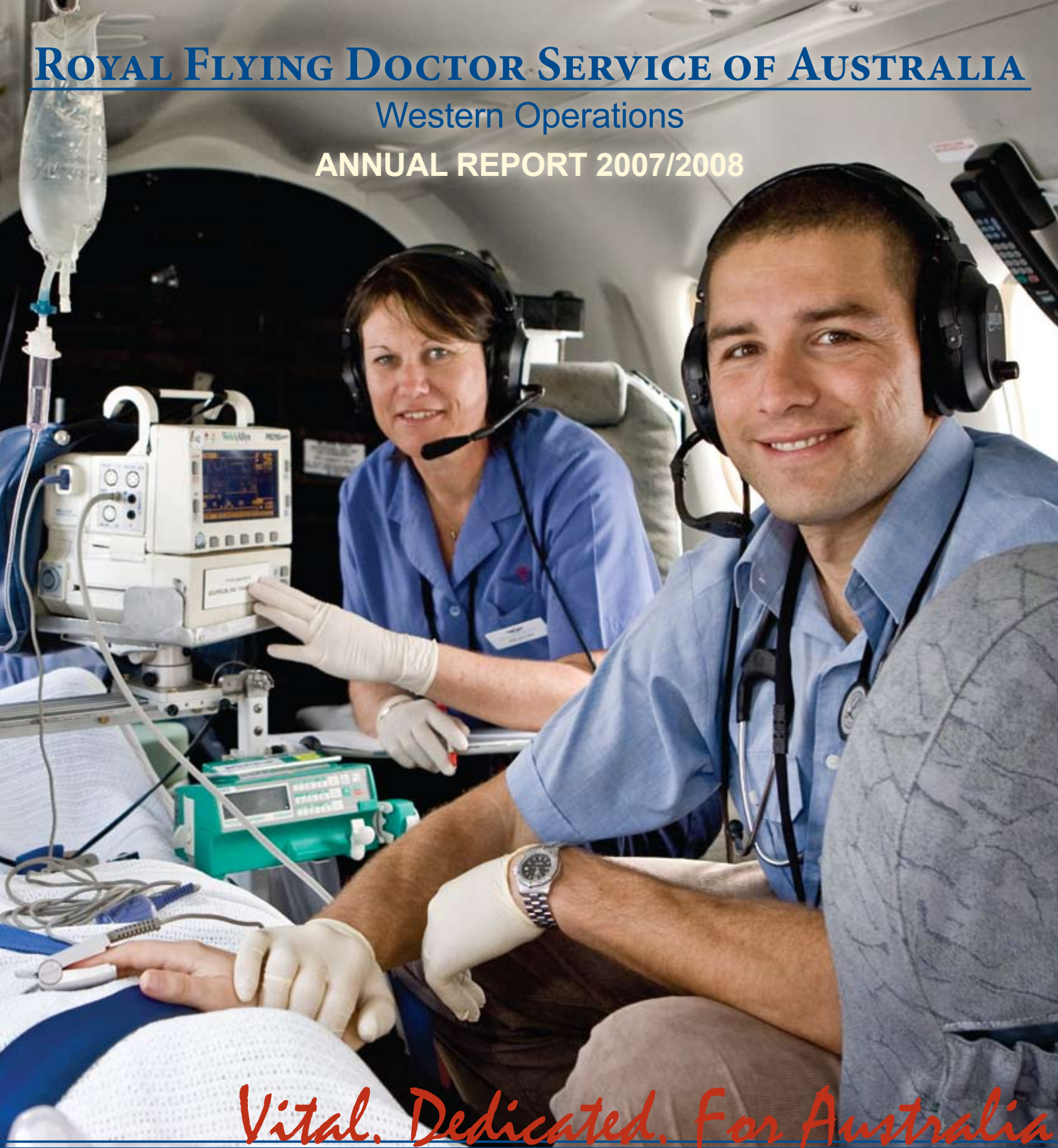


ROYAL FLYING DOCTOR SERVICE OF AUSTRALIA

Western Operations

ANNUAL REPORT 2007/2008



Vital. Dedicated. For Australia





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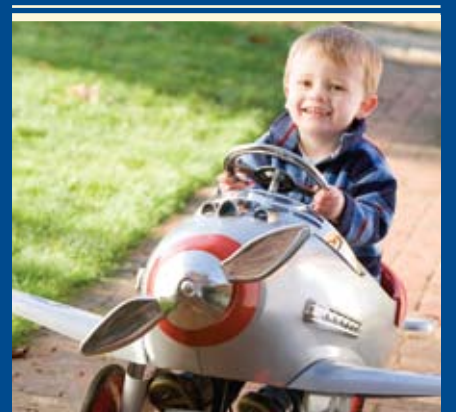
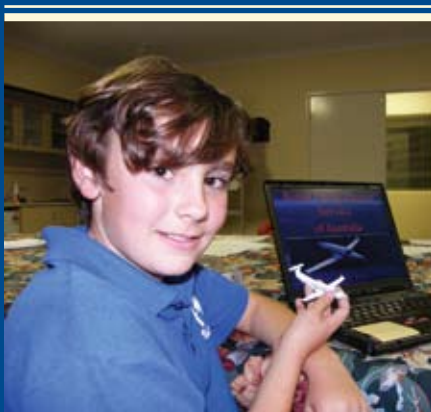
WESTERN OPERATIONS



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Chairman's Report

"During the year demand for our services from country patients continued to grow as it has every year for the past decade or so. It is pleasing to report that with the support and dedication of our staff we have been able to respond well to these needs."

On behalf of the board, I am pleased to present the Annual Report of the Royal Flying Doctor Service of Australia (Western Operations) for the financial year ended 30 June 2008.

As this is the year in which we celebrate 80 years of service across the nation, it is especially gratifying to report that the relationships between RFDS Sections has gone from strength to strength in the past 12 months. At a meeting of delegates from all Sections held in late 2007 a new Mission Statement was agreed and adopted by all Sections for the first time:

Providing excellence in aero medical and primary health care across Australia

This Mission Statement is a clear and succinct description of the important work all RFDS Sections do across this vast country.

In June 2007 we formally merged Western Operations and the Eastern Goldfields and Western Australian Sections into a single organisation. The Victorian Section reduced its involvement in the governance of Western Operations although the Section remains a valued financial supporter. The merger was an important milestone in the life of RFDS in WA and I would like to thank all directors and staff members for their support during the merger process.

During the year demand for our services from country patients continued to grow as it has every year for the past decade or so. It is pleasing to report that with the support and dedication of our staff we have been able to respond well to these needs. Their willingness and determination to succeed, working around the clock, in all weather conditions, in rural and remote areas of our State make them a truly unique team.

Each year we are the beneficiaries of the generosity of many West Australians. This year we received a total \$6.5 million from donors, members and contributors to our various fundraising events. Worthy of special mention are the efforts of our Public Affairs Team, the Flying 1000, the Friends of the RFDS and an army of volunteers and supporters.

In February of this year we sadly lost one of our directors to cancer, Mr Jock McGregor, a great friend and colleague. Jock was a director of both the Western Operations and Victorian Section boards. He was a dedicated family man and had a successful corporate career. Jock brought a great deal of expertise to our board on matters of corporate governance, finance and business practice and will be sadly missed.

Finally, I would like to extend my sincere thanks to my fellow directors and our Chief Executive Officer Tim Shackleton, all of whom have provided an enormous amount of support and assistance throughout the year.



A handwritten signature in black ink, appearing to read 'A Crook', written in a cursive style.

Anthony Crook
Chairman



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CEO's Report

"As in previous years, demand for RFDS services continued to rise. In 2007/08 we transported 6,355 sick and injured patients from around the State, received 34,398 calls for medical advice and assistance, and conducted 1,727 medical clinics at rural and remote sites."

This year has been a notable one for many reasons. Amongst the most important are:

- ✦ The successful merger of Western Operations with the Eastern Goldfields and Western Australian Sections to create, for the first time, a single united RFDS in WA.
- ✦ The strengthening role of the National Board and National Office in coordinating and facilitating common directions for the RFDS Sections in Australia. Of particular note was the successful negotiation of a new four year funding contract with the Australian Government, providing approximately \$250 million to fund health service delivery across rural and remote Australia.
- ✦ The successful negotiation of a new funding commitment from the Western Australian Government, which will provide an extra \$38.4 million for additional RFDS aircraft and staff.
- ✦ The addition of a third day shift at Jandakot Base, which has provided much needed resourcing to help us meet the growing demand for aeromedical patient transport. The Board has also given approval for the addition of a second night crew at Jandakot.
- ✦ The successful forging of a new partnership with Rio Tinto Limited which will underwrite the establishment of the first RFDS medical jet service in Australia.
- ✦ The development of clear strategic directions and key objectives for RFDS Western Operations, which build on our strengths and provide focus for us over the next two to three years. The key objectives for the 2008-2011 period are:
 1. To be the major non-government provider and facilitator of health services to rural and remote WA
 2. To promote the RFDS as the most credible expert and advocate for rural and remote health issues in WA
 3. To be a financially sustainable organisation able to fund improvements in health service delivery.

As in previous years, demand for RFDS services continued to rise. In 2007/08 we transported 6,355 sick and injured patients from around the State, received 34,398 calls for medical advice and assistance, and conducted 1,727 medical clinics at rural and remote sites. These statistics represent an overall increase of 6% on the previous year.

Construction has commenced on the redevelopment of the Jandakot Base, funded by a \$3 million grant from Lotterywest. Several residential properties were purchased in Port Hedland and Derby during the year in order to provide housing for staff working at those Bases. Rental costs and property values have increased significantly in Port Hedland due to the demands of the resources industry and we are now seeing the beginning of a similar surge in Derby. Plans to construct a new base building at the Meekatharra Base, a new hangar and car port at Port Hedland and to redevelop the old Derby Base also progressed during the year.

I also wish to sincerely thank my Executive Management Team and all Western Operations staff for their hard work, support and dedication during a very busy year.

Finally, I would be remiss if I didn't thank sincerely all the RFDS supporters from around the State who spoke up on our behalf during our negotiations with the State Government for a more realistic and sustainable funding arrangement. Your support has given us confidence and strength as we move into a new and exciting phase of development for RFDS Western Operations.



A handwritten signature in black ink that reads "Tim Shackleton". The signature is fluid and cursive.

Tim Shackleton
Chief Executive Officer



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A Year of Change

... a year when the organisation 'took-off' into new territory, experienced some unexpected turbulence along the way, but had a relatively smooth landing at the end of the journey.

Looking back, 2007-08 was a year unlike any other in the history of the Royal Flying Doctor Service in Western Australia. It was a year characterised by great change and many achievements; a year when the organisation 'took-off' into new territory, experienced some unexpected turbulence along the way, but had a relatively smooth landing at the end of the journey.

Changes to the structure of the Service gave rise, for the first time, to a single, united RFDS in Western Australia. The new structure brought, and continues to bring, new people to the board and senior management and these augur well for the future of our organisation.

New faces joined the Western Operations' management team, including that of Peter Northover as Director of Regional Services, Lesleigh Green as Director of Public Affairs and Gavin Healy as the new Director of Aviation. They joined Medical Director, Dr Stephen Langford, Director of Corporate Services, Liane Papaelias and Director of Nursing and Primary Health Care, Graham Philp to create a team focussed on forging new directions for the RFDS.

WA BOOM BRINGS CHALLENGES

The economic boom in WA brought particular issues to the doorstep of the RFDS. Providing housing for our staff in the Pilbara and Kimberley became ever more difficult during the year as property prices and rentals skyrocketed. While we managed to purchase several homes in Port Hedland and Derby, the need for more and better quality housing will remain for the foreseeable future.

RFDS Flight Nurses introduced an innovative fly-in/fly-out employment arrangement for Meekatharra during the year. The scheme has proved both popular and workable and has relieved some of the ongoing recruitment difficulties we have experienced.

DEMAND ESCALATES

As the year progressed it became clear that for a range of reasons, including population growth in the South West and North West, the RFDS was continuing to struggle to meet the growing demand for aeromedical patient transport.

The Service had the same number of aircraft it had operated for the previous decade; a similar number of staff and its funding from government had failed to keep pace with rapidly rising costs.

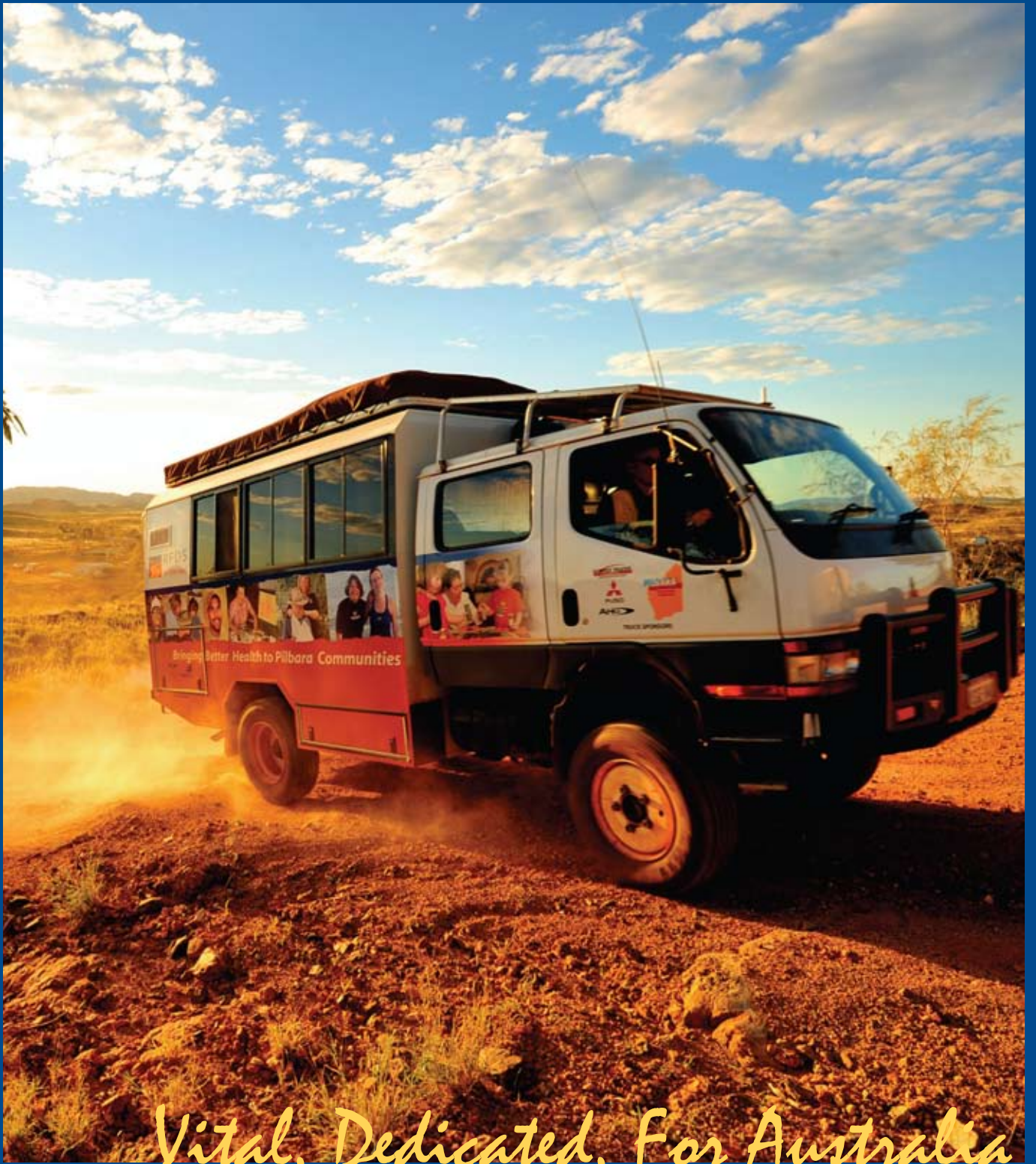
A new agreement with the Australian Government had improved the situation in relation to funding for primary evacuations, but inter-hospital transfers funded by the State were increasing well beyond the growth in the funding available. With its State Government contract about to come to an end in June 2007, the RFDS was keen to negotiate a new, more sustainable funding model with the government in order to provide additional aircraft and aeromedical staff.

BUSINESS CASE TO WA GOVERNMENT

To this end, a business case was put to government jointly by the WA Country Health Service and the RFDS. Funding was sought over five years for three additional aircraft and the replacement of five ageing aircraft, plus additional staff.

While the RFDS waited for a favourable decision, expected in the State Budget in May, the media picked up a story that illustrated the Service's increasing difficulty in responding to demand for aeromedical patient transport in acceptable timeframes. The story was the catalyst for a State-wide media call for improved funding for the RFDS.





A Year of Change continued...

SUPPORTERS RALLY TO ASSIST THE RFDS

The call was echoed by a rising tide of public opinion as country and city people demanded that the government listen to growing concerns about RFDS funding and health services in rural and remote areas.

When the State Budget came and went without the government addressing the needs of the RFDS, public sentiment boiled over.

FUNDRAISING AND CORPORATE SUPPORT ON THE RISE

During this period, revenue from two direct mail fundraising appeals topped a record \$1.4 million and 5,000 new donors joined our ranks of supporters.

There was also a big lift in donations coming in via community fundraising events, merchandise sales and philanthropy in general. Fundraising staff were struck dumb when an elderly donor walked through the door and told staff that he had given \$50 a year for 10 years but thought the RFDS needed a bit more this year, then wrote out a cheque for \$50,000!

Our committed supporters, the Flying 1000, topped the million dollar fundraising mark during the year and are working hard towards a new record total in 2008/09. The Friends of the RFDS and fundraising auxiliaries around WA also provided tremendous support and contributed much needed fundraising proceeds.

Strong support from the corporate sector continued during the year as companies donated money for new medical equipment and sponsored special projects, such as the new RFDS aircraft simulator built during the year for training medical and nursing staff.

BHP Billiton Iron Ore, our partner in the 'RFDS on the road' primary health and education service, extended its commitment to the program through BHP Billiton Nickel West to launch the new Goldfields 'RFDS on the road' project in Kalgoorlie in May.

During the year, the RFDS also forged an important partnership with Rio Tinto Limited to establish what will be the first RFDS jet service in Australia, designed to greatly reduce the time it takes to transport critically ill patients from distant areas of the State to hospital in Perth. The new service, Rio Tinto Life Flight, will be launched early in 2009 and is expected to transport some 500 patients in the first year.

STATE GOVERNMENT FUNDING ANNOUNCEMENT

At the end of the financial year, the WA Government announced a \$38.4 million funding boost for the RFDS. This provided for the purchase of two additional aircraft and replacements for three ageing aircraft, plus additional staff to crew them.

Since the announcement, the RFDS has been working closely with the WA Country Health Service on a new funding model for inter hospital transfers.

REDEVELOPMENT AND RENEWAL AT BASES

During the year, redevelopment began at Jandakot Airport on the ageing patient transfer hangar. Made possible by a \$3 million grant from Lotterywest, the new facilities will open early in 2009. The upgrade of the Kalgoorlie Visitor Centre at the Kalgoorlie base, funded by the Goldfields Esperance Development Commission and the Kalgoorlie RFDS Fundraising Auxiliary, has been completed and will open soon.

Important developments of our base facilities at Derby, Port Hedland and Meekatharra also commenced during the year and will be completed during 2009.

NATIONAL FOCUS

During the year, Western Operations management and staff collaborated closely with other RFDS Sections and with the National Office to develop a national focus through a range of initiatives, including many related to health, education, aviation, marketing, fundraising, human resources, accounting and finance.

Meanwhile, the National Chairman Tim Fischer led the Service's 80th anniversary celebrations across the nation and undertook a public outreach and networking tour to RFDS bases across Australia, including Kalgoorlie and Meekatharra.

As the financial year drew to a close, it was clear that Western Operations had overcome some big hurdles and achieved some major breakthroughs. It could look forward with confidence to an exciting year ahead.



Key Facts and Figures

“Over the past five years, our workload has increased 35% in the Pilbara and 25% in both the South West and Great Southern regions. The Midwest has increased 15%. The Kimberley, the most distant region from Perth, remains the largest regional source of patients State-wide with more than 1018 emergency cases per year.” Medical Director, Dr Stephen Langford

PATIENTS TRANSPORTED AND TREATED	2008	2007
Primary Evacuations	1,012.....	909
Inter-hospital Transfers.....	4,912.....	4,687
Transported from a clinic.....	284.....	261
Repatriations.....	147.....	112
Total Patients Transported	6,355.....	5,969
TELEHEALTH CALLS	34,398.....	24,616
PATIENTS ATTENDING CLINICS		
RFDS Medical Clinics.....	2,786.....	2,578
RFDS Other Clinics	1,636.....	1,390
RFDS Medical Services.....	6,942.....	5,300
RFDS Facilitated Clinics	*11,001.....	11,891
RFDS Staff at non RFDS Clinics.....	366.....	441
Inpatients.....	3,756.....	2,916
Rural Women’s GP Program.....	5,257.....	5,385
Total Patients Attending.....	31,744.....	29,901
CLINICS		
RFDS Medical Clinics.....	355.....	349
RFDS Other Clinics	161.....	161
RFDS Facilitated Clinics	858.....	733
Rural Women’s GP Program.....	353.....	369
Total	1,727.....	1,612
KILOMETRES FLOWN		
Inter-Hospital Transfers	4,629,877.....	4,374,167
Primary Evacuations	948,288.....	895,914
Total Kilometres Flown	5,578,165.....	5,270,081
NUMBER OF AIRCRAFT	11.....	11
NUMBER OF STAFF	191.....	168

* Total estimated due to late returns

Directors' Report

Your directors present their report on the Royal Flying Doctor Service of Australia, Western Operations, referred to as "Western Operations", for the financial year ended 30 June 2008.

The names and particulars of the Directors of Western Operations in office during and since the end of the financial year ended 30 June 2008 are:

Mr Anthony Crook

Mr Neville Bassett

Mr Michael Hutson

Dr Robert Liddell

Mr Richard Alder (appointed 20 December 2007)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

Mr Anthony Crook

Qualifications and Experience: Businessman and former Pastoralist. Joined the Board on 20 December 1994.

Special Responsibilities: Chairman, Life member.

Mr Neville Bassett

Qualifications and Experience: Corporate Consultant, B.Bus, C.A. Joined the Board on 6 January 1997.

Special Responsibilities: Chairman of the Audit Committee, Member of the Remuneration Committee, Representative on Australian Council and National Board.

Mr Michael Hutson

Qualifications and Experience: Accountant. Joined the Board on 23 October 2004.

Special Responsibilities: Member of the Remuneration Committee in 2007.

Dr Robert Liddell

Qualifications and Experience: Medical Practitioner, Aviation Medicine Consultant and Airline Transport Pilot. Joined the Board on 20 October 2005.

Special Responsibilities: Member of the Audit Committee.

Mr Richard Alder

Qualifications and Experience: Retired Financial Advisor. Appointed by the Board on 20th December 2007 as an independent director.

Special Responsibilities: Member of the Audit Committee, Member of the Remuneration Committee.

Mr Paul Monger (appointed 20 December 2007)

Mr Mark Ashley (appointed 20 December 2007)

Dr John Croser (elected 22 November 2007)

Dr Michael Long (retired AGM 22 November 2007)

Mr Jock McGregor (retired AGM 22 November 2007)

Mr Paul Monger

Qualifications and Experience: Retired Farmer. Appointed by the Board on 20th December 2007 to fill a casual vacancy.

Mr Mark Ashley

Qualifications and Experience: Managing Director of Apex Minerals, Fellow of the Chartered Institute of Management Accountants. Appointed by the Board on 20th December 2007 as an independent director.

Special Responsibilities: Member of the Remuneration Committee.

Dr John Croser

Qualifications and Experience: Retired Surgeon. Elected as a director by the members on 22nd November 2007.

Special Responsibilities: Life member.

Dr Michael Long

Qualifications and Experience: Medical Practitioner, F.R.A.C.S., F.A.C.S. Joined the Board on 20th December 1994 and retired at the AGM on 22nd November 2007.

Special Responsibilities: Councillor for the Royal Flying Doctor Service of Australia (Victorian Section).

Recipient of the John Flynn Fellowship in 2008.

The late Mr Jock McGregor

Qualifications and Experience: Company Director, B.Comm, FAIM, MAICD, FCIS. Joined the Board on 17 May 2006 and retired at the AGM on 22 November 2007.

Mr McGregor sadly passed away on 13th February 2008.

Special Responsibilities: Councillor of the Royal Flying Doctor Service of Australia (Victorian Section).



Mr Anthony Crook



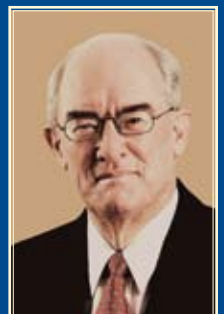
Mr Neville Bassett



Mr Michael Hutson



Dr Robert Liddell



Mr Richard Alder

cont. overleaf

Directors' Report continued...

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mrs Liane Papaalias

Qualifications and Experience: Accountant, B.Bus, CPA.

Joined Western Operations on 23 February 2004 as Director of Corporate Services and Company Secretary and has performed management roles in the financial, facility management and administrative areas of the Company.

CORPORATE GOVERNANCE

The Board

The Board of Western Operations consists of nine Directors. Six Directors are elected by the members and the Board may appoint up to three independent directors.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee consists of two Directors, and meets at least twice a year. The committee assists the Board in fulfilling its responsibilities for Company accounts and external financial reporting. This is achieved by ensuring that appropriate processes are in place to support the Board to exercise due care, diligence and skill in relation to Western Operations' reporting of

financial information, applying accounting policies, financial management and internal financial control systems.

Remuneration Committee

The Remuneration Committee consists of three Directors, and meets at least once a year. The purpose of this committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer and the Executive Management Team.

Principal Activities

The principal activities of Western Operations during the financial year were the provision of aeromedical health services to people travelling, working and living in remote and regional Western Australia.

Operating Results

Western Operations made an operating deficit for the financial year of \$55,391 including donations to the Flying into the Future Capital Campaign, capital contributions from the Australian Council and the Victorian Section and capital grants.

Dividends

Being limited by guarantee, Western Operations does not pay dividends.

Significant Changes in State of Affairs

No significant changes in the Company's

state of affairs occurred during the financial year.

After Balance Date Events

In July 2008, the Premier of Western Australia announced an increase in State Government funding for Western Operations to purchase two additional aircraft and associated additional staff over the next three years.

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments, Prospects

In August 2008, Rio Tinto Limited announced sponsorship funding of \$5 million for the Company to support the introduction of an emergency jet service. This initiative will be implemented during the financial year ending 30 June 2009, but as at the date of this report no contractual commitments had been developed.

No other developments in the operations of the Company and the expected results of those operations in future financial years have been included in this report as the inclusion of such information is likely

DIRECTORS' ATTENDANCE AT MEETINGS JULY 2007 TO JUNE 2008

Directors	BOARD MEETING		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr A J Crook	9	9			1	1
Dr R Liddell	9	8	1	1		
Dr T M M Long	4	2				
Mr N Bassett	9	8	2	2	1	1
Mr M Hutson	9	9				
The late Mr J R McGregor	4	2				
Mr Richard Alder	5	5	1	1	1	1
Mr Paul Monger	5	4				
Mr Mark Ashley	5	1			1	-
Dr John Croser	5	4				

to result in unreasonable prejudice to the Company.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred in this capacity.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Benefits

During or since the financial period, no Director of the Company has received or become entitled to receive a benefit because of a contract that the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest made with the Company or an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or becomes entitled to receive the benefit other than:

- i) a benefit included in the aggregate amount of emoluments received or due

and receivable by the Directors shown in the financial statements; or

- ii) the fixed salary of a full time employee of the Company or an entity that the Company controlled or a related body corporate.

Review of Operations

Please refer to both the Chairman's Message and the Chief Executive Officer's report.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 15 and forms part of this report.

Signed in accordance with a resolution of the Board of Directors:

Anthony Crook
Chairman

Neville Bassett
Director

12 September 2008
Perth, Western Australia



Mr Paul Monger



Mr Mark Ashley



Dr John Croser



Dr Michael Long



Mr Jock McGregor

Independent Auditors' Report



To the members of Royal Flying Doctor Service of Australia (Western Operations)

Report on the Concise Financial Report

The accompanying concise financial report of Royal Flying Doctor Service of Australia (Western Operations), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date and related notes, derived from the audited financial report of Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2008, and the discussion and analysis. The concise financial report does not contain all of the disclosures required by Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The directors of the company are responsible for the preparation and fair presentation of the concise financial report in accordance with Australian Accounting Standards AASB 1039: *Concise Financial Reports* (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of

Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2008. Our audit report was signed on the 12 September 2008 and included a qualification, which is outlined below. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039: *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in AASB 1039: *Concise Financial Reports*.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Basis for Qualified Auditor's Opinion

Donations and other fundraising activities are a significant source of revenue for the Royal Flying Doctor Service of Australia (Western Operations). The Company has determined that it is impracticable to establish control over the collection of donations and other fundraising activity receipts prior to the entry in its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit

procedures with respect to donations and other fundraising activities had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion on whether the donations and other fundraising income obtained by the Company are complete.

Auditor's Opinion

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been determined to be necessary had the limitation referred to in the preceding paragraph not existed, the concise financial report including the discussion and analysis of Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2008 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

HLB MANN JUDD
Chartered Accountants

NG Neill
Partner

12th September 2008
Perth, Western Australia

Directors' Declaration

Auditors' Independence Declaration

Basis of Preparation

Directors' Declaration

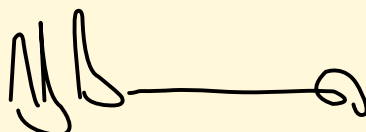
The directors of Royal Flying Doctor Service of Australia (Western Operations) declare that:

1. The concise financial report, as set out on pages 16-20, are in accordance with the Corporations Act 2001 and:
 - a) complies with Accounting Standard AASB 1039: Concise Financial Reports; and
 - b) is an extract from the full financial report for the year ended 30 June 2008 and has been derived from and is consistent with the full financial report.

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



Anthony Crook
Chairman



Neville Bassett
Director

12th September 2008
Perth, Western Australia



Accountants | Business and Financial Advisers

Auditors' Independence Declaration

As lead auditor for the audit of the financial report of Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Royal Flying Doctor Service of Australia (Western Operations).



NG Neill
Partner

12th September 2008
Perth, Western Australia

BASIS OF PREPARATION

The concise financial report is an extract from the full financial report for the year ended 30 June 2008 prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001. The presentation currency used in this concise financial report is Australian dollars.

The financial statements, disclosures and other information in the concise financial report have been derived from the 2008 Financial Report for the Royal Flying Doctor Service of Australia (Western Operations). The 2008 Financial Report of the Company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The discussion and analysis included in the report is provided to assist members in understanding the concise financial report and is based on Royal Flying Doctor Service of Australia (Western Operations) financial statements for the year ended 30 June 2008.

Income Statement



FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	NOTE	2008 \$	2007 \$
REVENUE			
Operating		35,317,830	33,984,359
Non Operating		9,867,201	4,576,221
Transfer of Net Assets from Shareholder Sections		–	12,235,611
	1	45,185,031	50,796,191
EXPENSES			
Aviation Expenses		16,954,309	15,580,801
Health Services Expenses		12,227,466	10,818,801
Fundraising Expenses		1,435,485	–
Depreciation Expenses		5,299,490	4,068,368
Loss on Revaluation		1,702,868	–
Administrative Expenses		4,773,007	3,859,881
Borrowing Costs		363,439	722,431
Project Expenses		2,146,525	1,672,499
Other Expenses		337,833	131,886
		45,240,422	36,854,667
PROFIT/(LOSS) AFTER INCOME TAX		(55,391)	13,941,524

DISCUSSION AND ANALYSIS

The result for the year ended 30 June 2008 is a net loss after income tax of \$55,391. The result for the previous year includes the transfer of assets from Shareholder Sections on restructure of the Company. Operating revenue has increased overall by 3.9% and comprises grant funds from the Commonwealth Government of \$12.4m, the State Government of \$17.4m, and insurance recoveries of \$2.5m. Non Operating Revenue has increased significantly as a result of the corporate restructure and the inclusion of gross fundraising revenue of \$4.5m. In the past this revenue was distributed to the Company, in a fixed sum net of costs by the former Shareholder Sections.

Total expenditure has increased by 22% and includes \$1.4m in costs of fundraising activities, additional employee costs for increases in staffing to provide a third day crew at Jandakot and an additional doctor at each regional base. A Loss on Revaluation of \$1.7m was recorded in respect of aircraft assets.

Balance Sheet



AS AT 30 JUNE 2008

	NOTE	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash & Cash Equivalents		11,915,199	9,497,827
Trade & Other Receivables		1,043,650	1,402,374
Inventory		1,399,058	945,752
Financial Assets		478,561	342,829
TOTAL CURRENT ASSETS		14,836,468	12,188,782
NON-CURRENT ASSETS			
Aircraft, Property, Plant and Equipment		58,637,809	41,669,383
TOTAL NON-CURRENT ASSETS		58,637,809	41,669,383
TOTAL ASSETS		73,474,277	53,858,165
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables		7,157,038	4,340,316
Financial Liabilities		383,512	586,475
Short-term Provisions		340,443	313,948
TOTAL CURRENT LIABILITIES		7,880,993	5,240,739
NON-CURRENT LIABILITIES			
Financial Liabilities		3,696,863	4,885,809
Long-term Provisions		785,250	813,172
TOTAL NON-CURRENT LIABILITIES		4,482,113	5,698,981
TOTAL LIABILITIES		12,363,106	10,939,720
NET ASSETS		61,111,171	42,918,445
EQUITY			
Retained Earnings		36,036,017	36,091,408
Reserves		25,075,154	6,827,037
TOTAL EQUITY		61,111,171	42,918,445

DISCUSSION AND ANALYSIS

Revaluation of property assets added \$18.0m to Non-Current Assets with a corresponding increase to Reserves. A number of residential properties were acquired during the financial year and these properties were included in the revaluation at balance date.

Financial liabilities were reduced overall by \$1.3m due to the repayment of an aircraft loan. Cash and cash equivalents have increased by \$2.4m due to the increase in non operating revenue. The inventory has been increased as a result of reclassification adjustments to the rotatable aircraft spares included as fixed assets with aircraft, property, plant and equipment. The gearing ratio of net debt to equity is (1.11%) compared to last year which was 0.73%.

Financial assets are equities bequeathed to the Company.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	RETAINED EARNINGS	ASSET REVALUATION RESERVE	PHARMACEUTICAL RESERVE	SUBORDINATED LOAN
	\$	\$	\$	\$
Balance at 30 June 2006	22,366,547	6,807,037	20,000	5,233,667
Prior Year Adjustment	*(216,663)	—	—	—
Transfer of Equity from Shareholder Sections	—	—	—	(5,233,667)
Profit attributable to the entity	13,941,524	—	—	—
Balance at 30 June 2007	36,091,408	6,807,037	20,000	—
Loss attributable to the entity	(55,391)	—	—	—
Revaluation Increment	—	18,248,117	—	—
Balance at 30 June 2008	36,036,017	25,055,154	20,000	—

*Surplus funds held over from the 'RFDS on the road' project, committed to ongoing program.

DISCUSSION AND ANALYSIS

Retained Earnings is reduced by the Operating Deficit recorded for the year. The Revaluation Increment to the Asset Revaluation Reserve relates to increases in property valuations reported by Australian Valuation Partners as at 30 June 2008.



Cash Flow Statement



FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from services provided	9,158,332	8,506,540
Payments to suppliers and employees	(39,232,782)	(40,106,977)
Commonwealth operational grants	12,408,640	11,244,135
State operational grants	17,487,274	16,382,675
Other Grants – Projects	1,511,404	1,544,357
Australian Council Operating Grant received	—	384,900
Dividends received	18,793	—
Interest received	515,926	434,736
Finance costs	(363,439)	(722,431)
Foreign Exchange costs	—	81,532
Net cash (used in)/provided by operating activities	1,504,148	(2,250,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for aircraft, property, plant and equipment	(5,990,850)	(6,001,753)
Proceeds from sale of aircraft, property, plant and equipment	—	1,389,894
State Government capital grant received	1,310,908	1,373,000
Bequests	713,701	191,549
Capital contributions by Victorian Section	1,000,000	650,000
Australian Council Distribution	1,000,000	—
Net proceeds from fundraising activities	3,068,398	—
Capital interest	49,377	92,840
Other capital grants received	1,153,600	3,313,381
Net cash on transfer of Shareholder Sections	—	2,499,174
Net cash provided by investing activities	2,305,134	3,508,085
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(2,343,155)	(7,841,949)
Proceeds from borrowings	951,245	4,139,586
Net cash used in financing activities	(1,391,910)	(3,702,363)
Net increase/(decrease) in Cash Held	2,417,372	(2,444,811)
Cash at beginning of year	9,497,827	11,942,638
Cash at end of year	11,915,199	9,497,827

DISCUSSION AND ANALYSIS OF CASH FLOW STATEMENT

Net cash provided by operating activities shows a \$3.75m increase compared to last year due to increases in grant funds from the State and Commonwealth Governments. Net cash provided from investing activities includes net proceeds from fundraising activities applied. Net cash used in financing activities reflects an ongoing conservative practice of retiring debt and minimising increases in borrowings.

Notes to the Concise Financial Report for the Financial Year ended 30 June 2008

REVENUE	2008 \$	2007 \$
OPERATING:		
Commonwealth Government Operational Grant	12,408,640	11,244,135
State Government WA Health Department Grant	17,487,274	16,382,675
Interest Received	515,926	434,736
Dividends Received	18,793	-
Insurance Recoveries	2,591,000	2,922,840
Gain on Foreign Exchange	102,570	-
Other Income	682,223	1,455,616
Project Income	1,511,404	1,544,357
	35,317,830	33,984,359
NON OPERATING:		
Capital Grants	1,310,908	1,373,000
Capital Contributions from Sections	1,000,000	650,000
Australian Council Distribution	1,000,000	-
Fundraising Revenue	4,503,883	-
Interest	49,377	92,840
Bequest Income	849,433	191,549
Donations to the Flying into the Future Campaign	751,411	2,025,324
Sundry	402,189	243,508
	9,867,201	4,576,221
OTHER:		
Transfer of Net Assets from Shareholder Sections (i)	-	12,235,611
	-	12,235,611
TOTAL REVENUE	45,185,031	50,796,191

(i) Represents the assets and liabilities (net transferred from Eastern Goldfields Section and WA Section on dissolution of those Sections pursuant to the corporate restructure).



ROYAL FLYING DOCTOR SERVICE

OF AUSTRALIA
1928 - 2008

Western Operations

3 Eagle Drive

Jandakot WA 6164

Telephone: (08) 9417 6300

Facsimile: (08) 9417 6308

www.rfdswa.com.au

