Victoria

Experience
National Council member since January 2013

Responsibilities
- President 2019
- Vice President 2018
- Chair of National Technical Committee 2015–2018
- Member, National Technical Committee 2019
- Member, VIC Technical Committee since 1999
- Member, Nominations Committee 2018
- Chair, Nominations Committee 2019
- Member, Finance & Investment Committee since 2018
- Member, VIC State Council since 2006

Directors' particulars

Timothy Sandow

BCom, LLB, CTA, CA

Qualifications

Chartered Accountant

Experience

National Council Member since January 2018

Responsibilities

- Chair, National Membership Committee 2019
- Deputy, National Membership Committee 2018
- Member, Disciplinary Committee since 2018
- Member, Audit & Risk Committee since 2018
- Member SA State Council since 2007

Jerome Tse

LLM, LLB BCom, CTA

Qualifications

Australian Legal Practitioner

Experience

National Council member since January 2017

Responsibilities

- Chair, Audit and Risk Committee 2018
- Deputy Chair, National Technical Committee since 2017
- Chair, Knowledge & Learning Group (formally Information Products Advisory Group) 2017 and 2018
- Chair, Information Products Advisory Group 2017
- Member, NSW Professional Development (Education) Committee since 2013
- Member, National Dispute Resolution Committee since 2014
- Member, NSW State Council since 2013
- Member, VIC State Council 2010 to 2012

Todd Want

CTA, CA, CPA

Qualifications

Chartered Accountant, Certified Practicing Accountant

Experience

National Council member since January 2017

Responsibilities

- Member, Education Quality Assurance Board since 2017
- Chair, National Professional Development Committee since 2019
- Deputy Chair, National Professional Development Committee 2017–2018
- Member, Technology Strategy Advisory Group since 2018
- Member, NSW Professional Development Committee since 2012
- Chair, NSW Professional Development Committee 2014–2016
- Chair, NSW Tax Forum Committee 2014–2016
- Member, NSW State Council since 2014

Paul Banister

BBus(Acc), LLB, FCA, CTA

Qualifications

Chartered Accountant

Experience

National Council member since February 2019

Responsibilities

- Member, Finance & Investment Committee 2019
- Member, Professional Standards Committee 2019
- Member, Qld State Council since 2012 (Chair 2016–2018)

Eddy Moussa

BBus, LLB, M (Tax), CTA

Qualifications

Legal Practitioner, Solicitor of Supreme Court of NSW, Practitioner of the Federal and High Court of Australia

Experience

National Council member since January 2019

Responsibilities

- Deputy Chair, National Membership Committee 2019
- Member, International Relations Committee 2019
- National Council of the Tax Institute of Australia
- Member, NSW State Council since 2012
- Chair, NSW State Council 2018

Kerryn Divall

BCom, FCPA, GAICD

Qualifications

Certified Practicing Accountant, Graduate, Australian Institute of Company Directors

Experience

Appointed Company Secretary September 2017

Responsibilities

- Company Secretary Australian Tax Research Foundation appointed September 2017

Directors' report *for the period 1 January 2020 to 30 June 2020*

Your directors present this report of The Tax Institute ('the Institute') for the period 1 January 2020 to 30 June 2020.

Directors

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

Stuart Glasgow	Appointed 5 February 2015
Peter Godber	Appointed 1 January 2014
Leonard Hertzman	Appointed 1 January 2016
Margaret Marshall	Appointed 1 January 2016
Timothy Neilson	Appointed 1 January 2013
Jerome Tse	Appointed 1 January 2017
Todd Want	Appointed 1 January 2017
David Earl	Appointed 1 January 2018
Timothy Sandow	Appointed 1 January 2018
Eddy Moussa	Appointed 1 January 2019
Paul Banister	Appointed 30 January 2019

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

Short-term and long-term objectives

The Institute's short- and long-term objectives during 2020 were 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 and be the leading knowledge provider in taxation through our products and services.

The Institute's strategies in 2020 to achieve these objectives included:

- providing a highly sought-after quality taxation education program
- offering a diverse and broad range of continuing professional development opportunities through an event program and publications
- being the authoritative opinion leader in tax policy and administration
- building the Chartered Tax Adviser 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.

Member's guarantee

The Institute is a company limited by guarantee. In accordance with the Institute's Constitution, each member is liable to contribute $2.00 in the event that the Institute is wound up. The total amount members would contribute at 30 June 2020 would be $17,898.

Principal activities

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

No significant change in the nature of these activities occurred during the period 1 January to 30 June 2020.

Operating result

The operating result including non-recurring expenses for the period 1 January 2020 to 30 June 2020 was a loss of ($29,320) (2019 full year: $1,017,804 profit). Operating result before Investments was a profit of $237,570 (2019 full year: $522,035 profit). During the period 1 January 2020 to 30 June 2020, the operating result incorporates $516,500 which The Institute received as part of the government's COVID-19 pandemic stimulus package. The Institute is exempt from income tax.

Dividends

The Institute's Constitution precludes the payment of dividends. No dividend has been paid or declared since the commencement of the financial year.

Review of operations

The Institute's financial performance was better than budget in the period 1 January 2020 to 30 June 2020. The COVID-19 pandemic created unique challenges particularly in the delivery of the Institute's face to face CPD Events. Returns from Investments were lower than the previous year due to external market conditions.

Significant changes in state of affairs

At the Annual General Meeting in May 2019 Members of the Institute voted to change the reporting period from calendar to financial so that the reporting period will run from July to June. The reason for this was to better align reporting with the delivery of products and services within the membership. This change was to take effect from 1 July 2020 with an interim reporting period from 1 January to 30 June 2020.

After balance date events

Since the end of the financial year and the date of this report, there has been significant disruption to the global economy as a result of the COVID-19 pandemic. The fundamentals of the Institute remain strong and whilst operations will be affected in the short term, in the opinion of Directors the Institute is well placed to recover from this difficult situation.

Future developments

The Institute is committed to delivering to 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.

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 17.

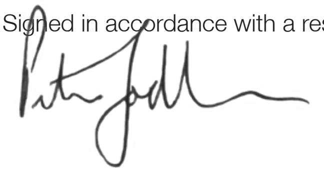
Directors' meetings

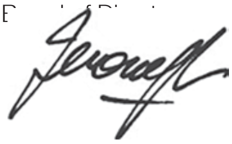
Attendance at Board and meetings during the period 1 January to 30 June 2020:

Name	Board of Directors	
Total number of meetings held	**4**	
Directors	A	B
Stuart Glasgow	4	4
Peter Godber	4	4
Leonard Hertzman	4	4
Margaret Marshall	4	4
Timothy Neilson	4	4
Jerome Tse	4	4
Todd Want	4	4
David Earl	4	4
Timothy Sandow	4	4
Eddy Moussa	4	4
Paul Banister	4	4

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





Peter Godber, CTA
Director

Jerome Tse, CTA
Director

Dated in Sydney this 28th day of January, 2021

Directors' declaration *for the period 1 January 2020 to 30 June 2020*

The directors of the Institute declare that:

1. The financial statements and notes, as set out on pages 5 to 16, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012, the Corporations Act 2001,* and other mandatory professional reporting requirements and:
   a. comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
   a. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the period 1 January 2020 to 30 June 2020 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 they become due and payable.

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

Peter Godber, CTA
Director

Jerome Tse, CTA
Director

Dated in Sydney this 28th day of January, 2021

Crowe Sydney
ABN 97 895 683 573

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Sydney NSW 2000
Australia

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28 January 2021

The Board of Directors
The Tax Institute
Level 37
100 Miller Street
North Sydney NSW 2060

Dear Board Members

The Tax Institute

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, I am pleased to provide the following declaration of independence to the Directors of The Tax Institute.

As lead audit partner for the audit of the financial report of The Tax Institute for the financial period 1 January 2020 to 30 June 2020, 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 Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Crowe Sydney

Crowe Sydney

Suwarti Asmono
Partner

Statement of profit or loss and other comprehensive income

For the period 1 January 2020 to 30 June 2020

	Note	6 months 30 June 2020	12 months 31 December 2019
		$	$
Revenue	2	8,145,443	15,624,487
Employee benefits expenses		(3,876,976)	(7,749,067)
Depreciation and amortisation expenses	3	(922,319)	(1,278,896)
CPD events and member services expenses		(1,588,302)	(2,907,529)
Occupancy expenses		(235,907)	(633,018)
Travel expenses		(124,724)	(307,347)
Publicity and promotion		(372,937)	(508,578)
Merchant fees		(94,995)	(170,215)
Interest expense on lease liabilities		(91,736)	(106,209)
Administration expenses		(595,693)	(1,421,377)
Net realised and unrealised change in fair value of financial assets held at fair value through profit and loss		(271,174)	475,553
Profit / (Loss) before income tax expense		(29,320)	1,017,804
Income Tax Expense		–	–
Profit / (Loss) after income tax expense		**(29,320)**	**1,017,804**
Other comprehensive income, net of tax		–	–
Total comprehensive income		**(29,320)**	**1,017,804**

The accompanying notes form part of these financial statements.

Statement of financial position *As at 30 June 2020*

	Note	30 June 2020	31 December 2019
		$	$
CURRENT ASSETS			
Cash and Cash Equivalents	5	6,369,645	4,041,190
Trade and Other Receivables		203,477	281,397
Prepayments		394,728	678,073
Inventory		19,109	23,565
TOTAL CURRENT ASSETS		**6,986,959**	**5,024,225**
NON-CURRENT ASSETS			
Financial Assets	6	3,447,368	3,718,542
Prepayments		3,553	16,805
Plant and Equipment	7	928,869	870,802
Intangible Assets	8	956,215	994,205
Right-of-Use-Asset	9	2,309,085	2,861,528
TOTAL NON-CURRENT ASSETS		**7,645,090**	**8,461,882**
TOTAL ASSETS		**14,632,049**	**13,486,107**
CURRENT LIABILITIES			
Trade and Other Payables	10	763,934	1,137,845
Income in Advance		6,590,082	4,813,238
Short Terms Provisions	13	234,310	154,102
Lease Liabilities	12	906,668	1,049,044
TOTAL CURRENT LIABILITIES		**8,494,994**	**7,154,229**
NON-CURRENT LIABILITIES			
Make Good Provision	11	220,966	35,916
Long Term Provisions	13	63,548	46,148
Lease Liabilities	12	1,507,876	1,875,829
TOTAL NON-CURRENT LIABILITIES		**1,792,390**	**1,957,893**
TOTAL LIABILITIES		**10,287,384**	**9,112,122**
NET ASSETS		**4,344,665**	**4,373,985**
EQUITY			
Retained Earnings		4,344,665	4,373,985
TOTAL EQUITY		**4,344,665**	**4,373,985**

The accompanying notes form part of these financial statements.

Statement of changes in equity *For the period 1 January 2020 to 30 June 2020*

	30 June 2020	31 December 2019
	$	$
Retained Earnings		
Opening retained earnings	4,373,985	3,356,181
Net Profit / (Loss) after income tax expense	(29,320)	1,017,804
Other comprehensive income, net of tax	–	–
Total comprehensive income	(29,320)	1,017,804
Closing retained earnings	**4,344,665**	**4,373,985**

The accompanying notes form part of these financial statements.

Statement of cash flows *For the period 1 January 2020 to 30 June 2020*

	6 months 30 June 2020 $	12 months 31 December 2019 $
Cash flows from operating activities		
Receipts from members and others	10,601,624	17,463,920
Payments to suppliers and employees	(7,375,738)	(15,119,139)
Interest Received	4,283	20,215
Net cash provided by operating activities	**3,230,169**	**2,364,996**
Cash flows from investing activities		
Payment for plant and equipment	(201,991)	(868,201)
Payment for intangible assets	(189,395)	(448,032)
Investment funds under management	–	(295)
Net cash (used in) investing activities	**(391,386)**	**(1,316,528)**
Cash flows from financing activities:		
Repayment of Lease liability	(510,328)	**(706,613)**
Net cash (used in) financing activities	**(510,328)**	**(706,613)**
Net Increase in cash and cash equivalents	2,328,455	341,855
Cash at beginning of the financial year	4,041,190	3,699,335
Cash at end of the financial year	**6,369,645**	**4,041,190**

The accompanying notes form part of these financial statements.

Note 1. Statements of significant accounting policies

The financial statements of The Tax Institute ("The Institute") for the period 1 January 2020 to 30 June 2020 were authorised for issue by a resolution of the Directors on 28th January 2021.

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

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

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and interpretation issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profit Commission Act 2012* as appropriate for not-for-profit oriented entities.

The financial statements have, except for cash flow information, been prepared on an accruals basis and are 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 Recognition

Revenue from Contracts with Customers

Revenue is recognised at an amount that reflects the consideration to which the Institute is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Institute: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts are received that are subject to the constraining principle are recognised as a refund liability.

Membership Revenue

Membership subscriptions are recognised as revenue pro rata over the period of the membership. Revenue from members received in advance is deferred to the period to which it relates and is included as Income in Advance in the Statement of Financial Position.

CPD Event Revenue

Revenue is recognised at a point in time, as events are delivered or as goods are transferred to customers.

Knowledge and Learning Revenue

Revenue is recognised over time, being over the study period.

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Volunteer Services

The Institute has elected not to recognise volunteer services as either revenue or other form of contribution received. As such, any related consumption or capitalisation of such resources received is not recognised.

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.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	20.0%-33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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 Profit or Loss and Other 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.

c. Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment.

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Institute is able to use or sell the asset; the Institute has sufficient resources and intent to complete the development and its costs can be measured reliably. Capitalised intangible development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years. Capitalised course development costs are amortised on a straight-line basis over their expected benefit, being their finite life of three years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three or five years.

d. Right-of-use assets and lease liabilities

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

e. Financial instruments

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 expire 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. 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 of financial assets

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 Profit or Loss and Other Comprehensive Income.

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 Profit or Loss and Other Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent upon on the asset's 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

Short term 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.

Other long-term employee benefits

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

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

g. Cash and cash equivalents

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

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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.

Cash Flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed 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 constructive 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 or services 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. Critical accounting estimates and judgements

The Institute evaluates estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation 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 of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. No impairment has been recognised for the period 1 January to 30 June 2020.

Estimation of useful lives of assets

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non- strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease Term

The lease term is a significant component in the measurement of both the right-of-use-asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty than an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Institutes operations; leasehold improvements; and the costs and disruption to replace the asset. The Institute reassess whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental Borrowing rate

Where the interest rate implicit in a lease cannot be determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Institute estimates it would have to pay a third party to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Recoverability of Receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

m. New accounting standards

The Institute has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

	6 months 30 June 2020	12 months 31 December 2019
	$	$
Note 2. Revenue		
Operating Activities		
Membership Services including Education	4,800,669	9,585,704
Rendering of services (CPD and Events)	1,988,490	4,902,099
Sales of publications	307,400	570,368
	7,096,560	15,058,171
Interest income	4,283	20,215
Government Stimulus	516,500	–
Other Income	96,463	222,373
Other Income Rental	431,637	323,728
	1,048,883	566,316
Total revenue	8,145,443	15,624,487

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	30 June 2020	31 December 2019
Membership services	3,252,431	6,412,507
Education	1,644,701	3,395,571
CPD and Events	1,988,491	4,902,099
Sales of publications	307,400	570,368
	7,193,023	15,280,545

Timing of recognition

	30 June 2020	31 December 2019
Goods and Services transferred at a point in time	2,238,553	5,280,775
Services transferred over time	4,954,470	9,999,769
	7,193,023	15,280,544

	6 months 30 June 2020	12 months 31 December 2019
	$	$
Note 3. Profit from ordinary activities		
Profit from ordinary activities before income tax expense has been determined after:		
Expenses		
Depreciation and amortisation of non-current assets		
– plant and equipment	107,583	83,837
– Intangible assets	227,385	425,100
– Right of use asset	587,351	770,253
	922,319	1,278,896
Remuneration of auditor		
– audit	18,600	31,000
– other services	3,608	6,000
	22,208	37,000

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.

Note 5. Cash and cash equivalents		
Cash at bank and on hand	5,593,527	1,183,611
Short term deposits	776,118	2,857,579
	6,369,645	4,041,190

	30 June 2020	31 December 2019
	$	$
Note 6. Financial Assets		
NON-CURRENT		
Financial asset at fair value through profit or loss	3,447,368	3,718,542

	30 June 2020	31 December 2019
	$	$
Note 7. Plant and Equipment		
Plant and Equipment – at cost	3,577,008	3,351,039
Less: Accumulated Depreciation	(2,648,139)	(2,480,236)
Total Plant and Equipment	928,869	870,803

	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 financial year.		
Balance at the beginning of the year	870,803	86,439
Additions	201,991	868,201
Depreciation or amortisation expense	(143,925)	(83,837)
Carrying amount at the end of the year	928,869	870,803

	30 June 2020	31 December 2019
	$	$
Note 8. Intangible Assets		
Intangible assets – at cost	3,269,802	3,080,408
Less: Accumulated Amortisation	(2,313,587)	(2,086,203)
Total Intangible Assets	956,215	994,205

	Intangible Assets	Total
	$	$
a. Movements in carrying amounts.		
Movement in carrying amounts for intangible assets between the beginning and the end of the financial year.		
Balance at the beginning of the year	994,205	971,273
Additions	189,395	448,032
Amortisation expense	(227,385)	(425,100)
Carrying amount at the end of the year	956,215	994,205

	30 June 2020	31 December 2019
	$	$
Note. 9 Right-of-use-assets		
Right-of-use-assets	3,631,781	3,631,781
Less: Accumulated Amortisation	(1,322,696)	(770,253)
Total Right-of-use-asset	2,309,085	2,861,528

The entity leases premises for its offices under agreements of between two to three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

	30 June 2020	31 December 2019
	$	$
Note 10. Trade and Other Payables		
CURRENT		
Trade payables	221,359	736,921
Accruals and other payables	542,575	400,924
	763,934	1,137,845

	30 June 2020	31 December 2019
	$	$
Note 11. Make Good Provision		
NON-CURRENT		
Make good on premises	220,966	35,916
	220,966	35,916

	30 June 2020	31 December 2019
	$	$
Note 12. Lease Liability		
CURRENT		
Lease Liability	906,668	1,049,044
NON-CURRENT		
Lease Liability	1,507,876	1,875,829
	2,414,544	2,924,873

	30 June 2020	31 December 2019
	$	$
Note 13. Provisions		
CURRENT		
Employee benefits	234,310	154,102
NON-CURRENT		
Employee benefits	63,548	46,148
Aggregate employee benefits	297,858	200,250
a. Number of employees at year end	61	52

Note 14. 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 in 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.

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 and long 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 rates 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.

Recognised fair value measurements

i. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Tax Institute has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Note	Level 1	Level 2	Level 3	Total
		$	$	$	$
At 30 June 2020					
Recurring fair value measurement					
Financial Assets					
Financial assets at FVTPL	6	3,447,368			3,447,368

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: 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 end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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).

Note 17. Related party transactions

Key management personnel

2020	2019	Position
Giles Hurst	Giles Hurst	Chief Executive Officer
Alexandra Wilson	Alexandra Wilson	General Manager Knowledge & Learning
Sharon Kells	Sharon Kells	General Manager State Operations
Kerryn Divall	Kerryn Divall	General Manager Finance & Corporate Services
Joanna Price	Linda Olofsson Daniel (ceased 9/4/20)	Head of Marketing
Joanna Price	Joanna Price	General Manager, People and Business Solutions
	Robert Deutsch	Senior Tax Counsel
James Patterson (appointed 6/4/20)		General Manager, Commercial Transformation

Total Remuneration for key management personnel

	30 June 2020	31 December 2019
	$	$
CEO (including an at-risk component)	336,339	464,280
Other key management	682,791	1,264,179
Total remuneration	1,019,130	1,728,459

Directors' remuneration

The Directors of The Tax Institute are not remunerated. The 2020 President Peter Godber received an amount of $51,949 for the period 1 January 2020 to 30 June 2020 for services rendered to the Institute. The 2019 President was Timothy Nielson from Greenwoods & Herbert Smith Freehills and received an amount of $99,000 for the calendar year 2019 for services rendered to the Institute.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 18. Events after the reporting date

The COVID-19 pandemic continues to impact both communities and business throughout the world including Australia and the community where The Tax Institute operates. This pandemic will likely have a financial impact for the Institute in 2021 and beyond. The scale, timing and duration of the potential impacts on the Institute are unknown however, it is expected that there will be a reduction in revenue from CPD events. The Directors and Management of The Tax Institute have formulated plans to continue to address the COVID-19 threat through the implementation of-on-line and digital initiatives and operating expense reductions.

Note 19. Contingent liabilities and contingent assets

As at 30 June 2020 there are guarantees provided by National Australia Bank of $776,118 (2019: $857,579) for the leases.

Other than the above, there are no contingent liabilities or contingent assets as at reporting date. (2019: Nil)

The company had no commitments for expenditure as at 30 June 2020. (2019: Nil)

Note 20. Company details

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

The Tax Institute
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North Sydney, NSW 2060

Crowe Sydney
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Independent Auditor's Report to the Members of The Tax Institute

Opinion

We have audited the financial report of The Tax Institute ("the Institute"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period 1 January 2020 to 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Institute is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the Institute's financial position as at 30 June 2020 and of its financial performance for the period 1 January 2020 to 30 June 2020; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Institute in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information contained in the Institute's Annual Report for the period 1 January 2020 to 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Directors for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Sydney

Crowe Sydney

Suwarti Asmono
Partner

28 January 2021
Sydney

Contact details

Leadership Team

Giles Hurst	Chief Executive Officer
Alexandra Wilson	General Manager – Knowledge and Learning
Sharon Kells	General Manager – State Operations
Kerryn Divall	General Manager – Finance and Corporate Services
Joanna Price	General Manager – People and Business Solutions
James Patterson	General Manager – Commercial Transformation

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