

# **Lowy Institute for International Policy**

*ABN 40 102 792 174*

General Purpose Financial Report for the year ended 30 June 2019

**Lowy Institute for International Policy**  
**Contents to the General Purpose Financial Report**  
**for the year ended 30 June 2019**

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**Lowy Institute for International Policy**  
**Corporate Information**  
**ABN 40 102 792 174**

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**Directors**

Sir Frank P. Lowy AC (Chair)  
David Gonski AC  
Sir Allan (Angus) Houston AK, AC, AFC (Ret'd)  
Ambassador Martin S. Indyk  
David H. Lowy AM  
Peter S. Lowy  
Steven M. Lowy AM  
Mark Ryan  
The Hon. James Spigelman AC  
Joanna Hewitt AO  
Penelope (Penny) Wensley AC  
Glenn Stevens AC

**Company Secretary**

Milton Cockburn (Resigned 10 September 2019)  
Sarah Hipsley (Appointed 10 September 2019)

**Registered office**

Level 4, 131 Macquarie Street  
Sydney, NSW 2000

**Principal place of business**

31 Bligh Street  
Sydney, NSW 2000

**Postal Address**

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Australia Square NSW 1215, Australia

**Contact Details**

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Telephone: +61 2 8238 9000  
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**Auditors**

Ernst & Young  
200 George Street  
Sydney, NSW 2000

## Auditor's Independence Declaration to the Directors of Lowy Institute for International Policy

In relation to our audit of the financial report of Lowy Institute for International Policy for the financial year ended 30 June 2019, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.



Ernst & Young



Kathy Parsons  
Partner  
11 October 2019

# Independent Auditor's Report to the Members of Lowy Institute for International Policy

## Report on the Financial Report

### Opinion

We have audited the financial report of Lowy Institute for International Policy (the 'registered entity'), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

### Basis for Opinion

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

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

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors 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 *Australian Charities and Not-for-Profits Commission Act 2012* 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.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008*

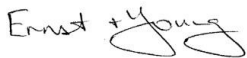
We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Act and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

### Opinion

In our opinion:

- a) the financial report of Lowy Institute for International Policy has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2019, in all material respects, in accordance with:
  - i sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*; and
  - ii sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*;
- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2019 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act and Regulations.



Ernst & Young



Kathy Parsons  
Partner  
Sydney  
11 October 2019

**Lowy Institute for International Policy**  
**Directors' Declaration**  
**for the year ended 30 June 2019**

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**Directors' Declaration**

In accordance with a resolution of the Directors of The Lowy Institute for International Policy, I state that in the opinion of the Directors:

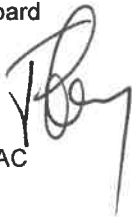
(a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-for-Profit Commission Act 2012*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and

(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.

On behalf of the Board



Sir Frank P. Lowy AC  
Director  
Sydney  
11 October 2019



**Lowy Institute for International Policy**  
**Declaration by Principal Officer in Respect to Fundraising Appeals**  
**for the year ended 30 June 2019**

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**Declaration by Principal Officer in Respect to Fundraising Appeals**

I, Michael Fullilove, Principal Officer of the Lowy Institute for International Policy declare that in my opinion:

- (a) the attached statement of comprehensive income gives a true and fair view of all income and expenditure of the Lowy Institute for International Policy with respect to fundraising appeals;
- (b) the Statement of Financial Position and accompanying notes give a true and fair view of the state of affairs of the Lowy Institute for International Policy with respect to fundraising appeals;
- (c) the internal controls exercised by the Lowy Institute for International Policy are appropriate and effective in accounting for all income received;
- (d) the provisions of the *NSW Charitable Fundraising Act 1991*, the *NSW Charitable Fundraising Regulation 2008* and the conditions attached to the authority have been complied with by the Lowy Institute for International Policy.



Michael Fullilove AM  
Principal Officer  
Sydney  
11 October 2019

**Lowy Institute for International Policy**  
**Statement of Financial Position**  
**for the year ended 30 June 2019**

	Note	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	5	11,232,590	11,650,186
Trade and other receivables	6	888,028	839,419
<b>Total current assets</b>		<u>12,120,618</u>	<u>12,489,605</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	4,812,393	1,418,245
<b>Total non-current assets</b>		<u>4,812,393</u>	<u>1,418,245</u>
<b>Total assets</b>		<u>16,933,011</u>	<u>13,907,850</u>
<b>Current liabilities</b>			
Trade payables	8	424,466	592,522
Provisions	9	906,459	529,784
Other current liabilities	10	2,950,865	2,579,660
<b>Total current liabilities</b>		<u>4,281,790</u>	<u>3,701,966</u>
<b>Non-current liabilities</b>			
Provisions	9	36,337	51,862
Other non-current liabilities	10	6,613,196	7,255,816
<b>Total non-current liabilities</b>		<u>6,649,533</u>	<u>7,307,678</u>
<b>Total liabilities</b>		<u>10,931,323</u>	<u>11,009,644</u>
<b>Net assets</b>		<u>6,001,688</u>	<u>2,898,206</u>
<b>Equity</b>			
Accumulated funds		6,001,688	2,898,206
<b>Total equity</b>		<u>6,001,688</u>	<u>2,898,206</u>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes 1 to 17.*

**Lowy Institute for International Policy**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2019**

	Note	2019 \$	2018 \$
<b>Continuing operations</b>			
Charitable/fundraising activities	3(a)	10,198,706	5,609,024
Research grants		2,198,113	3,111,830
Subscriptions and other income		192,766	255,917
Interest income		57,431	52,130
<b>Total revenue</b>		<u>12,647,016</u>	<u>9,028,901</u>
<b>Expenses</b>			
Internal research and management		(4,390,500)	(4,803,856)
Administration and operating expenses		(1,952,520)	(2,057,141)
Depreciation expense	3(b)	(483,063)	(457,880)
Accelerated depreciation of assets from old premises	3(b)	(600,147)	(47,270)
Loss from disposal of fixed assets		(338,906)	(20,561)
Conference and publication expenses		(795,927)	(896,974)
External commissioned research and donations		(605,941)	(464,442)
Marketing and other event expenses		(376,530)	(411,571)
<b>Surplus/(loss) before tax</b>		<u>3,103,482</u>	<u>(130,794)</u>
Income tax expense	1(f)	-	-
<b>Net surplus/(loss) for the year from continuing operations</b>		<u>3,103,482</u>	<u>(130,794)</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u>3,103,482</u>	<u>(130,794)</u>
<b>Total loss for the year excluding donation for fit-out of new premises and write down of assets of old premises</b>		<u>(505,220)</u>	<u>(83,524)</u>

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes 1 to 17.*

**Lowy Institute for International Policy**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2019**

	<b>Accumulated Funds \$</b>
At 1 July 2018	2,898,206
Profit for the year	3,103,482
Other comprehensive income	-
<b>Total comprehensive surplus for the year</b>	<b>3,103,482</b>
<b>At 30 June 2019</b>	<b>6,001,688</b>
	<b>Accumulated Funds \$</b>
At 1 July 2017	3,029,000
Loss for the year	(130,794)
Other comprehensive income	-
<b>Total comprehensive loss for the year</b>	<b>(130,794)</b>
<b>At 30 June 2018</b>	<b>2,898,206</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes 1 to 17.*

**Lowy Institute for International Policy**  
**Statement of Cash Flows**  
**for the year ended 30 June 2019**

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Donations received		8,714,320	3,942,560
Research fees and other income		4,113,977	4,170,756
Payments to suppliers and employees		(8,960,175)	(8,936,824)
Interest received		273,353	255,968
<b>Net cash from operating activities</b>	11	<u>4,141,475</u>	<u>(567,540)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,563,807)	(157,354)
Proceeds from sale of property, plant and equipment		586	-
<b>Net cash from investing activities</b>		<u>(4,563,221)</u>	<u>(157,354)</u>
<b>Net decrease in cash and cash equivalents</b>			
		(421,746)	(724,894)
Cash and cash equivalents at the beginning of the financial year		11,650,186	12,367,686
Effects of exchange rate changes on cash		4,150	7,394
<b>Cash and cash equivalents at the end of the financial year</b>		<u>11,232,590</u>	<u>11,650,186</u>

*The above Statement of Cash flows should be read in conjunction with the accompanying notes 1 to 17.*

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

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**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

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**1 Summary of significant accounting policies**

**(a) Basis of preparation**

These general purpose Financial Statements have been prepared in accordance with Australian Accounting Standards-Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profit Commission Act 2012*. The Financial Report has been prepared on a historical cost basis, except for the financial assets, which have been measured at fair value.

The accounting policies used in the preparation of this report are in accordance with the requirements of the *Charitable Fundraising Act 1991 (NSW)* and the regulations applying to that Act and the conditions of approval attached to our Authority to Fundraise (CFN/21106).

The functional and presentational currency of this financial report is Australian dollars (\$).

The accounting policies have been consistently applied, unless otherwise stated.

**(b) Compliance with Australian Accounting Standards-Reduced Disclosure Requirements**

The Financial Statements of the Lowy Institute complies with Australian Accounting Standards-Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The Financial Statements were authorised for issue by the Directors on 11 October 2019.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(d) Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the Financial Statements are taken to the Statement of Comprehensive Income.

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

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**1 Summary of significant accounting policies (cont)**

**(e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the Statement of Cash Flows on a gross basis. 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.

**(f) Income tax**

The Lowy Institute for International Policy is endorsed by the Australian Taxation Office as exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997 (Cth)*.

**(g) Trade and other payables**

Trade and other payables are carried at amortised cost and arise when the Institute becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(h) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. 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 provided on property, plant and equipment. 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. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- (i) Leasehold improvements            3 - 6 years
- (ii) Plant and equipment                3 - 8 years



**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

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**1 Summary of significant accounting policies (cont)**

**(i) Provisions**

Provisions are recognised when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Institute expects some or all of a provision to be recovered, the receivable is recognised as a separate asset but only when it is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any recoveries.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(j) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Donation income**

Revenue from donations are brought to account when earned.

**(ii) Research grants and sponsorships**

Research grants received to fund specific research programs are not a non-reciprocal transfer to the Institute and are therefore recognised as income as and when the costs of these programs are incurred. Sponsorship income may include the fair value of services received in kind where a market value for the services can be reasonably determined.

**(iii) Corporate membership**

Membership income is recognised over the period of the membership. Membership income may include the fair value of services received in kind where a market value for the services can be reasonably determined.

**(iv) Subscription income**

Subscription income is recognised over the period of the subscription.

**(v) Other Income**

Other Income is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

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**1 Summary of significant accounting policies (cont)**

**(j) Revenue recognition (cont)**

**(vi) 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. Interest revenue includes interest earned on grant monies received.

**(k) Employee leave benefits**

**(i) Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(ii) Long service leave**

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**2 Adoption of new and revised accounting standards**

(i) Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Institute for the annual reporting period ending 30 June 2019 and the Directors are yet to consider their likely impact.

**(ii) Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to the changes in presentation for the current financial year. Comparatives in the Statement of financial position have been restated to reflect consistent treatment with current year disclosures.

(iii) There have been no standards adopted during the year which have had an impact on the financial report.

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

<b>3 Revenue and expenses</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(a) Revenue from charitable/fundraising activities consists of the following items:		
Donation income	8,722,040	3,945,559
Sponsorships	240,000	436,799
Corporate and government membership	1,236,666	1,226,666
	<u>10,198,706</u>	<u>5,609,024</u>
(b) The surplus/(loss) from operations includes the following items of expenses from continuing operations:		
Depreciation expense	483,063	457,880
Accelerated depreciation of assets	600,147	47,270
	<u>1,083,210</u>	<u>505,150</u>
Employee benefits expense:		
Wages & Salaries	3,889,988	4,269,778
Superannuation	342,562	387,012
	<u>4,232,550</u>	<u>4,656,790</u>
<b>4 Charitable/fundraising activities</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Income from charitable/fundraising activities	10,198,706	5,609,024
Expenses from charitable/fundraising activities consist of the following:		
Wages & Salaries	(146,987)	(124,072)
Superannuation	(11,505)	(8,412)
Administration and operating expenses	(5,116)	(3,118)
Net surplus from charitable fundraising activities	<u>10,035,098</u>	<u>5,473,422</u>
(i) Comparison of total cost of fundraising to gross income from fundraising:		
Gross income	10,198,706	5,609,024
Total cost of fundraising	(163,608)	(135,602)
Percentage of gross income	1.60%	2.42%
(ii) Comparison of net surplus from fundraising to gross income from fundraising:		
Gross income	10,198,706	5,609,024
Net surplus from charitable fundraising activities	(10,035,098)	(5,473,422)
Percentage of gross income	98.40%	97.58%

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

<b>4 Charitable/fundraising activities (cont)</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(iii) Comparison of total costs of research provided to total expenditure:		
Total expenditure	<u>(9,532,987)</u>	<u>(9,159,695)</u>
Total costs of research provided	<u>(6,184,642)</u>	<u>(6,827,847)</u>
Percentage of gross expenditure	64.88%	74.54%
(iv) Comparison of total costs of research provided to total income received:		
Total income	<u>8,125,426</u>	<u>9,028,901</u>
Total costs of research provided	<u>(6,184,642)</u>	<u>(6,827,847)</u>
Percentage of total income	76.11%	75.62%
The expenditure and income in note 4 (iii) and (iv) exclude one-off transactions relating to the Institutes move and fit-out of 31 Bligh St, Sydney.		
<b>5 Cash and cash equivalents</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash on hand and in bank	<u>11,232,590</u>	<u>11,650,186</u>
<b>6 Trade and other receivables</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	44,330	145,129
Other receivables	165,774	423,626
Goods and Services tax (GST) receivable	407,761	92,241
Prepayments	<u>270,163</u>	<u>178,423</u>
	<u>888,028</u>	<u>839,419</u>

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

<b>7 Property, plant and equipment</b>				
<b>Year ended:</b>				
<b>30 June 2019</b>	<b>Leasehold Improvements</b>	<b>Leasehold Improvements WIP</b>	<b>Plant and Equipment</b>	<b>Total</b>
<b>Property, plant and equipment at cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1 July 2018	1,301,190	60,950	1,093,082	2,455,222
Additions	-	4,496,057	8,053	4,504,110
Disposals	(1,301,190)	-	(571,775)	(1,872,965)
Balance as at 30 June 2019	-	4,557,007	529,360	5,086,367
<b>Depreciation and impairment</b>				
Balance as at 1 July 2018	(603,967)	-	(433,010)	(1,036,977)
Depreciation	(697,223)	-	(386,573)	(1,083,796)
Disposals	1,301,190	-	545,609	1,846,799
Balance as at 30 June 2019	-	-	(273,974)	(273,974)
Net carrying amount	-	4,557,007	255,386	4,812,393
<b>Year ended:</b>				
<b>30 June 2018</b>	<b>Leasehold Improvements</b>	<b>Leasehold Improvements WIP</b>	<b>Plant and Equipment</b>	<b>Total</b>
<b>Property, plant and equipment at cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1 July 2017	1,298,690	-	1,005,600	2,304,290
Additions	2,500	60,950	164,068	227,518
Disposals	-	-	(76,586)	(76,586)
Balance as at 30 June 2018	1,301,190	60,950	1,093,082	2,455,222
<b>Depreciation and impairment</b>				
Balance as at 1 July 2017	(333,253)	-	(254,599)	(587,852)
Depreciation	(270,714)	-	(234,436)	(505,150)
Disposals	-	-	56,025	56,025
Balance as at 30 June 2018	(603,967)	-	(433,010)	(1,036,977)
Net carrying amount	697,223	60,950	660,072	1,418,245
<b>8 Trade payables</b>			<b>2019</b>	<b>2018</b>
			<b>\$</b>	<b>\$</b>
Trade and other payables			305,369	540,551
GST Payable			119,097	51,971
			<u>424,466</u>	<u>592,522</u>

The average credit period on purchases is 30 days. The Institute has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

9 Provisions	2019	2018
	\$	\$
<b>Current</b>		
Employee entitlements	560,777	529,784
Make good provisions	345,682	-
	<u>906,459</u>	<u>529,784</u>
<b>Non-current</b>		
Employee entitlements	36,337	21,955
Make good provisions	-	29,907
	<u>36,337</u>	<u>51,862</u>
<b>10 Other liabilities</b>	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Current</b>		
Unearned revenue	2,950,865	2,579,660
	<u>2,950,865</u>	<u>2,579,660</u>
<b>Non-current</b>		
Unearned revenue	6,613,196	7,255,816
	<u>6,613,196</u>	<u>7,255,816</u>

In June 2013 the Institute received a grant from the Australian Government to provide long term strategic funding to support new research, dialogues and partnerships that deepen and broaden Australia's engagement with Asia. The use of these funds is restricted to activities that are consistent with the grant's objectives. These ongoing restrictions are the reason that \$7,486,338 (2018: \$8,320,731) of unspent funds associated with the grant was included in unearned revenue as at 30 June 2019. This balance includes interest accrued on funds during the grant period. The Institute intends to continue to use the funds in a manner consistent with the grant objectives.

11 Notes to the statement of cash flows	2019	2018
	\$	\$
<b>(a) Reconciliation of cash and cash equivalents</b>		
For the purpose of the statement cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	11,232,590	11,650,186
	<u>11,232,590</u>	<u>11,650,186</u>
<b>(b) Reconciliation of surplus for the period to net cash flows from operating activities</b>		
Net surplus/(deficit) for the year	3,103,482	(130,794)
Depreciation expense	1,083,210	505,150
Loss from disposal of fixed assets	338,906	20,561
Unrealised foreign exchange differences	(4,150)	(7,394)
(Increase)/decrease in trade and other receivables	(48,608)	289,999
Increase/(decrease) in trade payables	(108,360)	18,744
Increase in provisions	48,410	39,378
Decrease in other liabilities	(271,415)	(1,303,184)
	<u>4,141,475</u>	<u>(567,540)</u>
Net cash flows from operating activities	4,141,475	(567,540)

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

**12 Remuneration of auditors**

	<b>2019</b>	<b>2018</b>
	\$	\$
Auditing the financial report	14,500	14,000

EY Foundation provides the Lowy Institute with a donation equal to the audit fee charged each year. Overall, there is a nil net impact on the Statement of Comprehensive Income for auditor remuneration.

**13 Commitments**

**Operating leases**

Commitments in relation to operating leases contracted for at reporting date but not considered as liabilities are payable as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Non-cancellable operating leases		
Buildings	80,881	956,338
Other	37,216	37,481
Not longer than 1 year	118,097	993,819
Buildings	-	79,949
Other	66,948	102,741
Longer than 1 year and not longer than 5	66,948	182,690
<b>Total operating leases</b>	<b>185,045</b>	<b>1,176,509</b>

**Move to New Premises**

During the year, the Institute began a refurbishment project of 31 Bligh Street, Sydney at an estimated cost of \$6.9m. As at 30 June 2019, \$4.6m has been spent on leasehold improvements and associated costs and the Institute expects to incur the remaining \$2.3m within the next financial year.

**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

**14 Related party disclosures**

**Donations Received**

During the year The Lowy Foundation made donations to the Institute of \$8,449,800 (2018: \$3,928,310).

Approximately \$4.5 million was applied to the funding of the fit-out of the Institute's new premises at 31 Bligh St, Sydney.

**Donations Paid**

During the year Institute made a donation of \$142,207 (2018: nil) to the Council of Foreign Relations ("CFR"), a New York and Washington-based foreign policy institute with complementary research objectives, in order to support the research work of Ambassador Martin S. Indyk as a Distinguished Fellow of the CFR's Middle East Program. Ambassador Indyk is a director of the Lowy Institute and was already an employee of the CFR prior to this donation. The Institute is seeking to expand its presence in the United States by strengthening ties with the CFR. Closer relations with the CFR has significant advantages for the Institute, including providing access to some of its facilities, conducting joint events in the United States and facilitating greater interaction between scholars from the two institutions.

**Consulting Services**

During the year the Institute was charged \$90,000 (2018: \$90,000) for IT and financial services provided by LFG Services Pty Limited, all services are charged in arrears. LFG Services Pty Limited is a company associated with Sir Frank P. Lowy AC, Mr David H. Lowy AM, Mr Peter S. Lowy and Mr Steven M. Lowy AM.

The Directors of the Institute hold directorships in a range of other entities and there may be transactions between these entities and Institute within the ordinary course of business. Any such transactions are completed under normal trading terms.

	2019	2018
	\$	\$
<b>Key management personnel</b>		
Short-term employee benefits	1,287,008	1,417,869
Post-employment benefits	97,154	93,868
<b>Total compensation</b>	<u>1,384,162</u>	<u>1,511,737</u>

Compensation made to key management personnel during the year decreased due to parental leave payments and payment of outstanding employee entitlements made in the prior year.



**Lowy Institute for International Policy**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2019**

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**15 Significant accounting adjustments, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluate its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates under different assumptions and conditions.

Management has identified the following key accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. In June 2018 in anticipation of the move to new premises, the Institute reassessed the useful lives of assets relating to the occupation of 1 Bligh St, Sydney and the depreciation on those assets was accelerated.

*Long service leave*

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

**16 Subsequent events**

No matter or circumstance has arisen since the end of the financial year which has 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.

**17 Additional company information**

The Lowy Institute for International Policy is a company limited by guarantee which was incorporated in New South Wales. The Constitution of the Institute provides that the liability of members is limited.

Each member guarantees to contribute up to a maximum of ten dollars to the assets of the Institute if it is wound up while he or she is a member, or within one year afterwards, and at the time of winding up the debts and liabilities of the Institute exceed its assets. The liability of each member is limited to making such contribution and no more.

As at 30 June 2019 the Institute had seven ordinary members (2018: seven).