

ANIMAL RESOURCES AUTHORITY

ANNUAL REPORT

30 JUNE 2007

ANIMAL RESOURCES AUTHORITY

TABLE OF CONTENTS FOR YEAR ENDED 30 JUNE 2007

	Page
Statement of Compliance with the Financial Management Act	1
Overview	2
Operational structure	2
Performance Management Framework	5
Outcome Based Management Framework	
Changes to Outcome Based Management Framework	
Shared Responsibilities with Other Agencies	
Report on Operations	6
Highlights of the Year	6
Overview	6
Trends in Operations	6
Percentage of Total Revenue by Customer Group	7
Revenue and percentage change 2006-07 to 2005-06 by Revenue Group.	7
The Environment	7
Likely developments and forecast results of operations	8
Animal Ethics Committee (AEC)	8
Disclosures and Legal Compliance	9
Financial Statements	
Auditor General Independent Audit Opinion	9
Certification of Financial Statements	11
Income Statement	12
Balance Sheet	13
Statement of Changes in Equity	14
Cash Flow Statement	15
Notes to the Financial Statements	16
Key Performance Indicators	
Certification of Key Performance Indicators	26
Detailed Information in Support of Key Performance Indicators	27
Ministerial Directives	31
Other Financial Disclosures	32
Pricing Policies of Services Provided	
Capital Works	
Employment and Industrial Relations	
Governance Disclosures	33
Other Legal Requirements	34
Annual Estimates	37

ANIMAL RESOURCES AUTHORITY

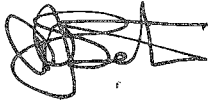
STATEMENT OF COMPLIANCE FOR THE YEAR ENDED 30 JUNE 2007

Hon. JIM A McGINTY BA BJuris(Hons) LLB JP MLA,
MINISTER FOR HEALTH


In accordance with Section 61 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 2007.

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: 20 September 2007



B Dare
Deputy Chairman of Animal Resources Authority
Date: 20 September 2007

Contact Details

Postal
PO Box 1180
Canning Vale DC
WA 6970

Street
Murdoch Dr
Murdoch WA

Electronic
Internet: www.arc.wa.gov.au
email: info@arc.wa.gov.au
Telephone: 61 8 9332 5033
Facsimile: 61 8 9310 2839

ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2007

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.

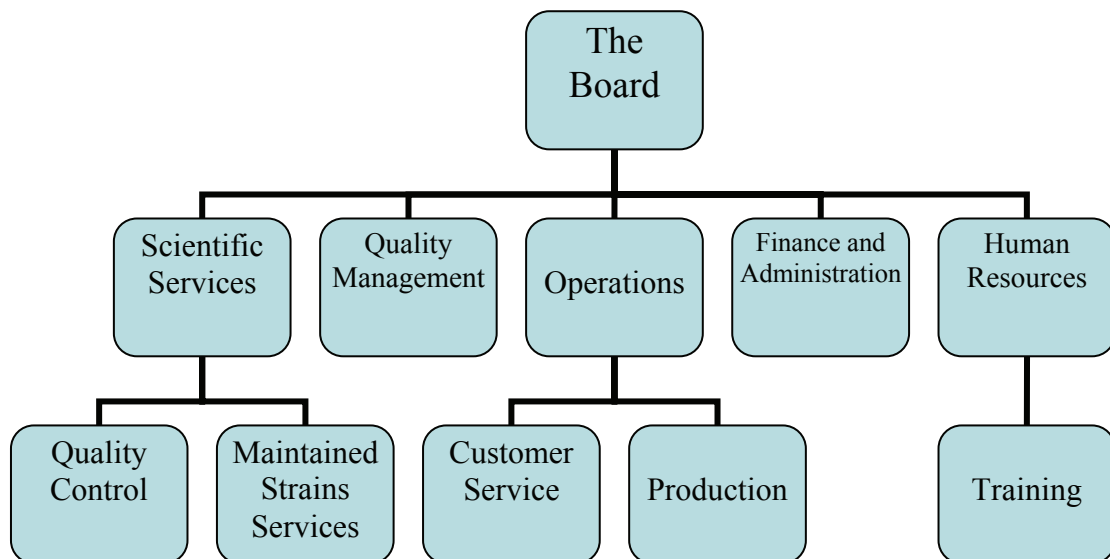
Responsible Minister

The Hon. Jim A McGinty BA BJuris(Hons) LLB JP MLA, Minister for Health

Mission

To provide and acquire high quality 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 2007

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 2006/2007

Mr Anthony Tate (Chairman)	Director, Research & Development, Curtin University of Technology.
Dr Brian Dare (Deputy Chairman)	Consultant Occupational Health Physician.
Dr Jennet Harvey	Associate Professor, Department of Pathology, The University of Western Australia.
Mrs Leslie Chalmers	Director, Productive Edge.
Mrs Anne Woo	Manager, Health Finance, Department of Health Western Australia.
Dr Campbell Thomson	Director, Research Services, The University of Western Australia.
Professor Piroska Rakoczy	Professor and Research Director, Lions Eye Institute, The University of Western Australia.
Dr Jacqueline Phillips	Division of Health Sciences, Murdoch University.
Professor Graham Wilcox	Professor, School of Veterinary and Biomedical Sciences, Murdoch University. Retired 6 December 2006.
Professor Miranda Grounds	Professor, Department of Anatomy and Human Biology. The University of Western Australia. Retired 30 December 2006.
Senior officers	
Mr Michael Hall	Chief Executive Officer
Mr Graham Freeth	Director Operations

ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2007

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.

ANIMAL RESOURCES AUTHORITY

OVERVIEW FOR YEAR ENDED 30 JUNE 2007

Performance Management Framework

Outcome Based Management Framework

Goal 1 (4) *An excellent public health system.*

The ARA provides and acquires high quality disease-free laboratory animals and associated support services for use by institutions or bodies requiring animals for teaching, research or diagnostic purposes. The ARA met all requirements on disease status, genetics and supply capability. The ARA's activities are a vital resource for Health and Biomedical researchers contributing to improved public health outcomes in WA in particular, and Australia generally.

Goal 2 (2) *An environment that encourages education, skills and the development of creativity for competitive advantage.*

The ARA has gained accreditation as a Registered Training Organisation to encourage a high level of skills and training of staff for the Animal Technology sector. All new staff are employed on Traineeships to complete the Certificate III in Animal Technology. Four staff have gained qualifications in 2006-07. Long term employees are also participating in the training programme.

Goal 3 (3) *Effective contributions to global efforts to reduce Greenhouse emissions.*

During 2006-07 the ARA steam boiler operations were rescheduled to reduce gas usage by 37,436m³ or 22%. Electricity consumption was also reduced by 7% and upgrading of air handling system completed will achieve an additional 15%.

Goal 3 (4) *Effective waste avoidance, resources recovery and waste management.*

All plastics, cardboard and recyclable packaging generated from supplies for operations are recycled.

Changes to Outcome Based Management Framework

The Animal Resources Authority's Outcome Based Management Framework did not change during 2006-07.

Shared Responsibilities with Other Agencies

The Animal Resources Authority did not share any responsibilities with other agencies in 2006-07

ANIMAL RESOURCES AUTHORITY

REPORT ON OPERATIONS FOR YEAR ENDED 30 JUNE 2007

Agency Performance – Report on Operations

Highlights of the Year

- The Authority successfully completed the twelve month audit to gain registration for five years as a Registered Training Organisation (RTO) for the Certificate III in Animal Technology.
- The first four trainees qualified for the Certificate III in Animal Technology from the ARC RTO.
- Equipment and process changes were introduced to eliminate major manual handling problems for staff.
- Replacement of the asbestos cement roofing of the production facility.
- Successful elimination of *Helicobacter bilis* from all production strains.
- Significant progress in eliminating *Pasteurella pneumotropica* from production strains.
- Completing upgrades to the air handling systems for the production areas. These upgrades will provide a world standard environment for our animal population, with superior control of temperatures and air flow rates.

Overview

The Animal Resources Centre is the major supplier of specified pathogen free (SPF) laboratory animals to biomedical research organisations and bio-pharmaceutical companies in Australia, New Zealand, Singapore, Korea and Hong Kong. The centre produces 32 strains of SPF mice and 14 strains of SPF rats for sale. In addition over 127 strains/lines 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 shortages in supply of the major strains of mice and rats.

Trends in Operations

Demand continues to grow at a rapid pace from Queensland and New South Wales organisations. Trends are for researchers to seek animals with genetics equivalent to that available Internationally.

Researchers requiring animals with an increasing number of organisms to be defined in the specified disease free status.

The workforce composed of an increasing proportion of Y generation employees requiring adjustments to job design and management style.

Researchers requiring increasingly specialised imports.

ANIMAL RESOURCES AUTHORITY

REPORT ON OPERATIONS FOR YEAR ENDED 30 JUNE 2007

Percentage of Total Revenue by Customer Group.

Customer Groups	2006-07	2005-06
WA Universities and Medical Research Organisations	16.93%	16.89%
Interstate Universities and Medical Research Organisations	66.89%	56.61%
Private Companies	8.35%	17.95%
Exports – Singapore, Hong Kong, South Korea, NZ.	7.83%	7.37%

WA maintained its proportion of total sales. Interstate Research Institutions continue to grow with Qld, NSW and ACT each growing approximately 30%. Private companies reduced 50% with one major customer relocating to their own facilities in May 2006. Sales to South East Asia maintained the proportion of total sales with a 6.4% growth for the year.

Revenue and percentage change 2006-07 to 2005-06 by Revenue Group.

Revenue Group	2006-07	2005-06	Increase
Sale of Animals	\$4,069,785	\$3,799,160	+7.1%
Services for Maintenance of Customer Strains	\$692,506	\$1,085,906	(36.2%)
Importation and Quarantine Services	\$173,970	\$207,151	(16%)

The revenue (ex GST) from sales of animals increased 7.1% overall, the trend to inbred mice continued and unexpectedly outbred rats increased after many years of decline. The revenue changes by strain groups were inbred mice (+7%), outbred mice (-8%), outbred rats (+30.45%) and inbred rats (-1.83%).

The provision of technical and professional services for the maintenance of customer strains of mice and rats is now a significant function of the Animal Resources Centre. The revenue decreased 36.2% with the full impact of the departure of the large customer in 2005-06 to establish their own facility.

The Animal Resources Centre provides an importation and quarantine service. Many of the strains that are imported are maintained as breeding colonies after they have been cleared from quarantine. Imports continue to grow as researchers seek very specific lines of animals. The total income is down 16% as one large import order in 2005-06 led to a non sustainable 130% increase in that year. Imports in 2006-07 are above predictions.

The Environment

The Authority has made significant progress in reducing 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;
- The steam boiler operations were rescheduled to reduce gas usage by 22% (37,436m³) and electricity consumption was reduced by 7%.

ANIMAL RESOURCES AUTHORITY

REPORT ON OPERATIONS FOR YEAR ENDED 30 JUNE 2007

- Upgrading the large volume air conditioning/air handling systems for the animal facility to incorporate rotary heat exchangers was completed late in the year. Reductions in power usage of 20-25% are expected to be achieved in 2007-08.

Likely developments and forecast results of operations

Likely developments for the Authority in the 2007/2008 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.

- Continuation of the re-derivation programme to become *Pasteurella pneumotropica* free in all production strains.
- Splitting and segregating the key volume strains to minimise the risk of non supply to customers in the case of a bio-security break, fire or other disaster.
- Complete the facility re-organisation to cater to the increasing demand by researchers for services related to maintaining customer specific strains.
- Continue upgrade of strains
- The Authority will maintain its self funding status.

Animal Ethics Committee (AEC)

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

Dr. Deborah Hopwood, Veterinary Services and Quality Control
Manager, Animal Resources Centre.

Dr. James Reynoldson, Executive Dean, Division of Health Sciences,
Murdoch University.

Ms Cheryl Davenport, Member RSPCA.

Mr Anthony Pike, Relationship Banker, Commonwealth Bank of
Australia.

Mr Graham Freeth Director Operations, Animal Resources Centre

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 2006.

The Animal Resources Centre complies with the Animal Welfare Act 2002 by holding licenses 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 2007

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

The financial statements comprise the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement 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 (including the Australian Accounting Interpretations) 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. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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 2007

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 2007 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2007.



COLIN MURPHY
AUDITOR GENERAL
24 September 2007

**ANIMAL RESOURCES AUTHORITY
DISCLOSURES AND LEGAL COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2007**

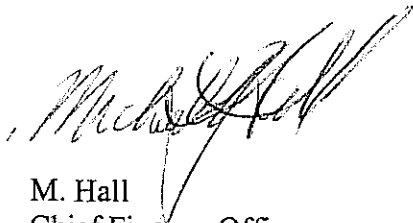
DISCLOSURES AND LEGAL COMPLIANCE

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 2007 and the financial position as at 30 June 2007.

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: 3 August 2007



L. Chalmers
Member of Animal Resources Authority.
Date: 3 August 2007



T. Tate
Chairman of Animal Resources Authority
Date: 3 August 2007

**ANIMAL RESOURCES AUTHORITY
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
INCOME			
Revenue			
Sales	5	5,136,539	4,642,616
Provision of services	5	866,476	1,319,242
Interest revenue	6	74,219	50,677
Other revenue		83,181	65,254
Gains			
Net change in fair value of biological assets	7	239,040	5,218
Total Income		6,399,455	6,083,007
EXPENSES			
Cost of sales and services	5	4,872,604	4,688,737
Employee benefits expense	8	556,106	576,020
Depreciation expense	9	66,582	143,599
Supplies and services	10	585,112	451,699
Total expenses		6,080,404	5,860,055
Profit for the period		319,051	222,952

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

**ANIMAL RESOURCES AUTHORITY
BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
ASSETS			
Current Assets			
Cash and cash equivalents	11	1,380,436	1,459,120
Inventories	12	113,136	77,330
Biological assets	13	2,261,393	2,022,353
Receivables	14	963,173	1,109,513
Other current assets	15	32,068	31,203
Total Current Assets		<u>4,750,206</u>	<u>4,699,519</u>
Non-Current Asset			
Property, plant and equipment	16	3,866,578	3,807,219
Total Non-Current Asset		<u>3,866,578</u>	<u>3,807,219</u>
TOTAL ASSETS		<u>8,616,784</u>	<u>8,506,738</u>
LIABILITIES			
Current Liabilities			
Payables	18	183,329	342,234
Provisions	19	61,730	127,890
Other current liabilities	20	115,416	91,924
Total Current Liabilities		<u>360,475</u>	<u>562,048</u>
Non-Current Liability			
Provisions	19	146,369	153,801
Total Non-Current Liability		<u>146,369</u>	<u>153,801</u>
Total Liabilities		<u>506,844</u>	<u>715,849</u>
NET ASSETS		<u>8,109,940</u>	<u>7,790,889</u>
Equity			
Reserves	21	235,446	235,446
Retained earnings	21	7,874,494	7,555,443
TOTAL EQUITY		<u>8,109,940</u>	<u>7,790,889</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

**ANIMAL RESOURCES AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	\$	\$
Balance of equity at start of period	7,790,889	8,527,327
RESERVES		
Asset Revaluation Reserve		
Balance at start of period	235,446	1,194,836
Revaluation decrement	-	(959,390)
Balance at end of period	<u>235,446</u>	<u>235,446</u>
RETAINED EARNINGS		
Balance at start of period	7,555,443	7,332,491
Profit for the period	319,051	222,952
Balance at end of period	<u>7,874,494</u>	<u>7,555,443</u>
Balance of equity at end of period	<u>8,109,940</u>	<u>7,790,889</u>
Total income and Expense for the period	<u>319,051</u>	<u>(736,438)</u>

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

**ANIMAL RESOURCES AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		5,282,879	4,760,529
Provision of services		866,476	1,319,242
Interest received		73,354	47,035
GST receipts on sales		552,260	76,395
Other receipts		83,181	85,979
Payments			
Employee benefits		(2,719,736)	(2,564,401)
Supplies and services		(3,308,893)	(2,706,248)
GST payments on purchases		(312,769)	-
GST payments to taxation authority		(269,748)	-
Net cash provided by operating activities	22	<u>247,004</u>	<u>1,018,531</u>
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of non-current physical assets		<u>(325,688)</u>	<u>(247,901)</u>
Net cash used in investing activity		<u>(325,688)</u>	<u>(247,901)</u>
Net increase/(decrease) in cash and cash equivalents		(78,684)	770,630
Cash and cash equivalents at the beginning of the period		1,459,120	688,490
CASH AND CASH EQUIVALENT ASSETS AT THE END OF THE PERIOD	11	<u>1,380,436</u>	<u>1,459,120</u>

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

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 1 Australian equivalents to International Financial Reporting Standards

The Authority's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Authority has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early Adoption of Standards

The Authority cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Authority for the balance sheet date 30 June 2007.

Note 2 Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has 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 the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has 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, except for property, plant and equipment which has 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 accounting policies that have the most significant effect on the amounts recognised in the financial statements are included at Note 3 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included at Note 4 'Key sources of estimation uncertainty'.

(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 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 and some revaluations of non-current assets.

(e) Property, Plant and Equipment

Capitalisation / Expensing of assets

Items of property, plant and equipment and infrastructure costing over \$1,000 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 \$1,000 are expensed direct to the Income Statement (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.

Subsequent measurement

After recognition as an asset, the Authority uses the revaluation model for the measurement of property, plant and equipment. These assets are carried at fair value 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.

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Where market evidence is available, the fair value of plant and equipment is determined on the basis of current market buying values determined by reference to recent market transactions. The fair value of many items of plant and equipment is determined by reference to the written-down current replacement cost (existing use basis) as the assets are specialised and no market based evidence of value is 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 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.

The revaluation of property, plant and equipment is an independent valuation carried out on three-yearly basis.

Refer to note 16 'Property, Plant and Equipment' for further information on revaluations.

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

Depreciation rates are reviewed annually.

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.

(f) Impairment of Assets

Property plant and equipment are tested for any indication of impairment at each balance sheet date. 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 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 or where the replacement cost is falling or where there is a significant change in the 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 the 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 impairments at each balance sheet date.

(g) Leases

The Authority has entered into a number of operating lease arrangements for premises and vehicles where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(h) Financial Instruments

The Authority has two categories of financial instrument:

- 1) Loans and receivables (includes cash and cash equivalents, receivables);
- 2) Non-trading financial liabilities (finance leases, payables).

Initial recognition and measurement 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.

(i) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, 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.

(j) Biological Assets

Animal stocks are reflected in the Balance Sheet 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.

(k) Inventories

Non-animal inventories are valued at the lower of cost and net realisable value. Inventory is valued on first in first out basis.

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(l) Receivables

Receivables are recognised and carried at original invoice amount less any allowance for any uncollectible amounts (ie impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectable are written off. 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.

(m) Payables

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

(n) Provisions

Provisions are liabilities of uncertain timing and amount and are only recognised where there is a present legal, equitable 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 each balance sheet date. See note 19 'Provisions'.

(i) Provisions - Employee Benefits

Annual and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date 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 end of the balance sheet date 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 balance sheet date.

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 balance sheet date 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 balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit and lump sum scheme also closed to new members. Employees commencing employment prior to 16 April 2007 who are not members of either of these schemes become 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 balance sheet date. 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 balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

The GGS 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 GGS 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: Seven 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 and payroll tax, 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.

(o) 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 income statement.

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

(p) 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.

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(g) Taxation

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

(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 judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial report include:

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

The Authority has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

1. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Authority does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
2. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Authority has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
3. UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Authority has not entered into any contracts as specified in the interpretation, resulting in no impact in applying the Interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Authority as they have no impact or do not apply to not-for-profit applicable to the Authority as they have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations

2005-1 - Amendments to Australian Accounting Standard' (AASB 139 – Cash flow hedge accounting of forecast intragroup transactions)
2005-5 - Amendments to Australian Accounting Standards [AASB 1 & AASB 139]
2006-1 - Amendments to Australian Accounting Standards [AASB 121]
2006-3 Amendments to Australian Accounting Standards [AASB 1045]
2006-4 - Amendments to Australian Accounting Standards [AASB 134]
2007-2 - Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139] – paragraph 9
UIG 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
UIG 6 - Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
UIG 7 - Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
UIG8 - Scope of AASB 2

Future impact of Australian Accounting Standards not yet operative

The Authority cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Authority has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Authority's exposure to risks, enhanced disclosure regarding components of the Authority's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Authority does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Authority does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
3. AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Authority is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

5. AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Authority does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
6. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Authority has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
7. AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Authority if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Authority has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods
8. AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Authority has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Authority as they will have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations

AASB 8 - Operating Segments

AASB 1049 - Financial Reporting of General Government Sectors by Governments

AASB 2007-1 - Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]

AASB 2007-2 - Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139] – paragraphs 1 to 8

AASB 2007-3 - Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]

AASB 2007-6 - Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. This Standard was issued on 14 June 2007 and applies to annual reporting periods beginning on or after 1 January 2009

AASB 2007-7 - Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]. This Standard was issued on 28 June 2007 and applies to annual reporting periods beginning on or after 1 July 2007.

Interpretation 10 - Interim Financial Reporting and Impairment

Interpretation 11 - AASB 2 – Group and Treasury Share Transactions

Note 5	Trading profit	2007	2006
		\$	\$
	Sale of goods (animals and freight)	5,136,539	4,642,616
	Services (colony maintenance)	866,476	1,319,242
		<u>6,003,015</u>	<u>5,961,858</u>
	Cost of sales and services:		
	Opening Inventory	77,330	82,319
	Purchases	1,429,361	1,515,512
	Overheads	3,479,049	3,168,236
	Closing Inventory	(113,136)	(77,330)
	Cost of sales and services	<u>4,872,604</u>	<u>4,688,737</u>
	Gross Profit	<u>1,130,411</u>	<u>1,273,121</u>
Note 6	Interest revenue		
	Interest revenue:		
	Bankwest	50,309	30,037
	Public bank account	23,910	20,640
		<u>74,219</u>	<u>50,677</u>
Note 7	Net change in fair value of biological assets		
	Animals on Hand – at Fair Value -opening balance	(2,022,353)	(2,017,135)
	Less: Animals on Hand – at Fair Value -closing balance	2,261,393	2,022,353
	Net change in fair value	<u>239,040</u>	<u>5,218</u>
Note 8	Employee benefits expense	2007	2006
		\$	\$
	Salaries	404,404	414,900
	Superannuation	59,739	74,347
	Annual Leave	40,960	37,254
	Long Service Leave	51,003	49,519
		<u>556,106</u>	<u>576,020</u>

This item represents non-production staff salaries. Salaries incurred by production staff are accounted for in the Cost of Sales and Services (refer note 3).

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 9	Depreciation expense	2007	2006
		\$	\$
	Motor Vehicles	1,225	1,750
	Plant & Equipment	145,691	251,183
	Buildings	<u>119,413</u>	<u>321,462</u>
		266,329	574,395
	Less depreciation directly charged to overheads	(199,747)	(430,796)
		<u>66,582</u>	<u>143,599</u>

Note 10	Supplies and services		
	Advertising	8,360	10,227
	Insurance	54,178	44,131
	Vehicle Expenses	64,117	42,889
	Telephone	10,390	15,078
	Accounting/Audit	58,530	37,083
	Printing/Stationery	18,695	19,921
	Cleaning	37,176	33,900
	Materials & Equipment	9,661	10,143
	Repairs & Maintenance	90,041	35,998
	Sundry	46,915	14,212
	Employment on-costs (a)	138,157	127,527
	Staff Training	17,469	23,692
	Other	31,423	36,898
		<u>585,112</u>	<u>451,699</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 19 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Note 11	Cash and cash equivalents	2007	2006
		\$	\$
	Management Account	766,692	961,387
	Term Deposits (short term)	408,007	384,962
	Cheque Account	205,637	112,671
	Cash on hand	100	100
		<u>1,380,436</u>	<u>1,459,120</u>

Note 12	Inventories		
	Current		
	Transport Boxes – at cost	113,136	77,330
		<u>113,136</u>	<u>77,330</u>

Note 13	Biological assets		
	Current		
	Animals on Hand – at Fair Value	2,261,393	2,022,353
		<u>2,261,393</u>	<u>2,022,353</u>

Biological assets consist of 32 lines (2006:35 lines) of SPF mice and 14 lines (2006:13 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 2007, animal stocks held for sale comprised 48,301 mice (2006: 45,071) and 7,400 rats (2006: 5,796). During the financial year ended 30 June 2007, the Authority sold 195,040 mice (2006: 203,435) and 28,027 rats (2006: 25,113), total 223,067 (2006: 228,548) animals. The significant assumptions made in determining the net market value of animal stocks in the current and previous balance sheet date are:

- a) The expected prices of livestock are as per the price list set 1 January 2007 and a 4% increase from 1 January 2008.
- b) Rats and mice will be sold continuously throughout the year.
- c) Weaners will be sold at ages three to eight 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 2005	2,017,135
Decrease due to sales	(3,799,160)
Increase due to birth	3,708,076
Change in fair value less estimated point-of-sale costs	<u>96,302</u>
Balance at 30 June 2006	<u>2,022,353</u>
Current	2,022,353
Non-current	-
	<u>2,022,353</u>
	\$
Balance at 1 July 2006	2,022,353
Decrease due to sales	(4,069,785)
Increase due to birth	4,201,140
Change in fair value less estimated point-of-sale costs	<u>107,685</u>
Balance at 30 June 2007	<u>2,261,393</u>
Current	2,261,393
Non-current	-
	<u>2,261,393</u>

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 14	Receivables	2007	2006
		\$	\$
	Current		
	Trade and Other Receivables	963,173	1,109,513
		<u>963,173</u>	<u>1,109,513</u>

Note 15	Other current assets		
	Current		
	Accrued Interest	6,168	5,303
	Prepayment	25,900	25,900
		<u>32,068</u>	<u>31,203</u>

Note 16	Property, plant and equipment		
	Motor Vehicles- at Fair value	12,250	12,250
	Less: Accumulated Depreciation	(1,225)	-
	Less: Accumulated impairment losses	-	-
		<u>11,025</u>	<u>12,250</u>
	Plant & Equipment- at Fair Value	1,496,538	1,366,420
	Less: Accumulated Depreciation	(145,692)	-
	Less: Accumulated impairment losses	-	-
		<u>1,350,846</u>	<u>1,366,420</u>
	Buildings- at Fair Value	2,397,137	2,378,000
	Less Accumulated Depreciation	(119,413)	-
	Less: Accumulated impairment losses	-	-
		<u>2,277,724</u>	<u>2,378,000</u>
	Work-in-progress	226,983	50,549
	Total	<u>3,866,578</u>	<u>3,807,219</u>

Buildings and Plant and Equipment were revalued as at 30 June 2006 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

Reconciliations

Reconciliation of the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Motor Vehicles	Plant and Equipment	Buildings	Work in Progress	Total
	\$	\$	\$	\$	\$
2007					
Carrying amount at start of year	12,250	1,366,420	2,378,000	50,549	3,807,219
Additions	-	130,118	19,137	176,434	325,689
Transfers	-	-	-	-	-
Revaluation decrements	-	-	-	-	-
Depreciation	(1,225)	(145,692)	(119,413)	-	(266,330)
Carrying amount at end of year	<u>11,025</u>	<u>1,350,846</u>	<u>2,277,724</u>	<u>226,983</u>	<u>3,866,578</u>
2006					
Carrying amount at start of year	14,000	1,418,755	3,422,081	238,267	5,093,103
Additions	-	186,411	61,490	-	247,901
Transfers	-	-	187,718	(187,718)	-
Revaluation decrements	-	12,437	(971,827)	-	(959,390)
Depreciation	(1,750)	(251,183)	(321,462)	-	(574,395)
Carrying amount at end of year	<u>12,250</u>	<u>1,366,420</u>	<u>2,378,000</u>	<u>50,549</u>	<u>3,807,219</u>

Note 17 **Impairment of assets**

There were no indications of impairment to Property, plant and equipment and infrastructure at 30 June 2007.

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

All surplus assets at 30 June 2007 have either been classified as non-current assets held for sale or written-off.

Note 18	Payables	2007	2006
		\$	\$
	Current		
	Trade Payables	137,190	265,839
	GST Payable	46,139	76,395
		<u>183,329</u>	<u>342,234</u>

Note 19	Provisions		
	Current:		
	Annual Leave (a)	42,367	59,810
	Long Service Leave (b)	5,818	42,742
	Superannuation (d)	4,337	9,230
		<u>52,521</u>	<u>111,782</u>
	Other Provisions		
	Employment On-costs (c)	9,209	16,108
		<u>9,209</u>	<u>16,108</u>
		<u>61,730</u>	<u>127,890</u>
	Non-current:		
	Long Service Leave (b)	124,032	130,340
	Superannuation (d)	11,168	11,730
		<u>135,200</u>	<u>142,070</u>
	Other Provisions		
	Employment On-costs (c)	11,168	11,731
		<u>11,168</u>	<u>11,731</u>
		<u>146,369</u>	<u>153,801</u>

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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

	2007 \$	2006 \$
Within 12 months of balance sheet date	42,367	59,810
	<u>42,367</u>	<u>59,810</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 balance sheet date. Assessments indicate the actual settlement of liabilities will occur as follows:

	2007 \$	2006 \$
Within 12 months of balance sheet date	5,818	42,742
More than 12 months after balance sheet date	124,032	130,340
	<u>129,850</u>	<u>173,082</u>

(c) Settlement of of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation premiums and payroll tax. 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

	2007 \$	2006 \$
Carrying amount at start of year	11,731	3,160
Additional provisions recognised	137,423	135,919
Payments/other sacrifices of economic benefits	(138,157)	(127,527)
Unwinding of the discount	171	179
Carrying amount at end of year	<u>11,168</u>	<u>11,731</u>

Note 20 **Other current liabilities**

Current		
Accrued Expenses	66,635	45,244
Accrued Salaries	48,781	46,680
	<u>115,416</u>	<u>91,924</u>

Note 21 **Equity**

Reserves:

Asset Revaluation		
Opening balance	235,446	1,194,836
Net revaluation (decrements)	-	(959,390)
Closing balance	<u>235,446</u>	<u>235,446</u>

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 2 (e).

	2007 \$	2006 \$
Retained Earnings:		
Balance at start of year	7,555,443	7,332,491
Result for the period	319,051	222,952
Balance at end of year	<u>7,874,494</u>	<u>7,555,443</u>

Note 22 **Notes to the Cash Flow Statement**

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

Profit from Ordinary Activities	319,051	222,952
Non-cash items:		
Depreciation	266,329	574,395
(Increase)/decrease in assets:		
Receivables	146,340	117,913
Accrued income and interest	(865)	17,082
Biological assets	(239,040)	(5,218)
Inventories	(35,806)	4,989
Increase/(decrease) in liabilities:		
Payables	(128,649)	117,426
Provisions	(73,592)	325
Other Liabilities	23,492	(16,929)
Change in GST receivables/payables	(30,256)	(14,404)
Net Cash provided by Operating Activities	<u>247,004</u>	<u>1,018,531</u>

Note 23 **Commitments**

Lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the balance

sheet date but not recognised in the financial statements as liabilities are payable as follows:

Within 1 year	46,997	41,865
Later than 1 year and not later than 5 years	29,633	38,199
Later than 5 years	-	-
	<u>76,630</u>	<u>80,064</u>

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

Note 24 **Contingent liabilities and contingent assets**

Nil.

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 25 Events occurring after balance date

Nil.

Note 26 Explanatory Statement

This statement provides details of any significant variations between estimates and actual results for 2007 and between the actual results for 2006 and 2007. Significant variations are considered to be those greater than 10% or \$15,000.

Significant variations between estimate and actual results for the financial year

	2007	2007	Variances	Variances	Ref.
	Estimate	Actual			
	\$	\$	\$	%	
Revenue					
Sales	4,816,122	5,136,539	320,417	7%	1
Provision of services	1,483,759	866,476	-617,283	-42%	2
Interest revenue	44,915	74,219	29,304	65%	3
Net change in fair value of biological assets	91,000	239,040	148,040	163%	4
Other revenue	20,000	83,181	63,181	316%	5
Expenses					
Cost of sales and services	5,114,615	4,872,604	-242,011	-5%	6
Employee benefits expense	648,567	556,106	-92,461	-14%	7
Depreciation expense	135,000	66,582	-68,418	-51%	8
Supplies and services	536,090	585,112	49,022	9%	9

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

	2007	2006	Variances	Variances	Ref.
	Actual	Actual			
	\$	\$	\$	%	
Revenue					
Sales	5,136,539	4,642,616	493,923	11%	1
Provision of services	866,476	1,319,242	-452,766	-34%	2
Interest revenue	74,219	50,677	23,542	46%	3
Net change in fair value of biological assets	239,040	5,218	233,822	4481%	4
Other revenue	83,181	65,254	17,927	27%	5
Expenses					
Cost of sales and services	4,872,604	4,688,737	183,867	4%	6
Employee benefits expense	556,106	576,020	-19,914	-3%	7
Depreciation expense	66,582	143,599	-77,017	-54%	8
Supplies and services	585,112	451,699	133,413	30%	9

1. Sales

Sales for the current year increased with sales of inbred mice increasing \$201,186, outbred rats unexpectedly increasing by 30% or \$102,561, and charges for freight increasing by \$170,000. Freight is a cost recovery item from customers and the airlines increased charges 300% in late 2005-06. Outbred rat sales were \$122,000 higher and freight \$130,000 above estimates. The remaining \$70,000 increase compared to estimates was spread across a range of products.

2. Provision of services

Services were lower in 2006-07 than 2005-06 as the full impact of the planned departure of a major maintained strains customer in 05-06 impacted income in 06-07, and the growth in remaining customers did not meet expectations. The maintenance of customer strains was \$650,000 below estimates as a result of two major customer projects not proceeding as anticipated.

3. Interest Revenue

Interest revenue was higher than estimates and the previous year as a result of higher cash management and treasury account balances throughout the year. Delays in the availability of tradesmen and manufactured inputs for the planned major repairs and maintenance work slowed the timing of expenditure.

4. Change in fair value of biological assets

The change in the fair value of biological assets was higher than estimate with an increase in the numbers of the high value strains to satisfy the growth in demand from our customers.

5. Other Revenues

Other revenues were higher than estimates and the previous year with changes in the timing of the traineeship refunds, and insurance refunds that were not anticipated.

6. Cost of sales and services

The cost of sales and services were lower than estimates mainly due to Depreciation expenses and Quality Control costs. The re-valuation effective 30 June 2006 reduced asset values by approximately 50%, as reported in 2005-06 results, reducing the depreciation expense by \$200,000. Quality Control costs were \$150,000 lower with a reduced number of tests required after the pasteurilla positive strains were removed from isolators, and the new norovirus testing was not implemented as early as expected after repeatability problems with the test at the independent laboratories.

Costs were higher than the previous year due to the higher repairs and maintenance required for the aging air handling system.

7. Employee Benefits Expense

The employee benefits expense was below estimate and the previous year with the early retirement of a senior staff member and a reduction of work hours of another.

8. Depreciation Expense

The depreciation expense was lower than estimates and the previous year as the revaluation of assets at 30 June 2006 reduced values by half.

9. Supplies and Services

The supplies and services expense was above estimate and last year as the extent of repairs and maintenance required exceeded estimates by \$54,043 and workers compensation insurance costs increased \$31,275. Auditing/Accounting costs increased \$21,000.

Note 27 Financial instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Authority are cash and cash equivalents, finance leases, 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.

ANIMAL RESOURCES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Credit risk

The Authority trades only with recognised, creditworthy third parties. 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. There are no significant concentrations of credit risk.

Liquidity risk

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.

(b) Financial Instrument disclosures

Interest Rate Risk Exposures.

The following table details the Authority's exposure to interest rate risk as at the balance sheet date:

2007	Interest Rate %	Fixed Interest Rate Maturities 0-12 mths	Non Interest Bearing	Total
<i>Financial Assets</i>				
Cash Assets		\$ -	\$ 205,737	\$ 205,737
Receivables		-	963,173	963,173
Cash Management Acc	5.500	766,692	-	766,692
WA Treasury	5.527	408,007	-	408,007
		<u>1,174,699</u>	<u>1,168,910</u>	<u>2,343,609</u>
<i>Financial Liabilities</i>				
Payables		-	183,329	183,329
		<u>-</u>	<u>183,329</u>	<u>183,329</u>
2006				
<i>Financial Assets</i>				
Cash Assets		-	112,771	112,771
Receivables		-	1,109,513	1,109,513
Cash Management Acc	5.500	961,387	-	961,387
WA Treasury	5.527	384,962	-	384,962
		<u>1,346,349</u>	<u>1,222,284</u>	<u>2,568,633</u>
<i>Financial Liabilities</i>				
Payables		-	342,234	342,234
		<u>-</u>	<u>342,234</u>	<u>342,234</u>
Fair Values				

All financial assets and liabilities recognised in the balance sheet, 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 fees, salaries superannuation and other benefits for the financial year, fall within the following bands are:

	2007	2006
\$ 0-10,000	2	2

The total remuneration of the members of the Accountable Authority is \$1,470 (2006: \$1,680).

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:

	2007	2006
\$		
100,001 - 110,000	-	1
120,001 - 130,000	1	-
130,001 - 140,000	1	1
140,001 - 150,000	-	-

The total remuneration of senior officers is: 251,782 236,963

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 auditors

Remuneration to the Auditor General for the Financial year is as follows:

	2007 \$	2006 \$
Auditing the accounts, financial statements and performance indicators	44,155	28,555

The expense is included in Note 10 'Supplies and services'.

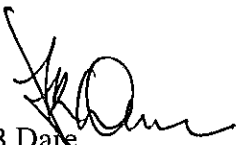
ANIMAL RESOURCES AUTHORITY


KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2007

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 2007.


B Dare
Deputy Chairman
Animal Resources Authority
Date: 20 September 2007


L Chalmers
Member of Animal Resources Authority
Date: 20 September 2007

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2007

Detailed information in support of Key Performance Indicators

Outcomes

The outcome of the operations of the Animal Resources Centre is the supply of specific pathogen free, genetically uniform laboratory animals.

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. Comparison of figures for equivalent periods are the only figures available for use as there are no industry standards.

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 2007 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			
	2006/2007	2005/2006	2004/2005	2003/2004
	\$	\$	\$	\$
Mice	4.00	3.77	3.14	3.42
Rats	13.26	12.21	10.19	12.15

The programme to eradicate *Helicobacter bilis* and *Pasteurella pneumotropica* from production colonies required duplication of production colonies and additional staff thus significantly increasing costs. GOSAC award increases of 4.5% added \$0.11 to the cost of mice and \$0.28 to rats. The remaining labour increase of \$0.25 for mice and \$0.31 for rats was direct result of the duplication required. The large repairs and maintenance expense for the aging air handling system, increased costs \$0.20 for mice and \$1.71 for rats. The repairs and maintenance cost was offset by the reduced depreciation expense.

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.

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2007

The ability to supply genetically uniform, 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 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.

A Health Report that gives the results of all current tests is available on the Animal Resources Centre website. The Health Report is updated monthly.

The results of testing in 2006/2007, 2005/2006 and 2004/2005 are in the following Quality control Test Results Table. The results are expressed as the number of positive results over the number of tests conducted.

Quality Control Test Results Table.

Mice/Rats:	2006/2007		2005/2006		2004/2005	
	Actual	%	Actual	%	Actual	%
Viral serology	0/5983	0	0/5716	0	0/7017	0
MPV serology	0/675	0	0/750	0	2/891	0.22
Bacterial serology	0/1236	0	0/521	0	0/780	0
Bacterial culture	28/3195	0.9	60/2348	2.6	50/2317	2.2
Parasitology	0/434	0	0/456	0	0/478	0
Protozoa/Fungi	0/595	0	0/473	0	0/540	0
Skin mycology	0	0	0	0	0/38	0
PCR Viral/Bacteria	0/488	0	0	0	0	0

Pasteurella pneumotropica, *Pasteurella ureae*, *Staphylococcus aureus* and *Pneumocystis carinii* are present within some animals in the facility. They are ubiquitous in SPF colonies and do not constitute a threat. *Trichomonas muris* has been detected in some animals but these organisms are not pathogenic and not part of routine screening. *Helicobacter bilis* still remains in the maintained strains area. These organisms are regarded as commensals in rats and mice and do not produce disease in normal animals.

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2007

Genetic monitoring

Mice: Twenty nine inbred lines (96 animals) were checked for genetic purity by examining 16 genetic markers via Alloenzyme Electrophoresis by the South Australian Museum's Evolution Biology Unit. There was no evidence of genetic contamination.

Thirty three inbred lines (221 animals) 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 far more sensitive method of detecting genetic contamination and will be adopted as the standard method for genetic testing of inbred mice strains at the ARC. There was no evidence of genetic contamination.

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

Rats: Twelve inbred lines (69 animals) were checked for genetic purity by examining 16 genetic markers via Alloenzyme Electrophoresis by the South Australian Museum's Evolution Biology Unit. There was no evidence of genetic contamination.

Pathology

One hundred and fifty four post mortem examinations were performed during the year. The results of these examinations confirmed that animals within SPF units were free of infectious diseases other than those noted above.

Customer Survey

The ability to supply high quality animals was measured qualitatively in 2006/2007 by surveying the majority of customers who purchase laboratory rodents used in biomedical research. A five point Likert scale instrument (Cronbach's alpha = 0.923) comprising 13 items related to quality, range and availability and price was used. Thirty five (35) of 99 customers surveyed responded.

Question Dimension	Response Rate		Response Mean \pm SEM	
	2007	2006	2007	2006
Quality	32.3%	38.6%	4.22 \pm 0.09	3.84 \pm 0.06
Range and availability	34.3%	39.6%	3.93 \pm 0.12	3.67 \pm 0.07
Price	34.3%	41.6%	4.25 \pm 0.10	4.27 \pm 0.08

ANIMAL RESOURCES AUTHORITY

KEY PERFORMANCE INDICATORS FOR YEAR ENDED 30 JUNE 2007

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.

Internal Audit

In 2007 the internal 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 overall conclusion is that internal controls are operating satisfactorily.

As part of Quality Systems certification (ISO9001:2000) the Animal Resources Centre operates an internal audit schedule that audits all operating procedures at least annually. The system is also subject to annual surveillance audits and a triennial complete audit by SGS International Certification Services Pty Ltd to ensure that the Quality System satisfies the requirements of the international standard. As a result of successful annual surveillance audits the Animal Resources Centre continues to be registered under the SGS ICS Quality Assured Firm Scheme.

ANIMAL RESOURCES AUTHORITY

**MINISTERIAL DIRECTIVES
FOR THE YEAR ENDED 30 JUNE 2007**

Ministerial Directives

No Ministerial directives were received during the financial year.

ANIMAL RESOURCES AUTHORITY

OTHER FINANCIAL DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2007

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 but maintain the Authority's capacity to be sustainable and self funding.

Capital Works

No major works.

Employment and Industrial Relations

Staff Profile

	2007	2006
Full-time permanent	33	34
Full-time contract	13	5
Part-time permanent	8.5	8.2
Part-time contract	<u>0.6</u>	<u>2.5</u>
	55.1	49.7

The 'full-time contract' are 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. Existing employees are also encouraged to take the opportunity for training to the Certificate III qualification. The RTO status continues to allow the Authority to offer Traineeships targeting under 25 year olds with 15 employees now representing this group.

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

Workers Compensation

Eight minor claims were recorded during the financial year.

ANIMAL RESOURCES AUTHORITY

GOVERNANCE DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2007

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 or 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 2006/2007 was \$7,290.25.

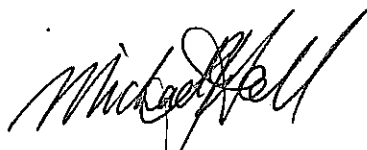
ANIMAL RESOURCES AUTHORITY

OTHER LEGAL REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

20 September 2007

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	
Marketforce Productions	\$12,222.37
Expenditure with Market Research Agencies	\$0
Expenditure with Polling Agencies	\$0
Expenditure with Direct Mail Agencies	\$0
Expenditure with Media Advertising Agencies	\$0
TOTAL EXPENDITURE	\$12,222.37

ANIMAL RESOURCES AUTHORITY

OTHER LEGAL REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2007

Compliance with Public Sector Standards and Ethical Codes 2006-2007

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 ARC Employee Handbook• Induction of all new employees includes a discussion about Public Sector Standards.• During the year all existing staff attended a training session on HR policies and procedures, including HR Standards.• All Quality System Work Instructions relating to Public Sector Standards were reviewed and amended where 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 ARC's Code of Conduct is based on the Code.
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 ARC's Code of Conduct is included in the Employee Handbook.• The ARC's Code is explained to all new employees at their Induction.• A review of the ARC's Code, in consultation with our staff, is planned for the latter part of 2007.

Equal Employment Opportunity Outcomes

A review of our actual representation against targets set for EEO groups for 2006/7 indicates that the % people from Culturally Diverse Backgrounds was maintained this year whilst the % of people with disabilities employed fell slightly.

Our 2006-2009 EEO Management Plan was finalised in late 2006 and promoted to staff in January 2007. We have been progressing the initiatives identified in the Plan in order to improve in the two EEO group employment areas identified above.

Key EEO initiatives implemented :

- Promotion of our revised EEO Management Plan to all staff.
- Arranging training sessions for supervisors and managers on working with people with disabilities.
- Provision of support services for employees under 25 years of age.

Opportunities identified for the year ahead which will assist in achieving of targets:

- Reviewing ARC's Code of Conduct.

ANIMAL RESOURCES AUTHORITY

OTHER LEGAL REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2007

- Identifying flexible working arrangements that may be suitable for our workplace.

Disability Access and Inclusion Plan Outcomes

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

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

Recordkeeping Plans

The Animal Resources Authority is committed to sound record keeping practices and has commenced implementation of its Recordkeeping Plan RKP 2004118 as prescribed by the State Records Commission.

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

- 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 ARC Employee Handbook which outlines our Records Management policy and procedures.
- Performance indicators for the ARA's recordkeeping system and Retention and Disposal Program are being developed.
- The efficiency and effectiveness of the ARA's recordkeeping system and training program will be reviewed by the end of 2007.

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.

Freedom of Information Statement

The Animal Resources Authority's mission, details of legislation administered and the agency structure are presented on pages 2 to 4 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

**ESTIMATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2008
(Unaudited)**

ASSETS

Current Assets	\$
Cash Resources	1,453,170
Accounts Receivable	950,000
Animal Stocks	2,361,000
Non Animal Stocks	<u>103,000</u>
Total Current Assets	<u>4,867,170</u>

Non-current Asset	
Property, Plant and Equipment	<u>4,097,578</u>
Total Non-Current Asset	<u>4,097,578</u>

TOTAL ASSETS	<u>8,964,748</u>
---------------------	------------------

LIABILITIES

Current Liabilities	
Payables	265,000
Provisions	<u>105,000</u>
Total Current Liabilities	<u>370,000</u>

Non-Current Liability	
Provisions	<u>188,000</u>
Total Non-Current Liability	<u>188,000</u>

TOTAL LIABILITIES	<u>558,000</u>
--------------------------	----------------

NET ASSETS	<u>8,406,748</u>
-------------------	------------------

EQUITY

Reserves	235,446
Retained Earnings	<u>8,171,302</u>

TOTAL EQUITY	<u>8,406,748</u>
---------------------	------------------

ANIMAL RESOURCES AUTHORITY

**ESTIMATED STATEMENT OF FINANCIAL
PERFORMANCE
FOR YEAR ENDED 30 JUNE 2008
(Unaudited)**

INCOME

Revenue

Sales	5,173,559
Provision of Services	1,066,036
Interest Revenue	73,800
Other Revenues	<u>75,000</u>
Total Income	<u>6,388,395</u>

EXPENSES

Cost of sales and services	4,551,135
Employee benefits expense	671,099
Depreciation expense	72,000
Supplies and services	<u>582,080</u>
Total Expenses	<u>5,876,314</u>

Profit for the period	<u>512,081</u>
------------------------------	-----------------------