

Lowy Institute for International Policy

ABN 40 102 792 174

General Purpose Financial Report for the year ended 30 June 2018

Lowy Institute for International Policy
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for the year ended 30 June 2018

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

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
Ian J. Macfarlane AC (Resigned 10 November 2017)
Mark Ryan
The Hon. James Spigelman AC
Joanna Hewitt AO
Penny Wensley AC
Glenn Stevens AC (Appointed 10 November 2017)

Company Secretary

Louisa Fitz-Gerald (Resigned 24 August 2018)
Milton Cockburn (Appointed 24 August 2018)

Registered office

Level 4, 131 Macquarie Street
Sydney, NSW 2000

Principal place of business

Level 3, 1 Bligh Street
Sydney, NSW 2000

Postal Address

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Australia Square NSW 1215, Australia

Contact Details

Website: www.lowyinstitute.org
Telephone: +61 2 8238 9000
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Auditors

Ernst & Young
200 George Street
Sydney, NSW 2000



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200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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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 2018, 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.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A simple horizontal line drawn in black ink, serving as a signature or separator.

Kathy Parsons
Partner
24 August 2018

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 2018, 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 2018 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*

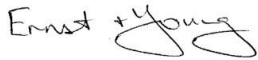
We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with 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 2018, 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 2018 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
24 August 2018

Lowy Institute for International Policy
Directors' Declaration
for the year ended 30 June 2018

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:

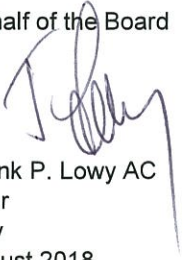
(a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-for-Profit Commission Act 2012*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 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
24 August 2018

Lowy Institute for International Policy
Declaration by Principal Officer in Respect to Fundraising Appeals
for the year ended 30 June 2018

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
Principal Officer
Sydney
24 August 2018

Lowy Institute for International Policy
Statement of Financial Position
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	5	11,650,186	12,367,686
Trade and other receivables	6	839,419	1,129,418
Total current assets		<u>12,489,605</u>	<u>13,497,104</u>
Non-current assets			
Property, plant and equipment	7	1,418,245	1,716,439
Total non-current assets		<u>1,418,245</u>	<u>1,716,439</u>
Total assets		<u>13,907,850</u>	<u>15,213,543</u>
Current liabilities			
Trade payables	8	592,522	503,615
Provisions	9	529,784	482,191
Other current liabilities	10	2,579,660	10,813,527
Total current liabilities		<u>3,701,966</u>	<u>11,799,333</u>
Non-current liabilities			
Provisions	9	51,862	60,077
Other non-current liabilities	10	7,255,816	325,133
Total non-current liabilities		<u>7,307,678</u>	<u>385,210</u>
Total liabilities		<u>11,009,644</u>	<u>12,184,543</u>
Net assets		<u>2,898,206</u>	<u>3,029,000</u>
Equity			
Accumulated funds		2,898,206	3,029,000
Total equity		<u>2,898,206</u>	<u>3,029,000</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 2018

	Note	2018 \$	2017 \$
Continuing operations			
Charitable/fundraising activities	3(a)	5,609,024	5,712,800
Research grants		3,111,830	2,338,427
Subscriptions and other income		255,917	104,206
Interest income		52,130	57,924
Total revenue		<u>9,028,901</u>	<u>8,213,357</u>
Expenses			
Internal research and management		(4,803,856)	(4,234,822)
Administration and operating expenses		(2,057,141)	(2,080,451)
Depreciation expense	3(b)	(505,150)	(431,455)
Loss from disposal of fixed assets		(20,561)	(154,726)
Conference and publication expenses		(896,974)	(708,441)
External commissioned research		(464,442)	(522,782)
Marketing and other event expenses		(411,571)	(443,980)
Surplus/(loss) before tax		<u>(130,794)</u>	<u>(363,300)</u>
Income tax expense	1(f)	-	-
Net surplus/(loss) for the year from continuing operations		<u>(130,794)</u>	<u>(363,300)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>(130,794)</u>	<u>(363,300)</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 2018

	Accumulated Funds \$
At 1 July 2017	3,029,000
Loss for the year	(130,794)
Other comprehensive income	-
Total comprehensive loss for the year	(130,794)
At 30 June 2018	2,898,206
	Accumulated Funds \$
At 1 July 2016	3,392,300
Loss for the year	(363,300)
Other comprehensive income	-
Total comprehensive loss for the year	(363,300)
At 30 June 2017	3,029,000

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 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Donations received		3,942,560	4,128,808
Research fees and other income		4,170,756	3,310,792
Payments to suppliers and employees		(8,936,824)	(8,196,939)
Interest received		255,968	379,293
Net cash used in operating activities	11	<u>(567,540)</u>	<u>(378,046)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(157,354)	(384,827)
Net cash used in investing activities		<u>(157,354)</u>	<u>(384,827)</u>
Net decrease in cash and cash equivalents			
		(724,894)	(762,873)
Cash and cash equivalents at the beginning of the financial year		12,367,686	13,135,142
Effects of exchange rate changes on cash		7,394	(4,583)
Cash and cash equivalents at the end of the financial year		<u><u>11,650,186</u></u>	<u><u>12,367,686</u></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 2018

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Lowy Institute for International Policy
Notes to the Financial Statements
for the year ended 30 June 2018

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 24 August 2018.

(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 2018

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 2018

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 2018

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 2018 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 2018

3 Revenue and expenses	2018	2017
	\$	\$
(a) Revenue from charitable/fundraising activities consists of the following items:		
Donation income	3,945,559	4,143,485
Sponsorships	436,799	449,315
Corporate and government membership	1,226,666	1,120,000
	<u>5,609,024</u>	<u>5,712,800</u>
(b) The surplus/(loss) from operations includes the following items of expenses from continuing operations:		
Depreciation expense	505,150	431,455
Employee benefits expense:		
Wages & Salaries	4,269,778	3,790,797
Superannuation	387,012	213,873
	<u>4,656,790</u>	<u>4,004,670</u>
4 Charitable/fundraising activities	2018	2017
	\$	\$
Income from charitable/fundraising activities	5,609,024	5,712,800
Expenses from charitable/fundraising activities consist of the following:		
Wages & Salaries	(124,072)	(144,622)
Superannuation	(8,412)	(10,329)
Administration and operating expenses	(3,118)	(14,131)
Net surplus from charitable fundraising activities	<u>5,473,422</u>	<u>5,543,718</u>
(i) Comparison of total cost of fundraising to gross income from fundraising:		
Gross income	5,609,024	5,712,800
Total cost of fundraising	(135,602)	(169,082)
Percentage of gross income	2.42%	2.96%
(ii) Comparison of net surplus from fundraising to gross income from fundraising:		
Gross income	5,609,024	5,712,800
Net surplus from charitable fundraising activities	(5,473,422)	(5,543,718)
Percentage of gross income	97.58%	97.04%

Lowy Institute for International Policy
Notes to the Financial Statements
for the year ended 30 June 2018

4 Charitable/fundraising activities (cont)	2018	2017
	\$	\$
(iii) Comparison of total costs of research provided to total expenditure:		
Total expenditure	(9,159,695)	(8,576,657)
Total costs of research provided	(6,827,847)	(5,893,232)
Percentage of gross expenditure	74.54%	68.71%
(iv) Comparison of total costs of research provided to total income received:		
Total income	9,028,901	8,213,357
Total costs of research provided	(6,827,847)	(5,893,232)
Percentage of total income	75.62%	71.75%
5 Cash and cash equivalents	2018	2017
	\$	\$
Cash on hand and in bank	11,650,186	12,367,686
6 Trade and other receivables	2018	2017
	\$	\$
Trade receivables	145,129	375,643
Other receivables	423,626	485,320
Goods and Services tax (GST) receivable	92,241	83,438
Prepayments	178,423	185,017
	<u>839,419</u>	<u>1,129,418</u>

Lowy Institute for International Policy
Notes to the Financial Statements
for the year ended 30 June 2018

7 Property, plant and equipment

**Year ended:
30 June 2018**

Property, plant and equipment at cost

	Leasehold Improvements	Leasehold Improvements WIP	Plant and Equipment	Total
	\$	\$	\$	\$
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

Depreciation and impairment

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

**Year ended:
30 June 2017**

Property, plant and equipment at cost

	Leasehold Improvements	Leasehold Improvements WIP	Plant and Equipment	Total
	\$	\$	\$	\$
Balance as at 1 July 2016	1,197,216	-	925,540	2,122,756
Additions	111,714	-	324,243	435,957
Disposals	(10,240)	-	(244,183)	(254,423)
Balance as at 30 June 2017	1,298,690	-	1,005,600	2,304,290

Depreciation and impairment

Balance as at 1 July 2016	(115,097)	-	(140,996)	(256,093)
Depreciation	(220,502)	-	(210,953)	(431,455)
Disposals	2,346	-	97,351	99,697
Balance as at 30 June 2017	(333,253)	-	(254,598)	(587,851)
Net carrying amount	965,437	-	751,002	1,716,439

8 Trade payables

Trade and other payables
GST Payable

2018 \$	2017 \$
540,551	420,323
51,971	83,292
592,522	503,615

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
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9 Provisions	2018	2017
	\$	\$
Current		
Employee entitlements	529,784	482,191
	<u>529,784</u>	<u>482,191</u>
Non-current		
Employee entitlements	21,955	31,000
Make good provisions	29,907	29,077
	<u>51,862</u>	<u>60,077</u>
10 Other liabilities	2018	2017
	\$	\$
Current		
Unearned revenue	2,579,660	10,813,527
	<u>2,579,660</u>	<u>10,813,527</u>
Non-current		
Unearned revenue	7,255,816	325,133
	<u>7,255,816</u>	<u>325,133</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 \$8,320,731 (2017: \$9,550,200) of unspent funds associated with the grant was included in unearned revenue as at 30 June 2018. 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. From 25 June 2018, the Institute has the right to defer settlement of the liability for more than 12 months and for this reason \$6,918,948 (2017: nil) has been restated as non-current.

11 Notes to the statement of cash flows	2018	2017
	\$	\$
(a) Reconciliation of cash and cash equivalents		
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	11,650,186	12,367,686
	<u>11,650,186</u>	<u>12,367,686</u>
(b) Reconciliation of surplus for the period to net cash flows from operating activities		
Net deficit for the year	(130,794)	(363,300)
Depreciation expense	505,150	431,455
Loss from disposal of fixed assets	20,561	154,726
Unrealised foreign exchange differences	(7,394)	4,583
(Increase)/decrease in trade and other receivables	289,999	(5,180)
Increase/(decrease) in trade payables	18,744	(69,896)
Increase in provisions	39,378	32,394
Decrease in other liabilities	(1,303,184)	(562,828)
Net cash used in operating activities	<u>(567,540)</u>	<u>(378,046)</u>

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12 Remuneration of auditors

	2018	2017
	\$	\$
Auditing the financial report	14,000	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:

	2018	2017
	\$	\$
Non-cancellable operating leases		
Buildings	956,338	920,481
Other	37,481	41,666
Not longer than 1 year	993,819	962,147
Buildings	79,949	1,029,113
Other	102,741	131,326
Longer than 1 year and not longer than 5	182,690	1,160,439
Total operating leases	1,176,509	2,122,586

14 Related party disclosures

Donations

During the year The Lowy Foundation made donations to the Institute of \$3,928,310 (2017: \$4,051,327).

Consulting Services

During the year the Institute was charged \$90,000 (2017: \$79,000) 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. There was \$107,419.39 owing to LFG Services Pty Limited as at 30 June 2018 (2017: \$8,337.29) including reimbursement of costs paid by LFG on behalf of the Institute.

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.

	2018	2017
	\$	\$
Key management personnel		
Short-term employee benefits	1,417,869	1,212,951
Post-employment benefits	93,868	90,707
Total compensation	1,511,737	1,303,658

Compensation made to key management personnel during the year increased due to parental leave payments and payment of outstanding employee entitlements to key management personnel following their resignations.

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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 as well as manufacturers' warranties. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

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 2018 the Institute had seven ordinary members (2017: seven).