

ANNUAL REPORT

2006-2007

A S P I

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AUSTRALIAN
STRATEGIC
POLICY
INSTITUTE





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10 September 2007

The Hon Brendan Nelson MP
Minister for Defence
Parliament House
CANBERRA ACT 2600

Dear Minister

The Council of the Australian Strategic Policy Institute has pleasure in submitting to you our Annual Report for the year ended 30 June 2007.

The report is presented to you in accordance with section 36 of the *Commonwealth Authorities and Companies Act 1997*.

The report has been prepared to also conform with the requirements of the *Corporations Act 2001*.

Yours sincerely



Mark Johnson
Chairman



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A MESSAGE FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

The year 2006–07 marks the sixth year of ASPI's operations and an important period in the evolution of the Institute. Moving on from its inception as a publications-based research organisation, ASPI is now a multifaceted organisation which not only continues to produce publications to inform the public and drive the strategic policy debate, but also administers an events program which engages some of the world's foremost authorities on strategic and defence policy and national security.

Considerable effort has been devoted to developing the strategic plan for the future direction and management of ASPI, and implementation of this plan commenced in 2006–2007.

ASPI's goal is to be recognised as Australia's leading national security, strategic and defence policy research centre, so the Institute's output must continue to innovate, challenge and inform the public as well as relevant decision-makers and their advisers in the policy community. This goal demands that ASPI attract and retain talented staff and reaches its various audiences with clearly targeted communications.

We seek to develop partnering arrangements to improve the impact of ASPI activities; through collaboration with government, business, academic and research entities; and, facilitation of inter-disciplinary, inter-sectoral, and whole-of-government interactions. This has been a significant aspect of the expansion of the Institute's events program in 2006–2007.

We also continue to work to secure a financial foundation for growth in ASPI activities. Commonwealth funding is the critical enabler for ASPI operations, but the Institute has been successful in developing new streams of funding that have supported expanded research and events programs. The growth in commissioned tasks has been very encouraging and indicative of an expanding awareness in government of the utility of the Institute as a source of independent analysis. The introduction of a corporate partner program involving significant sponsors of events foreshadows the development of deeper relationships with selected business entities. The expansion of activities during 2006–2007 continued



towards the assessed sustainable capacity of the organisation at current staff and other resource levels; further expansion beyond 2007-2008 will be dependent on the availability of additional resources.

2006-07 also represents the penultimate year of the existing funding agreement between ASPI and the Commonwealth. The Minister for Defence commenced a review of ASPI's operations, to examine the performance of the Institute and consider its future operations and funding. The outcomes of this review will be considered during 2007-2008.

This report demonstrates that ASPI has had a highly productive year with some notable accomplishments, particularly the commencement of additional publications and events designed to increase the level of interaction between subject matter experts and the strategic policy community. The Council is confident of the continued and successful development of the Institute and its relevance to fundamental and important issues for Australia.

A handwritten signature in black ink that reads "Mark Johnson".

Mark Johnson
Chairman

A handwritten signature in black ink that reads "Peter Abigail".

Peter Abigail
Executive Director

‘...the kind of approach the Institute has brought to an examination of Australia’s strategic challenges and the number of, and range of people that you have assembled to take part in this conference certainly vindicates the government’s faith, both in the concept and also the people who are now giving leadership to the Institute.’

The Hon. John Howard MP, Prime Minister of Australia speaking at the ASPI Global Forces Conference, September 2006.





CHAPTER

1

REPORT ON OPERATIONS 2006–07

OUTCOMES

OUTPUTS

ENGAGING WITH THE BROADER COMMUNITY

OTHER WAYS WE MEET OUR MANDATE

SOURCES OF FUNDING

FUTURE PROSPECTS

During the 2006–07 financial year ASPI continued to build upon the solid foundation established in its first five years of operations and developed new initiatives to meet the needs of its stakeholders and diversify its funding base. The Institute reached wider audiences and engaged more productively with government and business sectors, further enhancing its reputation as Australia’s leading defence and security policy research centre.

The opinions of the Institute’s staff continue to be highly sought by commentators in the media, and its policy analysis and ideas generate considerable interest both inside government and among other interested stakeholders within industry, academia and the general public. This report sets out the achievements of ASPI in terms of our outputs and the contribution we made against the objectives of the organisation.

Our outputs take various forms. We produce a range of publications that deal with the full spectrum of strategic and defence policy challenges as well as wider national security issues. During 2006–2007 we expanded our publications program to provide more accessible reports including through the introduction of web-based products. We also conduct significant numbers of events each year; which include seminars, conferences, luncheons, dinners, bilateral dialogues, roundtable discussions, and a program of international visitors. Some of these events are focused on facilitating interactions between members of the policy community whilst others are open to wider attendance. Each of our outputs contributes to at least one of our objectives, but more often they deliver benefits across a range of outcomes.

OUTCOMES

ASPI’s constitution establishes four broad purposes for the Institute. They are:

1. To encourage and inform public debate and understanding of Australia’s strategic and defence policy choices

Public attitudes and opinions about the kinds of choices we make as a nation are critical. An open and frank exchange of views adds greatly to the robustness of public policy development. Of course, the quality of public debate depends substantially upon the quality and accessibility of information in the public forum. In recent years the government has undertaken some important initiatives on this front. However, a sustained program of public consultation on strategic and defence issues also needs the support of other independent organisations. ASPI has a special and unique role in this area.

2. To provide an alternative source of policy ideas to government

Contestability lies at the heart of the reason for establishing the Institute. By focusing on major challenges across the range of key strategic, defence and national security policy areas, ASPI provides independent advice to government. Sometimes that advice might confirm the advice from official sources. But at other times it offers quite different views from those proposed by government agencies. In the end contestability provides for the competition of ideas and contributes to generating a debate among decision-makers, and this leads to better informed strategic decisions for Australia.

3. To nurture expertise in defence and strategic policy

ASPI helps Australians in government, the Australian Defence Force (ADF), universities, the media, industry and other sectors develop their strategic policy skills and improve their understanding of the practical issues that confront Australian decision-makers. Australia needs a body of strategic and defence policy experts, sufficiently large and diverse to ensure that issues and ideas are developed and debated fully, and from a range of angles and perspectives. Many of our universities provide excellent courses in defence and strategic studies, but more can be done to foster interest and expertise in those issues and questions which confront Australia as it makes strategic choices about its future. ASPI has a role to play in the development of this expertise.

4. To promote international understanding of Australia's strategic and defence policy perspectives

ASPI also works to explain Australia's strategic and defence policies and perspectives to our neighbours, our region and our key security partners. ASPI's key focus is on Australian concerns and priorities. However, through its program of research and publications, through seminars and workshops, through hosting international experts on visits to Australia, through participation in international conferences, and through formal dialogues, ASPI aims to help others understand Australia's strategic perceptions and responses.

Equally important, we also aim to learn from our visitors, seeking ways in which their perspectives and expertise can help us see Australia's strategic policy and defence requirements in new ways.

OUTPUTS

The Institute's outputs are the means by which we achieve our objectives. We now have a well-developed program of publications, events and other initiatives that contribute to the delivery of our outcomes.

Publications

The objective for ASPI's publications program is to produce products that are:

- accessible and readable
- accurate and authoritative
- handsomely presented
- cost-effective.

More specifically, our key performance indicators for the program of published research are:

- Publication of the program of major studies and annuals according to the schedule, and within budget.
- Each publication meeting the following criteria to a high degree:
 - independent and as far as possible non-partisan
 - rigorous, accurate and well-informed
 - innovative and original
 - well presented and accessible to wide and diverse audiences
 - integrated into wider national debates, both within government and in the public arena.
- Each publication receiving positive responses from our key customer groups and stakeholders, to be monitored by the staff and reported to the Research Committee:
 - government, especially Ministers', evaluation of the product, in terms of their contribution to policy development—to be evaluated on the basis of spontaneous responses and structured feedback
 - public responses, gauged by the extent to which the publications are used and discussed in further public comment.

In 2006–07 ASPI produced six distinct publication formats for general distribution. Our principal publication is the *Strategy* series, developed to provide a detailed analysis of major strategic policy questions, and provide an informed set of recommendations for consideration by government and the broader community. The *Strategy* series commenced in 2004 and now covers a wide range of strategic issues across the course of the year. Complementing the *Strategy* series are the *Strategic Insights*. These shorter papers provide background information or comment on specific issues as they arise in the public debate in a format comparable to the larger *Strategy* publications.

Our third style of publication is a 'yearbook' series. ASPI produces an annual analysis on the Defence Budget, titled the *Cost of Defence*. It has made a permanent impact on the quality of the debate on the budgetary and management aspects of the Defence portfolio, and has gained the attention of Members of Parliament and Senators, interested government agencies and media commentators.

We also produce, on a biennial basis, the ASPI *Australian Defence Almanac* which has become our most sought after individual title.

Introduced in 2006–07, the *Special Report* series provides a very cost-effective vehicle for dissemination of analyses and comment on a wide range of issues. These are less complex documents, however the content maintains the high standards of analysis and production ASPI is known for.

Also introduced in 2006–07 are the web-based *Strategic Policy Forum* and *Policy Analysis* series. An online collaboration between ASPI and other subject matter experts, the *Strategic Policy Forum* presents a virtual discussion to give different perspectives on topical issues. The aim of the *Policy Analysis* series is to provide concise analysis of topical issues by individual ASPI experts. Both forms of web-based publication are designed to foster debate among internet users.

ASPI also produces specific reports and/or other activities commissioned by individuals or organisations. This work is separate from our core research and publications programs and is funded independently by the commissioning organisation. The key customer for this type of work, including classified tasks, is government. Our commissioned studies may be carried out solely for the client, or subject to their agreement, may be released later to the public in an appropriate form.

Publication	Achievement
Strategy	6
Strategic Insights	9
Cost of Defence	1
Australian Defence Almanac	1
Special Report	6
Strategic Policy Forum	2
Policy Analysis	9

A list of ASPI's 2006–07 publications is provided in Annex A.

Events

ASPI's events program embraces a range of different audiences with key objectives tailored for each type. Restricted events, which include most seminars and roundtables as well as strategic dialogues, involve mainly members of the security community, address specific issues related to policy development, and are normally conducted under the terms of the Chatham House Rule. Next, a number of new events initiatives including the *National Security Dinner* series and *Parliament House Addresses* are limited to invited attendees who are drawn from various sections of the Australian community. And finally, open events, such as the *Defence and Security Luncheons* and the *Global Forces Conference*, are designed to provide opportunities for the widest possible audience to engage with leading Australian and international strategic thinkers.



Prime Minister Howard speaking at an ASPI Parliament House Address, 21 March 2007.
AAP/Alan Porritt © 2007 AAP



ASPI Council Members, Jim Wallace and Stephen Loosley with a guest at ASPI's corporate cocktails evening for sponsors and supporters of the Institute on 15 November 2006.



ASPI Chairman, Mark Johnson opens the ceremony to help celebrate ASPI's fifth successful year of operations on 28 August 2006.

National Security Seminars

A new initiative in 2006–2007, the National Security Seminars is geared towards sharing ideas within the strategic policy and national security communities. ASPI along with sponsor Booz Allen Hamilton fulfils a facilitation role in bringing participants from different portfolios, jurisdictions, and sectors together to discuss topical national security issues. The series is by invitation only, and conducted under the Chatham House Rule allowing the participants to speak freely and exchange ideas.



Participants at the “Evaluating performance in national security initiatives: the case of transport security” National Security Seminar, May 2007, held in the Sir Donald Bradman Room at Manuka Oval.

Roundtable Discussions/Forums

ASPI hosts many Roundtable forums at its Barton premises throughout the year, engaging a wide range of international and Australian experts in discussions about strategic and national security affairs. Many forums are convened at the request of overseas visitors seeking direct interaction with ASPI staff. Others are initiated by the Institute in support of its research program.

International Strategic Dialogues

ASPI supports Australian diplomacy by conducting 1.5 Track dialogues with institutions from China, Japan and India on a regular basis. In 2006–07 the focus for such exchanges was on China and India: ASPI hosted a delegation from the China Institute for International Strategic Studies in Canberra in October 2006, and then sponsored an Australian delegation for talks in New Delhi in December 2006.

These events gave ASPI staff insights into international attitudes and perspectives, and provided an opportunity for ASPI to inform interlocutors about Australian approaches and perspectives on key challenges to international security.



The 5th Australia-India Security Roundtable was hosted by the Indian Council of World Affairs (ICWA) in New Delhi, India, on 5–6 December 2006. This Dialogue is an initiative of the Australian Strategic Policy Institute supported by the Australia India Council, and the Australian Department of Foreign Affairs and Trade.

National Security Dinners

In 2006–07, we introduced a series of National Security Dinners. ASPI with Thales as the sponsor will hold three of these dinners each year in Canberra and state capital cities with the aim of facilitating interactions between Cabinet Ministers (and their Opposition and foreign counterparts) and selected audiences on matters of national security interest. The inaugural dinner was held in Canberra in June 2007.

ASPI Parliament House Addresses

Another innovation has been the utilisation by ASPI of the Parliament House Theatre for an annual series of two to three addresses by distinguished speakers on topics of major national security interest. Mr John Howard MP, Prime Minister of Australia delivered the inaugural address to an audience of 150 invited guests on 21 March, 2007.

Defence and Security Luncheons

ASPI with Unisys as the sponsor will hold a series of Defence and Security Luncheons continued through 2006–07. The aim of these events is to bring together people from a wide range of backgrounds, both to draw upon their experience and to enhance their understanding of strategic and defence policy issues. In June 2007, we expanded the location of these luncheons beyond Canberra with one being held in Sydney. The intention is to host further luncheons in selected state capital cities each year.



His Excellency Mr Chang-Beom Cho, Ambassador, Embassy of the Republic of Korea (ROK) was ASPI's guest presenter on Tuesday 17 October 2006 where his speech was titled 'Korean Security and Economic Prospects'.



Professor Pape provided an overview of the research he and his team of 10 have been conducting into suicide bombings since 1980 at an ASPI Defence and Security Luncheon on 1 September, 2006.

Global Forces 2006 International Conference

ASPI conducted its second *Global Forces* international conference in Canberra on 26–27 September 2006. A group of distinguished Australian and overseas speakers exchanged different perspectives on strategic and security matters with the audience. The focus was on bigger geopolitical issues shaping Australia's strategic landscape. These include forces such as globalisation; identity politics and the rise of fundamentalist movements; questions surrounding economic and environmental sustainability; and, shifts in geopolitics stemming from the emergence of new economic powerhouses, such as India and China.

Speakers included:

The Honourable John Howard MP, Prime Minister of Australia

Professor Paul Cornish, Chair of the International Security and Head of the International Security Programme, Chatham House, London

Dr Dino Patti Djalal, Special Staff for International Affairs to the President of Indonesia, Jakarta

Dr Ligia Noronha, Director, Resources and Global Security Division, The Energy and Resources Institute, New Delhi

Dr Ashley J Tellis, Senior Associate, Carnegie Endowment for International Peace, Washington D.C.

Dr Chung Min Lee, Visiting Professor, Lee Kuan Yew School of Public Policy, National University of Singapore

Dr Philip Gordon, Senior Fellow for US Foreign Policy, The Brookings Institute, Washington D.C.

Dr Gerard Chaliand, former Director of the European Center for the Studies of Conflicts (Foundation for Strategic Research), Paris

Mr Allan Gyngell, Executive Director, The Lowy Institute for International Policy, Sydney

The proceedings of the *Global Forces* Conference were published in a two-part *Strategy* publication in December 2006.

The conference was attended by over 220 delegates. With the notable attendances by:

The Hon. Dr Brendan Nelson—Minister for Defence

Ric Smith—Secretary of Department of Defence

General John Baker (Retd) —former Chief of the Defence Force



Prime Minister John Howard was the keynote speaker for ASPI's second Global Forces International Conference held at the Hyatt Hotel, Canberra on 26 September 2006.

Professor Paul Dibb—Strategic and Defence Studies Centre, Australian National University

Professor Hugh White—Strategic and Defence Studies Centre, Australian National University

Mr Paul Kelly—The Australian Newspaper

Mr Geoffrey Barker—The Australian Financial Review

Sponsors included: Department of Defence, Thales, KBR, Noetic, Lockheed Martin

Distinguished Visitor Program

In its efforts to provide Australian policy advisers and practitioners with access to leading strategic thinkers and commentators, ASPI sponsored a visit to Canberra by Professor Bruce Hoffman of Georgetown University, Washington in May 2007. Through a program of seminars, lunch and dinner speaking engagements, and interviews, Professor Hoffman was able to engage a wide audience in discussions about terrorism and counter-terrorism strategies.

The distinguished visitor program is a new initiative, where ASPI intends on hosting a few international experts similar to Professor Bruce Hoffman over the next few years. This program would be most beneficial to the strategic and security advisers or policy planners as it would process access to international or domestic specialists normally unavailable to the Australia Strategic Policy Community.



Professor Hoffman speaking at an ASPI-Unisys Defence and Security Luncheon, 30 May 2007.

A summary of major events conducted in 2006–07 is tabled below.

Major Events	Achievement
National Security Seminars	1
Roundtable Discussions/Forums	24
1.5/2nd Track dialogues	2
National Security Dinners	1
ASPI Parliament House Addresses	1
Defence and Security Luncheons	8
Global Forces International Conference and Dinner	1
Distinguished Visitor Program	1
Annual Scholars Exchange	1

More detail on the 2006–07 Events Program can be found in Annex B.

Commission Tasks

This year saw an increase in the amount of commissioned work undertaken by ASPI; from five in 2005–2006, up to eight in 2006–2007. The majority of the tasks were completed by ASPI staff although we have utilised expertise from leading academic institutions and industry when necessary.

ASPI’s capability to undertake commissions is an important part of our work and an area with considerable potential for expansion, including undertaking classified studies and reports.

Commission Tasking Agency	Achievement
Department of Defence	4
Department of Foreign Affairs and Trade	1
Office of National Assessments	1
Department of Finance and Administration	1
Ministry of Defence (France)	1

ENGAGING WITH THE BROADER COMMUNITY

Media

ASPI continues to play an important role in the media. Our media profile can be measured in a number of ways: the breadth of coverage, its frequency and its quality. ASPI is a leading source of new ideas and information to support the public debate.

ASPI's active participation in the media is part of the organisation's strategy for encouraging and informing public debate and nurturing expertise in defence and strategic issues. Our involvement with the media through the production of articles and through media interviews provides a more powerful means of communicating with the public than relying solely on the distribution of our publications or access to our products through the internet.

ASPI Outreach Dialogues

A new series of domestic security forums were convened under the auspices of the ASPI outreach program. The forums are an initiative by which invited participants from various stakeholder groups are able to voice their opinions on important security challenges facing the country. This marks an evolution of the outreach program from the earlier program of open public discussions to more focused meetings where the community at large is represented by invited stakeholder groups.

Three forums were held in state capitals over the past year on the broad topic of counter-terrorism—one that has a strong resonance in the Australian community. Findings from the forums also helped to inform research into two ASPI domestic security publications that received extensive media coverage.

The first of these forums was held in Adelaide in October 2006, and examined South Australia's counter-terrorism arrangements. Significantly, the forum explored many important issues faced by 'small state' jurisdictions in addressing terrorist incidents. Invited forum participants were drawn from government, industry and academia, and represented a broad cross-section of the domestic security sector in South Australia.

The second forum took place in Perth in March 2007. This forum looked at the impact of terrorism on the university sector in Western Australia. A range of important issues were discussed under the following headings: universities as targets, storage and use of hazardous materials, socialisation of students, exposure to extremism, government regulation, and

universities as centres of expertise for security agencies. The forum was attended by academics and administrators from all of Western Australia's five universities.

The third forum was held in Sydney in June 2007 on the topic of the media and terrorism reporting. The forum engaged peak industry bodies, working journalists, media managers, academics and representatives from government. Forum participants discussed a range of highly topical issues, including: legal restrictions on terrorism reporting, government media liaison and public information dissemination, the role of media in the war on terror, industry codes of practice, technical issues associated with terrorism reporting, and training for reporters covering terrorism.

The achieved results from the Outreach program for 2006–07 are tabled below.

Outreach Program	Achievement
Outreach Seminars (Capital Cities)	3

OTHER WAYS WE MEET OUR MANDATE

ASPI is committed to fostering the next generation of strategic policy thinkers. The Institute manages its own internship program and also hosts interns through the Australian National Internships Program (ANIP).

The ASPI internship program gives the next generation of strategic thinkers the opportunity to contribute to ASPI research projects and also to conduct their own research projects for future publication either by ASPI or independently.

For 2006–07, ASPI engaged four interns who made important contributions to research projects and publications, and occasional appearances before Senate inquiries. Examples of reports and publications with significant interns input include:

- a commissioned study for the French Ministry of Defence
- ASPI Policy Analysis titled *Responding to radical Islamist ideology: The case of Hizb ut-Tahrir in Australia*
- the ASPI Special Report titled *A change in climate for the Australian Defence Force*.

The ANIP is a hands-on opportunity for a student to go into a workplace and undertake a research project for which they get significant academic credit. The major focus is the completion of a Research Report. ASPI is pleased to support this program as it offers a valuable introduction for students to the development of strategic policy in the workplace. Four students were placed with ASPI under the ANIP in 2006–2007.

ASPI will continue seeking new ways of developing young students and graduates. All of our senior staff has taken the opportunity to address student groups and we are building linkages with universities and student societies with an interest in international affairs. In support of these endeavours ASPI sponsors selected students to attend the annual Global Forces Conference held in Canberra.

SOURCES OF FUNDING

The Institute's major source of funding is through the Department of Defence. A seven year funding agreement was established in August 2001, at the commencement of our operations. This agreement is effective until 30 June 2008.

Commonwealth funding remains our single most important source of income and covers the annual employee costs and operating overheads for the Institute and those elements of the research program which ASPI delivers to the Commonwealth each year. The products from our research program include a specific number of publications and events. Importantly, the Institute's research and events programs extend beyond levels supported by Commonwealth funding and this growing part of our operations is sustained by other sources of income.

ASPI raises approximately one quarter of its income from such sources. The major proportion of this comes from sponsorships and commissioned tasking including studies and reports prepared for government and other entities. Further supplementation comes from a membership scheme, the sale of publications, advertising, and registrations for events.

Review on future Commonwealth funding

A review into Commonwealth funding for ASPI beyond the current agreement commenced in June 2007. The Review Panel comprised Vice Admiral David Shackleton (Retd) AO (Chairman), Mr. Roger Beale AO, and Professor Meredith Edwards AM. The task of the Review was to assess:

- the performance of ASPI in meeting the underlying purposes as outlined in the government's commissioning charter letter
- the effectiveness of ASPI's activities
- whether ASPI is the best way to achieve the government's objectives, as set out in the charter letter
- ASPI's governance and management arrangements, with particular regard to ASPI's long-term stability, financial management and viability of business processes.

The conclusions of this review are scheduled to be considered by Cabinet in 2007-08.

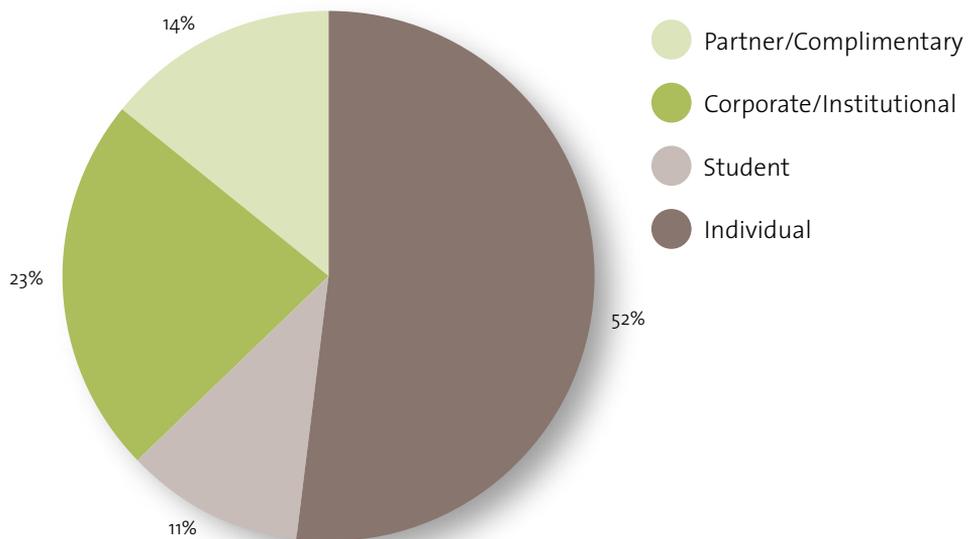
Memberships

Since the ASPI membership program was introduced in 2004–05, we have seen the number of members steadily increase to what appears now to be a sustainable level of around 420. Individual members constitute around 50 per cent of all memberships, a slightly smaller proportion than levels achieved in earlier years. However, the number of corporate and institutional memberships has grown, both in absolute terms and as a percentage of the total number. In 2005–06, the number of corporate and institutional ASPI members (including our corporate partners) was 77. For 2006–07, this figure increased to 102, representing an increase of 24% over the previous year.

In addition to these individual and corporate members ASPI outputs are also provided to over 500 Federal Parliamentarians and press gallery members each year.

The benefits of ASPI membership are subject to continuing review as the Institute’s business plan evolves. The aim is to achieve modest growth in the totals and geographic spread of our membership base.

2006–07 ASPI Memberships



Establishing relationships to build our business

Sponsorship is an important source of non-Commonwealth funds for ASPI and is the key enabler for many of our events. Our success in securing sponsors over the past two years has been encouraging and in 2006–2007 we adopted a new initiative designed to foster deeper relationships with sponsors through the introduction of a corporate partners program. Under this program we seek longer term mutual commitments with business enterprises sharing our objectives concerning national security and the public debate. The program comprises four levels: Principal Corporate Partner, Major Corporate Partners, Corporate Partners, and Corporate Associates.

During 2006–2007 we secured five partners under the program:

- Major Corporate Partners: Thales Australia and Booz Allen Hamilton
- Corporate Partners: Unisys Australia and SMS Management and Technology
- Corporate Associate: Noetic Solutions.

Further partnerships are anticipated in 2007–2008. In addition to our partners ASPI also secured sponsorship for the 2006 Global Forces Conference from Lockheed Martin and Kellogg, Brown and Root (KBR).

FUTURE PROSPECTS

The operations of ASPI beyond 2007–2008 will, in large measure, be determined by the outcome of the Defence Funding Review and Cabinet’s consideration of its recommendations. However, the ASPI Council is confident the Institute will continue to prosper and deliver high quality analysis and advice in fulfilling its charter.

ASPI is committed to maintaining its contribution to the whole-of-government approach to national security. We are developing new initiatives with the goal of providing the right outputs to meet the needs of the strategic, defence and security policy, and wider Australian communities.

The ASPI strategic plan contemplates further expansion of capability including through the introduction of a new research program focused on transnational threats to Australia’s security, and the expansion of our strategic gaming expertise. We also anticipate developing our capacity to undertake classified studies in-house. Pending the outcome of the review we plan to implement these initiatives during 2007–2008 and 2008–2009.



ASPI Council



CHAPTER

2

CORPORATE GOVERNANCE

UHRIG REVIEW

COUNCIL MEMBERSHIP

REMUNERATION AND STAFFING COMMITTEE

FINANCE AND AUDIT COMMITTEE

RESEARCH COMMITTEE

SPONSORSHIP COMMITTEE

UHRIG REVIEW

The recommendations of the Uhrig Review into corporate governance of Commonwealth statutory authorities and office holders have been implemented during 2006–2007. The number of Council members (initially twelve) has been reduced to nine and the Secretaries of the departments of Defence and Foreign Affairs and Trade were removed from the Council, effective from 1 January, 2007.

The Uhrig Review also recommended that the Minister for Defence would issue an annual Statement of Expectations along the lines of the ASPI Charter Letter and to highlight any specific goals for the year. It was agreed that the current ASPI Charter Letter, ASPI Funding Agreement with the Commonwealth and the Constitution satisfied the requirements for a Statement of Expectations for 2006–07.

The Chairman of the ASPI Council endorsed a Statement of Intent for the Minister for Defence's approval, which outlined how ASPI would meet the Minister for Defence's Statement of Expectations. Once approved, the Statement of Intent will be incorporated on to the ASPI website.

COUNCIL MEMBERSHIP

For 2006–07, the Australian Strategic Policy Institute was governed by a Council of up to twelve directors representing experience, expertise and excellence across a range of professions including business, academia, government, and the Defence Force. The Council includes the nominees of the Prime Minister and the Leader of the Opposition, emphasising that the Institute is politically non-partisan.

The original Council membership was appointed by the Federal Government in July 2001. All members were appointed initially for a period of three years. In August 2004 the government decided to reappoint all Councillors whose initial appointments had expired. The appointment is for a further period of three years, under the same conditions and remuneration arrangements as their initial appointments. The Prime Minister and Leader of the Opposition were consulted about their nominees as part of this process.

COUNCIL CHAIRMAN

Mr Mark Johnson



Mr Johnson is the immediate-past deputy chairman of Macquarie Bank Limited where he has spent most of his career working in corporate finance, mergers and acquisitions, and underwritings and, more recently, helping to establish Macquarie's world wide resources group. Mark is chairman of Macquarie Infrastructure Group and chairman of The Australian Gas Light Company. Mark is one of the Prime Minister's three personal representatives to the APEC Business Advisory Council (ABAC) and a member of the WTO Advisory Group to Deputy Prime Minister Mark Vaile. He is also a director of the Victor Chang Cardiac Research Institute.

Mr Johnson was appointed as Chairman of the Council in August 2005.

DEPUTY CHAIRMAN

Major General Adrian Clunies-Ross (Retd) AO MBE



Major General Clunies-Ross was educated at Scotch College in Melbourne, the University of Queensland and the Royal Military College, Duntroon and is a graduate of the Australian Army Staff College, the United States Army Command and General Staff College, and the Joint Services Staff College. He was posted to the First Battalion, the Pacific Islands Regiment in Papua New Guinea from 1957 to 1960, and in 1962 he served as an original member of the Australian Army Training Team Vietnam. Following service with the 1RAR Battle Group he was posted as the first Senior Instructor, Tactics at the Officer Training Unit, Scheyville.

From 1968 to 1974 he served with 8RAR in Malaysia, South Vietnam and Australia in the appointments of Operations Officer, Second-in-Command and Commanding Officer. He was awarded the MBE in 1970 for operational service in South Vietnam. In 1984 he was appointed as Commander, First Division, and awarded the AO. From 1986 to 1990 he held the position of Chief of Operations in Canberra. Major General Clunies-Ross is currently Chairman of the National

Defence Committee of the Returned and Services League of Australia and was elected Chairman of the Council of the Australian War Memorial in November 2000. From June 2000 he served as a member of the 2000 Defence White Paper Community Consultation Team.

COUNCIL MEMBERS

The Hon Jim Carlton AO



Mr Carlton is the nominee of the Prime Minister. He was elected to the House of Representatives in 1977 and was Minister for Health in the Fraser Government. He served on the Defence Sub-Committee of the Joint Committee on Foreign Affairs, Defence and Trade, and held a number of Shadow Ministry positions in Opposition, including Shadow Minister for Defence from 1989 to 1990. From 1994 to 2001 he was Secretary General of the Australian Red Cross.

He led two parliamentary delegations overseas and in 1991 served as a Commonwealth Observer at the return of Zambia to democracy in free elections. He also served for two years on the Australian National Commission for UNESCO. In 1983 he attended the Senior Managers in Government Program at the John F Kennedy School of Government at Harvard University.

He now serves on the Boards of the PNG Sustainable Development Program Limited and the Australia New Zealand School of Government. Additionally he is a Senior Adviser with the Boston Consulting Group.

Professor Alan Dupont



Professor Alan Dupont is the foundation Michael Hintze Chair of International Security and Director of the Centre for International Security Studies at the University of Sydney. He holds a PhD in International Relations from the Australian National University and is a graduate of the Royal Military College, Duntroon, and the US Foreign Service Institute. Professor Dupont has worked on Australian defence and Asian security issues for more than thirty years as a strategist, diplomat, policy analyst and scholar. He was Senior Fellow for International Security at the Lowy Institute for International Policy,

a Sydney based think tank, and a Senior Fellow at the Australian National University's Strategic and Defence Studies Centre. During his time in government he served in the Departments of Defence and Foreign Affairs and Trade which included postings with the Australian embassies in Seoul and Jakarta, the latter as Counsellor.

He is a member of the Foreign Affairs Council, an advisory body to the Minister for Foreign Affairs, and a member of the Australian National Committee to the Council for Security Cooperation in the Asia-Pacific, the International Institute for Strategic Studies, London and a higher education representative to the ACT Accreditation and Registration Council.

Mr Stephen Loosley



Mr Loosley is the nominee of the Leader of the Opposition and was a member of the Community Consultation Team for the 2000 Defence White Paper. He was elected to the Senate in 1990 and served as Chairman of the Joint Standing Committee on Foreign Affairs, Defence and Trade and Chairman of the Senate Standing Committee on Regulations and Ordinances. He was ALP National President (1991–92). Since retiring from politics in 1995, Mr Loosley was appointed as an Ambassador for the UN Security Council election and was asked by the Minister for Foreign Affairs to act as an international observer during the 1999 Indonesian elections.

Mr Loosley is a member of the International Institute for Strategic Studies (London) and a Fellow of the Centre for International Legal Studies (Salzburg) as well as being a Fellow of the Australian Institute of Company Directors. Stephen has contributed chapters to the books *Australian-American Relations: Looking Toward the Next Century* by William T. Tow (South Yarra: McMillan Education—1998) and *The Wran Era* by Troy Bramston (The Federation Press—2005).

Mr Loosley is Principal Strategic Adviser at Babcock & Brown (Sydney) and chairs the Committee for Sydney. In addition, Stephen also serves on the Boards of the Partnership Executive of the National Rugby League; and the Australian-American Leadership Dialogue. He is a columnist for the *Sunday Telegraph* (Sydney), *The Australian* and the *New Zealand Herald* (Auckland).

Mr Paul McClintock



Mr McClintock has an impressive mix of private and public sector experience. He has extensive industry experience, including a strong background in investment banking. He has also served as Secretary to Federal Cabinet, a position that saw him manage the business program of the National Security Committee of Cabinet.

Mr McClintock has an established record of providing sound, high-level advice on matters of public policy. He has served on the boards of a number of private companies and public authorities and is currently Chairman of Symbion Health, Thales Australia and ADI. He was recently appointed Chairman of the Low Emissions Technology Demonstration Fund Expert Panel and Chairman of St Vincent's Centre for Applied & Clinical Research.

Mr McClintock resigned from the ASPI Council on 14 March 2007, to be the chair of Medibank Private.

Mr Des Moore



Mr Moore was employed for 28 years in the Commonwealth Treasury, during which time he headed the General Financial Economic Policy and Overseas Economic Relations divisions, and was a Deputy Secretary for five years. He was posted to the Royal College of Defence Studies, London, in 1972–73 and then to the Australian High Commission, London as Minister (Economic).

In 1987 Mr Moore resigned from Treasury to join the Melbourne-based Institute for Public Affairs (IPA) as Senior Fellow of the Economic Policy Unit. He was responsible in 1989 for the establishment by the IPA of the Pacific Security Research Institute. In the 1990s he lectured at the Queenscliff Staff College and in 1996 Mr Moore was invited to assist the Defence Efficiency Review. In 1996 Mr Moore established the Institute for Private Enterprise. He is also on the board of ARIA, which is responsible for managing the superannuation of Australian Government employees.

The Hon Jocelyn Newman AO



Mrs Newman is a graduate in law from the University of Melbourne and after several varied careers was appointed by the Parliament of Tasmania as Senator for Tasmania in 1986 and subsequently elected to that seat in 1987, 1990 and 1996. She held Shadow portfolios including Shadow Minister for Defence Science and Personnel. As Shadow Minister for Defence (1994 to 1996) Mrs Newman developed the Coalition Defence Policy for the 1996 Federal Election.

In government, Mrs Newman held the portfolios of Minister for Social Security, Minister for Family and Community Services, and Minister Assisting the Prime Minister for the Status of Women. From 1996 to 2001 she represented the Defence portfolio in the Senate. Mrs Newman retired from the Senate in February 2002.

Mrs Newman was appointed to the Australian War Memorial Council in late 2002. She was awarded an AO in the Queens Birthday Honours in June 2005.

Mrs Newman retired from the ASPI Council in late 2006, to take up a significant role in Cancer Australia and the National Cancer Agency Advisory Council.

Brigadier Jim Wallace (Retd) AM



Brigadier Wallace served with distinction in the Australian Army for many years after graduating from Duntroon, the British Army Staff College and the Australian College of Defence and Strategic Studies. He commanded the Special Air Service Regiment, Special Forces and the Army's mechanised brigade, and served with the United Nations in the Middle East. He is a respected commentator on defence and strategic matters and brings a valuable perspective to the Council as a recently serving senior Australian Defence Force officer.

Dr J Roland Williams, CBE



Dr Williams was born in the UK. He worked for the Royal Dutch/Shell Group for 36 years. From being Group World Coordinator for Natural Gas and Coal, he was appointed Chairman and CEO of Shell Australia in 1995. He retired from this position in 1999. Dr Williams is a Director of Boral Limited and Origin Energy Limited and is Chairman of the General Aviation Industry Action Agenda Strategic Industry Leadership Group.

EXECUTIVE DIRECTOR

Major General Peter Abigail (Retd) AO



Peter Abigail joined ASPI as Director in April 2005. Prior to that he spent 37 years in the Army before retiring in 2003. Following promotion to Major General in December 1996, he served in a range of senior leadership appointments in the Defence Organisation. As Assistant Chief of the Defence Force (Policy and Strategic Guidance) and then Head Strategic Policy and Plans (Australian Defence Headquarters) (1996 – 1998) he was responsible for key aspects of Defence policy, military strategy and capability development. As Deputy Chief of Army (1998–2000) he was responsible for managing the Army and its interaction with other Defence stakeholders. In his final appointment, as Land Commander Australia (2000–2002), he commanded all of the Army's operational forces, full time and reserves, including those that were committed to operations in East Timor, Bougainville and Afghanistan.

Attendance Table—Council

Council Meeting Attendance	29/8/06	16/11/06	23/02/07	25/05/07
Mr Mark Johnson (Chairman)	✓	✗	✓	✓
Major General Adrian Clunies-Ross (Retd) AO, MBE (Deputy Chairman)	✓	✓	✓	✓
Mr Michael L'Estrange	✗	✓		
The Hon Jim Carlton AO	✓	✓	✓	✓
Dr Alan Dupont	✓	✗	✓	✓
Mr Paul McClintock	✗	✓	✗	
Mr Des Moore	✓	✓	✓	✓
The Hon Jocelyn Newman AO	✓	✓		
Brig Jim Wallace (Retd) AM	✓	✓	✓	✓
Mr Ric Smith AO, PSM	✗	✓		
Dr J Roland Williams CBE	✓	✓	✓	✓
Mr Stephen Loosley	✓	✓	✓	✓
Major General Peter Abigail (Retd) AO			✓	✓

Committee membership

ASPI's Council is responsible for the overall direction of the Institute. A number of subcommittees have been formed with responsibility for overseeing different aspects of ASPI's work. The activities of these committees are described below. The ASPI Executive Director also attends these meetings.

REMUNERATION AND STAFFING COMMITTEE

The Remuneration and Staffing Committee has two broad areas of responsibility. The first is to establish and review the overall staffing plan for ASPI. This includes providing guidance to the ASPI Executive Director on the number of staff and the staffing profile (that is, the mix of senior researchers, interns and junior staff).

The second role of this committee is to provide guidance as to the level of remuneration that should be offered to senior staff on appointment.

Membership includes Mr Johnson and Dr Williams.

FINANCE AND AUDIT COMMITTEE

The Committee is responsible for allocating money and reviewing the broad financial impacts of meeting the agreed ASPI work program. It sets expenditure targets for the Institute and oversees the preparation of financial reports required by the Corporations Act and the Commonwealth Authorities and Companies Act. It also now incorporates managing and reviewing the internal and external audit process, numerous risk management issues, and the adequacy of ASPI's accounting, financial and operating controls. The committee also reviews regular reports from the external and internal auditors on matters that arise in the performance of their respective roles.

The Finance and Audit Committee also assists in developing strategies for expanding the income base of the Institute. It also reviews the performance of the Institute in respect of the Funding Agreement with Defence.

The committee remains responsible for establishing a policy for financial delegations and approval to commit funds.

Acumen Alliance, ASPI's internal auditors, conducted our internal audit in May 2007.

ASPI is subject to the Commonwealth Authorities Companies Act 1997, and consequently, has The Australian National Audit Office (ANAO), as its external auditors. The ANAO conducts an interim audit each May and a final audit of financial statements in August.

The Committee invites a representative from the Institute's internal auditor along with ASPI's accountant to attend committee meetings to offer advice on ASPI's financial and auditing processes and requirements.

Membership includes Major General Clunies-Ross (Chair), Mr Carlton, Mr Loosely, Mr Moore and Dr Williams.

Attendance Table—Finance/Audit Committee

Finance & Audit Committee Attendance	28/8/06	15/11/06	22/02/07	24/05/07
Maj General Adrian Clunies-Ross (Retd) AO MBE (Chair)	✓	✓	✓	✓
The Hon Jim Carlton AO	✓	✓	✓	✓
Mr Ric Smith AO, PSM	X	X		
Mr Stephen Loosley	✓	✓	✓	✓
Dr J Roland Williams CBE	X	✓	✓	✓
Mr Des Moore	✓	✓	✓	✓
Mr Paul McClintock	X	✓	X	

RESEARCH COMMITTEE

The Research Committee is now a committee of the full Council therefore all activities are no longer reported separately. The Committee convenes twice a year in May and November. The May meeting considers the proposed research program for the next financial year and allocates priority to the research topics. The November meeting considers the progress of the research program to date and provides guidance for the development of the next research program.

The Secretaries of the departments of Defence and Foreign Affairs and Trade participate in Council considerations of ASPI's research program as advisers.

SPONSORSHIP COMMITTEE

ASPI needs to offer value to its sponsors, but not risk offering advice or other services that could, or could be perceived to, compromise the Institute's independence. The ASPI Executive Director consults the Committee on sponsorship proposals out of session. Proposals are then considered by the full Council. Therefore, all activities are no longer reported separately.

ASPI is organised around a small core staff with the bulk of its research work contracted out to specialists. The great advantage of that approach is that it provides the Institute with the flexibility and agility to tackle the broadest range of strategic policy issues.



CHAPTER

3

THE ORGANISATION

THE STAFF
ASPI PROGRAMS
ASPI STRUCTURE

The Australian Strategic Policy Institute has a small core staff, with its day-to-day operations led by the Executive Director, Major General Peter Abigail (Retd) AO. A Director of Research Programs, four Program Directors, a Research and Information Manager, an Information and Publications Officer, two Events Managers, a Business Manager, and an Office Manager, comprise the permanent staff of ASPI.

A description of the roles and functions of the programs and staff is listed below.

Executive Director

The Executive Director of ASPI is responsible for directing and managing the operations of ASPI in accordance to the directions and objectives of the ASPI Council. The Executive Director is also responsible for the leadership of ASPI in identifying and recruiting high quality research personnel and the overall management of the research and events programs. The ASPI Executive Director is Major General Peter Abigail (Retd) AO.

Research Program

Director of Research Programs

The Director of Research Programs is responsible for the Institute's research and publications programs on defence and international security issues, while assisting with the development of business plan activities. ASPI's Director of Research Programs is Dr Anthony Bergin who joined ASPI in 2006 after 20 years at the University of New South Wales, Australian Defence Force Academy, where he was an Associate Professor of Politics. Before that he taught political science at the Royal Australian Naval College and from 1991–2003 he was the Director of the Australian Defence Studies Centre.

ASPI's Research Programs

There are four ASPI research programs. They produce publications and conduct events including lectures, conferences and seminars around Australia, as well as dialogues on strategic issues with key regional countries.

Strategy and International Program

This program covers ASPI's work on Australia's international security environment, the development of our higher strategic policy, our approach to new security challenges, and the management of our international defence relationships. The Program Director for the Strategy and International Program is Dr Rod Lyon who joined ASPI in late 2006. He was previously a

Senior Lecturer in International Relations at the University of Queensland, and before that worked as a strategic analyst in the Office of National Assessments.

Budget and Management Program

This program covers the full range of questions concerning the delivery and management of capability, from financial issues and personnel management to acquisition and contracting out-issues that are central to the government's policy responsibilities. The Program Director for the Budget and Management Program is Dr Mark Thomson. In 2002 he joined the newly formed Australian Strategic Policy Institute as inaugural director of the Budget and Management Program. Mark's research touches on a wide range of issues including Australia's defence and security budgets, links between strategy and force structure, the internal management of the Department of Defence and defence industry.

Operations and Capability Program

This program covers ASPI's work on the operational needs of the Australian Defence Force, the development of our defence capabilities, and the impact of new technology on our armed forces. The Program Director for the Operations and Capability Program is Dr Andrew Davies who joined ASPI in 2006 from the Department of Defence, where he worked as a research scientist on various projects for all three services. He also worked for a number of years with the Defence Signals Directorate and is a physicist by background.

Outreach Program

One of the most important roles for ASPI is to involve the broader community in the debate of defence and security issues. The thrust of the program is to provide access to the issues and facts through a range of activities and publications. The Outreach Manager is Raspal Khosa. He is interested in Defence capability issues and has a background in South Asian security studies.

Research and Information Manager

The Research and Information Manager is responsible for information flows into ASPI through a variety of sources including the internet, periodical collection and publications, as well as through establishing and maintaining links with libraries and other information sources. She is also responsible for managing information flows to our audience through our publication process and our web site. The Research and Information Manager is Janice Johnson who joined the ASPI team in February 2002 after holding training, research and information management positions with a number of organisations including the State Library of Queensland. She was the Director of Training for Farmwide Pty Ltd, an affiliate of

the National Farmers' Federation, where she was responsible for curriculum development and Australia-wide training delivery in computer and Internet use for the rural sector.

Information and Publications Officer

ASPI's Information and Publications Officer is responsible for assisting with publication production, the events and visitors program and web site maintenance. For 2006–07, this position was undertaken by Paula Tychsen and Nicky Libbis.

Paula Tychsen joined ASPI in January 2005 as the Information and Publications Officer. Paula holds a Bachelor of Communications (Public Relations) and a CIT Diploma of Communications and Media (Public Relations).

Nicky Libbis joined ASPI after working with graphic design companies both in the UK and Australia. She more recently worked as a Client Service Manager at Zoo Interactive.

Events Program

ASPI's Events Team is responsible for the organisation and conduct of events and the formalisation and maintenance of ASPI's relationships with think-tanks abroad. The ASPI Events Team consists of Lynne Grimsey and Paula Dolan.

Lynne Grimsey was the Executive Officer for the Australian Democrats National Secretariat in Canberra. She was also the National Policy Coordinator and coordinated events for the Australian Democrats. Prior to working for the Democrats Lynne worked in a community organisation on the Gold Coast.

Paula Dolan is a trained journalist and worked over ten years as a Chilean Diplomat. Previous to joining ASPI, she held different public affairs positions with the War Widows' Guild of Australia (ACT), Department of Agriculture, Fisheries and Forestry (DAFF) and the Australian Institute of International Affairs (AIIA).

Business Management

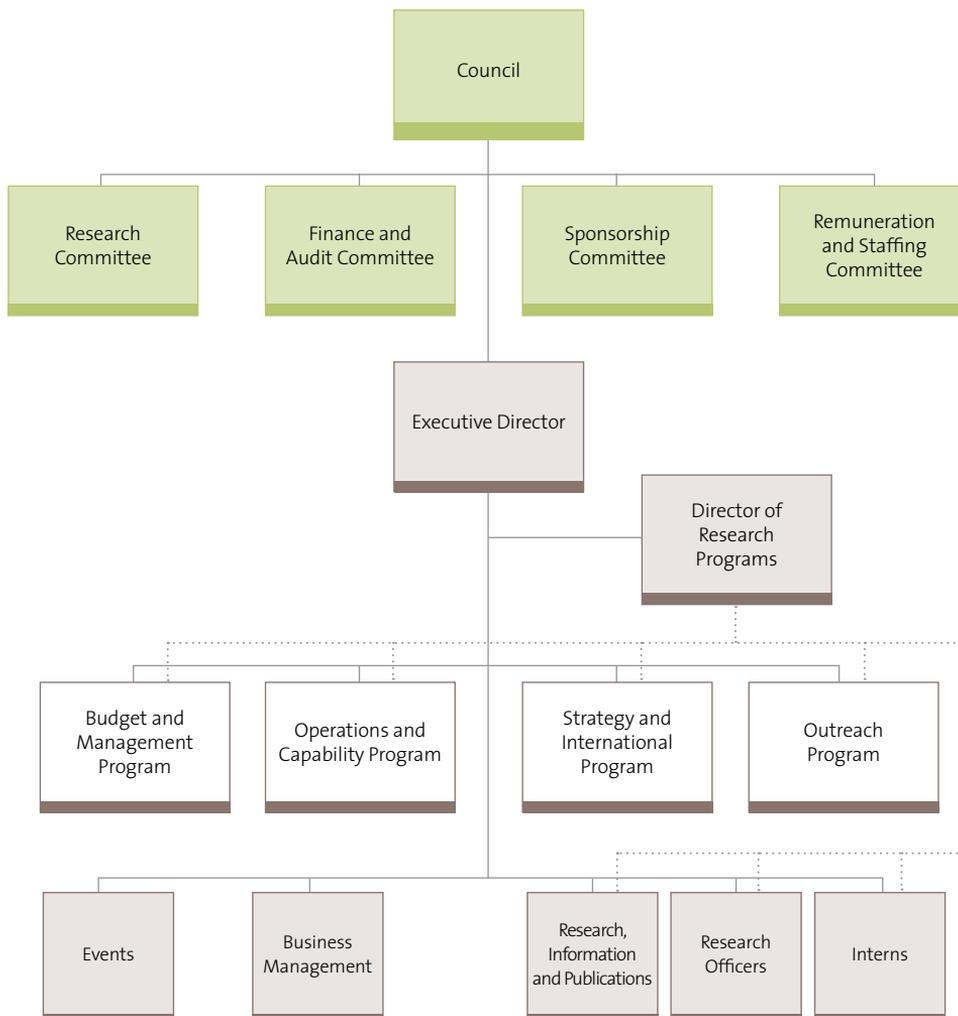
Business Manager

The Business Manager is responsible for the development and monitoring of ASPI's management and financial arrangements and to provide advice to the Council and the Executive Director on budgetary and management matters. The Business Manager is also responsible for managing the relationship between ASPI and Defence on funding matters. The ASPI Business Manager is Justin Tim. Justin joined the ASPI team in 2007 after holding different positions within the Department of Finance and Administration and Department of Defence.

Office Manager

The Office Manager runs the day-to-day administration of the Institute. The Office Manager manages accounting and resource issues in tandem with ASPI's contracted Accountant, and is responsible across a number of areas including IT equipment, office accommodation and travel arrangements. The ASPI Office Manager is Noeline Healey who commenced with ASPI in August 2005, after gaining Office Administration experience in various other companies in New Zealand and Australia.

ASPI CORPORATE STRUCTURE 2006–2007





CHAPTER

4

FINANCIALS

ANAO INDEPENDENT AUDIT REPORT

STATEMENT BY DIRECTORS

FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the directors of the Australian Strategic Policy Institute Limited

Matters relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published on the website of the Australian Strategic Policy Institute Limited for the year ended 30 June 2007. The Directors are responsible for the integrity of the web site.

This auditor's report refers only to the financial statements and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial report.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report in the Company's annual report

Scope

I have audited the accompanying financial report of the Australian Strategic Policy Institute Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

The Directors' Responsibility for the Financial Report

The directors of the Australian Strategic Policy Institute Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply

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with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In my opinion, the financial report of the Australian Strategic Policy Institute Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Australian Strategic Policy Institute Limited's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Australian National Audit Office



Michael White
Executive Director

Delegate of the Auditor-General

Canberra
10 September 2007



Auditor's Independence Declaration to the Directors of the Australian Strategic Policy Institute Limited

In relation to our audit of the financial report of the Australian Strategic Policy Institute for the year ended 30 June 2007, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Michael White
Executive Director

Delegate of the Auditor-General

Canberra
10 September 2007

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

DIRECTORS' DECLARATION

In our opinion:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of the company's performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; 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.

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



Mark Johnson
Chairman
10 September 2007



Adrian Clunies-Ross
Deputy Chairman
10 September 2007
Canberra

Australian Strategic Policy Institute Limited

INCOME STATEMENT

for the year ended 30 June 2007

	Notes	2006–07 \$	2005–06 \$
Revenues from Ordinary Activities			
Revenues from annual funding	4A	2,901,000	2,522,000
Sales of goods and services	4B	728,747	845,288
Interest	4C	48,602	38,459
Total Revenues from Ordinary Activities		3,678,349	3,405,747
Expenses from Ordinary Activities			
Employees	5A	1,616,693	1,438,506
Suppliers	5B	1,599,830	1,805,787
Depreciation and amortisation	5C	57,845	59,245
Net loss from assets disposed	5D	11,216	2,835
Write-down and impairment of assets	5E	99,377	79,148
Total Expenses from Ordinary Activities		3,384,961	3,385,521
Operating surplus (deficit) from Ordinary Activities		293,388	20,226
Equity interests			
Net surplus (deficit) attributable to the Commonwealth		293,388	20,226
Opening accumulated results attributable to the Company at the beginning of the period		309,320	289,094
Total available for appropriation		602,708	309,320
Accumulated surpluses at end of reporting period		602,708	309,320

The accompanying notes form part of these financial statements

Australian Strategic Policy Institute Limited

BALANCE SHEET

as at 30 June 2007

	Notes	2006-07 \$	2005-06 \$
ASSETS			
Current Assets			
Cash	6A	1,219,879	504,755
Trade and other receivables	6B	184,566	244,205
Inventories	6C	69,253	64,990
Other current assets	6D	34,402	36,758
Total current assets		1,508,100	850,708
Non-current assets			
Infrastructure, plant and equipment	7A, 7C	157,195	150,581
Intangible assets	7B, 7C	51,123	31,353
Total non-current assets		208,318	181,934
Total assets		1,716,418	1,032,642
LIABILITIES			
Current Liabilities			
Provisions	8	309,630	220,289
Payables	9	596,800	297,400
Total current liabilities		906,430	517,689
Non-current Liabilities			
Provisions	8	35,220	33,573
Total non-current liabilities		35,220	33,573
Total liabilities		941,650	551,262
Net Assets		774,768	481,380
EQUITY			
Contributed equity	10	172,060	172,060
Retained earnings	10	602,708	309,320
Total equity		774,768	481,380

The accompanying notes form part of these financial statements

Australian Strategic Policy Institute Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

	Contributed equity		Retained earnings		Total equity	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
	\$	\$	\$	\$	\$	\$
Opening Balance	172,060	172,060	309,320	289,094	481,380	461,154
Adjustments						
Adjustments for errors	-	-	-	-	-	-
Adjustments for changes in accounting policies	-	-	-	-	-	-
Total Adjustments	-	-	-	-	-	-
Income and expenses						
Net income recognised directly in equity	-	-	-	-	-	-
Net Operating result	-	-	293,388	20,226	293,388	20,226
Total income and expenses	172,060	172,060	602,708	309,320	774,768	481,380
Transactions with Owners						
Distributions to owners	-	-	-	-	-	-
Contributions to owners	-	-	-	-	-	-
Total transactions with Owners	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	-	-
Closing Balance as at 30 June 2007	172,060	172,060	602,708	309,320	774,768	481,380

The accompanying notes form part of these financial statements

Australian Strategic Policy Institute Limited

CASH FLOW STATEMENT

for the year ended 30 June 2007

	Notes	2006–07 \$	2005–06 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received			
Annual funding		3,191,100	2,774,200
Sales of goods and services		1,095,137	808,171
Interest		46,830	47,662
Total cash received		4,333,067	3,630,033
Cash used			
Employees		(1,508,817)	(1,536,815)
Suppliers		(1,775,290)	(2,170,001)
Net GST paid to ATO		(252,283)	(163,365)
Total cash used		(3,536,390)	(3,870,181)
Net cash from/(used in) operating activities	11	796,677	(240,148)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		600	600
Total cash received		600	600
Cash used			
Purchase of property, plant and equipment		(82,153)	(67,536)
Total cash used		(82,153)	(67,536)
Net cash from/(used in) investing activities		(81,553)	(66,936)
Net increase / (decrease) in cash held		715,124	(307,084)
Cash at the beginning of the reporting period		504,755	811,839
Cash at the end of the reporting period	6A	1,219,879	504,755

The accompanying notes form part of these financial statements

Australian Strategic Policy Institute Limited

SCHEDULE OF COMMITMENTS

as at 30 June 2007

	2006-07 \$	2005-06 \$
BY TYPE		
COMMITMENTS RECEIVABLE	(63,246)	(21,737)
Total commitments receivable	(63,246)	(21,737)
OTHER COMMITMENTS		
Operating leases	695,710	239,111
Net commitments	632,464	217,374
BY MATURITY		
Operating Lease Commitments		
One year or less	198,112	186,320
From one to five years	434,352	31,054
Net commitments	632,464	217,374

Operating leases comprise a lease for office accommodation.

The lease for office accommodation has an option for a further term of three years, commencing 1 September 2007.

This option has been exercised and is considered in the calculation of operating lease commitments.

The lease payments may be reviewed every two years.

The accompanying notes form part of these financial statements

Australian Strategic Policy Institute Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Description	Note
Summary of Significant Accounting Policies	1
Economic Dependency	2
Events after the Balance Sheet Date	3
Revenues	4
Expenses	5
Current Assets	6
Non-Current Assets	7
Payables	8
Provisions	9
Equity	10
Cash Flow Reconciliation	11
Remuneration of Directors	12
Related Party Disclosures	13
Remuneration of Auditors	14
Financial Instruments	15
Contingent Liabilities and Contingent Assets	16

The accompanying notes form part of these financial statements

Australian Strategic Policy Institute Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

The financial report of the Australian Strategic Policy Institute Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 1 September 2007.

Note 1—Summary of Significant Accounting Policies

a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, and interpretations issued by the AASB and UIG that apply for the reporting period.

The financial statements have been prepared on an accrual basis. The financial statements are in accordance with the historical cost convention, and except where stated, do not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and values are rounded to the nearest dollar.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

The following amendment has been adopted earlier than the effective date in the current period. There has been no material financial impact on application.

AASB Amendment	Affected Standard(s)	Application date of Standard	Nature of change to accounting policy
2007-05	AASB 102	adopted 1/7/2006 which is earlier than the effective date of 1/07/2007	requires inventories held for distribution by not-for-profit entities to be measured at cost, adjusted when applicable for any loss in service potential, as opposed to the lower of cost and current replacement cost.

No other accounting standard has been adopted earlier than the effective date in the current period.

The following new standards and amendments to standards have been issued but are not yet effective. It is estimated that adopting these standards when effective will have no material financial impact on application.

New AASB's		Application date of Standard*	Nature of change to accounting policy
AASB 7	Financial Instruments: Disclosures	1 January 2007	requires qualitative and quantitative information about exposure to risks arising from financial instruments.
AASB 8	Operating Segments	1 January 2009	applies to for-profit entities whose debt or equity instruments are traded in a public market. It does not apply to the Australian Strategic Policy Institute.
AASB 1049	Financial Reporting of General Government Sectors by Governments	1 July 2008	relates to financial reporting by a government of its general government sector. It does not apply to the Australian Strategic Policy Institute.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

AASB Amendment	Affected Standard(s)	Application date of Standard	Nature of change to accounting policy
2005-10	AASB 1, 4, 101, 114, 117, 132, 133, 139, 1023, 1038	1 January 2007	deletes the disclosure requirements in AASB 132 <i>Financial Instruments: Presentation</i> . AASB 132 continues to contain the requirements for the presentation of financial instruments.
2007-1	AASB 2	1 March 2007	inserts transitional provisions into AASB 2 <i>Share-based payment</i> for first-time adopters of the standard.
2007-2	AASB 1	1 January 2008	enacts changes to AASB 1 <i>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</i> in relation to Service Concession Arrangements.
2007-3	AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023, 1038	1 January 2009	enacts consequential amendments relating to the issuance of AASB 8 <i>Operating Segments</i> .
2007-4	AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038	1 July 2007	enacts changes proposed in ED 151 to re-insert original IFRS options and definitions to AEIFRS and to delete certain Australian-specific disclosures.

* Application date is for annual reporting periods beginning on or after the date shown

c) Significant Accounting Judgments and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next accounting period.

d) Comparatives

Comparative figures for the 2005-2006 financial year are provided.

e) Revenue

(i) Revenues from Government

The full amount of funding received from the Department of Defence is recognised as revenue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

(ii) Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(iii) Rendering of Services

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits with the transaction will flow to the entity.

(iv) Interest revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139.

f) Leases

Operating lease payments are recognised as an expense in the Income Statement in the year in which they occurred.

g) Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

h) Trade and other receivables

Trade receivables are recognised at amortised cost.

i) Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

j) Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

Financial Assets held at Amortised Cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.

Financial Assets held at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for Sale Financial Assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in the Income Statement, is transferred from equity to the Income Statement.

k) Property, Plant and Equipment

Property, plant and equipment is stated at cost, less, where applicable, any accumulated depreciation or amortisation and any accumulated impairment losses. Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the company in future years. Costs incurred on property, plant and equipment which do not meet the criteria for capitalisation are expensed as incurred.

The Company recognises all acquisitions with an expected life exceeding twelve months and a cost value exceeding \$500. Acquisitions with a cost value less than \$500 are not capitalised, but are expensed in the year of acquisition.

The ASPI acquired assets at no cost from the Department of Defence in 2001/2002. These assets were initially recognised as contributions by owners at fair value at date of contribution. An equivalent adjustment was made directly against equity.

Depreciation is calculated on a straight-line basis, at rates based on their assessed useful life to the company. Leasehold improvements are amortised on a straight line basis over the estimated useful life of the improvements or the unexpired period of the lease.

The following useful lives are used:

	2006-07	2005-06
Infrastructure, plant and equipment	2 to 15 Years	2 to 15 Years

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

All infrastructure, plant and equipment assets were assessed for impairment at 30 June 2007 with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying amount may be impaired. An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount. In determining the recoverable amount, cash flows were not discounted.

For infrastructure, plant and equipment, impairment losses are recognised in the Income Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

l) Intangible Assets

The ASPI's intangibles comprise purchased software, an internally developed database, and an internally developed web site. These assets are carried at cost.

All intangible assets were assessed for impairment at 30 June 2007 with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying amount may be impaired. An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount. In determining the recoverable amount, the relevant cash flows have been discounted to their present value.

Amortisation is calculated on a straight-line basis, at rates based on their assessed useful life to the company.

The following useful lives are used:

	2006-07	2005-06
Database	3 years	n/a
Web Site	3 years	3 years
Purchased Software	3 years	3 years

m) Inventories

Inventories held for sale are measured at the lower of cost or net realisable value.

Net realisable value is determined on the basis of each inventory line's expected recoverable amount.

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

The cost of inventories is based on the first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their location and condition.

The carrying amount of inventories sold has been recognised as an expense in the financial year in which the related revenue is recognised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

n) Taxation

The ASPI is exempt from all forms of taxation except fringe benefits tax, the goods and services tax and payroll tax.

Revenues, expense and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Tax Office; and
- except for receivables and payables.

Cash flows are included in the Cash Flow Statement 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 Australian Tax Office are classified as operating cash flows.

o) Suppliers Payable

Trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).

p) Employee Entitlements

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to balance date. The provisions are measured at nominal amounts based on current wages and salary rates and include related on-costs.

The full annual leave provision is recognised as current.

Long service leave

The provision for long service leave reflects the present value of the estimated future cash flows to be made in respect of all employees, resulting from employees' services provided up to balance date. Related on-costs have also been included in the provision.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Provisions for leave entitlements are discounted using rates attaching to notional government securities at balance date, which most closely match the terms of maturity of the related liabilities. In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and expected company's staff departures.

The portion of the provision for long service leave that is current includes amounts for which there is not an unconditional right to defer settlement by one year.

Sick leave

No provision has been made for sick leave. All sick leave is non-vesting and the average sick leave taken by staff is estimated to be less than the sick leave annually accrued.

q) Insurance

The ASPI has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. In addition ASPI has taken out workers compensation cover through 'Comcare'.

r) Return of Funds

The ASPI's annual funding agreement provides that if ASPI has surplus funds, in respect to its annual funding, in excess of 5% of the annual funding amount, the excess must be returned to the Department of Defence. There is no return of funds for the 2006–2007 financial year.

Australian Strategic Policy Institute Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 2—Economic Dependency

The Australian Strategic Policy Institute was incorporated as a Company Limited by Guarantee on 22 August 2001 and is controlled by the Commonwealth of Australia.

The Institute is dependent on funding from the Department of Defence for its continued existence and ability to carry out its normal activities. The funding agreement with Department of Defence continues this arrangement to 30 June 2008.

Note 3—Events after the Balance Sheet Date

There were no events that occurred after the balance sheet date that has the potential to significantly affect the ongoing structure and financial activities of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 4—Revenues

Note 4A—Revenues from Annual Funding	2006–07 \$	2005–06 \$
Department of Defence Funding	2,901,000	2,522,000
Total	2,901,000	2,522,000

Note 4B—Sales of Goods and Services	2006–07 \$	2005–06 \$
Goods and Services	728,747	845,288
Total	728,747	845,288

Goods and services were sold to:

Government	257,833	133,427
Non-Government	470,914	711,861
	728,747	845,288

Note 4C—Interest	2006–07 \$	2005–06 \$
Interest income	48,602	38,459
Total	48,602	38,459

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 5—Expenses

Note 5A—Employees	2006–07	2005–06
	\$	\$
Salaries & Wages	1,335,715	1,142,296
Superannuation	139,320	122,429
Recruitment Expenses	1,208	20,438
Motor vehicle Expenses	–	11,298
Long Service Leave	8,737	33,998
Annual Leave	101,359	86,272
FBT	501	5,453
Payroll Tax	22,894	11,645
Other Employee Expenses	6,959	4,677
Total	1,616,693	1,438,506

Note 5B—Suppliers	2006–07	2005–06
	\$	\$
Office Accommodation Operating Lease Rentals	186,313	184,705
Workers Compensation Premium	15,717	18,209
Other Supplier Expenses	1,397,800	1,602,873
Total	1,599,830	1,805,787

Note 5C—Depreciation and Amortisation	2006–07	2005–06
	\$	\$
Depreciation—Furniture & Fittings	5,628	4,761
Depreciation—Plant & Equipment	28,357	25,763
Amortisation—Computer Software	6,706	5,296
Amortisation—Leasehold Improvements	7,065	6,654
Amortisation—ASPI Web Site	10,089	16,771
Total	57,845	59,245

Australian Strategic Policy Institute Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 5D—Net loss from assets disposed	2006–07	2005–06
	\$	\$
Proceeds	(600)	(600)
Net book value of assets disposed	11,816	3,435
Total	11,216	2,835

Note 5E—Write down and impairment of assets	2006–07	2005–06
	\$	\$
Write down of inventory	95,132	74,278
Bad debts expense	4,245	720
Plant & Equipment - impairment	–	4,150
Total	99,377	79,148

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 6—Current Assets

Note 6A—Cash	2006–07	2005–06
	\$	\$
Cash at bank	1,219,847	504,705
Cash on hand	32	50
Total	1,219,879	504,755

Note 6B—Receivables	2006–07	2005–06
	\$	\$
Goods and services	90,300	195,136
GST receivable	12,830	–
Accrued income	2,856	18,089
Other receivables	78,580	30,980
Total	184,566	244,205

Receivables are aged as follows:

less than 30 days	143,110	173,509
30 to 60 days	249	60,922
60 to 90 days	13,707	5,645
more than 90 days	27,500	4,129
	184,566	244,205

Note 6C—Inventories	2006–07	2005–06
	\$	\$
Inventories held for sale	47,743	64,990
Inventories held for distribution	21,510	–
Total	69,253	64,990

During 2006–07 \$277,114 of inventory held for sale was recognised as an expense (2005–06: \$301,258)

Note 6D—Other current assets	2006–07	2005–06
	\$	\$
Prepayments	34,402	36,758
Total	34,402	36,758

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 7—Non-Current Assets

Note 7A—Infrastructure, plant and equipment	2006–07	2005–06
	\$	\$
Furniture & Fittings (at cost)	68,004	60,468
Furniture & Fittings—Accumulated Depreciation (at cost)	(20,435)	(14,807)
Leasehold Improvements (at cost)	35,024	15,624
Leasehold Improvements Amortisation (at cost)	(14,596)	(7,531)
Plant & Equipment (at cost)	174,123	155,822
Plant & Equipment— Accumulated Depreciation (at cost)	(84,925)	(58,995)
Total	157,195	150,581

No indicators of impairment were found for infrastructure, plant and equipment.

Note 7B—Intangible assets	2006–07	2005–06
	\$	\$
Computer Software (at cost)	23,626	16,618
Computer Software Accumulated Amortisation (at cost)	(6,115)	(7,617)
Web Site (at cost)	40,295	34,566
Web Site Accumulated Amortisation (at cost)	(6,683)	(24,814)
Web Site WIP	–	12,600
Total	51,123	31,353

No indicators of impairment were found for intangible assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 7C—Analysis of Infrastructure, Plant and Equipment and Intangibles

A) Reconciliation of the opening and closing balances of Infrastructure, plant and equipment and intangibles

Item	Furniture & Fittings	Leasehold Improvements	Infrastructure, plant and equipment	Total infrastructure, plant and equipment	Computer software	Web Site	Total intangibles	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Gross book value 1 July 2006	60,468	15,624	155,822	231,914	16,618	47,166	63,784	295,698
Accumulated depreciation/amortisation and impairment	(14,807)	(7,531)	(58,995)	(81,333)	(7,617)	(24,814)	(32,431)	(113,764)
Net book value 1 July 2006	45,661	8,093	96,827	150,581	9,001	22,352	31,353	181,934
Additions:								
Purchase of new assets	7,536	19,400	22,224	49,160	19,190	40,295	59,485	108,645
Work in Progress	—	—	—	—	—	(12,600)	(12,600)	(12,600)
Disposals:								
Disposal of assets	—	—	(1,496)	(1,496)	(3,974)	(6,346)	(10,320)	(11,816)
Impairment	—	—	—	—	—	—	—	—
Depreciation/amortisation expense	(5,628)	(7,065)	(28,357)	(41,050)	(6,706)	(10,089)	(16,795)	(57,845)
Net book value 30 June 2007	47,569	20,428	89,198	157,195	17,511	33,612	51,123	208,318
Net book value 30 June 2007 represented by:								
Gross book value	68,004	35,024	174,123	277,151	23,626	40,295	63,921	341,072
Accumulated depreciation/amortisation and impairment	(20,435)	(14,596)	(84,925)	(119,956)	(6,115)	(6,683)	(12,798)	(132,754)
	47,569	20,428	89,198	157,195	17,511	33,612	51,123	208,318

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 8—Provisions	2006–07	2005–06
	\$	\$
Annual Leave	99,201	106,438
Long Service Leave	80,271	100,315
Salary and wages	23,668	30,803
Other employee	141,710	16,306
Total	<u>344,850</u>	<u>253,862</u>

The annual leave and long service leave provisions include a component for superannuation on-costs.

Employee provisions are represented by:

Current	309,630	173,180
Non Current	35,220	33,573

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not necessarily represent the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in one year \$264,579 (2006: \$153,547).

Note 9—Payables	2006–07	2005–06
	\$	\$
Trade creditors	82,938	69,155
GST payable	–	62,659
Accrued supplier expenses	123,913	76,534
Unearned Income	389,949	89,052
Total	<u>596,800</u>	<u>297,400</u>

Settlement is usually made net 30 days.

All payables are current liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 10—Equity	2006–07	2005–06
	\$	\$
Contributed equity	172,060	172,060
Retained earnings	602,708	309,320
Total	774,768	481,380

Note 11— Cash Flow Reconciliation	2006–07	2005–06
	\$	\$
Reconciliation of operating surplus to net cash provided by operating activities:		
Net surplus (deficit)	293,388	20,226
Depreciation / Amortisation	57,845	59,245
Asset write offs	11,216	6,985
Change in assets and liabilities		
Decrease (Increase) in Receivables	45,747	(154,933)
Decrease (Increase) in Other Current Assets	2,356	1,690
Decrease (Increase) in Inventory	(4,263)	31,892
Increase (Decrease) in Payables	299,400	(118,051)
Increase (Decrease) in Provisions	90,988	(87,202)
Net cash provided by operating activities	796,677	(240,148)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 12—Remuneration of Directors

a)	2006–07	2005–06
	No.'s	No.'s
nil–\$10,000	13	12
\$250,000–\$300,000	1	–
Total:	14	12
	2006–07	2005–06
	\$	\$
Short Term Employee Benefits	139,274	31,190
Post Employment Benefits	155,596	1,665
Other Long Term Benefits	8,269	–
Total Remuneration of Directors	303,139	32,855

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 13—Related Party Disclosures

Directors of the Institute

The Directors of the Institute during the year were:

Ric Smith, Secretary to the Department of Defence (ceased Dec 2006)

Michael L'Estrange, Secretary of the Department of Foreign Affairs and Trade (ceased Jan 2007)

Nick Warner, Secretary to the Department of Defence (ceased Jan 2007)

Mark Johnson (Chairman)

J. Roland Williams

Jocelyn Margaret Newman (ceased Feb 2007)

James Joseph Carlton

Stephen Loosley

Adrian Clunies-Ross

J. Des C.C. Moore

Alan Dupont

J J A Wallace

Paul McClintock (ceased Mar 2007)

Peter Abigail

The aggregate remuneration of Directors is disclosed in Note 12.

No director has entered into a material contract with the Company during the reporting period, and there were no material contracts involving director's interests existing at year end. The Commonwealth of Australia is the controlling entity of ASPI. ASPI supplies services to the Commonwealth. All such transactions are made within normal customer/supplier relationships on terms and conditions no more favourable than those available to other customers or suppliers and there are no exclusive rights to supply any such services.

Note 14—Remuneration of Auditors

	2006–07	2005–06
	\$	\$
Remuneration to the Auditor-General for auditing the financial statements	15,200	12,800
	<u>15,200</u>	<u>12,800</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 15—Financial Instruments

Note 15A—Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate		
		Interest Rate		1 year or less		1 to 5 years		> 5 years		Bearing		Total		Average Effective Interest Rate		
		2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Financial Assets																
Cash at Bank	6A	769,237	503,900	450,000	-	-	-	-	-	610	804	1,219,847	504,704	5.3%	5.1%	
Cash on hand	6A	-	-	-	-	-	-	-	-	32	50	32	50	N/A	N/A	
Receivables—Goods and Services	6B	-	-	-	-	-	-	-	-	184,566	244,205	184,566	244,205	N/A	N/A	
Total Financial Assets		769,237	503,900	450,000	-	-	-	-	-	185,208	245,059	1,404,445	748,959			
Total Assets												1,716,418	1,032,642			
Financial Liabilities																
Creditors	9	-	-	-	-	-	-	-	-	206,851	208,348	206,851	208,348	N/A	N/A	
Total Financial Liabilities		-	-	-	-	-	-	-	-	206,851	208,348	206,851	208,348			
Total Liabilities												941,650	551,262			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 15B— Fair Values of Financial Assets and Liabilities

	Note	2006–07		2005–06	
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
		\$	\$	\$	\$
Financial Assets					
Cash		1,219,879	1,219,879	504,754	504,754
Receivables — goods and services	6A	184,566	184,566	244,205	244,205
Total Financial Assets	6B	1,404,445	1,404,445	748,959	748,959
Financial Liabilities					
Creditors	9	206,851	206,851	208,348	208,348
Total Financial Liabilities		206,851	206,851	208,348	208,348

Financial assets

The net fair values of cash, deposits on call and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial liabilities

The net fair value of creditors, all of which are short term in nature, are approximated by their carrying amounts.

Note 15C—Credit Risk Exposure

The economic entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The economic entity has no significant exposures to any concentrations of credit risk.

All figures for credit risk do not take into account the value of any collateral or other security.

Australian Strategic Policy Institute Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 16—Contingent Liabilities and Contingent Assets

The ASPI had no contingent liabilities or contingent assets as of balance date.



Annexes

A ASPI'S PUBLICATIONS FOR 2006-2007

B ASPI'S EVENTS PROGRAM FOR 2006-2007

ANNEX A

ASPI's PUBLICATIONS FOR 2006–2007

The 2006–07 publications, except for the specialist publication below, and older publications are available for free download at the ASPI website at www.aspi.org.au.

Specialist publication

The Cost of Defence: ASPI Defence budget brief 2007–2008

Dr Mark Thomson

(May 2007)

ASPI Strategy reports

Your Defence Dollar: The 2006–2007 Defence Budget

Dr Mark Thomson

(August 2006)

Transforming the US Military: Implications for the Asia–Pacific

Dr Richard Bitzinger

(December 2006)

Global Forces 2006: Proceedings of the ASPI conference

(December 2006)

Cutting their cloth: New Zealand's defence strategy

Dr Jim Rolfe

(April 2007)

Widening horizons: Australia's new relationship with India

Dr Sandy Gordon

(May 2007)

ASPI Strategic Insights

Strategic Insight 27—Sudan’s Darfur: Peace or more war on the horizon?

Dr Claude Rakisits

(August 2006)

Strategic Insight 28—Australian uranium exports and security:

Preventing proliferation

Dr Andrew Davies

(August 2006)

Strategic Insight 29—Wedgetail: Australia’s eagle-eyed sentinel

Dr Carlo Kopp

(September 2006)

**Strategic Insight 30—The 2006 US Quadrennial Defense Review: Influencing
Australia’s defence future?**

Group Captain Peter Layton

(November 2006)

Strategic Insight 31—Australian domestic security: The role of Defence

Dr Anthony Bergin

Brigadier Andrew Smith

(November 2006)

**Strategic Insight 32—The road to a nuclear North Korea: Regional reactions,
global impacts, Australian interests**

Professor James Cotton

Professor Stuart Harris

Dr Carl Ungerer

(October 2006)

Strategic Insight 33—Hercules or Sisyphus? Building capacity in the Asia-Pacific

Roland Rich

(February 2007)

Strategic Insights 34—Frozen assets: Securing Australia’s Antarctic future

Dr Anthony Bergin

Dr Marcus Haward

(April 2007)

Strategic Insight 35—Building ‘a harmonious world’? Chinese perceptions of regional order and implications for Australia

Dr Jian Zhang

(June 2007)

ASPI Special Reports

Improving Defence Management

Dr Mark Thomson

(January 2007)

The enemy below: Anti-submarine warfare in the ADF

Dr Andrew Davies

(March 2007)

Australia and the Middle East

Dr Rod Lyon

Professor William Maley

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Dr Anthony Bergin

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Dr Rod Lyon

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Dr Rod Lyon

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(December 2006)

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Dr Rod Lyon

(January 2007)

Confronting the terrorism threat: A national research institute for counter-terrorism

Dr Anthony Bergin

(February 2007)

The generation gap: Australia and the Super Hornet

Dr Andrew Davies

(February 2007)

Responding to radical Islamist ideology: The case of Hizb ut-Tahrir in Australia

Dr Anthony Bergin

Jacob Townsend

(March 2007)

Japan, Australia and the changing security order in Asia

Dr Rod Lyon

(March 2007)

Australian universities and terrorism

Dr Anthony Bergin

Raspal Khosa

(June 2007)

The Air Warfare Destroyer project—Decision time

Dr Andrew Davies

(June 2007)

ASPI's STRATEGIC POLICY FORUMS

Responding better to regional crises

(February 2007)

The use of force after Iraq

(May 2007)

ANNEX B

ASPI'S EVENTS PROGRAM FOR 2006–2007

More detail on the individual events from the 2006–07 program and summaries from previous events can be sourced at the ASPI website www.aspi.org.au.

Visitors/Roundtable Forums Program

Mr Stephen Sakalian, International Committee of the Red Cross

4 August 2006

ASPI Middle East Forum

23 August 2006

Professor Robert A. Pape, Professor of Political Science, University of Chicago

1 September 2006

**Dr. Julian Lindley-French, Senior Scholar, Centre for Applied Policy,
University of Munich**

28 September 2006

DG Bangladesh Institute of Strategic Studies

28 September 2006

**Mr Eckart von Klaeden, Foreign Policy Spokesman,
Christian Democratic Party, Germany**

9 October 2006

**Dr Zachary Abuza, Associate Professor for Political Science
and International Relations**

11 October 2006

Roundtable on the North Korea Nuclear Test

17 October 2006

**Mr Mathew Burrows, Director, Analysis and Production Staff, Mr Terry Markin,
National Intelligence Council**

20 October 2006

**LTGEN Moshe Ya'alon, Distinguished Fellow, Shalem Center, and Military Fellow,
Washington Institute for Near East Policy**

22 November 2006

**Dr Nguyen Van Thao, Vice Professor, Deputy Chief of Cabinet of the Central
Committee of the Communist Party of Vietnam and Delegation**

8 February 2007

Major General Stephen T. Sergeant, Deputy Chief of Staff, UNC and USFK

13 February 2007

**Dr Wayne Mapp, New Zealand National Party Defence Spokesman, The Hon. Derek
Quigley, Visiting Fellow, Strategic and Defence Studies Centre, ANU**

6 March 2007

Mr Francois Lureau, Head of DGA France, Ambassador Francois Descoueyte

23 March 2007

Mr Seiji Maehara, Member of Parliament of Japan

13 April 2007

Ms Jessica Powers, US Office of the Secretary of Defence

16 April 2007

**Professor Christopher Coker, Professor of International Relations,
London School of Economics**

17 April 2007

Dr Song Young-Sun, Member of the National Assembly of the Republic of Korea

8 May 2007

Mr Max Boot, Senior Fellow, Council of Foreign Relations

14 May 2007

**Roundtable with the Pakistani Delegation from the National School of Public
Policy, Lahore, Pakistan**

29 May 2007

Roundtable with the New Zealand Joint Committee, Foreign Affairs and Trade

30 May 2007

Professor Michael Green, Associate Professor, Edmund A. Walsh School of Foreign Service

30 May 2007

Roundtable with the Delegation from the National Institute of Defence Studies, Japan

12 June 2007

Professor Jeff Norwitz, United States War College

18 June 2007

1.5 Track Dialogues

ASPI-CIIS Third 1.5 Track Strategic Policy Dialogue

23 October 2006

Fifth Australia-India Security Roundtable 1.5 Track Dialogues

5 December 2006

Defence and Security Luncheon Series

His Excellency Mr Ghanim Al-Shibli, Ambassador of Iraq

20 July 2006

Professor Robert Pape, Professor of Political Science

1 September 2006

His Excellency Mr Chang-Beom Cho, Ambassador of the Republic of Korea,

17 October 2006

Mr Robert McClelland MP, Shadow Minister for Defence

16 November 2006

**The Hon Bruce Billson MP, Minister for Veterans' Affairs; Minister Assisting
the Minister for Defence**

26 March 2007

General David Richards CBE DSO, British Army

27 April 2007

Professor Bruce Hoffman, Georgetown University

30 May 2007

Mr Paul O’Sullivan, Director-General of Security, Australian Security Intelligence Organisation

20 June 2007

National Security Dinner Series

Mr Joel Fitzgibbon MP, Shadow Minister for Defence

21 June 2007

ASPI Parliament House Addresses

The Honourable John Howard MP, Prime Minister of Australia

21 March 2007

ASPI’s 5th Anniversary

Air Chief Marshal Angus Houston, Chief of the Defence Force addressed the group at a function to mark the occasion.

28 August 2006

Some previous ASPI publications

