

ANIMAL RESOURCES AUTHORITY

ANNUAL REPORT

30 JUNE 2010

ANIMAL RESOURCES AUTHORITY

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ANIMAL RESOURCES AUTHORITY

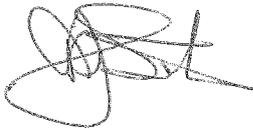
STATEMENT OF COMPLIANCE FOR THE YEAR ENDED 30 JUNE 2010

Hon Kim Hames MB BS JP MLA,
MINISTER FOR HEALTH

In accordance with Section 63 of the Financial Management Act 2006, we hereby submit for your information and presentation to Parliament the Report of the Animal Resources Authority for the financial year ended 30 June 2010.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006.

Relevant written law that has an impact on the Animal Resources Authority has been complied with.



T Tate
Chairman of Animal Resources Authority
Date: 13 August 2010



C Thomson
Deputy Chairman of Animal Resources Authority
Date: 13 August 2010

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ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2010

Executive Summary

The Animal Resources Authority is a not-for-profit, self funding agency that has not required public funds for over 25 years. The Authority was established to supply laboratory animals to the biomedical sector and has become the major supplier of Specified Pathogen Free mice and rats throughout Australia.

The Authority employs 67 staff and provides employment and training opportunities for young Western Australians through the Registered Training Organisation (RTO) it established to deliver the Certificate III in Animal Technology. The RTO ensures staff are comprehensively trained and supports the quality objectives of the Authority.

The Authority has developed a strong safety culture in a physically demanding environment. During 2009-10 only one minor lost time injury occurred.

The Authority operations have been impacted negatively by power and gas cost increases as a result of the high air conditioning requirements to maintain ideal conditions for the animals. Higher than planned repairs and maintenance costs have been incurred this year with the maintenance plan for the 30 year old building and the supporting facilities started three years ago. The upgrade process is part of the overall risk management plan to minimise the potential for disruption of animal supply to researchers and their work to improve health outcomes for all Western Australians.

The Authority has been able to reduce the number of breeding animals maintained to produce the required number of animals for sale. This is a good result from an animal welfare perspective, but has created a \$225,000 reduction in the expected value of the biological assets and is the main factor contributing to the loss incurred for the year.

The quality and supply of animals for the year generally met customer expectations as indicated in the customer survey results reflecting the high regard customers have for the Authority.

ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2010

Operational Structure

- **Enabling Legislation**

The Animal Resources Authority was established as a statutory authority under the Animal Resources Authority Act 1981. This Act was proclaimed on 23 June 1982 and witnessed in the Government Gazette of Western Australia on 2 July 1982.

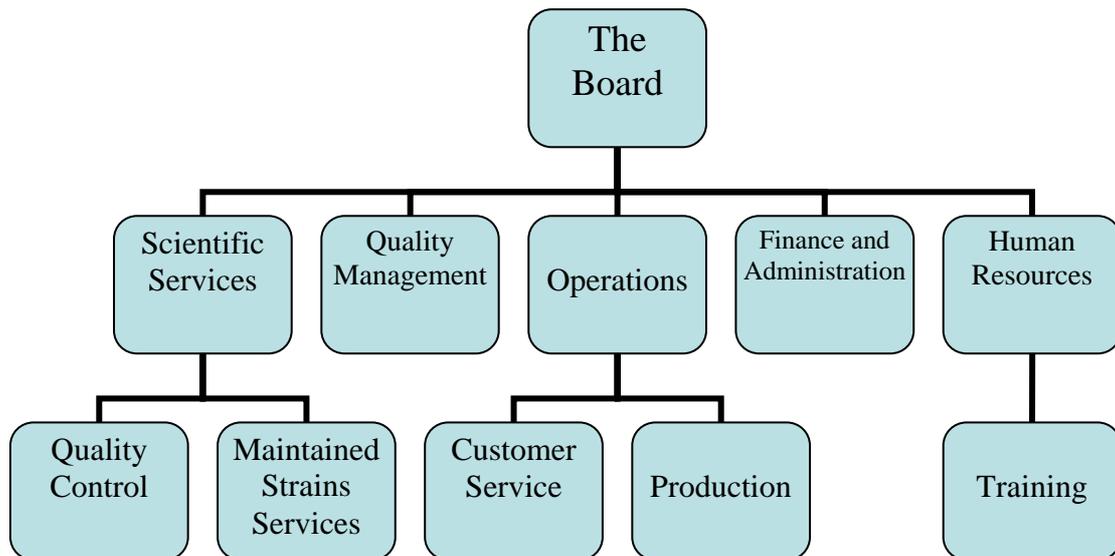
Responsible Minister

The Hon Kim Hames MB BS JP MLA, Minister for Health

Mission

To provide and acquire high quality specified disease-free laboratory animals and associated support services for use by institutions or bodies requiring animals for teaching, research or diagnostic purposes.

Organisational Structure



The Board vests responsibility for all operations of the Authority to the Chief Executive Officer.

Employees at the Animal Resources Centre are employed by the Authority under the GOSAC Award.

ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2010

Board of the Animal Resources Authority

The Board of the Authority consists of eight members who are appointed by the Governor to serve for a period of three years.

Representations to the Board consist of four members nominated by the Minister of Health, two members nominated by the governing authority of The University of Western Australia and one member nominated by each of the governing authorities of Murdoch University and Curtin University of Technology.

Animal Resources Authority Board 2009/2010

Mr Anthony Tate (Chairman)	Director, Research & Development, Curtin University of Technology.
Dr Campbell Thomson (Deputy Chairman)	Director, Research Services, The University of Western Australia.
Professor Jennet Harvey	Professor, School of Pathology and Laboratory Medicine, The University of Western Australia.
Mrs Leslie Chalmers	Director, Productive Edge.
Mr Peter Hawker	Senior Finance Analyst, Health Finance, Department of Health Western Australia.
Professor Piroska Rakoczy	Professor and Research Director, Lions Eye Institute, The University of Western Australia.
Dr Amanda O'Hara	Specialist Veterinary Pathologist Senior Lecturer, Murdoch University.
Dr Keith Shilkin	Consultant Pathologist, Clinical Professor of Pathology, The University of Western Australia.
Dr Brian Dare	Consultant Occupational Health Physician. Term completed September 2009
Senior officers	
Mr Michael Hall	Chief Executive Officer
Mr Michael Bunce	Acting Director Operations
Dr Deborah Hopwood	Director Scientific and Veterinary Services

ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2010

Administered Legislation

The Minister for Health administers only the following Act in relation to the activities of the Animal Resources Authority:

- Animal Resources Authority Act 1981

Legislation Impacting on the Authority's Activities

In the performance of its functions, the Animal Resources Authority complies with the following relevant written laws:

- Auditor General Act 2006;
- Contaminated Sites Act 2003;
- Disability Services Act 1993;
- Equal Opportunity Act 1984;
- Financial Management Act 2006;
- Freedom of Information Act 1992;
- Industrial Relations Act 1979;
- Minimum Conditions of Employment Act 1993;
- Occupational Safety and Health Act 1984;
- Public Sector Management Act 1994;
- Salaries and Allowances Act 1975;
- State Records Act 2000;
- State Supply Commission Act 1991; and
- Animal Welfare Act 2002.

In the financial administration of the Authority, we have complied with the requirements of the Financial Management Act 2006 and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing, we are not aware of any circumstances which would render the particulars included in this statement misleading or inaccurate.

Government Goals

The support the Authority provides for improved health outcomes from research aligns with the Government Goal:

'Outcomes Based Service Delivery – Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians'.

Changes to Outcome Based Management Framework

The Animal Resources Authority's Outcome Based Management Framework did not change during 2009-10.

Shared Responsibilities with Other Agencies

The Animal Resources Authority did not share any responsibilities with other agencies in 2009-10

ANIMAL RESOURCES AUTHORITY

REPORT ON OPERATIONS FOR YEAR ENDED 30 JUNE 2010

Agency Performance – Report on Operations

Highlights of the Year

- Only one minor LTI occurred during 2009-10.
- The twelve trainees qualified for the Certificate III in Animal Technology from the ARA RTO in 2009-10.
- Elimination of clinical *S. aureus* symptoms from mice and rat colonies.
- Maintaining *Pasteurella pneumotropica* and *murine norovirus* free in the re-derived production strains.
- Successfully re-deriving rat strains by embryo transfer, a difficult procedure providing another demonstration of industry leadership by the Authority.
- Gaining an upgrade to AS/NZS ISO 9001:2008 certification after the SGS International Certification Services Pty Ltd surveillance audit.

Overview

The Animal Resources Authority is the major supplier of specified pathogen free (SPF) laboratory animals to biomedical research organisations in Australia. Animals are also exported to New Zealand, Singapore, Korea, Malaysia and Hong Kong. The Authority produces 28 strains of SPF mice and 10 strains of SPF rats for sale. In addition many strains of congenic, transgenic and targeted mutant mice are maintained for individual customers.

The agency fulfilled its function of ensuring supply of SPF laboratory animals throughout the year. There were no ongoing shortages in supply of the major strains of mice and rats.

Trends in Operations

- Stable demand for maintained strains services and facilities.
- Researchers seeking animals with genetics equivalent to that available internationally.
- Researchers are requiring animals with an increasing number of organisms to be defined in the specified disease free status.
- Researchers requiring increasingly specialised imports.
- Researchers becoming more cost conscious.

ANIMAL RESOURCES AUTHORITY

REPORT ON OPERATIONS FOR YEAR ENDED 30 JUNE 2010

Percentage of Total Revenue by Customer Group.

Customer Groups	2009-10	2008-09
WA Universities and Medical Research Organisations	14.81%	15.78%
Interstate Universities and Medical Research Organisations	68.52%	71.94%
Private Companies	5.54%	4.90%
Exports– Singapore, Hong Kong, South Korea, NZ.	9.76%	7.41%

Revenue from WA decreased as a proportion of total sales during 2010-11. SA sales reduced dramatically as predicted when the SA animal facility returned to normal production after the previous bio-security failure. Sales to South East Asia increased 31.39% and increased as a proportion of total sales.

Revenue and percentage change 2009-10 to 2008-09 by Revenue Group.

Revenue Group	2009-10	2008-09	Increase
Sale of Animals	\$4,890,064	\$4,868,599	0.44 %
Services for Maintenance of Customer Strains	\$1,174,761	\$998,262	17.68%
Importation and Quarantine Services	\$67,521	\$156,630	56.89%

The revenue from sales of animals remained static overall with the expected decline in SA sales being more than compensated by increased export sales.

The revenue from the provision of technical and professional services for the maintenance of customer strains increased with additional services requested.

The demand for importation and quarantine services continued the decline from the prior year as researchers seemed to be facing funding pressures. The quote activity for imports at the end of the year indicates a return to more normal levels for 2011.

The Environment

The Authority has maintained the reduced impact on the environment from its operations through the following actions:

- All office waste paper is shredded and used in operations or recycled;
- All plastics, cardboard and recyclable packaging produced in considerable quantities from operational supplies are recycled;
- All used animal bedding is composted and recycled
- The upgraded large volume air conditioning/air handling systems for the animal facility maintained prior year energy usage despite an increase in number facility rooms utilized.

ANIMAL RESOURCES AUTHORITY

REPORT ON OPERATIONS FOR YEAR ENDED 30 JUNE 2010

Likely developments and forecast results of operations

Likely developments for the Authority in the 2010/2011 financial year will be to enhance its status as the leading laboratory animal supplier in Australia and the introduction of operational changes to cater to changing customer base requirements.

- Complete the re-derivation programme to become *Pasteurella pneumotropica* and *Helicobacter bilis* free in all maintained strains colonies.
- Complete the facility re-organisation to cater to the services related to maintaining customer specific strains.
- Complete the production facility alterations to minimise disease risk.
- Continue the upgrade of key strains to international standard genetics.
- Develop phenotype testing protocols to support genetic testing programme.
- The Authority will maintain its self funding status.

Animal Ethics Committee (AEC)

Members: Michael Hall, Director Animal Resources Centre (Chairman)

A. Dr. Deborah Hopwood, Director Scientific and Veterinary Services,
Animal Resources Centre.

B. Dr Amanda O'Hara, Researcher, Murdoch University.

C. Ms Cheryl Davenport, Member RSPCA.

D. Mr Anthony Pike, Community member.

Mr Michael Bunce, A/Director Operations, Animal Resources
Centre

Mrs Micaela Haddrill, Maintained Strains Manager

Dr Pip Milton AEC Executive Officer.

The Committee is constituted and operates according to the Australian Code of Practice for the Care and Use of Animals for Scientific Purposes. The Committee approved the protocols under examination in 2009 and 2010.

The External Triennial Review of the ARA Animal Ethics Committee was undertaken in May as required under the Code and WA licence conditions.

The Animal Resources Centre complies with the Animal Welfare Act 2002 by holding licences to '*supply animals for scientific purposes*' and to '*use animals for scientific purposes*' issued by the Department of Local Government and Regional Development.



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**ANIMAL RESOURCES AUTHORITY
FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2010**

I have audited the accounts, financial statements, controls and key performance indicators of the Animal Resources Authority.

The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. This document is available on the OAG website under "How We Audit".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Animal Resources Authority
Financial Statements and Key Performance Indicators for the year ended 30 June 2010

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Animal Resources Authority at 30 June 2010 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions;
- (ii) the controls exercised by the Authority provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Authority are relevant and appropriate to help users assess the Authority's performance and fairly represent the indicated performance for the year ended 30 June 2010.



COLIN MURPHY
AUDITOR GENERAL
18 August 2010

ANIMAL RESOURCES AUTHORITY

DISCLOSURES AND LEGAL COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2010

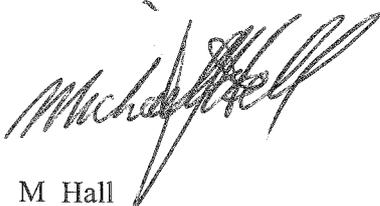
DISCLOSURES AND LEGAL COMPLIANCE

FINANCIAL STATEMENTS

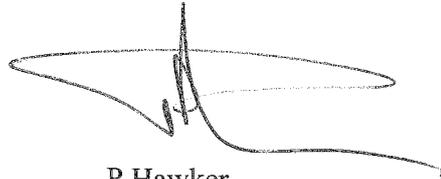
Certification of Financial Statements

The accompanying financial statements of the Animal Resources Authority have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2010 and the financial position as at 30 June 2010.

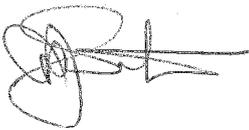
At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



M Hall
Chief Finance Officer
Date: 26 July 2010



P Hawker
Member of Animal Resources Authority.
Date: 26 July 2010



T Tate
Chairman of Animal Resources Authority
Date: 26 July 2010

ANIMAL RESOURCES AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	2010	2009
		\$	\$
INCOME			
Revenue			
Sales	5	6,110,639	6,092,818
Provision of services	5	1,242,282	1,277,216
Interest revenue	6	34,122	75,144
Other revenue		47,034	95,361
Gains			
Net change in fair value of biological assets	7	(124,781)	134,862
TOTAL INCOME		<u>7,309,296</u>	<u>7,675,401</u>
EXPENSES			
Cost of sales and services	5	6,159,880	6,530,894
Employee benefits expense	9	593,991	603,984
Depreciation expense	11	50,960	50,956
Supplies and services	10	800,295	958,369
Loss on disposal of non-current assets	8	2,844	-
TOTAL EXPENSES		<u>7,607,970</u>	<u>8,144,203</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(298,674)</u>	<u>(468,802)</u>
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus			912,519
Gains/losses recognised directly in equity		-	-
Total other comprehensive income			<u>912,519</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>(298,674)</u>	<u>443,717</u>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ANIMAL RESOURCES AUTHORITY

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	12	1,192,237	1,371,874
Inventories	13	256,859	228,903
Biological assets	14	2,398,904	2,523,685
Receivables	15	969,808	1,044,359
Other current assets	16	24,791	-
Total Current Assets		4,842,599	5,168,821
Non-Current Assets			
Property, Plant and Equipment	17	4,375,730	4,329,153
Total Non-Current Assets		4,375,730	4,329,153
TOTAL ASSETS		9,218,329	9,497,974
LIABILITIES			
Current Liabilities			
Payables	19	554,024	584,335
Provisions	20	155,999	181,217
Total Current Liabilities		710,023	765,552
Non-Current Liabilities			
Provisions	20	258,837	184,279
Total Non-Current Liabilities		258,837	184,279
TOTAL LIABILITIES		968,860	949,831
NET ASSETS		8,249,469	8,548,143
EQUITY			
Reserves	21	1,239,250	1,239,250
Retained earnings	21	7,010,219	7,308,893
TOTAL EQUITY		8,249,469	8,548,143

The Statement of Financial Position should be read in conjunction with the accompanying notes.

ANIMAL RESOURCES AUTHORITY

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Reserves	Accumulated surplus/ (deficit)	Total equity	
Note	\$	\$	\$	
Balance at 1 July 2008	21	235,446	7,777,695	8,013,141
Changes in accounting policy or correction of prior period errors		-	-	-
Restated balance at 1 July 2008		235,446	7,777,695	8,013,141
Total comprehensive income for the year		912,519	(468,802)	443,717
Transactions with owners in their capacity as owners				
Capital appropriations		-	-	-
Other contributions by owners		-	-	-
Distributions to owners		-	-	-
Total		-	-	-
Balance at 30 June 2009		1,147,963	7,308,893	8,456,858
 Balance at 1 July 2009		1,147,963	7,308,893	8,456,856
Changes in accounting policy or correction of prior period errors		91,287	-	91,287
Restated balance at 1 July 2009		1,239,250	7,308,893	8,548,143
Total comprehensive income for the year			(298,674)	(298,674)
Transactions with owners in their capacity as owners				
Capital appropriations		-	-	-
Other contributions by owners		-	-	-
Distributions to owners		-	-	-
Total		-	-	-
Balance at 30 June 2010		1,239,250	7,010,219	8,249,469

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ANIMAL RESOURCES AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		6,185,326	6,331,100
Provision of services		1,242,282	1,277,216
Interest received		33,986	77,761
GST receipts on sales		663,886	682,673
Other receipts		47,034	95,361
Payments			
Employee benefits		(4,072,919)	(3,777,255)
Supplies and services		(3,318,719)	(4,051,747)
GST payments on purchases		(321,268)	(409,925)
GST payments to taxation authority		(306,691)	(333,960)
NET CASH PROVIDED BY/(USED IN)			
OPERATING ACTIVITIES	22	<u>152,917</u>	<u>(108,776)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		5,000	
Purchase of non-current physical assets		(337,553)	(370,053)
NET CASH PROVIDED BY/(USED IN)			
INVESTING ACTIVITIES		<u>(332,553)</u>	<u>(370,053)</u>
Net increase/(decrease) in cash and cash equivalents		(179,636)	(478,829)
Cash and cash equivalents at the beginning of period		<u>1,371,874</u>	<u>1,850,703</u>
CASH AND CASH EQUIVALENT ASSETS AT THE END OF			
PERIOD	12	<u>1,192,237</u>	<u>1,371,874</u>

The Statement Cash Flows should be read in conjunction with the accompanying notes.

Animal Resources Authority

Notes To The Financial Statements

For the year ending 30 June 2010

Note 1 Australian equivalents to International Financial Reporting Standards

The Authority's financial statements for the year ended 30 June 2010 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Authority has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Authority for the annual reporting period ended 30 June 2010.

Note 2 Summary of significant accounting policies(a) General Statement

The financial statements constitute general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial report is presented in Australian dollars which have been rounded to the nearest dollar.

The judgements that have been made in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 3 'Judgements made by management in applying accounting policies'.

(c) Reporting Entity

The reporting entity comprises the Authority. There are no related bodies.

(d) Income*Revenue recognition*

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets, some revaluations of non-current assets and the change in fair value of biological assets.

(e) Taxation

The Authority is not subject to the requirements of the Western Australian Government's Tax Equivalent Regime (TER).

(f) Property, Plant and Equipment and Infrastructure

Capitalisation / Expensing of assets

Items of property, plant and equipment and infrastructure costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of buildings and infrastructure and the cost model for all other property, plant and equipment. Buildings and infrastructure are carried at fair value less accumulated depreciation (buildings and infrastructure only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market evidence is available, the fair value of buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Where market evidence is available, the fair value of plant and equipment is determined on the basis of current market buying values available. When plant and equipment are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

The revaluation of property, plant and equipment is an independent valuation carried out on three-yearly basis. Australian Valuation Partners have valued the property, plant and equipment on the basis of replacement with new value (for Insurance Purposes) and fair value (for financial reporting purposes).

The most significant assumptions in estimating fair value are made in assessing whether to apply existing use basis to assets and in determining the useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Asset Revaluation Surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 17 'Property, Plant and Equipment'.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Property, plant and equipment is depreciated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Buildings	20 to 50 years
Motor Vehicles	10 years
Plant & Equipment	
Production Plant & Equipment	5 to 20 years
Office Furniture & Equipment	3 to 10 years

Leasehold improvements consist of buildings, modifications and additions to buildings erected on land leased long term from Murdoch University and are being depreciated over their estimated useful lives.

Where non-current assets have been revalued, depreciation is applied against the revalued amount from the date of valuation.

(g) Impairment of Assets

Property plant and equipment are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Authority is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(h) Leases

The Authority holds operating leases for vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the vehicles.

(i) Financial Instruments

In addition to cash and bank overdraft, the Authority has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial Instruments have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables
- Term deposits

Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(j) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(k) Biological Assets

Animal stocks are reflected in the Statement of Financial Position as a current asset. Animal stocks are valued in accordance with AASB 141, Agriculture. The standard requires that biological assets and agricultural produce that relate to agricultural activity be measured at fair value less estimated point of sale costs with any resultant gain or loss recognised in the Income Statement. The net fair value of pedigree breeding stock is determined as the sale price of pedigree pairs, the fair value of inbred and outbred breeding colonies is determined as the sale price of un-timed pregnant animals and the fair value of the animal stocks held for sale is determined as the average sale price for the class of animal concerned.

(l) Inventories

Non-animal inventories are valued at cost. Inventory is valued on first in first out basis.

(m) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(n) Payables

Payables are recognised when the Authority becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(o) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. See note 20 'Provisions'.

(i) Provisions - Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the reporting period is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the end of the reporting period.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Superannuation

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers public sector superannuation arrangements in Western Australia.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Authority makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme, are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at the end of the reporting period. The liabilities under these schemes have been calculated separately for each scheme annually by Mercer Human Resources using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

The GSS Scheme, the WSS Scheme and the GESBS Scheme, where the current service superannuation charge is paid by the Authority to the GESB, are defined contribution schemes. The liabilities for current superannuation charges under the GSS Scheme, the WSS Scheme and the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

The Gold State Superannuation Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

Note: Two members retain membership in an AMP fund for which all obligations are met concurrently with service.

(ii) Provisions - Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Authority's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(p) Superannuation expense

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the Statement of Comprehensive Income.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(q) Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Authority considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(r) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Note 3 Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Authority evaluates these judgements regularly.

Adoption of fair value versus cost basis for plant and equipment

The adoption of fair value versus cost basis for plant and equipment as outlined in Note 2 (e).

Operating lease commitments

The Authority has entered into a commercial lease and has determined that the lessor retains all the significant risks and rewards of ownership of the property. Accordingly, the lease has been classified as an operating lease.

Note 4 Disclosure of changes in accounting policy and estimates**Initial application of an Australian Accounting Standard**

The Authority has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2009 that impacted on the Authority:

- AASB 101 *Presentation of Financial Statements* (September 2007). This Standard has been revised and introduces a number of terminology changes as well as changes to the structure of the Statement of Changes in Equity and the Statement of Comprehensive Income. It is now a requirement that owner changes in equity be presented separately from non-owner changes in equity. There is no financial impact resulting from the application of this revised Standard.
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*. This Standard changes the term 'general purpose financial report' to 'general purpose financial statements', where appropriate in Australian Accounting Standards and the Framework to better align with IFRS terminology. There is no financial impact resulting from the application of this Standard.
- AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]*. This Standard amends AASB 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Authority where the Crown land is to be sold by the Department of Regional Development and Lands (formerly Department for Planning and Infrastructure). The Authority does not expect any financial impact when the Standard is first applied prospectively.
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments AASB 4, AASB 7, AASB 1023 & AASB 1038*. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. There is no financial impact resulting from the application of this Standard.

Future impact of Australian Accounting Standards not yet operative

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Authority has not applied early any following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and that may impact the Authority but are not yet effective. Where applicable, the Authority plans to apply these Standards from their application date:

	Operative for reporting periods beginning on/after
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]</i> .	1 January 2013

The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The Authority does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.

Note 5 Trading profit

	2010	2009
	\$	\$
Sale of goods (animals and freight)	6,110,639	6,092,818
Services (colony maintenance)	1,242,282	1,277,216
	<u>7,352,921</u>	<u>7,370,034</u>
Cost of sales and services:		
Opening Inventory	228,903	115,491
Purchases	1,535,649	2,112,546
Overheads	4,652,187	4,531,760
Closing Inventory	(256,859)	(228,903)
Cost of sales and services	<u>6,159,880</u>	<u>6,530,894</u>
Trading Profit	<u>1,193,041</u>	<u>839,140</u>

Note 6 Interest revenue

Interest revenue:		
Bankwest	16,743	48,865
Public bank account	17,379	26,279
	<u>34,122</u>	<u>75,144</u>

Note 7 Net change in fair value of biological assets

Animals on Hand – at Fair Value -opening balance	(2,523,685)	(2,388,823)
Less: Animals on Hand – at Fair Value -closing balance	2,398,904	2,523,685
Net change in fair value	<u>(124,781)</u>	<u>134,862</u>

Note 8	Net gain/(Loss) on disposal of non-current assets	2010	2009
		\$	\$
	<u>Costs of Disposal of Non-Current Assets</u>		
	Plant and Equipment.	7,844	-
	<u>Proceeds from Disposal of Non-Current Assets</u>		
	Plant and Equipment.	(5,000)	-
	Net gain/(loss)	<u>(2,844)</u>	<u>-</u>

Note 9 **Employee benefits expense**

Salaries (a)	463,016	480,997
Superannuation	45,477	42,385
Long Service Leave	34,761	11,269
Annual Leave	<u>50,737</u>	<u>69,334</u>
	<u>593,991</u>	<u>603,984</u>

(a) This item represents non-production staff salaries. Salaries incurred by production staff are accounted for in the Cost of Sales and Services (refer note 5).

Note 10 **Supplies and services**

Advertising	10,005	8,699
Insurance	5,038	48,185
Vehicle Expenses	57,867	50,271
Telephone	7,431	6,232
Accounting/Audit	60,345	70,558
Printing/Stationery	21,540	22,436
Cleaning	30,560	49,027
Materials & Equipment	26,658	-
Repairs & Maintenance	162,022	181,179
Sundry	156,692	102,411
Employment on-costs (a)	212,665	367,041
Staff Training	19,985	18,988
Other	<u>29,487</u>	<u>33,342</u>
	<u>800,295</u>	<u>958,369</u>

(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 20 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Note 11 **Depreciation expense**

Motor Vehicles	500	875
Plant & Equipment	116,618	125,995
Buildings	<u>166,015</u>	<u>122,021</u>
	283,133	248,891
Less depreciation directly charged to overheads	<u>(232,173)</u>	<u>(197,935)</u>
	<u>50,960</u>	<u>50,956</u>

Note 12 **Cash and cash equivalents**

Management Account	529,863	763,122
Term Deposits (short term)	481,519	464,276
Cheque Account	180,655	144,276
Cash on hand	<u>200</u>	<u>200</u>
	<u>1,192,237</u>	<u>1,371,874</u>

Note 13 **Inventories**

<u>Current</u>		
Transport Boxes – at cost	256,859	228,903
	<u>256,859</u>	<u>228,903</u>

Note 14 **Biological assets**

<u>Current</u>		
Animals on Hand – at Fair Value	2,398,904	2,523,685
	<u>2,398,904</u>	<u>2,523,685</u>

Biological assets consist of 29 lines (2009:28 lines) of SPF mice and 10 lines (2009:10 lines) of SPF rats. Each line consists of breeder colonies and weaned offspring being grown to be sold or be used for breeder replacement. The breeding animals of each line are caged and maintained in specified mating ratios. Offspring of each line are weaned at three weeks into cages with defined numbers. Weekly wean number totals for each line is recorded in the Strains Database. Not all weaned animals are kept for sale as typically only one sex of weaned animals is required. Sales are removed from the stock cages at different ages and cage numbers adjusted on the cage label. Sales by line are invoiced through the Attache accounting system.

An end of period stocktake recording numbers of pedigree, breeder, replacement breeder stock or weaned stock for each line is undertaken.

During the year, animals on hand were valued in accordance with AASB 141, Agriculture.

At 30 June 2010, animal stocks held for sale comprised 39,079 mice (2009: 44,389) and 7,872 rats (2009: 8,108). During the financial year ended 30 June 2010, the Authority sold 199,171 mice (2009: 206,630) and 28,132 rats (2009: 29,966), total 227,303 (2009: 236,596) animals. The significant assumptions made in determining the net market value of animal stocks at the current and previous end of reporting period are:

- a) The expected prices of livestock are as per the price list set 1 January 2010 and a 4% increase from 1 January 2011.
- b) Rats and mice will be sold continuously throughout the year.
- c) Weaners will be sold at ages three to twelve weeks and breeders can be 8 to 34 weeks.
- d) The price of pedigree animals, breeders, replacement breeders and weaned animals (stock) are based on price lists as defined in the stocktake standard operating procedure.

	\$
Balance at 1 July 2008	2,388,823
Decrease due to sales	(4,868,599)
Increase due to birth	4,883,286
Change in fair value less estimated point-of-sale costs	<u>120,175</u>
Balance at 30 June 2009	<u>2,523,685</u>
Current	2,523,685
Non-current	-
	<u>2,523,685</u>
Balance at 1 July 2009	2,523,685
Decrease due to sales	(4,886,255)
Increase due to birth	4,898,250
Change in fair value less estimated point-of-sale costs	<u>(136,776)</u>
Balance at 30 June 2010	<u>2,398,904</u>
Current	2,398,904
Non-current	-
	<u>2,398,904</u>

Note 15	Receivables	2010	2009
		\$	\$
	<u>Current</u>		
	Trade and Other Receivables	964,689	1,039,376
	Accrued Interest	<u>5,119</u>	<u>4,983</u>
		<u>969,808</u>	<u>1,044,359</u>

Note 16	Other current assets		
	<u>Current</u>		
	Prepayments	24,791	-
		<u>24,791</u>	<u>-</u>

Note 17	Property, plant and equipment		
	Motor Vehicles- at Fair Value	5,000	5,000
	Less: Accumulated Depreciation	(500)	-
	Less: Accumulated impairment losses	-	-
		<u>4,500</u>	<u>5,000</u>
	Plant & Equipment- at Fair Value	1,205,102	705,650
	Less: Accumulated Depreciation	(116,462)	-
	Less: Accumulated impairment losses	-	-
		<u>1,088,640</u>	<u>705,650</u>
	Buildings- at Fair Value	3,339,407	3,268,000
	Less Accumulated Depreciation	(166,015)	-
	Less: Accumulated impairment losses	-	-
		<u>3,173,392</u>	<u>3,268,000</u>
	Work-in-progress	109,198	259,216
	Total	<u>4,375,730</u>	<u>4,237,866</u>

Buildings and Plant and Equipment were revalued as at 30 June 2009 by Australian Valuation Partners. The fair value of all buildings, plant and equipment has been determined by reference to recent market transactions. Refer Note 2(e) Property, Plant and Equipment. The valuation was made in accordance with a regular policy of revaluation every three years. No revaluations occurred in 2010.

Reconciliations.

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the reporting period are set out below.

	Motor Vehicles	Plant and Equipment	Buildings	Work in Progress	Total
2010	\$	\$	\$	\$	\$
Restated carrying amount at start of year	5,000	796,937	3,268,000	259,216	4,329,155
Additions	-	141,031	-	196,522	337,553
Transfers	-	275,133	71,408	(346,541)	-
Disposals	-	(7,845)	-	-	(7,845)
Revaluation increments/(decrements)	-	-	-	-	-
Depreciation	(500)	(116,618)	(166,015)	-	(283,133)
Carrying amount at end of year	4,500	1,088,638	3,173,393	109,197	4,375,730
2009	\$	\$	\$	\$	\$
Restated carrying amount at start of year	7,000	997,284	2,199,901	-	3,204,187
Additions	-	110,837	-	259,216	370,053
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluation increments/(decrements)	(1,125)	(276,476)	1,190,120	-	912,519
Depreciation	(875)	(125,995)	(122,021)	-	(248,891)
Carrying amount at end of year	5,000	705,650	3,268,000	259,216	4,237,868
Correction of revaluation increments	-	91,287	-	-	91,287
Restated carrying amount at end of year	5,000	796,937	3,268,000	259,216	4,329,155

Note 18 Impairment of assets

There were no indications of impairment to Property, plant and equipment and infrastructure at 30 June 2010.

The Authority held no goodwill or intangible assets with an indefinite useful life during the reporting period and at the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets at 30 June 2010 have either been classified as non-current assets held for sale or written-off.

Note 19 Payables

	2010 \$	2009 \$
<u>Current</u>		
Trade Payables	342,316	351,317
GST Payable	82,087	46,160
Accrued Expenses	129,621	98,116
Accrued Salaries		88,742
	<u>554,024</u>	<u>584,335</u>

Note 20 Provisions

<u>Current:</u>		
<i>Employee benefits provision</i>		
Annual Leave (a)	103,296	124,624
Long Service Leave (b)	32,489	35,015
Superannuation (d)	11,216	12,917
	<u>147,001</u>	<u>172,556</u>
<i>Other provisions</i>		
Employment On-costs (c)	8,998	8,661
	<u>8,998</u>	<u>8,661</u>
	<u>155,999</u>	<u>181,217</u>
<u>Non-current:</u>		
<i>Employee benefits provision</i>		
Long Service Leave (b)	221,581	157,711
Superannuation (d)	20,696	14,514
	<u>242,277</u>	<u>172,225</u>
<i>Other provisions</i>		
Employment On-costs (c)	16,560	12,054
	<u>16,560</u>	<u>12,054</u>
	<u>258,837</u>	<u>184,279</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows

Within 12 months of the end of the reporting period	103,296	124,624
	<u>103,296</u>	<u>124,624</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate the actual settlement of liabilities will occur as follows

Within 12 months of the end of the reporting period	32,489	35,015
More than 12 months after the reporting period	221,581	157,711
	<u>254,070</u>	<u>192,726</u>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost) is included at Note 10 'Supplies and Services'.

(d) Defined benefit superannuation plans
The Authority has no liability or expense under AASB 119 arising from the Pension Scheme or Gold State Super.

(e) Movement in employment on-cost provision

Carrying amount at start of year	20,715	25,982
Additional provisions recognised	(116,764)	(372,545)
Payments/other sacrifices of economic benefits	121,327	367,041
Unwinding of the discount	280	237
Carrying amount at end of year	<u>25,558</u>	<u>20,715</u>

Note 21 Equity

Equity represents the residual interest in the net assets of the Authority. The Government holds the equity interest in the Authority on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

Reserves	2010	2009
	\$	\$
<u>Asset revaluation surplus</u>		
Restated balance at start of year	1,239,252	235,446
Net revaluation increments/(decrements):		
Motor Vehicles	-	(1,125)
Plant and Equipment	-	(276,476)
Buildings	-	1,190,120
Balance at end of year	<u>1,239,250</u>	<u>1,147,965</u>
Correction of revaluation increments (Plant and Equipment)		<u>91,287</u>
Restated balance at end of year	<u>1,239,250</u>	<u>1,239,252</u>
Accumulated surplus/(deficit)		
Balance at start of year	7,308,893	7,777,695
Result for the period	(298,674)	(468,802)
Balance at end of year	<u>7,010,219</u>	<u>7,308,891</u>

Note 22 Notes to the Statement of Cash Flows

Reconciliation of profit to net cash flows provided by/(used in) operating activities

Profit/(Loss)	(298,674)	(468,802)
<u>Non-cash items:</u>		
Depreciation	283,133	248,891
Net (gain)/loss on disposal of non-current assets	2,844	
<u>(Increase)/decrease in assets:</u>		
Receivables	74,687	238,282
Accrued income and interest	(136)	2,617
Other financial assets	(24,791)	
Biological assets	124,781	(134,862)
Inventories	(27,956)	(113,412)
<u>Increase/(decrease) in liabilities:</u>		
Payables	(66,238)	81,158
Provisions	49,340	98,564
Net GST receipts/(payments)		
Change in GST receivables/payables	35,927	(61,212)
Net cash provided by/(used in) operating activities	<u>152,917</u>	<u>(108,776)</u>

Note 23 Commitments

Lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:

Within 1 year	33,045	25,491
Later than 1 year and not later than 5 years	45,745	9,171
Later than 5 years	-	-
	<u>78,790</u>	<u>34,662</u>

The leases are non-cancellable vehicle operating leases of 18 month and 36 month terms with rent payable monthly.

Note 24 Contingent liabilities and contingent assets

Nil.

Note 25 Events occurring after the end of the reporting period

Nil.

Note 26 Explanatory Statement

This statement provides details of any significant variations between estimates and actual results for 2010 and between the actual results for 2009 and 2010. Significant variations are considered to be those greater than 10% or \$15,000.

Significant variations between estimate and actual results for the financial year

	2010 Estimate	2010 Actual	Variances	Variances
	\$	\$	\$	%
<u>Revenue</u>				
Sales	6,095,471	6,110,639	15,168	0%
Provision of services	1,235,210	1,242,282	7,072	1%
Interest revenue	59,234	34,122	-25,112	-42%
Other revenue	30,500	47,034	16,534	54%
<u>Gains</u>				
Net change in fair value of biological assets	101,315	(124,781)	-226,096	-223%
<u>Expenses</u>				
Cost of sales and services	5,664,837	6,159,880	495,043	9%
Employee benefits expense	785,000	593,991	-191,009	-24%
Depreciation expense	48,000	50,960	2,960	6%
Supplies and services	682,000	800,295	118,295	17%
Net loss on disposal of non-current assets		2,844	2,844	100%

Significant variations between actual and prior year actual - revenues and expenditures

	2010 Actual	2009 Actual	Variances	Variances
	\$	\$	\$	%
<u>Revenue</u>				
Sales	6,110,639	6,092,818	17,821	0%
Provision of services	1,242,282	1,277,216	-34,934	-3%
Interest revenue	34,122	75,144	-41,022	-55%
Other revenue	47,034	95,361	-48,327	-51%
<u>Gains</u>				
Net change in fair value of biological assets	(124,781)	134,862	-259,643	-193%
<u>Expenses</u>				
Cost of sales and services	6,159,880	6,530,894	-371,013	-6%
Employee benefits expense	593,991	603,984	-9,994	-2%
Depreciation expense	50,960	50,956	4	0%
Supplies and services	800,295	958,369	-158,074	-16%
Net loss on disposal of non-current assets	2,844		2,844	100%

Sales

Sales were above estimate and prior year due to increased export sales, mainly to Singapore.

Provision of services

Revenue from the Provision of Services were on estimate but lower than prior year with lower Imports and quarantine services and a reduction in the number of animals being maintained for customers by Customs Strains.

Interest Revenue

Interest revenue was lower than estimates and the prior year as a result of the lower interest rate environment and a lower average balance. The weighted average interest rates compared to prior year were Bankwest 2.75% v 4.8% and Treasury 3.67% v 4.5%, estimates were based on an interest rate of 4.5% for both accounts. The average Bankwest balance was significantly lower at \$608,789 compared with the \$879,000 estimate with higher expenditure than planned.

Other Revenues

Other revenues were higher than estimates with a number of trainees completing the Certificate III in Animal Technology earlier than estimated and extra trainees were appointed resulting in the traineeship refunds revenue being above estimates. Revenue was lower than the prior year with workers compensation insurance recovery reducing from \$36,377 to \$653 and less trainees commencing and completing the traineeships.

Change in fair value of biological assets

The reduction in the fair value of biological assets was the result of the large decrease in breeder colony numbers with the completion of the rederivation of production breeder colonies earlier than estimated. In addition the continued tighter controls on colony sizes to reduce animal wastage in the spirit of the animal welfare code and the better health outcomes after the rederivation has resulted in approximately 4,000 less animals being held. Overall these actions resulted in a reduction of \$226,096 in the value of biological assets below estimate. The value was less than prior year for the same reasons.

Cost of sales and services

The cost of sales increased significantly above estimates. Utility costs increased \$77,000 after additional price rises in gas and electricity. The opportunity to complete unplanned repairs in the Area 2 production rooms added \$127,000 and additional rat sales brought forward purchases for transport boxes (\$124,000), moisture packs (\$23,000) and freight (\$36,000). Genetic contamination in two minor strains required extensive Genetic testing to resolve and added \$52,000. Labour costs were \$100,000 below estimates with the reduction in the number of breeder colony animals.

The cost of sales was significantly lower than the prior year with the increases in electricity and gas (\$83,000), genetic testing (\$53,000) and the salary increase of \$105,000 being offset by reductions in repairs related expenses (\$334,000), animal procurement (\$56,000), bedding (\$38,000), freight (\$57,000) and transport boxes (\$66,000).

Employee Benefits Expense

The employee benefits expense was \$191,009 below estimate with the retirement of two senior staff members ahead of plan. The minor reduction against the prior year is for the same reason.

Supplies and Services

Supplies and services were above estimate with the Jackson Laboratory royalty payments increasing \$33,000 with increased sales and additional strains in the agreement, earlier traineeship completions adding \$33,000 in payroll tax and significant computing issues adding \$106,000. These cost increases offset the \$50,000 reduction in workers compensation insurance with the improvement in safety outcomes.

Supplies and services were lower than prior year with the \$220,000 reduction in workers compensation premium as a result of excellent safety outcomes offsetting the \$51,000 increase in the Jackson Laboratory royalties and the \$32,000 increase in payroll tax with staff completing traineeships.

Net loss on disposal of non-current assets

A net loss of \$2,844 occurred with the sale of the original facility generator after upgrading to a larger, cleaner generator.

Note 27 Financial instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Authority are cash and cash equivalents, receivables and payables. The Authority has limited exposure to financial risks. The Authority's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 27 (c) 'Financial Instruments Disclosures' and Note 15 'Receivables'.

The Authority has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority is exposed to liquidity risk through its trading in the normal course of business.

The Authority's objective is to maintain continuity of funding. The Authority has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market Risk

The Authority only has interest rate risk associated with bank deposits. No other risks are relevant.

(b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and liabilities at the end of the reporting period are as follows:

	2010	2009
	\$	\$
Financial Assets		
Cash and cash equivalents	1,192,237	1,371,874
Restricted cash and cash equivalents	-	-
Loans and receivables	969,808	1,044,359
Held-to-maturity investments	-	-
Financial Liabilities		
Bank overdraft	-	-
Financial Liabilities measured at amortised cost (a)	471,937	538,175

(a) The amount of financial liabilities measured at the amortised cost excludes GST payable to the ATO (statutory receivable/payable).

(c) Financial Instrument disclosures

Interest Rate Risk Exposures

The following table discloses the Authority's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Authority's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table is based on information provided to senior management of the Authority.

The Authority does not hold any collateral as security or other credit enhancement relating to the financial assets it holds

The Authority does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets

	Weighted Average Effective Interest Rate	Interest rate exposure			Past due but not impaired	
		Carrying Amount \$	Variable Interest Rate \$	Non- Interest Bearing \$	Up to 3 months \$	3-12 months \$
Financial Assets						
2010						
Cash Assets		180,855		180,855		
Receivables		969,808		969,808	181,968	7,891
Cash Management Acc	2.750	529,863	529,863			
WA Treasury	3.670	481,519	481,519			
		<u>2,162,045</u>	<u>1,011,382</u>	<u>1,150,663</u>	<u>181,968</u>	<u>7,891</u>
2009						
Cash Assets		144,476		144,476		
Receivables		1,044,359		1,044,359	314,377	9,531
Cash Management Acc	4.828	763,122	763,122			
WA Treasury	4.534	464,276	464,276			
		<u>2,416,233</u>	<u>1,227,398</u>	<u>1,188,835</u>	<u>314,377</u>	<u>9,531</u>

Interest rate exposure and maturity analysis of financial liabilities

	Weighted Average Effective Interest Rate	Interest rate exposure			Maturity date	
		Carrying Amount \$	Variable Interest Rate \$	Non- Interest Bearing \$	Up to 3 months \$	3-12 months \$
Financial Liabilities						
2010						
Payables	-	554,024		554,024	554,024	
		<u>554,024</u>	<u>0</u>	<u>554,024</u>	<u>554,024</u>	<u>0</u>
2009						
Payables	-	584,335		584,335	584,335	
		<u>584,335</u>	<u>0</u>	<u>584,335</u>	<u>584,335</u>	<u>0</u>

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Authority's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 100 basis point change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying Amount \$	-100 basis points		+100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
2010					
Financial Assets					
Cash Assets	180,855				
Receivables	969,808				
Cash Management Acc	529,863	(5,299)	(5,299)	5,299	5,299
WA Treasury	481,519	(4,815)	(4,815)	4,815	4,815
Financial Liabilities					
Payables	554,024				
Total increase/(Decrease)		<u>(10,114)</u>	<u>(10,114)</u>	<u>10,114</u>	<u>10,114</u>

	Carrying Amount \$	-100 basis points		+100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
2009					
Financial Assets					
Cash Assets	144,476				
Receivables	1,044,359				
Cash Management Acc	763,122	(7,631)	(7,631)	7,631	7,631
WA Treasury	464,276	(4,643)	(4,643)	4,643	4,643
Financial Liabilities					
Payables	584,335				
Total increase/(Decrease)		<u>(12,274)</u>	<u>(12,274)</u>	<u>12,274</u>	<u>12,274</u>

Fair Values

All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Note 28 Remuneration of members of the accountable authority and senior officers

Remuneration of Members of the accountable authority

The number of members of the accountable authority, whose total of fees, salaries superannuation and other benefits for the financial year, fall within the following bands are

	2010	2009
\$ 0-10,000	6	5

The total remuneration of the members of the accountable authority is \$3,744 (2009: \$2,728).

No members of the accountable authority are members of the Pension Scheme.

Remuneration of Senior Officers

The number of Senior Officers other than senior officers reported as members of the Accountable Authority, whose total of fees, salaries and other benefits for the financial year, fall within the following bands are:

\$		
100,001 - 120,000	1	1
120,001 - 140,000	-	1
140,001 - 160,000	1	-
	2010	2009
	\$	\$
The total remuneration of senior officers is:	267,853	242,727

The superannuation included here represents the superannuation expense incurred by the Authority in respect of senior officers other than senior officers reported as members of the accountable authority

No senior officers are members of the Pension Scheme.

Note 29 Remuneration of auditor

2010	2009
\$	\$

Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:

Auditing the accounts, financial statements and performance indicators	46,200	41,800
--	--------	--------

Note 30 Related and affiliated bodies

The Authority does not have any related or affiliated bodies.

Note 31 Supplementary financial information

The Authority had no write-offs of public property, no losses through theft or default and no gifts of public property occurred.

Note 32 Schedule of income and expenses for services

The Authority operations are integrated to such an extent the production of this schedule is impractical.

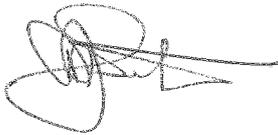
ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2010

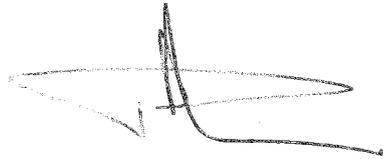
Key Performance Indicators

Certification of Key Performance Indicators

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Animal Resources Authority's performance, and fairly represent the performance of the Animal Resources Authority for the financial year ended 30 June 2010.



T Tate
Chairman
Animal Resources Authority
Date: 26 July 2010



P Hawker
Member
Animal Resources Authority
Date: 26 July 2010

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2010

Detailed information in support of Key Performance Indicators

Outcomes

The Animal Resources Authority facilitates improved health outcomes for the community by providing high quality laboratory animals and technical advice to the biomedical research industry. The ARA services allow medical research to proceed without the potential disruption that could occur from animal health issues, genetic failure or unreliable animal availability.

The support for improved health outcomes from research aligns with the Government Goal:

‘Outcomes Based Service Delivery – Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians’.

Efficiency indicators

The efficiency of production at the Animal Resources Centre can be measured by comparing the costs to produce animals from year to year. There are no industry standards available for comparison.

The cost of a weaned animal has been chosen as the unit against which costs have been apportioned. In the case of live animals the unit is a weaned animal because the majority of animals are sold after weaning.

For the period ended 30 June 2010 the costs (based on full absorption costing methods) for areas of animal production at the Animal Resources Centre are as follows:

Category	Cost per weaned animal produced		
	2009/2010	2008/2009	2007/2008
	\$	\$	\$
Mice	5.36	5.54	4.48
Target – <5%	5.81		
Rats	19.73	18.03	14.77
Target – <5%	18.93		

The cost per weaned mouse was below prior year and target as breeding colonies were reduced to a more normal level throughout the year after completion of the re-derivation of colonies to eliminate the *Staphylococcus aureus* problem carrying over from the prior year. QC costs were \$0.10 higher than prior year with the verification testing to ensure the re-derivation was successful and additional genetic testing.

The cost per weaned rat increased 9.39% with increases in colony size for re-derivation and changed husbandry for welfare reasons.

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2010

The re-derivation of the rat colonies has taken longer than anticipated, but rat embryo transfer breakthroughs have been achieved.

The new caging and husbandry methods implemented have significantly improved animal welfare but require additional room space. The re-derivation and new housing incurred higher labour costs (\$2.78) and overhead costs as a result of the increased number of rooms occupied such as electricity and gas adding \$0.26 per weaner.

Effectiveness indicators

Effectiveness is measured by examining whether the Authority meets its major outcome which is to ensure supply of high quality animals which are genetically uniform and free of disease producing organisms. Quality as judged by the customer is assessed in both quantitative (quality control tests) and qualitative (general appearance and demeanour for example) terms.

The ability to supply genetically uniform, specified disease-free animals can be measured quantitatively by examination of the results of quality control testing. Tests are performed by independent bodies.

Microbiological quality is determined by examination of animals for the presence of pathogenic viruses, bacteria and parasites that may cause clinical or subclinical disease that may interfere with the results of research.

Rodent viral and bacterial serology is carried out by the *Murine Virus Monitoring Service*, Institute of Medical and Veterinary Science, South Australia and *Cerberus Sciences*, South Australia. Rodent bacteriology is carried out by the *Animal Health Laboratories*, Department of Agriculture WA and the *School of Veterinary and Biomedical Sciences*, Murdoch University. Genetic monitoring is carried out by the *Evolutionary Biology Unit*, South Australian Museum and *Saturn Biotech*, Murdoch University, and phenotype testing at *Western Australian Institute Medical Research*.

A Health Report giving the results of all current tests for each production area is available on the Animal Resources Centre website. The Health Report is updated monthly.

Quality Control

All areas of the facility are sampled and tested monthly for key pathogens and quarterly for a wide range of specified pathogens using serology, culture, PCR and microscopic examination. The collated results for the production areas for the year are shown as number of positives from the total number of samples for each group of pathogens.

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2010

Quality Control Test Results Table.

Note: results are shown as positives from total samples taken, for example 10/6750.

Mice/Rats:	2009/2010		2008/2009		2007/2008	
	Actual	%	Actual	%	Actual	%
Viral serology	0/6326	0	10/6750	0.1	49/5973	0.82
MPV serology	0/602	0	0/695	0	0/588	0
Bacterial serology	0/1494	0	0/1590	0	0/1221	0
Bacterial culture	55/4732	1.2	101/4390	2.3	40/3292	1.2
Parasitology	0/672	0	0/659	0	0/362	0
Protozoa/Fungi	0/558	0	0/557	0	0/456	0
Skin mycology	0/26	0	0	0	0/42	0
PCR Viral/Bacteria	0/534	0	4/511	0.8	0/404	0

The target for the ARA is to be free of the specified pathogenic agents in the SPF production units.

All the positive bacterial cultures were either *Pasteurella pneumotropica* or *Staphylococcus aureus*, both organisms are ubiquitous in SPF colonies and do not normally constitute a threat. The pasteurilla isolations were from the last production area being rederived to remove the *pasteurella* and *norovirus*, the area is not tested for *norovirus* as it is known to be positive. The *Staphylococcus aureus* is in low numbers and there are no clinical signs are being observed. The major issue of 2008-09 in the immune compromised Balb/c nudes has disappeared in 2010 after the re-derivation.

In addition to the routine testing programme discussed above, post mortem and histopathology investigations are completed on any animal with observed illness in the facility. The post mortems are considered to be a support for the normal QC testing to ensure diseases of significance are not present. 90 production mice and rats were examined through post-mortem and no diseases or conditions of significance were identified, other than the findings in the QC programme.

Genetic monitoring

The target for the ARA is for all strains of mice and rats to be genetically true to type, as determined by SNP or Alloenzyme Electrophoresis.

The ARA objective is to supply a range of true to type strains of mice and rats required by the biomedical research industry. Strains of mice and rats carrying a different genotype provide 'models' of human conditions for use in research to develop new treatments or understanding of the human condition. There are blood pressure, diabetes and cancer models to give but a few examples.

The strains are monitored to ensure contamination, genetic drift or gene mutations have not occurred to reduce the effectiveness of the model. The changes can not usually be identified visually.

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2010

Mice:

22 inbred strains were tested in November 2009 and May 2010. 190 mice were checked for genetic purity by examining eleven genetic markers using the SNP genotyping technique through the Saturn Biotech laboratory, Murdoch University. The SNP technology is a sensitive method of detecting genetic contamination. The testing indicated the B10.Br strain was contaminated. Further testing indicated the colony needed to be replaced with a new import from the Jackson Laboratory.

Additional phenotype testing of the Ptprc strain was undertaken after a small percentage of the stock was reported as not showing the correct phenotype. 276 animals in the colony were tested for phenotype and then SNP confirmation allowed the colony to be returned to the correct genetic status.

The use of phenotype testing with the assistance of the Western Australian Institute of Medical Research will be incorporated in the genetic monitoring programme where appropriate to provide greater certainty for our customers.

The outbred lines demonstrated inbreeding well below acceptable standards based on the standard inbreeding measures.

Rats: Eight inbred lines (85 animals) were checked for genetic purity as part of routine 6 monthly screening and post re-derivation confirmations. Strains were tested in October 2009 and May 2010 by examining 16 genetic markers via Alloenzyme Electrophoresis at the South Australian Museum's Evolution Biology Unit. There was no evidence of genetic contamination.

Customer Survey

The target for the ARA is to maintain a response average above 3.5 for each quality dimension measured.

The ability to supply high quality animals and services were measured qualitatively in 2009/2010 by surveying a wide range of customers who purchase or are involved in handling the laboratory rodents used in biomedical research. Researchers, PhD students, purchasing staff, key customers, international customers and animal house managers were surveyed to gain a wide perspective on the ARA services. A five point Likert scale instrument comprising 21 questions grouped in areas related to quality, transport, range, customer service and price was used. Questions were statements suggesting high performance for the ARA in the related category.

The response to individual questions was rated Strongly Disagree, Disagree, Neither Agree nor Disagree, Agree, Strongly Agree. The possible scores for each dimension ranged from 1 to 5 with 1 representing poor performance. A score of 3 represents neither good nor bad performance.

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2010

A response rate of 42.38% was achieved with 65 of 151 customers surveyed responding. The results are shown as the average score for each category in Figure 1, with the statistics in Table 1, and the percentage of scores being 4 or 5 are shown in Figure 2 and the percentages in Table 2.

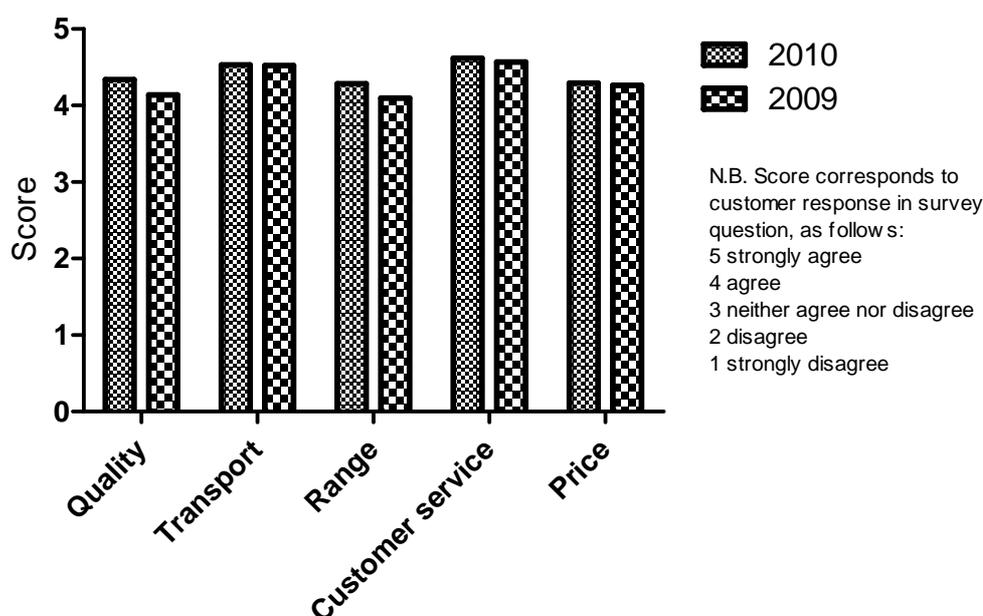


Figure 1. The Average Score of Customer Responses for each Survey Category.

Table 1 Statistical Analysis of Customer Responses illustrated in Figure 1.

	Quality		Transport		Range		Customer Service		Price	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Average	4.338	4.139	4.530	4.524	4.286	4.097	4.618	4.570	4.294	4.264
SEM*	0.04	0.05	0.04	0.04	0.05	0.06	0.03	0.03	0.04	0.05

* The SEM (Standard Error of the Mean) is a statistical measure indicating how reliable the survey average is as a measure of the wider customer group. The SEM score indicates the average is a very good measure of customer opinion.

Results Commentary

The improvement in the response average for quality reflects the elimination of the *Staphylococcus aureus* related problems of 2009 from the mice and general good quality of the animals.

The high scores for transport are important as it has a major impact on quality and welfare of the animals sold by the ARA.

The ARA prides itself in customer service with the contact staff maintaining a strong customer focus. The high average score and percentage of responses of 4 or 5 shown in Figure 2 confirms customer appreciation of the high customer service standard.

**KEY PERFORMANCE INDICATORS
FOR YEAR ENDED 30 JUNE 2010**

The ARA limits the range of strains for sale based on demand. Low sales lead to animal wastage as well as make the strain non viable. This impacts some customers.

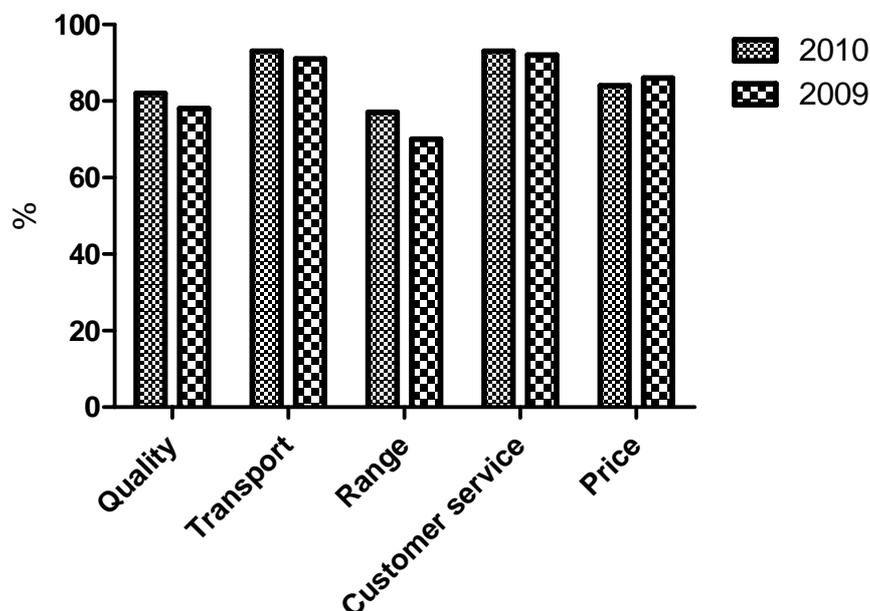


Figure 2 The Percentage of responses being 4 or 5 for each survey category.

Table 2 Results table for each survey category shown in Figure 2.

	Quality		Transport		Range		Customer Service		Price	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
% 4 or 5	82%	78%	93%	91%	77%	70%	93%	92%	84%	86%

The average scores in Figure 1 indicate the ARA is achieving the target 3.5 score and show some improvements over the prior year. The high percentage of responses being 4 and 5 demonstrate the consistency in the views of the customers.

ANIMAL RESOURCES AUTHORITY

INDEPENDENT AUDITS FOR YEAR ENDED 30 JUNE 2010

Internal Audit

In 2010 the accounting and financial controls of the payroll function were audited by the independent auditor. This is part of a 3 year rotational plan for evaluating internal controls of financial procedures.

The audit was generally favourable and the matters raised were addressed shortly after completion of the audit.

AS/NZS ISO 9001:2008

The Animal Resources Authority maintains AS/NZS ISO 9001:2008 certification. In maintaining this accreditation the Animal Resources Centre audits all operating procedures at least annually, is subject to annual surveillance audits and a triennial Certification audit by SGS International Certification Services Pty Ltd.

The successful surveillance audit this year confirmed the Animal Resources Authority continues to be registered under the SGS ICS Quality Assured Firm Scheme and gained an upgrade to the AS/NZS ISO 9001:2008 certification.

ANIMAL RESOURCES AUTHORITY

**MINISTERIAL DIRECTIVES
FOR THE YEAR ENDED 30 JUNE 2010**

Ministerial Directives

No Ministerial directives were received during the financial year.

ANIMAL RESOURCES AUTHORITY

OTHER FINANCIAL DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2010

Other Financial Disclosures

Pricing Policy of Sales of Products and Services

The Authority has discretion over pricing for goods and services rendered with the Minister's approval. The Animal Resources Authority charges for goods and services on a full or partial cost recovery basis. The objective is to minimise the cost to our customers while maintaining the Authority's capacity to be sustainable and self funding.

Capital Works

No major works.

Employment and Industrial Relations

Staff Profile

	2010	2009
Full-time permanent	39	45
Full-time contract	20	16
Part-time permanent	4.8	4.7
Part-time contract	<u>0.6</u>	<u>2.1</u>
	<u>64.4</u>	<u>67.8</u>

The 'full-time contract' statistic is for staff on 2 year contracts associated with traineeships.

Staff Development

The Authority's demonstrated commitment to staff development is critical to the success of our Quality System, exceeding our customer expectations in a competitive and changing environment, and maintaining a stable, skilled and committed workforce.

All new production employees receive training at the Certificate III level. All existing employees were encouraged to complete the training to qualify for the Certificate III in Animal Technology and those who wanted to complete the study have now completed the training. The Registered Training Organisation status continues to allow the Authority to offer Traineeships to target potential staff 25 years and younger when new staff appointments are required. 19 employees now represent this age group. 12 staff members completed the Certificate III in Animal Technology during 2009-10.

Staff also received training in a wide range of management/supervision, specialist scientific, First Aid, Manual Handling, OS&H and Animal Welfare related areas.

ANIMAL RESOURCES AUTHORITY

GOVERNANCE DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2010

Governance Disclosures

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no Board members or Senior Officers, or firms of which Members or Senior Officers are members, or entities in which Members or Senior Officers have substantial interests, had any interests in existing or proposed contracts with the Animal Resources Authority and Senior Officers.

Insurance premiums paid to indemnify members of the Board

An insurance policy has been taken out to indemnify members of the Board against any liability incurred under sections 13 or 14 of the Statutory Corporations (Liability of Directors) Act 1996. The amount of the insurance premium paid for 2009/2010 was \$6,932.75.

ANIMAL RESOURCES AUTHORITY

OTHER LEGAL REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2010

Compliance with Public Sector Management Act Section 31(1)

1. In the administration of the Animal Resources Authority, I have complied with the Public sector Standards in Human resource Management, the Western Australian Public sector Code of Ethics and our Code of Conduct.
2. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in #1 is correct.
3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	nil
Number of breaches found, Including details of multiple breaches per application:	nil
Number still under review:	nil



Michael J Hall
Chief Executive Officer

13 August 2010

Electoral Act 1907 Section 175ZE

In compliance with section 175ZE of the Electoral Act 1907, the Animal Resources Authority is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

Expenditure with Advertising Agencies

<i>Seek Ltd</i>	\$1,166
<i>Expenditure with Market Research Agencies</i>	\$0
<i>Expenditure with Polling Agencies</i>	\$0
<i>Expenditure with Direct Mail Agencies</i>	\$0
<i>Expenditure with Media Advertising Agencies</i>	\$0
TOTAL EXPENDITURE	\$1,166

ANIMAL RESOURCES AUTHORITY

OTHER LEGAL REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2010

Compliance with Public Sector Standards and Ethical Codes 2009-2010

Compliance issues	Significant Action Taken to Monitor and Ensure Compliance
Public Sector Standards <ul style="list-style-type: none">• Nil breach claims	<ul style="list-style-type: none">• Information about Standards is included in ARA Employee Handbook.• Induction of all new employees includes a discussion about Public Sector Standards.• All Quality System Work Instructions relating to Public Sector Standards were reviewed and amended as appropriate.
WA Code of Ethics <ul style="list-style-type: none">• Nil reports of non compliance	<ul style="list-style-type: none">• Information on the Code of Ethics is included in Induction materials for all new employees.• Induction of new employees includes a discussion about the WA Code of Ethics.• The ARA Code of Conduct is based on the WA Code of Ethics.
Agency Code of Conduct <ul style="list-style-type: none">• No breaches of the Code of Conduct.	<ul style="list-style-type: none">• Information on the ARA Code of Conduct is included in the Employee Handbook.• The ARA Code is explained to all new employees at their Induction.• The ARA Code of Business Conduct was revised in December 2008, in consultation with staff.

ANIMAL RESOURCES AUTHORITY

OTHER LEGAL REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2010

Disability Access and Inclusion Plan Outcomes

As a Statutory Authority the ARC is exempt from the requirement to produce a DAIP.

The ARA products and services are accessible to all customers and potential customers via our website, email or telephone.

Record keeping Plans

The Animal Resources Authority is committed to sound record keeping practices as prescribed by the State Records Commission (SRC).

In relation to SRC Standard 2, Principle 6 the ARA reports the following:

- The revised RKP2010 has been submitted to State Records Commission for approval.
- All new employees undergo an intensive induction program which includes recordkeeping requirements, as well as roles and responsibilities of all staff.
- Every employee has received a copy of the ARA Employee Handbook which outlines our Records Management policy and procedures.

Public Interest Disclosure Act 2003, S23(1) (f)

In compliance with the Act the Animal Resources Authority has appointed a Public Interest Disclosure Officer and has published internal guidelines and procedures that facilitate the process of Public interest disclosure and protect and support those who make Public Interest Disclosures.

The OPSSC DVD, '*SPEAKING OUT – A guide to making a Public Interest Disclosure*' has been shown to all staff. All new employees view and discuss the issues during Induction.

Freedom of Information Statement

The Animal Resources Authority's mission, details of legislation administered and the agency structure are presented in Overview section of this report.

Decisions made by the Authority affect the function of the Animal Resources Centre and have no direct effect on the public. Decisions relate to the type and number of animals to produce and the means by which funds are utilised by the Authority. In most circumstances the authority for decision making lies with the Chief Executive Officer but these decisions are ratified by the Board.

Requests for information on the activities of the Authority should be made to the Chief Executive Officer.

ANIMAL RESOURCES AUTHORITY

GOVERNMENT POLICY REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2010

Occupational Safety and Health

The ARA is committed to occupational safety and health and injury management and has policies in place. The policies have been widely communicated to all staff.

An Occupational Safety and Health Committee which includes employee and management representation meets as required or every three months to discuss and resolve OSH matters. Employee representatives on the Committee consult with staff and raise OSH issues identified.

Managers and staff conduct safety analyses for their work areas and seek feedback from staff on OSH issues or risks. These issues or risks are logged, prioritised and acted upon as part of the ARA OSH system that has been effective in reducing risks and hazards in the workplace. Significant investment in manual handling task removal was a direct outcome of staff input.

ARA Injury Management Policy and Procedures have been audited by RiskCover and deemed to be compliant with the injury management requirements of the Workers Compensation and Injury Management Act 1981.

The ARA management team maintains a very proactive approach to injury management in order to reduce the amount of lost time due to injury and to achieve improved outcomes for the injured employee.

Report on ARA OSH Annual Performance for 2009/10

Indicator	Target 2009/10	Actual 2009/10
Number of fatalities	0	0
Lost time injury/diseases incidence rate	3.96	1.576
Lost time injury severity rate	0	0
Percentage of injured workers returned to work within 28 weeks	100%	100%
Percentage of managers trained in occupational safety and health and injury management responsibilities.	75%	80%

ANIMAL RESOURCES AUTHORITY

**ESTIMATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011
(Unaudited)**

ASSETS

Current Assets	\$
Cash and cash equivalents	1,250,843
Inventories	256,859
Biological assets	2,494,860
Receivables	975,000
Other current assets	<u>12,000</u>
Total Current Assets	<u>4,989,562</u>

Non-current Asset	
Property, Plant and Equipment	<u>4,282,106</u>
Total Non-Current Asset	<u>4,282,106</u>

TOTAL ASSETS	<u>9,271,668</u> =====
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LIABILITIES

Current Liabilities	
Payables	560,000
Provisions	<u>175,000</u>
Total Current Liabilities	<u>600,000</u>

Non-Current Liability	
Provisions	<u>325,000</u>
Total Non-Current Liability	<u>325,000</u>

TOTAL LIABILITIES	<u>1,060,000</u>
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NET ASSETS	<u>8,211,668</u> =====
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EQUITY

Reserves	1,239,250
Retained Earnings	<u>6,972,418</u>

TOTAL EQUITY	<u>8,211,668</u> =====
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ANIMAL RESOURCES AUTHORITY

**STATEMENT OF COMPREHENSIVE INCOME
ESTIMATE
FOR YEAR ENDED 30 JUNE 2011
(Unaudited)**

INCOME

Revenue

Sales	6,325,412
Provision of Services	1,281,739
Interest Revenue	56,026
Other Revenues	13,375

Gains

Net change in fair value of biological assets	<u>95,956</u>
Total Income	<u>7,772,508</u>

EXPENSES

Cost of sales and services	6,009,840
Employee benefits expense	623,690
Depreciation expense	52,000
Supplies and services	<u>860,000</u>
Total Expenses	<u>7,545,530</u>

Profit for the period	<u>226,978</u>
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OTHER COMPREHENSIVE INCOME

Changes in asset revaluation surplus	-
Gains/Losses recognised directly in equity	<u>-</u>
Total other comprehensive income	<u>-</u>

**TOTAL COMPREHENSIVE INCOME
FOR THE PERIOD**

226,978