

The Institute for Regional Security Ltd

ABN: 48 110 456 856

Financial Statements

For the Year Ended 30 June 2015

The Institute for Regional Security Ltd

ABN: 48 110 456 856

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For the Year Ended 30 June 2015

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The Institute for Regional Security Ltd

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Directors' Report For the Year Ended 30 June 2015

Your directors present their report for the financial year ended 30 June 2015

1. General information

Directors

The names of each person who has been a director during the year and to the date of this report are:
Andrew Balmaks (Deputy Chair from November 2014)

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.

John Blackburn, AO

(Deputy Chairman until AGM, stepped down at the AGM)

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

Peter Leahy

(stepped down at the AGM)

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"

Directors' Report

For the Year Ended 30 June 2015

Directors continued

John Lee

Dr John Lee is a senior fellow at the Hudson Institute in Washington DC and an Adjunct Associate Professor at the Strategic and Defence Studies Centre at the Australian National University. 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 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. 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 Defence Strategy and Policy at the Department of Economic Development, Jobs, Transport and Resources in Victoria, a role he has occupied since 2014. Prior to his present role, Edward was Deputy Director Strategic Analysis in the Strategic Policy Division of the Australian Department of Defence. He worked for five years in Defence across the areas of strategic capability analysis, Defence enterprise planning and military strategy. Ed was previously an academic, holding positions in Australia. Ed is a graduate of the University of Melbourne and completed his MPhil and PhD at the University of Cambridge, UK, where he fostered his interest in strategic and international affairs alongside his doctoral studies.

Peter Nicholson, AO

(Chair)

One of the five founding directors of the Kokoda Foundation and a 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. Since leaving the RAAF he has had extensive experience in the defence industry sector particularly in relation to government relations.

Directors' Report

For the Year Ended 30 June 2015

Directors continued

Peter Robinson

(stepped down at the AGM)

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

(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.

Michael Wesley

Michael Wesley is Professor of International Affairs and Director of the Coral Bell School of Asia Pacific Affairs 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. He is a Non-Executive Member of the Senior Leadership Group of the Australian Federal Police and a Member of the NSW/ACT Advisory Board for CEDA. His 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. His most recent book is *Restless Continent: Wealth, Power and Asia's New Geopolitics*.

Gary Waters

(stepped down at the AGM)

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.

Directors' Report

For the Year Ended 30 June 2015

Directors continued

Patrick Winter

(appointed April 2015)

Patrick Winter is the business development and strategy lead for the Intelligence, Surveillance and Reconnaissance business of BAE Australia.

Patrick has served in a number of intelligence and national security roles in both the Defence and Attorney-General's portfolios. His experience includes executive leadership of operations, collection and analysis functions within the intelligence community, and he has served on joint postings with allied intelligence agencies. Patrick also spent a number of years as Chief of Intelligence at Joint Defence Facility, Pine Gap.

Prior to joining BAE Systems, Patrick led the establishment of the Intelligence and Electronic Warfare business within Thales Australia.

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

Company secretary

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

– Edward Morgan

Principal activities

The principal activity of The Institute for Regional Security Ltd during the financial year were:

- The Institute 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 Institute's project reports are usually published as Kokoda Papers.
- The Institute publishes Australia's only refereed journal on security and defence issues. *Security Challenges* is published quarterly.
- The Institute organises and conducts an Australia-United States-Japan Strategic Dialogue, comprising a Strategic Dialogue and Annual Dinner each year. Participants include senior United States and Australian officials and Defence Force personnel.
- The Institute 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.
- The Institute, 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 Institute 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.

Directors' Report

For the Year Ended 30 June 2015

Principal activities continued

- The Institute runs a series of seminars for Women in National Security (WiNS). The aim of the WiNS program is to promote opportunity and retention of careers for women in national security
- 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.

Short term objectives

The IFRS mission is to promote regional stability and prosperity. As an international think tank, IFRS pursues the mission by crafting a portfolio of activities, programs and events that deliver Insights, Ideas, and Impact.

The Institute For Regional Security 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 Jan 2015 The Kokoda Foundation officially launched 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 long term IFRS 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 the Institute's success
- Exceptional "convening power": individuals come to IFRS events because the events are "IFRS", the networks IFRS 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 IFRS wherever we are
- A compelling web-presence and imaginative product distribution that successfully promotes IFRS' brand
- A funding base commensurate to the above strengths, designed to foster shared outcomes between IFRS and sponsorship partners

Principal Activities supporting IFRS objectives

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

- IFRS 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 Institute's project reports are usually published as Kokoda Papers. In 2014/15 *Girt By Sea: Understanding Australia's Maritime Domains In A Networked World* was published in November

Directors' Report

For the Year Ended 30 June 2015

Principal Activities supporting IFRS objectives continued

- IFRS publishes Australia's first refereed journal on security and defence issues, Security Challenges. The journal is published quarterly and three editions were published in FY 2014/15.
- IFRS organises and conducts an Australia-United States-Japan Strategic Dialogue, comprising a Strategic Dialogue and a public dinner each year. Participants include senior United States and Australian officials and Defence Force personnel. In September 2014 the topic was Advancing US-Japan-Australia Tri-lateral Cooperation in the Asia-Pacific: Identifying Obstacles: Finding Solutions.
- The Institute 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 ten years. It is also open to those graduates or university students who aspire to make their careers within the Australian national security community. In 2014/15 the Institute ran six FSLP seminars and five networking events (Eleven in total).
- The Institute, 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. Two Congresses were held: November 2014 on the topic Australia's Role in Addressing Global Nuclear Security Challenges and May 2015 on the topic Maritime Flashpoints: Australia's Critical Vulnerabilities
- The Institute runs an Executive Business Breakfast (EBB) 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. In 2014/15 five EBBs were held.

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. In 2014/15 Directors and Management have spent time developing and reshaping the program.

Members guarantee

The Institute for Regional Security Ltd is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ NIL for members that are corporations and \$ NIL for all other members, subject to the provisions of the company's constitution.

At 30 June 2015 the collective liability of members was \$ NIL (2014: \$ NIL).

2. Operating results and review of operations for the year

Operating results

The deficit of the Company after providing for income tax amounted to \$ (62,539) (2014: \$ (189,362)).

3. Other items

Significant changes in state of affairs

There were no significant changes in the state of affairs throughout the 2014/15 financial year.

Directors' Report

For the Year Ended 30 June 2015

3. Other items continued

Events after the reporting date

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

Likely Developments and Expected Results

The directors are hopeful that with the change in name to the Institute For Regional Security, the 2015/16 financial year will see an increase in sponsorship both traditional and through philanthropy and the number of memberships of the Institute.

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.

Key Performance Measures

- Financials are reviewed every month by the IFRS 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.
- Sponsorship satisfaction is also tracked with majority of IFRS sponsors being long term and renewing partners.

Meetings of directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number attended	Number eligible to attend
Andrew Balmaks	8	9
Jim Bancroft	4	9
Brett Biddington AM	8	9
John Blackburn, AO	4	5
Peter Leahy	-	5
John Lee	5	9
Andrew McKinnie	7	9
Edward Morgan	3	9
Peter Nicholson, AO	8	9
Peter Robinson	2	5
Alan Titheridge	7	9
Michael Wesley	2	9
Gary Waters	-	5

The Institute for Regional Security Ltd

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Directors' Report

For the Year Ended 30 June 2015

Meetings of directors continued

	Directors' Meetings	
	Number attended	Number eligible to attend
Patrick Winter	2	2

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.

Auditor's independence declaration

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.

Directors Benefits

The IFRS Board is pro bono and directors received no benefits during the year in this role. Several Board members were partially reimbursed for expenses for travel and below market rate for their contributions to major research projects / programs.

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

Director/Treasurer: 
Brett Biddington

Dated 7 December 2015

Independent Audit Report to the members of The Institute for Regional Security Ltd

Report on the Financial Report

We have audited the accompanying financial report of The Institute for Regional Security Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The Institute for Regional Security Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.



Independent Audit Report to the members of The Institute for Regional Security Ltd

Opinion

In our opinion the financial report of The Institute for Regional Security Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial report has been prepared in accordance with Div 60 of *The Australian Charities and Not-for-profits Act 2012*.



Hardwickes
Chartered Accountants



Robert Johnson FCA
Partner

CANBERRA

7 December 2015



Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of The Institute for Regional Security Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hardwickes

Hardwickes
Chartered Accountants

R Johnson

Robert Johnson FCA
Partner

7 December 2015

CANBERRA

The Institute for Regional Security Ltd

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**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2015**

		2015	2014
	Note	\$	\$
Revenue and other income	3	684,800	612,575
Conference expense		(216,303)	(201,482)
Depreciation expense	6(a)	(799)	(598)
Printing and stationery		(50,749)	(73,670)
Rent		(17,891)	(20,939)
Administrative		(426,432)	(465,636)
Insurance		(6,558)	(6,020)
Subscriptions		(3,321)	(1,700)
Accounting fees		(13,133)	(16,283)
Gifts and prizes		(3,273)	(3,667)
Other		(8,423)	(11,942)
Interest paid		(457)	-
Total expenses		(747,339)	(801,937)
Deficit before income tax		(62,539)	(189,362)
Income tax expense	2(a)	-	-
Net (deficit) attributable to members of The Institute for Regional Security Ltd		(62,539)	(189,362)
Other comprehensive income			
Total comprehensive income for the year		(62,539)	(189,362)

The accompanying notes form part of these financial statements.

The Institute for Regional Security Ltd

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Statement of Financial Position

As At 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	207,852	186,913
Trade and other receivables	5	1,000	29,477
Prepayments		36,430	38,767
TOTAL CURRENT ASSETS		245,282	255,157
NON-CURRENT ASSETS			
Property, plant and equipment	6	6,028	1,367
TOTAL NON-CURRENT ASSETS		6,028	1,367
TOTAL ASSETS		251,310	256,524
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	130,661	73,336
TOTAL CURRENT LIABILITIES		130,661	73,336
TOTAL LIABILITIES		130,661	73,336
NET ASSETS		120,649	183,188
EQUITY			
Retained surplus		120,649	183,188
TOTAL EQUITY		120,649	183,188

The accompanying notes form part of these financial statements.

The Institute for Regional Security Ltd

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Statement of Changes in Equity

For the Year Ended 30 June 2015

2015

	Retained Surplus	Total
	\$	\$
Balance at 1 July 2014	183,188	183,188
Deficit attributable to members of the entity	(62,539)	(62,539)
Balance at 30 June 2015	120,649	120,649

2014

	Retained Surplus	Total
	\$	\$
Balance at 1 July 2013	372,550	372,550
Deficit attributable to members of the entity	(189,362)	(189,362)
Balance at 30 June 2014	183,188	183,188

The accompanying notes form part of these financial statements.

The Institute for Regional Security Ltd

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Statement of Cash Flows For the Year Ended 30 June 2015

	2015	2014
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from government and industry	711,640	577,243
Payments to suppliers and employees	(686,877)	(781,620)
Interest received	1,636	6,532
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	14 26,399	(197,845)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(5,460)	(1,489)
	<hr/>	<hr/>
Net cash used by investing activities	(5,460)	(1,489)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase/(decrease) in cash and cash equivalents held	20,939	(199,334)
Cash and cash equivalents at beginning of year	186,913	386,247
	<hr/>	<hr/>
Cash and cash equivalents at end of financial year	4 207,852	186,913

The accompanying notes form part of these financial statements.

The Institute for Regional Security Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2015

The financial report covers The Institute for Regional Security Ltd as an individual entity. The Institute for Regional Security Ltd is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of The Institute for Regional Security Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 7 December 2015.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and *The Australian Charities and Not-for-profits Act 2012*.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Company is exempt from income tax under Section 50-B of the *Income Tax Assessment Act 1997*.

(b) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

All revenue is stated net of the amount of goods and services tax (GST).

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 Institute's right to receive payment is established.

Notes to the Financial Statements

For the Year Ended 30 June 2015

2 Summary of Significant Accounting Policies continued

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.

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 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 reliability.

Interest revenue

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.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(d) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

Cash flows in the statement of cash flows are included 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 is classified as operating cash flows.

(e) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Notes to the Financial Statements

For the Year Ended 30 June 2015

2 Summary of Significant Accounting Policies continued

(e) Property, Plant and Equipment continued

company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Plant and Equipment	3 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(f) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are

Notes to the Financial Statements

For the Year Ended 30 June 2015

2 Summary of Significant Accounting Policies continued

(g) **Cash and cash equivalents continued**
presented within current liabilities on the statement of financial position.

(h) **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.

(i) **New Accounting Standards and Interpretations**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

AASB 9: *Financial Instruments* (December 2014) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018). These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the company elect to change its hedge accounting policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements
For the Year Ended 30 June 2015

3 Revenue and Other Income

	2015	2014
	\$	\$
Contract, sponsorship & conference income	351,749	369,382
Government income	302,727	190,000
Membership fees	25,861	23,236
Publications and journals	580	527
Interest income	1,636	6,532
Future strategic leaders congress	2,247	22,898
Total Revenue	684,800	612,575

4 Cash and cash equivalents

	2015	2014
	\$	\$
Cash at bank and in hand	207,852	186,913

5 Trade and other receivables

	2015	2014
	\$	\$
CURRENT		
Trade receivables	8 1,000	29,477

6 Plant and equipment

	2015	2014
	\$	\$
Computer equipment		
At cost	10,657	5,197
Accumulated depreciation	(4,629)	(3,830)
Total computer equipment	6,028	1,367

	2015	2014
	\$	\$
Software		
At cost	5,500	5,500
Accumulated depreciation	(5,500)	(5,500)
Total software	-	-

Total plant and equipment	6,028	1,367
Total plant and equipment	6,028	1,367

Notes to the Financial Statements

For the Year Ended 30 June 2015

6 Plant and equipment continued

(a) Movements in carrying amounts of property, plant and equipment

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

	Computer Equipment \$	Software \$	Total \$
Year ended 30 June 2015			
Balance at the beginning of year	1,367	-	1,367
Additions	5,460	-	5,460
Depreciation expense	(799)	-	(799)
Balance at the end of the year	6,028	-	6,028

	Computer Equipment \$	Software \$	Total \$
Year ended 30 June 2014			
Balance at the beginning of year	476	-	476
Additions	1,489	-	1,489
Depreciation expense	(598)	-	(598)
Balance at the end of the year	1,367	-	1,367

7 Trade and other payables

		2015 \$	2014 \$
CURRENT			
Trade payables	8	67,298	82,335
Less: GST receivable		-	(21,086)
Deferred income		63,363	12,087
		130,661	73,336

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

8 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Company does not speculate in financial assets.

Notes to the Financial Statements

For the Year Ended 30 June 2015

8 Financial Risk Management continued

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- Market risk - interest rate risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables

Objectives, policies and processes

Risk management is carried out by the Company's risk management committee under the delegated power from the Board of Directors. The Finance Manager has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Company, these policies and procedures are then approved by the risk management committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Company is exposed is provided below.

The main risks The Institute for Regional Security Ltd is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Company's financial instruments consist mainly of deposits with banks, and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		2015	2014
		\$	\$
Financial Assets			
Cash and cash equivalents	4	207,852	186,913
Loans and receivables at amortised cost			
- trade and other receivables	5	1,000	29,477
Total financial assets		208,852	216,390
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	7	67,298	82,335
Total financial liabilities		67,298	82,335

Notes to the Financial Statements

For the Year Ended 30 June 2015

8 Financial Risk Management continued

Financial risk management policies

The Board of Directors has overall responsibility for the establishment of The Institute for Regional Security Ltd's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and The Institute for Regional Security Ltd's activities.

The day-to-day risk management is carried out by The Institute for Regional Security Ltd's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

The Institute for Regional Security Ltd does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

The table below reflect an undiscounted contractual maturity analysis for financial liabilities.

Financial guarantee liabilities are treated as payable on demand since The Institute for Regional Security Ltd has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

Financial liability maturity analysis - Non-derivative

	Within 1 Year		1 to 5 Years		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	67,298	82,335	-	-	67,298	82,335

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-

Notes to the Financial Statements

For the Year Ended 30 June 2015

8 Financial Risk Management continued

day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The Company's liabilities have contractual maturities which are summarised below:

	1 to 3 months		3 months to 1 year		1 to 5 years	
	2015	2014	2015	2014	2015	2014
Trade payables	\$ 67,298	\$ 82,335	\$ -	\$ -	\$ -	\$ -

(i) Interest rate risk

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +2.00% and -2.00% (2014: +2.00%/-2.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

	2015		2014	
	+2.00%	-2.00%	+2.00%	-2.00%
Net results	\$ 4,157	\$ (4,157)	\$ 3,738	\$ 3,738
Equity	4,157	(4,157)	(3,738)	(3,738)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Company's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

Notes to the Financial Statements

For the Year Ended 30 June 2015

8 Financial Risk Management continued

Credit risk continued

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Credit risk

The following table details the Company's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
2015							
Trade and term receivables	1,000	-	-	-	-	-	1,000
Total	1,000	-	-	-	-	-	1,000
2014							
Trade and term receivables	29,477	-	-	-	-	-	29,477
Total	29,477	-	-	-	-	-	29,477

The Company does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

9 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute to a maximum of their membership value - each towards meeting any outstandings and obligations of the Company. At 30 June 2015 the number of members was 196 (2014: 238).

10 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of The Institute for Regional Security Ltd during the year are as follows:

The Institute for Regional Security Ltd

ABN: 48 110 456 856

Notes to the Financial Statements

For the Year Ended 30 June 2015

10 Key Management Personnel Disclosures continued

	2015	2014
	\$	\$
Cash and contracting fees	274,557	320,497
Reimbursements	23,548	6,627
Superannuation	-	9,181
	<u>298,105</u>	<u>336,305</u>

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 13: Related Party Transactions.

11 Remuneration of Auditors

	2015	2014
	\$	\$
Remuneration of the auditor of the entity, Hardwickes Chartered Accountants (2014: Ernst & Young), for:		
- auditing the financial statements	4,000	4,200
- assistance to prepare the financial report	2,000	3,800
	<u>6,000</u>	<u>8,000</u>

12 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2015 (30 June 2014:None).

13 Related Parties

Directors

The directors of The Institute for Regional Security Ltd 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 AM
John Blackburn, AO (Resigned at the 2014 AGM)
Peter Leahy (Resigned at the 2014 AGM)
John Lee
Andrew McKinnie
Edward Morgan
Peter Nicholson, AO
Peter Robinson (Resigned at the 2014 AGM)
Alan Titheridge
Michael Wesley
Gary Waters (Resigned at the 2014 AGM)

Notes to the Financial Statements

For the Year Ended 30 June 2015

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 10: Interests of Key Management Personnel (KMP).

Other transactions with KMP and their related entities are shown below.

(ii) Other related parties include close family members of key management personnel and entities that are controlled.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with other related parties

The following transactions occurred with related parties:

	Contracting fees for research papers, events and other contracted work		Meeting, travel, accommodation and entertainment reimbursements	
	2015	2014	2015	2014
John Lee	15,000	-	19,223	5,957
John Blackburn	-	18,000	-	-
Brett Biddington	20,000	24,000	-	670
Gary Waters	-	40,000	-	-
Andrew Balmaks	-	-	506	-
Peter Nicholson	-	-	3,818	-
	<u>35,000</u>	<u>82,000</u>	<u>23,547</u>	<u>6,627</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

14 Cash Flow Information

(a) **Reconciliation of result for the year to cashflows from operating activities**

Reconciliation of net income to net cash provided by operating activities:

	2015	2014
	\$	\$
(Deficit) for the year	(62,539)	(189,362)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in (deficit):		
- depreciation	799	598
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	28,477	(17,689)
- (increase)/decrease in prepayments	2,337	(11,111)
- increase/(decrease) in trade and other payables	57,325	19,719
Cashflow from operations	<u>26,399</u>	<u>(197,845)</u>

15 Events Occurring After the Reporting Date

The financial report was authorised for issue on 7 December 2015 by the Board of Directors.

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

16 Company Details

The registered office of the company is:

The Institute for Regional Security Ltd

The principal places of business are:

The Institute for Regional Security Ltd

ABN: 48 110 456 856

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 12 to 28, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

Director BRETT BIDDINGTON AM

Director Brett Biddington

Dated 7 December 2015

The Institute for Regional Security Ltd

ABN: 48 110 456 856

For the Year Ended 30 June 2015

General Manager's Declaration

The General Manager of The Institute for Regional Security Ltd declares that:

- the financial records of The Institute for Regional Security Ltd for the financial year ended 30 June 2015 have been properly maintained in accordance with *the Australian Charities and Not-for-profits Act 2012*;
- the financial statements, and the notes comply with the Australian Accounting Standards;
- the financial statements, and notes give a true and fair view;
- other matters prescribed by the regulations in relation to the financial statements, and the notes for the financial year are satisfied.

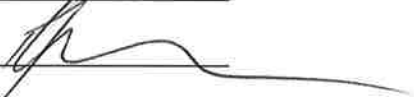
This declaration is made by:

General Manager

Name:

Nicole Quinn

Signature:



Date: 7 December 2015