

KOKODA FOUNDATION LIMITED
Financial Report
For the year ended 30 June 2014

KOKODA FOUNDATION LIMITED

CONTENTS

Directors' Report	2 - 8
Directors' Declaration	9
Independent Audit Report	10 - 11
Auditor's Independence Declaration	12
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to and forming part of the Financial Statements	17 - 27

Directors' Report

Your directors present their report for the financial year ended 30 June 2014.

Directors

The names and qualifications of the directors in office at any time during or since the end of the year are:

John Blackburn, AO (Deputy Chairman)

John retired from the Royal Australian Air Force in 2008 as Deputy Chief of Air Force. He is a consultant in the fields of Defence and National Security. He is a Director of the Kokoda and the Sir Richard Williams Foundations. He holds a Masters of Arts and a Master of Defence Studies. In February 2011, the Kokoda Foundation published his report *Optimising Australia's Response to the Cyber Challenge* which he co-authored with Dr Gary Waters. He and Dr Waters have also recently published the Kokoda Paper *Australian Defence Logistics: The Need to Enable and Equip Logistics Transformation*. The NRMA published his Report: *Australia's Liquid Fuel Security - Pt 2* on 24 Feb 14.

Andrew Balmaks

Andrew is a founder and Chairman of the Noetic Group which operates both in Australia and overseas. He retired from the Australian Army, after 22 year service, and has continued to work extensively on defence and security matters consulting to a range of Government departments both in Australia and overseas. A twice former visiting fellow with the University of New South Wales, Andrew continues to engage broadly on national security issues.

Jim Bancroft

Jim Bancroft served for 28 years as an infantry officer in the Australian Army. He joined the commercial sector in 2004 on leaving the Regular Army as a Colonel. Jim joined Northrop Grumman Electronic Systems (NGES) in 2008. He now leads NGES international growth strategy and business development interests in Australia and New Zealand.

Brett Biddington AM (Treasurer)

Brett Biddington is a Canberra-based consultant. He specialises in long term business and partnership development between industry, research organisations and universities, mainly in the space and cyber space sectors. He is also involved with the governance of Australian astronomy and space activities more generally. Previously he was employed by Cisco Systems and before that served in the Royal Australian Air Force, specialising in intelligence and security.

Peter Leahy, AC

Former Chief of Army, Peter retired from the Army in July 2008 after a 37 year career as a soldier. Since leaving the Army Peter has joined the University of Canberra as the foundation Director of the National Security Institute. He is a graduate of the Australian Institute of Company Directors and is a Director of Codan Pty Ltd and Electro Optic Systems Holdings Limited, a member of the Defence South Australia Advisory Board and Chairman of the charity "Soldier On".

John Lee

Dr John Lee is an Adjunct Associate Professor and Michael Hintze Fellow at the Centre for International Security Studies, Sydney University and also a non-resident senior scholar at the Hudson Institute in Washington DC. He is an internationally recognised expert in the Chinese political-economy, and the foreign policies of China, countries in Southeast Asia, Australia and America. His recent work include strategic futures in Asia, and scenario outlook and strategic planning for Australia and America. He received his Masters and Doctorate in International Relations from the University of Oxford. He was appointed to the Advisory Committee to the Special Broadcasting Corporation (SBS) Board in 2013.

Andrew (Drew) McKinnie

Drew draws on over 30 years experience as an influential and innovative Naval Officer and Engineer. He has worked with many companies, defence industry groups, regulators, alliances and professional associations, plus diverse areas of Defence, Ministers and Government, central government agencies and aviation groups. His last full-time position within Defence was as Director-General Major Surface Ships, responsible for risk management, business support, procurement and contract management as well as business strategy for multi-million dollar programs. Drawing on his strategic insights, enterprise risk management, leadership experience and training and facilitation expertise, Drew has led many strategic assessment workshops with industry, government agencies, think tanks, commentators and strategists.

KOKODA FOUNDATION LIMITED

Drew has a Bachelor of Engineering (Electrical) and Master of Arts in Strategic Studies. He is a graduate member of the Australian Institute of Company Directors.

Edward Morgan (Secretary)

Dr Edward Morgan is Manager of the Defence Industry Unit for the Government of Victoria. He was most recently in Strategic Policy Division in the Department of Defence, where he spent five years working in capability analysis, strategic reform, and military strategy. Before joining Defence, he was an academic with the positions of Associate Dean at Ormond College, the University of Melbourne and with the Australian Research Council at the Australian Catholic University. A graduate of the University of Melbourne, he completed his postgraduate studies (MPhil, PhD) at the University of Cambridge, UK, where he fostered his interest in strategic and international affairs alongside his doctoral studies.

Peter Nicholson, AO (Deputy Chair until 28 November 2012, Chair from 28 Nov 2012)

Former senior Air Force officer who has held several operational command and strategic level joint staff appointments. He has commanded the RAAF combat force, served as the Head of Strategic Policy and Plans, and as the Chief Knowledge Officer of the Department of Defence.

Peter Robinson

Peter Robinson has been a partner at KPMG in the Management Consulting service line since May 2013. Prior to joining KPMG, he was the Director, Asia-Pacific, for KBR's Defence and Government Services operations. In that role he had full responsibility for over 260 staff and annual revenues of almost US\$50m. Peter has previously served in the RAAF as an F/A-18 pilot, Flying Instructor and Roulette Leader. He has also held positions as Client Director for the KAZ Group (now Fujitsu) and Business Development Manager at DWS, an IT consulting company. Peter's formal qualifications include an MBA, BSc and a Graduate Diploma from the Australian Institute of Company Directors.

Alan Titheridge AO (Deputy Chair)

Air Vice-Marshal (Retd) Alan Titheridge is Vice President Australia Operations for L-3 Communications. He retired from the Air Force in 2002 after 37 years. His senior appointments included command of Air Force's operational forces, Deputy Chief of Air Force, and Head of Defence's Strategic Operations Division. Prior to joining L3 in 2007, he operated his own consulting Company. He is a Fellow of both the Australian Institute of Company Directors and the Australian Institute of Management.

Gary Waters

Dr Gary Waters is a founding Director of the Kokoda Foundation. He is an independent consultant in the areas of defence and national security, strategy formulation, capability development, acquisition, and sustainment. He served for over thirty years in the RAAF, taking early retirement as an Air Commodore, spent four years as a senior public servant in Defence, and then seven years as Head of Strategy for Jacobs Australia. He holds a PhD in political science and international relations, a Master of Arts in History, and is a graduate of the Australian Institute of Company Directors. He has written over a dozen books on military strategy and history.

Michael Wesley (appointed Director 26 November 2013)

Michael Wesley is Professor of National Security and Director of the School of International, Political and Strategic Studies at the Australian National University. His career has spanned academia, with previous appointments at the University of New South Wales, Griffith University, the University of Hong Kong, Sun Yat-sen University and the University of Sydney; government, where he worked as Assistant Director General for Transnational Issues at the Office of National Assessments; and think tanks, in which he was Executive Director of the Lowy Institute for International Policy and a Non-Resident Senior Fellow at the Brookings Institution. Professor Wesley has also served as the Editor in Chief of the Australian Journal of International Affairs, a Trustee of the Queensland Art Gallery and a Board Member of the Australia Television Network. He is a Non-Executive Member of the Senior Leadership Group of the Australian Federal Police and a Director of the Kokoda Foundation. His most recent book, *There Goes the Neighbourhood: Australia and the Rise of Asia*, won the 2011 John Button Prize for the best writing on Australian public policy

KOKODA FOUNDATION LIMITED

Company Secretary

The following person held the position of Company secretary at the end of the financial year:

- **Edward Morgan**

Principal Activities

The principal activities of the Company during the financial year were:

- The Foundation undertakes research projects on key national security challenges. These research projects are always led by a person very knowledgeable in the field. The project director usually convenes a series of closed workshops involving senior officials and experts of relevance to discuss the key elements of the topic prior to drafting a project report. The Foundation's project reports are usually published as Kokoda Papers.
- The Foundation publishes Australia's first refereed journal on security and defence issues. *Security Challenges* is published quarterly.
- The Foundation organises and conducts an Australia-United States Strategic Dialogue, comprising a Strategic Dialogue, a Future Strategic Leaders workshop and Annual Dinner each year. Participants include senior United States and Australian officials and Defence Force personnel. In 2013 Japan was included in a trilateral program.
- The Foundation organises and hosts the Future Strategic Leaders' program (FSLP). This is a program that has been designed from the ground up to foster the strategic analytical and professional skills of those who have been employed by one of the agencies of the Australian national security community, or national security-related industry during the last five years. It is also open to those graduates or university students who aspire to make their careers within the Australian national security community.
- An extension of the FSLP seminars above, the Sydney Seminar series attract a wider audience than the FSLP in Canberra. The objective is to increase the number of Sydney Seminars from four to six each year.
- The Foundation, as part of the Future Strategic Leaders Program, organises and hosts two Future Strategic Leaders' Congresses each year. The purposes of the Congresses are to enable Future Strategic Leaders to meet and network with senior national security decision makers; foster the professional development of Future Strategic Leaders through seminars, workshops, hypotheticals and informal discussions; facilitate networking of Future Strategic Leaders with their professional colleagues in other organisations and; foster the development of *esprit de corps* amongst the Future Strategic Leaders.
- The Foundation runs an Executive Business Breakfast series to provide networking and career development opportunities for Future Strategic Leaders who are looking to move into senior management. Key senior personnel from within Defence and other National Security organisations each host a breakfast quarterly for a small number of participants at EL1/EL2 level.
- The Professional Development Program aims to provide professional development opportunities to individuals nominated by organisations to take part. The program utilises the Future Strategic Leaders Congresses, Closed workshops, and the Executive Business Breakfast series.

Operating Results

The loss of the Company for the financial year ended 30 June 2014 was \$186,499 (2013: loss of \$92,266).

Events Subsequent to Balance Date

No significant matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or state of affairs of the Company in the subsequent years.

KOKODA FOUNDATION LIMITED

Directors' Report (Continued)

Directors Benefits

Kokoda directors received no benefits during the year. However, the Board partially reimbursed the expenses of some directors for their contributions to major research projects. Directors who were paid for research projects and reimbursed during the year are as follows:

	Contracting fees for research papers, events and other contracted work	Meeting, travel, accommodation and entertainment reimbursements
	\$	\$
John Blackburn	18,000	-
Brett Biddington	24,000	670
John Lee	-	5,957
Gary Waters	40,000	-
	<u>82,000</u>	<u>6,627</u>

Various project and program expenditures were made to the director related entities which relate to the expenses incurred in relation to the management of the Company.

Directors Meetings

There were 9 (including AGM) meetings of directors held during the year. The number of meetings attended by each director is as follows:

NAME	Attendances	Number eligible to attend
Andrew Balmaks	8	9
Jim Bancroft	7	9
Brett Biddington	7	9
John Blackburn	5	9
Peter Leahy	4	9
John Lee	7	9
Andrew McKinnie (Appointed 26 November 13)	6	6
Ed Morgan	6	9
Peter Nicholson	9	9
Peter Robinson	7	9
Alan Titheridge	8	9
Dr Gary Waters	8	9
Michael Wesley (Appointed 26 November 13)	1	6

Environmental Regulation and Performance

The Company's operations are subject to various environmental regulations under both Commonwealth and Territory legislation. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those requirements as they apply to the Company.

KOKODA FOUNDATION LIMITED

Indemnification and Insurance of Officers

Policies were renewed covering Professional Indemnity, Public Liability and equipment, which were covered under a special package provided by AON for not-for-profit organisations.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs throughout the 2014 financial year.

Likely Developments and Expected Results

The directors are hopeful that with the change in name to the Institute For Regional Security, the 2014/2015 financial year will see an increase in sponsorship both traditional and through philanthropy and the number of memberships of the Foundation.

Short term objectives

The Institute for Regional Security currently trading as Kokoda Foundation currently operates with three core objectives

- Focus on "long-term" security challenges that have immediate implications and outline these persuasively
- Generate leading research publications that are easily accessible to an interested public
- Focus on developing the next generation of strategic leaders domestically and internationally

Long term objectives

In January 2015 The Kokoda Foundation will officially launch its new name, the Institute For Regional Security. It is a not-for-profit organization with a unique position in the security environment. Framed as a think-tank, it produces more than research papers and continues to develop its brand for networking, convention power and events that have significant reach and deep long-term impact in the security community domestically and internationally. Specific event and network-based programs are designed to develop the emerging generation of strategic leaders domestically and internationally.

The Kokoda Foundation's strategy to achieve its objectives is built on its experience and reputation.

- Effective combination of military, civilian and academic leadership to create unique national outcomes
- High quality event, management, leadership and operations staff whose personal commitment and dedication regularly guarantees Kokoda's success
- Exceptional "convening power": individuals come to Kokoda events because the events are "Kokoda", the networks Kokoda engages, and the consistently high quality of events and their support staff
- Active utilisation of our networks to create practical security outcomes for the good of the Australian and international community
- Partnerships with Departments, Agencies and Industry for projects, events and operations to achieve comprehensive coverage of the security spectrum
- Committed Staff and a Board of Directors have built an organisation that is "LEAN" and "SMART". We:
 - Produce a lot with a little
 - Remain results focused
 - Consistently maintain high brand reputation
 - Actively promote Kokoda wherever we are
- A compelling web-presence and imaginative product distribution that successfully promotes Kokoda's brand
- A funding base commensurate to the above strengths, designed to foster shared outcomes between Kokoda and sponsorship partners

KOKODA FOUNDATION LIMITED

Key Performance Measures

- Financials are reviewed every month by the Kokoda Board. Programs are assessed against budget forecasts and the aim is to return a minimum of 10% profit.
- Strategy and business planning is reviewed annually by the Board.
- Each program and event is evaluated for effectiveness and relevance (including attendee surveys). Event attendance is monitored and benchmarked against previous similar events with a focus on the seniority of attendees and their level of engagement.
- Membership numbers are tracked and retention strategies – especially for Chairman Circle members are in place.
- Sponsorship satisfaction is also tracked with majority of Kokoda sponsors being long term and renewing partners.

KOKODA FOUNDATION LIMITED

Directors' Report (Continued)

Auditor Independence and Non-Audit Services

The directors have received a declaration of independence from the auditor as required under Section 307 (c) of the *Corporations Act 2001* and this is included in the financial report. The directors are satisfied that the nature and the scope of non-audit services has not compromised the auditor's independence.

Signed in accordance with a resolution by the Directors authorising Brett Biddington to do so:

A handwritten signature in black ink, appearing to read "Brett Biddington". The signature is written in a cursive style with a long horizontal stroke at the end.

Brett Biddington
Director / Treasurer

KOKODA FOUNDATION LIMITED

Directors' Declaration

In accordance with a resolution of the directors of Kokoda Foundation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with *Australian Accounting Standards and Corporations Regulations 2001* and other mandatory professional reporting requirements
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution by the Directors made pursuant to Section 295(s) of the *Corporation Act 2001* authorising Brett Biddington to do so:



Brett Biddington
Director / Treasurer

11 Nov 2014

Independent auditor's report to the members of Kokoda Foundation Limited

We have audited the accompanying financial report of Kokoda Foundation Limited ('the Company'), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 judgment, 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 controls 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 controls. 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.

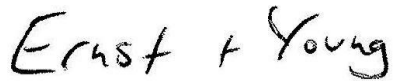
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report

Opinion

In our opinion:

- a. the financial report of Kokoda Foundation Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and



Ernst & Young



Ben Tansley
Partner
Canberra
11 November 2014

Auditor's Independence Declaration to the Directors of Kokoda Foundation Limited

In relation to our audit of the financial report of Kokoda Foundation Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ben Tansley
Partner
Canberra
11 November 2014

KOKODA FOUNDATION LIMITED
Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014	Note	2014 \$	2013 \$
REVENUES	3	612,575	542,160
EXPENSES			
Conference expense		(201,482)	(157,580)
Depreciation expense		(598)	(2,443)
Printing and stationery		(73,670)	(50,854)
Rent		(20,939)	(21,682)
Administrative		(465,636)	(369,977)
Insurance		(6,020)	(6,499)
Subscriptions		(1,700)	(1,638)
Accounting fees		(16,283)	(9,141)
Gifts & Prizes		(3,667)	(7,848)
Other		(11,942)	(6,764)
NET (DEFICIT) ATTRIBUTABLE TO MEMBERS OF KOKODA FOUNDATION LIMITED		(189,362)	(92,266)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		(189,362)	(92,266)

KOKODA FOUNDATION LIMITED
Statement of Financial Position

As At 30 June 2014	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	7(b)	186,913	386,247
Trade and other receivables	4	29,477	11,788
Prepayments		38,767	27,656
TOTAL CURRENT ASSETS		<u>255,157</u>	<u>425,691</u>
NON - CURRENT ASSETS			
Property, plant and equipment	5	1,367	476
TOTAL NON - CURRENT ASSETS		<u>1,367</u>	<u>476</u>
TOTAL ASSETS		<u>256,524</u>	<u>426,167</u>
CURRENT LIABILITIES			
Trade and other payables	6	73,336	53,617
TOTAL CURRENT LIABILITIES		<u>73,336</u>	<u>53,617</u>
TOTAL LIABILITIES		<u>73,336</u>	<u>53,617</u>
NET ASSETS		<u>183,188</u>	<u>372,550</u>
EQUITY			
Accumulated surpluses		183,188	372,550
TOTAL EQUITY		<u>183,188</u>	<u>372,550</u>

KOKODA FOUNDATION LIMITED
Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

2014
\$

2013
\$

EQUITY AT BEGINNING OF YEAR	<u>372,550</u>	<u>464,816</u>
(DEFICIT) / SURPLUS FOR THE YEAR	(189,362)	(92,266)
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(189,362)</u>	<u>(92,266)</u>
EQUITY AT END OF YEAR	<u>183,188</u>	<u>372,550</u>

KOKODA FOUNDATION LIMITED
Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Government and industry		577,243	554,082
Payments to suppliers and employees		(781,620)	(636,017)
Interest received		6,532	12,215
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	7(a)	<u>(197,845)</u>	<u>(69,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(1,489)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		<u>(1,489)</u>	<u>-</u>
NET DECREASE IN CASH & CASH EQUIVALENTS		(199,334)	(69,720)
Cash and cash equivalents at 1 July		<u>386,247</u>	<u>455,967</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	7(b)	<u><u>186,913</u></u>	<u><u>386,247</u></u>

KOKODA FOUNDATION LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1. Corporate Information

The Kokoda Foundation has been established as an independent, not-for-profit think tank to research, and foster innovative thinking on Australia's future security challenges.

The Company is incorporated as a Company limited by guarantee and no shares have been issued. At the reporting date there were 238 Members guaranteeing to contribute up to \$300 each to the property of the Company in the event of it being wound up. The financial report was approved in accordance with the resolution of the directors on 10 November 2014.

The Company is domiciled in Canberra, Australia.

The company is a not-for-profit entity for the purpose of preparing the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the International Accounting Standards Board.

(i) New accounting standards and interpretations

Management have reviewed the new Accounting Standards and Interpretations that have become applicable for the reporting period ended 30 June 2014 and have assessed that the new Accounting Standards and Interpretations will have no material impact on the accounting policies, financial position or performance of the company.

(ii) Changes in accounting policy and disclosures

There were no changes in accounting policy and disclosures during the reporting period ended 2014.

(iii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the company for the annual reporting period ended 30 June 2014. When adopted, these standards and interpretations are not expected to have a material impact on the company.

(c) Cash and cash equivalents

Cash and short-term deposits in the financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(d) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

KOKODA FOUNDATION LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The following estimated useful lives are:

	2014	2013
Plant and Equipment	3 years	3 years

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Depreciation rates and methods are reviewed at least annually. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years is not changed.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition upon disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(f) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Contract and conference income

Contract and conference income are recognised when the Company has provided the services and filled its obligation relating to the contract and conference. A liability is recognised for any unearned amount.

Sponsorship income

Sponsorship income is recognised when the foundation's right to receive payment is established.

Membership fees

The Company charges annual membership fees to its members. Membership revenue is recognised over the period it relates to. A liability is recognised for any membership fees received during the financial year relating to future periods.

KOKODA FOUNDATION LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

Summary of Significant Accounting Policies (Continued)

Government grants

Government grants are recognised when the Company receives an asset, including the right to receive cash or other forms of asset without directly giving approximately equal value to the other party or parties to the transfer. Contributions received or receivable are recognised immediately as revenue when the Company obtains control of the contributions, it is possible that the economic benefits comprising the contribution will flow to the Company and the amount of the contribution can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(h) Taxes

Income taxes

The Company is considered to be exempt from income tax under the provisions of Section 50-B of the *Income Tax Assessment Act 1997*, as amended. Under these provisions the Company is considered to be classified as a charitable entity.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Comparative amounts

Where necessary, the figures for the previous year have been reclassified and repositioned for consistency with current year disclosures.

KOKODA FOUNDATION LIMITED
Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

3. REVENUES

	2014	2013
	\$	\$
Contract, sponsorship & conference income	369,382	349,724
Government income	190,000	144,753
Membership fees	23,236	23,599
Publications and journals	527	2,184
Interest income	6,532	12,215
Future Strategic Leaders Congress	22,898	3,079
Other income	-	5,936
Total revenues	<u>612,575</u>	<u>542,160</u>

4. TRADE AND OTHER RECEIVABLES

There are no receivables past, due or impaired.

	2014	2013
	\$	\$
Trade receivables	29,477	-
GST receivable	21,086	11,788
Total receivables	<u>50,563</u>	<u>11,788</u>

KOKODA FOUNDATION LIMITED
Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

5. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period

	Computer Equipment	Software	Total
Year Ended 30 June 2014	\$	\$	\$
Carrying amount at the beginning of the year	476	-	476
Additions	1,489	-	1,489
Disposals	-	-	-
Depreciation expense	(598)		(598)
Carrying amount at the end of the year	1,367	-	1,367
At 30 June 2014			
Cost	5,197	5,500	10,697
Accumulated depreciation	(3,830)	(5,500)	(9,330)
	1,367	-	1,367
	Computer Equipment	Software	Total
Year Ended 30 June 2013	\$	\$	\$
Carrying amount at the beginning of the year	1,387	1,532	2,919
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(911)	(1,532)	(2,443)
Carrying amount at the end of the year	476	-	476
At 30 June 2013			
Cost	3,709	5,500	9,209
Accumulated depreciation	(3,233)	(5,500)	(8,733)
	476	-	476

KOKODA FOUNDATION LIMITED
Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

6. TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Trade and other payables	82,335	42,584
Deferred membership income	12,087	11,033
	<u>94,422</u>	<u>53,617</u>

7. CASH FLOW STATEMENT RECONCILIATION

	2014	2013
	\$	\$
(a) Reconciliation of the net operating surplus to the net cash flows from operations		
Net (deficit) / surplus for the year	(189,362)	(92,266)
Add back non-cash items : depreciation	598	2,443
Changes in assets and liabilities		
(Increase)/decrease in receivables	(17,689)	33,849
(Increase) in prepayments	(11,111)	(21,501)
Increase in trade and other payables	19,719	7,755
Net cash flow (used in) operating activities	<u>(197,845)</u>	<u>(69,720)</u>
(b) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	186,913	386,247
Closing cash balance	<u>186,913</u>	<u>386,247</u>

KOKODA FOUNDATION LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Management personnel include all Directors, the General Manager and the Chief Operating Officer.

The Directors role is pro bono. On the 2 May 2012 the Board agreed to pay Board members who apply, and are approved by the Executive Committee, for reasonable remuneration for extraordinary work on Kokoda related activities. Board members were also reimbursed for expenses incurred in relation to the management of the Company.

For the year ended 30 June 2014, the amount paid or payable to Directors, the General Manager and the Chief Operating Officer was \$336,305 (2012-2013: \$237,011).

	2014	2013
	\$	\$
Short-term benefits		
Cash and contracting fees	320,497	215,638
Reimbursements	6,627	5,572
Superannuation	9,181	15,801
	<u>336,305</u>	<u>237,011</u>

9. RELATED PARTY DISCLOSURES

Directors

The directors of Kokoda Foundation Limited during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Andrew Balmaks
Jim Bancroft
Brett Biddington, Treasurer
John Blackburn, Deputy Chairman
Peter Leahy
John Lee
Peter Nicholson Chairman
Alan Titheridge, Deputy Chair
Andrew McKinnie (appointed 26 November 2013)
Edward Morgan, Secretary
Peter Robinson
Gary Waters
Michael Wesley (appointed 26 November 2013)

Loans to directors and director related entities

The Company made no loans to directors or director related entities during the financial year.

KOKODA FOUNDATION LIMITED
Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

Other related party transactions

Included in the remuneration of the Key Management Personnel above is various project and program expenditure made to the director or director related entities.

During the year, the following amounts have been paid to related parties:

	Contracting fees for research papers, events and other contracted work	Meeting, travel, accommodation and entertainment reimbursements
	\$	\$
John Blackburn	18,000	
Brett Biddington	24,000	670
John Lee	-	5,957
Gary Waters	40,000	-
	<u>82,000</u>	<u>6,627</u>

10. AUDITOR'S REMUNERATION

	2014	2013
	\$	\$
Amounts received or due and receivable by Ernst & Young for:		
- audit of the financial report	4,200	3,958
- assistance to prepare the financial report	3,800	3,542
	<u>8,000</u>	<u>7,500</u>

KOKODA FOUNDATION LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

11. SUBSEQUENT EVENTS

There have been no significant events which have occurred subsequent to 30 June 2014 that are required to be disclosed in the financial statements.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and cash equivalents, receivables, and payables.

This Company manages its exposure to key financial risks by closely monitoring cash flows through a monthly review by the Chairman and routine reporting to the Board of Directors.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk.

Risk Exposures and Responses

Interest rate risk

The Company's exposure to market interest rates relates primarily to short-term deposits. At balance date, the Company had cash and cash equivalents totaling \$186,913 (2013: \$386,247) exposed to Australian variable interest rate risk.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the financial position date:

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net surplus from operations would have been affected as follows:

Judgments of reasonably possible movements:	Net surplus Higher/(Lower)	
	2014	2013
Domestic interest rates	\$	\$
+ .5% (50 basis points)	632	1,799
- .5% (50 basis points)	(632)	(1,799)

The movements in profit are due to higher/lower interest from variable rate debt cash balances. The sensitivity is lower in 2014 than in 2013 because of the decrease in net exposure during 2014.

Credit risk

Credit risk arises from the Company's receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

The Company deals with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. All customers are located in Australia. Credit risk in trade receivables is managed by having payment terms of 30 - 90 days.

As at balance date the Company had trade and other receivables totaling \$29,477 (2013: \$11,788) due within the 30 day terms. None are overdue or impaired.

KOKODA FOUNDATION LIMITED
Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company's exposure to liquidity risk at balance date is considered low. The net working capital position of the Company at balance date is positive amounting to \$184,288 (2013: \$372,550).

At balance date, the Company has approximately \$35,153 of unused credit card facilities for its immediate use.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Company does not have any commitments or contingent liabilities for the year ended 30 June 2014.