



The furthest corner. The finest care.



Royal Flying Doctor Service
WESTERN OPERATIONS

Annual Report >

10/11



10/11

Q In 2010-11 we transported 8,063 sick and injured patients from around the State, received 41,699 calls for medical advice and assistance, and conducted 2,312 clinics at rural and remote sites.

Grahame Marshall
CEO, RFDS Western Operations

Our Mission >

To provide excellence in aeromedical and primary health care across Australia.



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Chairman's Message >



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 2011.

The demand for our services from people living, working and travelling in country areas continues to climb and it is a credit to our dedicated staff that we are able to respond. Their willingness and determination to succeed, working around the clock, in all weather conditions, in rural and remote areas of our State makes them truly remarkable.

We maintain strong positive relationships with the Western Australian and Commonwealth governments. Our service agreement with the Commonwealth

Department of Health and Ageing and our RFDS colleagues in the Eastern States is soon to be confirmed.

Western Operations enjoys considerable support from the corporate sector in WA. Rio Tinto, BHP Billiton, Woodside Energy and Chevron Australia have all made significant contributions to the operation of the RFDS in WA.

Western Operations recorded an operating deficit of \$16.0 million this financial year as a result of booking a loss on revaluation of assets of \$21.0 million. Revenue from operations increased significantly this year as we moved to a more commercially sustainable fee model. Capital grants of \$5.7m were received in 2010-11 including funds of \$4.82m from the WA Government towards the purchase of the third and final addition to the Pilatus PC12 fleet for this agreement. The Commonwealth Government contributed \$0.96m this year. This brings to an end the capital funding program for the purchase of new aircraft and there is no funding held in reserve for the replacement of aircraft or for expansion of the fleet. Over the next two years at least four aircraft will require replacement and the Board and Management of Western Operations are currently engaged in forward planning for the whole aircraft fleet.

Each year we are the beneficiary of the generosity of many Western Australians. This year we received a total \$7.7 million from donors, members and contributors to our

various fundraising events and activities. Worth a special note are the efforts of our Public Affairs Team, the Flying 1000 fundraising group, the Friends of the RFDS and an army of volunteers and supporters.

In June, we farewelled Tim Shackleton, who has been the CEO of Western Operations, for the past five years. I offer my sincere thanks to Tim for his commitment and support.

I am pleased to announce that Grahame Marshall joins us as our new CEO. Grahame is well acquainted with the RFDS due to his past contribution as Deputy Chairman of the RFDS Central Operations Board, and brings extensive commercial experience, having previously held executive management positions with a range of companies.

This financial year has been a busy one for the Board and the Executive Management Team with the establishment of improved processes for risk management and an organisational restructure. I would like to extend my sincere thanks to my fellow directors and the Executive Management Team, all of whom have provided an enormous amount of support and assistance throughout the year.

Neville Bassett
Chairman, RFDS Western Operations



CEO's Report >



The financial year from July 2010 to June 2011 has been one of continuous growth in the demand for patient transport, which has required us to initiate a number of organisational changes to ensure we continue to deliver service excellence.

Key initiatives underway include:

- > A review of the RFDS State-wide coordination Centre aimed at improving the 24 hour service that we provide by way of medical advice and coordination of patient care and evacuation.

- > A renewed focus on increasing the range and reach of primary health services to those who do not have access to mainstream services. Priority service areas identified include dental health, community nursing and primary medical care.

- > The commencement of work on our Port Hedland Base Redevelopment with the generous support of Lotterywest, BHP Billiton, the Commonwealth Government and Pilbara Development Commission. This redevelopment will provide a second aircraft hangar, a new patient transfer centre, garage and workshop facilities for the 'RFDS on the Road' program and much needed, secure staff parking.

- > Forward planning for the replacement of aircraft and expansion of the fleet to meet the increasing demand for aero medical transport in WA.

In 2010 -11 we transported 8,063 sick and injured patients from around the State, received 41,699 calls for medical advice and assistance, and conducted 2,312 clinics at rural and remote sites. These statistics represent an overall increase of 6.3% in patient transports, and this year we exceeded 7 million kilometres flown, an increase of 3.2% on the previous year. This sustained high level of activity continues to place pressure on our resources, and to respond we have invested in additional staff and aircraft resources at our Derby base, improving our ability to respond to the growing needs of the Kimberley.

I wish to acknowledge the work of my predecessor, Tim Shackleton, and to thank the Executive Management Team and all Western Operations' staff for their hard work, support and dedication over a busy and demanding year.

Thanks also to all the RFDS supporters from around the State. Your support is vital to the operation and capability of the RFDS in Western Australia to respond to those in need throughout Western Australia.

Grahame Marshall
Chief Executive Officer
RFDS Western Operations





ADDRESSING THE CHALLENGES IN UNCERTAIN TIMES >

Over the past two financial years, the number of patients requiring evacuation by the RFDS has grown by 21 percent and, although additional resources were made available through increased government funding in a number of areas, the organisation found itself facing an ongoing, uphill battle to meet demand during the year in review.

In 2010-11 the number of patients requiring evacuation increased by 7 percent, after a 14 percent increase the year before.

The total number of patients transported, whether returning to their home town, or travelling to or from a clinic, or requiring full medical evacuation, reached 8,063, while the number of kilometres flown by our aircraft totalled 7.1m, an increase of 3.2 percent compared to last year.

In 2010-11 we delivered a total of 2,310 clinics, 410 more than last year. The number of patients attending RFDS clinics in WA totalled 32,514, an increase of 890 people seen by our staff, compared to last year.

Given the rapidly increasing population in rural and remote areas across WA as well as the short supply of doctors, nurses and pilots suited to the particular needs of the RFDS, the ride over the next few years may prove rather bumpy as we confront the looming challenges.

One of those challenges lies in recruiting and retaining dedicated and skilled staff, especially at our regional Base locations. To provide an appropriate standard of accommodation for our doctors, nurses, pilots and their families, Western Operations maintains a stock of residential properties. In 2010-11 we increased the number of houses owned, rather than leased or rented at escalating rates, and significantly improved the quality of life for our regional staff. Four houses were purchased, two in Derby, one in Meekatharra and one in Kalgoorlie.

Base facilities also require ongoing development and the project for redevelopment of our Port Hedland Base commenced after a long period of planning. This project will provide a second aircraft hangar, a new Patient Transfer Centre, garage and workshop facilities for the 'RFDS on the Road' program and secure, covered parking for staff on duty.

The project, to cost more than \$3 million, has been made possible with the generous

support of Lotterywest, BHP Billiton, the Commonwealth Department of Health and Ageing and the Pilbara Development Commission. Completion is expected in November 2011.

At Jandakot, the Base facilities have been expanded with the lease of an additional site at 9 Eagle Drive, alongside other RFDS facilities. This site will provide room for a range of necessary developments.

At our 7 Eagle Drive premises, a project was undertaken for the removal of asbestos cladding and the addition of a new roof. This was made possible with a donation from Jandakot Airport Holdings.

Also during the year, a new Hypoxia Training Unit was purchased and installed at Jandakot. This is used to make doctors, nurses and pilots aware of the effects of hypoxia (low oxygen), which can be experienced in flight.

Review of our State-wide Operations

In order to address the growing operational challenges, a review of the RFDS State-wide Coordination Centre was initiated and an experienced manager recruited to guide the recommendations in the final report through to implementation. The review identified required improvements in systems, procedures, staffing, teamwork and service delivery to achieve an improvement, ultimately, in patient outcomes.

Primary Health Care in the Spotlight

Given a national RFDS emphasis on improving the range and reach of RFDS Primary Health Care, including clinic

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ADDRESSING THE CHALLENGES IN UNCERTAIN TIMES > *continued...*

services, the position of Director of Nursing and Primary Health Care in WA was divided into two positions.

The Director of Nursing is now focussed primarily on aeromedical nursing, while the new Manager of Primary Health Care is responsible for managing the successful 'RFDS on the Road' program, the long-standing Medical Chest program, the Rural Women's GP program and the RFDS Medical Clinics that provide medical and health services to remote communities across the State.

In the aeromedical nursing area, RFDS orientation sessions with new staff at the Port Hedland Health Campus recommenced last year and education sessions with nurses at Broome, Fitzroy Crossing, Royal Perth and Princess Margaret hospitals helped to cement relationships.

The nursing team also participated in a series of education sessions in the South West in partnership with FarmSafe WA where they demonstrated new techniques in the management of snake bite.

RFDS nurses also participated actively in the National Rural and Remote Health Care conference in Perth where they presented a paper. Other presentations included talks to the Thoracic Society and an address at the Australian Critical Care Nurses Conference.

It has been a busy inaugural year for the new Primary Health Care unit with 'RFDS on the Road' announcing a partnership with Woodside Energy to expand the service into the Kimberley; the start of General

Practice services at Meekatharra and the recruitment of Primary Health nurses at Derby, Port Hedland and Kalgoorlie to provide support for our remote clinic GPs and to allow for greater emphasis on chronic disease management.

In an exciting development, Primary Health Care announced plans for an RFDS Remote Area Dental Service and is currently working in conjunction with funding and community partners to launch this new RFDS service in 2011-12.

The RFDS Remote Area Dental Service will help to bridge the gap in the provision of dental care between the cities and towns, where dentistry is relatively easy to access, and remote communities, where a wide range of health problems multiply as a result of poor dental care.

Aircraft Fleet Upgrade Completed

In February 2011, a new turbo prop aircraft, VH-OWI, joined the fleet. This was the third addition to the total number of aircraft in the turbo prop fleet and was funded by the WA Government from the Royalties for Regions program.

The addition of this aircraft means that we are now able to provide the Kimberley region with access to three aircraft for patient retrievals at a time of growing demand.

In December, we farewelled the last of our ageing Beechcraft KingAir B200 aircraft, all of which were sold after they were replaced by Pilatus P-12 aircraft.

This brings the total number of RFDS aircraft in WA to 15, including 14 Pilatus PC-12 turbo prop aircraft and one Hawker 800XP² jet (Rio Tinto *Life Flight*).

Two additional pilots were employed during the year to enable Derby base pilots to provide two day shifts and one night shift, seven days a week. This helped Western Operations to address increasing demand for RFDS services from the Kimberley.

As part of a plan to provide an extended career path to RFDS pilots, two Western Operations pilots have transferred to fly for our jet services partners, Maroomba Airlines, on the RFDS Rio Tinto *Life Flight* jet. This move has had the additional benefit of enabling greater availability of the long range aeromedical jet at a time of shrinking availability of jet pilots.

During the year, the organisation developed and successfully implemented a Flight Risk Assessment Matrix to help identify operational issues and to assist in improving the safety of our operations.

The in-house aircraft engineering team grew during the year with the employment of three apprentices, completing our apprenticeship strategy for the next three year period.

To improve working conditions in the engineering hangar at Jandakot, air conditioning was installed, providing long awaited relief from the heat of Summer. As a result, there has been visible improvement, both in morale and productivity.

Technology Aids Health and Training

The introduction of a desktop video conferencing solution has enabled RFDS doctors in WA to conduct remote medical consultations on video via the internet. This has enhanced the ability of our clinicians to more effectively diagnose illnesses and injuries and to determine more accurately their severity before deciding whether evacuation to hospital is warranted.

The cost of implementing the Telehealth project will be met from an appeal for donations initiated and supported by Bankwest under a valuable new fundraising partnership with RFDS Western Operations.

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ADDRESSING THE CHALLENGES IN UNCERTAIN TIMES > *continued...*

This new video conferencing solution also gives us the ability to conduct internal meetings and training with staff at our remote bases. This will help reduce the need for travel for these staff members and assist us to meet our operational commitments.

Through the introduction of 'e-learning' over the past year, Western Operations will help reduce the amount of time it takes to orientate and indoctrinate new staff, allowing quicker placement in an operational role.

By converting current indoctrination procedures, such as DAMP (Drug and Alcohol Management Program) to an online course, newly recruited staff will be able to sit the course and undertake appropriate testing prior to their arrival at the RFDS. This will significantly reduce the administrative workload required in the delivery of these courses.

In addition, 'e-learning' provides an online training platform for all Human Resources compliance procedures and for general training purposes.

Support for the RFDS

With an improving economic outlook for much of 2010-11, fundraising revenue increased by 24 percent over the previous year, while the cost of fundraising remained fairly static at 22 percent, in line with national standards and trends.

A new partnership was undertaken with Bankwest, which is raising money to support RFDS health programs and selling official RFDS merchandise in Bankwest stores throughout WA.

Our partnership with WorleyParsons has seen preliminary development of a new bariatric stretcher and aircraft loading device for larger, taller patients and there has been additional financial support from our jet partners, Rio Tinto, and from Rio Tinto employees working on sites all over WA.

Chevron Australia continues its support of the Chevron-RFDS *Spirit of the West* Community Fundraising Awards, designed to build Western Operations fundraising capacity and, for the second year, co-hosted the impressive Flying Doctor Ball at which the community fundraising and RFDS staff awards were presented.

ByrneCut Mining joined the ranks of our major supporters last year with a six figure donation raised through its on-site recycling program.

The dedicated RFDS Flying 1000 fundraising group continued to raise funds to support the purchase of specialised medical equipment for our jet, and the Friends of the Royal Flying Doctor Service contributed to purchase a sophisticated neonatal cot for one of our Bases.

In rural and remote communities across the State, individuals and groups developed an imaginative range of events, activities and challenges that each raised from \$1,000 to \$100,000 to help the RFDS purchase new equipment and improve health services.

The RFDS greatly values all its supporters and thanks every one of them for their loyal support, without which the Service could not thrive and grow.

National Collaboration

Western Operations staff worked throughout the year with their counterparts in other RFDS Sections around Australia on a range of projects.

For example, the RFDS National Engine Maintenance Contract was completed during the year in review. Under this contract, the RFDS enjoys higher discounts than before and quicker turnaround on engine maintenance.



Former RFDS patients, baby Browyn Bevan and Savanna Addis (10) with Helen Addis at the 2011 Flying Doctor Ball



Chevron - RFDS Spirit of the West Community Fundraising Award Winners 2011
(L-R) Matthew Silvester, Ann McLeish, Alistair Murray and John Pearce , representing Alan Rose

This provides the RFDS nationally with a dedicated pool of engines to deploy solely for use in RFDS aircraft. This will improve safety by eradicating the risk involved using 'rental' engines whose flying history and maintenance records may not meet RFDS standards.

The National Service Agreement with the Commonwealth Department of Health and Ageing was due for renewal at 30 June and finalisation of a new four year agreement is imminent.

Work is ongoing on the development of a National Cost Model to consistently define and track the cost of traditional services and to aid in ongoing negotiations at a national level.

A National Fuel Tender was issued for the supply of aviation fuel and the results of this process should be announced in September.

On the marketing and fundraising front, the second phase of the National Website was approved for development, the Online Shop was revamped, implementation of a National Fundraising Database moved a step closer, a major National partnership with a leading company was progressed and a National Donor Acquisition Campaign produced good results with some 7,000 donors across Australia supporting the RFDS for the first time.

Improving benefits for staff has resulted in the implementation of an RFDS National Standard for Paid Parental Leave. This will be introduced over four years and, when fully implemented, will provide 14

weeks of paid leave for the primary carer of a newborn. This benefit is additional to benefits available under the paid parental leave policy of the Federal Government.

During the year, a National RFDS Leadership Training Program was developed to enable the RFDS to assist and develop leaders within the business and to ensure we retain the best people.

A Change in Leadership

At the end of June, Tim Shackleton finished his five year term as Chief Executive Officer of the RFDS Western Operations.

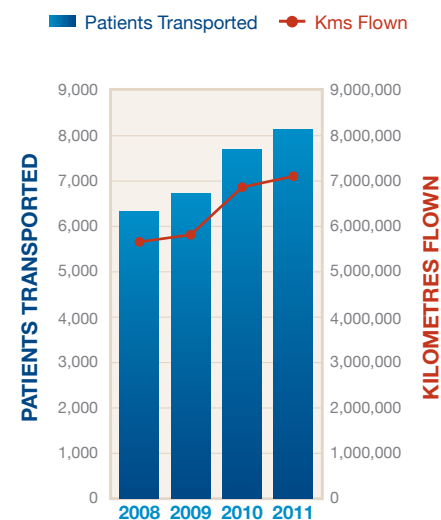
During his tenure, Tim was instrumental in brokering a corporate restructure resulting in one united organisation to deliver RFDS services in WA. He confronted a difficult political environment in 2008 and achieved a significant increase in funding from the WA Government and a five year contract, which ultimately delivered eight new aircraft (five of which replaced ageing aeroplanes in the fleet) and three additional crews. Tim handed over the reins of Western Operations to Grahame Marshall and left Western Operations for self-employment in a new consultancy.

Grahame brings to Western Operations a depth of high level corporate experience with particular expertise in developing, leading, and implementing strategic business directions. His professional experience extends across a wide range of industries in both the private and public sectors.

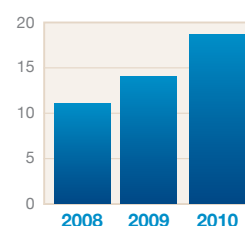
For seven years, Grahame served on the Board of the Royal Flying Doctor

Service, Central Operations (covering SA and the NT) and has developed a clear understanding of the value the RFDS delivers and also of the challenges facing the organisation as it flies into the future.

Patients Transported & Kms Flown



Number of Aircraft





Rio Tinto *Life Flight* Jet >

Over the past year – its second year of operation – the Rio Tinto *Life Flight* jet continued to play a vital role in the Western Operations State-wide patient transfer strategy.

With its ability to carry up to three stretcher patients and, when necessary, two full critical care teams, it has been deployed to the furthest corners of Western Australia and has completed a number of interstate transfers for patients, often tiny babies, requiring specialised surgery not available in WA.

The most high profile of these cases included an emergency transfer of baby Bronwyn Bevan to Melbourne at a time when all passenger flights to and from Perth across Australia had been cancelled due to a potentially destructive ash cloud from a volcano in Chile drifting over the southern part of the nation.

Rio Tinto *Life Flight* was able to undertake the trip at around an hour's notice by travelling safely underneath the moving ash cloud.

As a result of getting to cardiac surgery in Melbourne as a matter of urgency, tiny Bronwyn's life was spared and today she

is a healthy, growing six month old with a bright future.

In total last year, the Rio Tinto *Life Flight* jet carried a total of 219 patients, of which 146 came from the Kimberley and 47 from the Pilbara. A total of 13 patients were flown interstate to locations including Darwin, Brisbane and Melbourne, but the vast majority were taken to Perth teaching hospitals.

The use of the jet service has saved valuable flying hours and crew time for turbo prop aircraft and staff located at our northern bases. By transferring patients to the jet for the long flights to Perth, regional staff and their aircraft have been able to remain in their regions more often and have been on hand to attend to the next call for help.

Rio Tinto *Life Flight* has been invaluable in meeting the increasing demand from distant regions.

The number of patients requiring transport from the Kimberley has increased by 25% over the last two years and from the Pilbara there has been an increase of 19% over that time.

The capacity of this aircraft to transport up to three patients and to reduce the amount of transport time means that it has become a vital aircraft in the fleet. As the utilisation of the Rio Tinto *Life Flight* reaches its peak, its absence during required maintenance downtime creates a serious gap in response capacity and the need for a second fast aircraft becomes more pressing.

The Rio Tinto *Life Flight* jet is generously supported by Rio Tinto, the Government of Western Australia, the RFDS Victorian Section, the RFDS Flying 1000 fundraising group and Maroomba Airlines, our jet service providers.



Ash cloud baby Bronwyn Bevan recovering from heart surgery

Health and Safety >

RFDS Western Operations places a high priority on the safety and health of employees and much work has been done during this financial year to improve work practices and to maintain facilities and equipment at a high standard.

The Occupational Health and Safety Committee focussed on fire safety this year by improving signage, conducting training and practising evacuation procedures. Other activities undertaken include assessment of office furniture for ergonomic suitability and identification of trip hazards.

The newly formed Risk and Audit Committee regularly reviews the top risks identified by the management team and has completed an in-depth review of aviation risks, controls in place and ongoing projects designated for improvement. New projects undertaken include:

- > The introduction of an incident reporting system, AIRS, implemented initially for reporting and management of aviation

incidents and soon to be expanded to include occupational health and safety and general incidents.

- > The development and implementation of a risk matrix tool for flight tasking decisions.
- > Review and re-negotiation of the national engine maintenance contract. This contract now provides for an RFDS-dedicated pool of rental engines, ensuring tracked maintenance and operation information for every engine used in our fleet of aircraft.
- > Introduction of Chem-Alert, a new system for monitoring, controlling and documenting storage of chemicals.

The Safety and Risk Manager has taken over management of the workplace injury program, developing individual rehabilitation programs for staff members returning to work. In 2010 -11, the number of workplace injuries was less than in the previous year. Five workplace injuries resulted in a loss of 232 days of work. In the previous year, 10 workplace injuries were recorded with 183 days of work lost.

New training programs have been developed for manual handling, inspection and safety. A total of 18 internal audits were conducted across our Base locations during the year and covered drug storage and management, infection control, medical registrations, primary health care data collection and occupational health and safety.





Key Facts and Figures >

	2011	2010
Patients Transported & Treated		
Primary Evacuations	1,256	1,193
Inter-hospital Transfers	6,200	5,763
Repatriations on emergency aircraft	134	171
Transported from a clinic	170	109
Repatriations on clinic flights	303	349
Total Patients Transported	8,063	7,585
Telehealth Calls	41,699	42,685
Patients Attending		
RFDS Commonwealth Funded GP Clinics	3,103	*3,810
RFDS Commonwealth Funded Community Nurse Clinics	1,956	1,750
RFDS Aboriginal Health Worker Clinics	75	588
Rural Women's GP Clinics	4,555	4,981
RFDS – BHP Newman Female GP Clinics	378	244
RFDS on the Road Nurse	7	26
RFDS Primary Health Care Nurse Clinics	148	-
RFDS Facilitated Clinics (WA Country Health Service GP, Nurse, Specialist, Allied Health)	13,663	**11,106
RFDS staff at Derby Aboriginal Health Service	349	496
RFDS Medical Services (Outpatients)	6,302	6,088
RFDS Medical Services (Inpatients)	1,978	2,535
Total Patients Attending	32,514	31,624
Clinics		
RFDS Commonwealth Funded GP Clinics	372	423
RFDS Commonwealth Funded Community Nurse Clinics	163	148
RFDS Aboriginal Health Worker Clinics	15	75
Rural Women's GP Program	332	349
RFDS – BHP Newman Female GP Clinics	22	16
RFDS Primary Health Care Nurse Clinics	19	-
RFDS Facilitated Clinics (WA Country Health Service GP, Nurse, Specialist, Allied Health)	1,389	**891
Total Clinics Held	2,312	1,902
Kilometres Flown		
Inter-Hospital Transfers	5,855,766	5,693,233
Primary Evacuations	1,273,499	1,212,613
Total Kilometres Flown	7,129,265	6,905,846
Number of Aircraft	15	14
Number of Staff	238	212

* Total estimated due to late or missing returns ** 2010 Facilitated clinics were GP only and were estimated due to late or missing returns.

Basis of Preparation >

The concise financial report is an extract from the full financial report for the year ended 30 June 2011 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 2011 Financial Report for the Royal Flying Doctor Service of Australia (Western Operations).

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 2011.

Directors' Report >

For the year ended 30 June 2011



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 2011. The names and particulars of the Directors of Western Operations in office during and since the end of the financial year ended 30 June 2011 are:

1. Mr Neville Bassett
2. Mr Michael Hutson
3. Dr Robert Liddell
4. Mr Richard Alder
5. Mr Paul Monger
6. Dr John Croser
7. Mr Brian Pontifex
8. Ms Erica Smyth
9. Dr Ann Ward (appointed August 2010)

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 Neville Bassett

Qualifications and Experience: Corporate Consultant, B.Bus, F.C.A. Director since 6 January 1997.

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

Mr Michael Hutson

Qualifications and Experience: Accountant, B. Com, F.C.P.A. Director since 23 October 2004.

Special Responsibilities: Member of the Risk and Audit Committee.

Dr Robert Liddell

Qualifications and Experience: Medical Practitioner, Aviation Medicine Consultant and Airline Transport Pilot. MBBS, Dip RCOG, Dip Avn Med, ATPL. Director since 20 October 2005.

Special Responsibilities: Member of the Remuneration Committee.

Mr Richard Alder

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

Special Responsibilities: Member of the Risk and Audit Committee.

Mr Paul Monger

Qualifications and Experience: Retired Pastoralist. Elected to the Board on 24 October 2008.

Special Responsibilities: Member of the Nominations Committee.

Dr John Croser

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

Special Responsibilities: Member of the Nominations Committee, Life member.

Mr Brian Pontifex

Qualifications and Experience: Solicitor, BA (Hons) W. Aust., LLB (Hons) ANU, LLM Edin. Chief of Staff to Premier of Western Australia. Appointed by the Board on 11 December 2009 as an independent director.

Special Responsibilities: Member of the Nominations Committee.

Ms Erica Smyth

Qualifications and Experience: Geologist BSc (Hons), Hon. DLitt W.Aust., MSc (App) McG., and Company Director, FAICD. Appointed by the Board on 26 February 2010 as an independent Director.

Special responsibilities: Chair of the Risk and Audit Committee.

Dr Ann Ward

Qualifications and Experience: Medical Practitioner MBBS, FRACGP; DRANZCOG; DipTropMed; DACSCM. Appointed by the Board on 18 August 2010 to fill a casual vacancy for an elected Director. Elected October 2010.

Special responsibilities: Member of the Remuneration Committee.

Directors' Report > *continued...*

COMPANY SECRETARY

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

Mrs Liane Papaelias

Qualifications and Experience: Accountant, B.Bus, FCPA. Appointed 23 February 2004. As Chief Financial Officer and Company Secretary has responsibility for finance, asset management, information management, corporate governance, risk management and administrative areas of the Company.

CORPORATE GOVERNANCE

The Board

The Board of Western Operations currently 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

Nominations Committee

The Nominations Committee consists of three Directors and meets at least once a year. The purpose of this committee is to review nominations of Directors and make recommendations to the Board and to the Members.

Risk and Audit Committee

The Risk and Audit Committee consists of three Directors and three Executive Managers, and meets at least twice a year. The committee assists the Board in fulfilling its responsibilities for Company accounts and external financial reporting and also reviews the risk management profile and reporting for the Company. The committee is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

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.

The company's objectives are to expand the range, reach and quantity of health services, and to improve health outcomes for people transported by RFDS aircraft and crews and for people consulted by phone or in person at RFDS clinics.

In the short term, Western Operations aims to improve performance in emergency services in terms of response times and to increase capacity by way of staff and aircraft in order to meet the ongoing and substantial increase in the demand for patient evacuation. The short term objectives for primary health care are to expand the number of clinic services delivered and to offer new services at remote locations.

The Board of Directors has approved investment in additional staff and accommodation at Derby and in order to meet the increasing demands in the Kimberley. The Western Operations State-wide Coordination Centre is undergoing review and change with the aim of improving performance and quality of care.

New primary health care programs are under development for the delivery of dental health services and additional primary health care nurses have been appointed to supplement programs in the Pilbara and the Goldfields regions. The 'RFDS on the Road' program has commenced a new program in the Kimberley with support from Woodside Energy.

OPERATING RESULTS

Western Operations made an operating deficit for the financial year of \$16,039,168 including a loss on revaluation of assets of \$21.1 million. Capital grants from the Australian and WA Governments were applied in full to the purchase of aircraft and the construction of buildings. Donations to the Flying 1000, Capital Campaign, capital contributions from the Australian Council and the Victorian Section are included in the net result.

AFTER BALANCE DATE EVENTS

No 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.

For the year ended 30 June 2011

Directors' attendance at meetings July 2010 to June 2011

	Board Meeting		Nominations Committee		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Directors								
Mr Neville Bassett	6	6	1	1	1	1	1	1
Mr Richard Alder	6	6			4	4		
Mr Michael Hutson	6	6			3	1		
Dr Robert Liddell	6	4					1	1
Mr Paul Monger	6	6						
Dr John Croser	6	5						
Mr Brian Pontifex	6	5	1	1				
Ms Erica Smyth	6	6			3	3		
Dr Ann Ward	6	6					1	-

CORPORATE GOVERNANCE

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10 each toward meeting any outstanding obligations of the entity. At 30 June 2011, the total amount that members of the company are liable to contribute if the company is wound up is \$0, (2010: \$0).

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 12 and forms part of this report.

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



Neville Bassett
Chairman
22 September 2011



“The demand for our services from people living, working and travelling in country areas continues to climb and it is a credit to our dedicated staff that we are able to respond.”

Neville Bassett – *Chairman, RFDS Western Operations*

10/11

Financial Reports >

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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Independent Auditors' Report >

For the financial year ended 30 June 2011

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) comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2011, as well as the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039: Concise Financial Reports (including Australian Accounting Interpretations), statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 2011. Our auditors' report on the financial report for the year was signed on 22 September 2011 and included a modification, which is outlined below. 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 for the year 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.

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

Independence

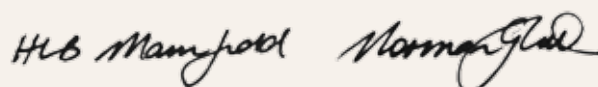
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Basis for Qualified Auditors' 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.

Qualified Auditors' 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 2011 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.



HLB Mann Judd
Chartered Accountants
22 September 2011

NG Neill
Partner
22 September 2011

Directors' Declaration >

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

The concise financial report, as set out on pages 26 - 30, is 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 2011 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.



Neville Bassett
Director
22 September 2011

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 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) 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, HLB Mann Judd
22 September 2011

Statement of Comprehensive Income >

For the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Continuing Operations			
Revenue from Operations		58,407,674	49,329,991
Non Operating Revenue		16,196,854	26,271,097
	1	74,604,528	75,601,088
Expenses			
Aviation Expenses		19,485,239	19,577,981
Health Services Expenses		21,676,915	19,756,481
Depreciation Expense		9,909,296	8,707,034
Loss on Revaluation		21,071,406	-
Loss on Sale of Assets		673,363	15,833
Loss on Foreign Exchange		318,466	1,895,510
Administrative Expenses		7,253,688	6,358,816
Fundraising Expenses		1,696,785	1,605,658
Borrowing Costs		935,334	267,147
Project Expenses		7,173,465	5,926,245
Other Expenses		449,739	322,648
Total Expenditure		90,643,696	64,433,353
(Loss)/Profit for the period from continuing operations		(16,039,168)	11,167,735
Other Comprehensive Income			
Net revaluation increment on investments and assets		2,264,544	16,725
Total comprehensive income for the period		(13,774,624)	11,184,460

Discussion and analysis

The result for the year ended 30 June 2011 is a net deficit of \$16,039,168. Operating revenue has increased overall by \$9.0m or 18.5% and comprises variable fee revenue from the State Government and significant increases in revenue from insurance recoveries, repatriation fees, and other full fee payers. Non Operating Revenue includes capital grants, fundraising revenue and bequests, see Note 1 for more details. Total expenditure has increased by \$26.2m and includes the loss on revaluation of assets of \$21.0m which relates to a reduction in the fair value of aircraft arising from fluctuations in the US dollar and the aircraft sales market. Aviation costs have dropped with the disposal of the old twin engine aircraft in the fleet.

Statement of Financial Position >

For the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Current Assets			
Cash & cash equivalents		19,103,062	8,211,449
Trade and other receivables		4,112,160	5,348,159
Inventory		1,560,752	1,381,896
Financial assets		461,718	406,188
Total Current Assets		25,237,692	15,347,692
Non-current Assets			
Aircraft, property, plant and equipment		76,806,181	102,639,701
Total Non-current Assets		76,806,181	102,639,701
Total Assets		102,043,873	117,987,393
Liabilities			
Current Liabilities			
Trade and other payables		6,711,752	8,019,642
Financial liabilities		1,675,737	1,593,884
Short-term provisions		708,590	611,786
Total Current Liabilities		9,096,079	10,225,312
Non-current Liabilities			
Financial liabilities		9,345,976	10,684,390
Long-term provisions		1,250,860	952,109
Total Non-current Liabilities		10,596,836	11,636,499
Total Liabilities		19,692,915	21,861,811
Net Assets		82,350,958	96,125,582
Equity			
Retained earnings		54,994,535	71,033,703
Reserves		27,356,423	25,091,879
Total Equity		82,350,958	96,125,582

Discussion and analysis

The value of aircraft, property, plant and equipment has dropped by \$25.8m due to the disposal of four old twin engine aircraft and two residential properties. Also revaluations of aircraft have resulted in a significant reduction in value of the whole fleet. Financial liabilities decreased by a net \$1.3m due to repayments and disposal of mortgaged properties. Cash and cash equivalents have increased by \$10.8m with the proceeds from the sale of old aircraft and properties and the receipt of grant funds for construction projects still in progress.

Financial assets are equities bequeathed to the Company.

Statement of Changes in Equity >

For the financial year ended 30 June 2011

	Retained Earnings \$	Asset Revaluation Reserve \$	Pharmaceutical Reserve \$
Balance at 30 June 2009	59,865,968	25,055,154	20,000
Profit attributable to the entity	11,167,735	-	-
Revaluation Increment	-	16,725	-
Balance at 30 June 2010	71,033,703	25,071,879	20,000
Profit attributable to the entity	(16,039,168)	-	-
Revaluation Increment	-	2,264,543	-
Balance at 30 June 2011	54,994,535	27,336,422	20,000

Discussion and analysis

Retained earnings is increased by the operating surplus recorded for the year. The revaluation increment to the Asset Revaluation Reserve includes net increases in the value of property and shares at balance date.



Statement of Cash Flows >

For the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from services provided		13,048,448	7,356,527
Payments to suppliers and employees		(60,218,711)	(52,714,117)
Commonwealth operational grants		15,062,061	14,080,446
State operational grants		29,900,344	25,788,645
Other Grants – Projects		1,883,458	2,131,573
Contribution from RFDS Victorian Section		89,896	-
Dividends received		28,553	14,520
Interest received		546,247	253,296
Finance costs		(739,525)	(267,147)
Net cash provided by/(used in) operating activities		(399,229)	(3,356,257)
Cash flows from investing activities			
Payment for aircraft, property, plant and equipment		(9,451,064)	(21,686,340)
Proceeds from sale of property, plant and equipment		5,772,734	-
Government capital grants received		5,785,654	15,234,609
Bequests		739,672	2,012,282
Capital contributions by Victorian Section		1,084,000	1,021,000
Australian Council Distribution		525,000	1,050,000
Proceeds from fundraising activities		7,677,490	6,187,070
Capital interest		128,232	43,319
Other capital grants received		-	722,816
Net cash provided by investing activities		12,261,718	4,584,756
Cash flows from financing activities			
Repayment of borrowings		(1,812,503)	(530,419)
Proceeds from borrowings		1,016,253	1,120,000
Net cash provided by financing activities		(796,250)	589,581
Net increase in Cash Held		11,066,239	1,818,080
Exchange Rate Adjustment		(174,626)	-
Cash at beginning of year		8,211,449	6,393,369
Cash at end of year		19,103,062	8,211,449

Discussion and analysis

Net cash used in operating activities shows a \$2.9m reduction in the deficit compared to last year due to increases in revenue arising from fees. Expenditure also increased with ongoing staffing and salary increases and high rents in regional areas. Net cash provided from investing activities includes net proceeds from the sale of old aircraft, and revenue from fundraising activities. Net cash used in financing activities includes increased borrowings for two residences in Derby, the annual repayment of the loan for the jet aircraft, funded by RFDS Victorian Section and the payout of one loan on disposal of a residential property.

Notes to the Concise Financial Report >

For the financial year ended 30 June 2011

Revenue	2011 \$	2010 \$
Revenue from Operations:		
Commonwealth Government Operational Grant	15,062,061	14,080,446
State Government WA Health Department Grant	30,956,804	25,788,645
Contribution from RFDS Victorian Section	89,896	-
Interest received	418,015	209,977
Dividends received	28,553	14,520
Insurance recoveries	7,327,856	5,562,932
Gain on Foreign Exchange	796,570	161,116
Other income	1,844,461	1,380,782
Project Grants	1,883,458	2,131,573
	58,407,674	49,329,991
Non Operating Revenue:		
Capital Grants	5,785,654	15,234,609
Capital Contributions from RFDS Victorian Section	1,084,000	1,021,000
Australian Council Distribution	525,000	1,050,000
Fundraising Revenue	7,677,490	6,187,070
Interest	128,232	43,319
Bequest Income	728,571	2,012,283
Flying into the Future Campaign	-	17,854
Flying 1000	267,907	684,412
Sundry	-	20,550
	16,196,854	26,271,097
Total Revenue	74,604,528	75,601,088

Discussion and analysis

Operating revenue increased by \$9.0m due to activity based funding from the State Government and Insurance Recoveries which increases with the number of patients evacuated and kilometres flown to match the additional expenditure incurred.

Capital grants have been provided in the last two years by the Commonwealth and State Governments for the purchase of aircraft and construction projects. In 2010 -11 the amount of \$5.7m was received from these capital grants and this matches the acquisition program. Consequently, non operating revenue dropped by \$10.0m overall.

RFDS Offices & Bases >

Corporate Office and General Enquiries

3 Eagle Drive,
Jandakot Airport,
Jandakot WA 6164
T +61-8-9417 6300
F +61-8-9417 6309
E westops@rfdswa.com.au

Operations Centre

Emergency Calls: 1800 625 800
Operations (Direct) : +61-8-9417 6389
(Satphone compatible)
Operations Fax: +61-8-9417 9341

Derby Base

62 Clarendon Street
Derby, WA 6728
T (08) 9191 0200

Kalgoorlie Base

Kalgoorlie-Boulder Airport
Kalgoorlie, WA 6430
T (08) 9093 7500

Meekatharra Base

Meekatharra Airport
Meekatharra, WA 6642
T (08) 9980 0550

Port Hedland Base

Waldron Road
Port Hedland, WA 6721
T (08) 9172 0700
F (08) 9172 0709

The Royal Flying Doctor Service was started 83 years ago, in 1928, by the Rev John Flynn. His tireless campaigning to alleviate the isolation and suffering of those who lived and worked in the Australian Outback led first to a regional, and then to a national aeromedical service. Flynn's far-reaching ambition was to throw a 'mantle of safety' over the whole of Australia.

In 2011 we celebrate the continuing success of that ambition, as well as technological advances in medicine, aviation and communications which allow the Royal Flying Doctor Service to offer the highest quality of care to all those who live, work and travel in the vast Australian Outback.

Flynn's contribution to improving the lives of millions of Australians is acknowledged with a tribute to him and his work on the Australian \$20 note.

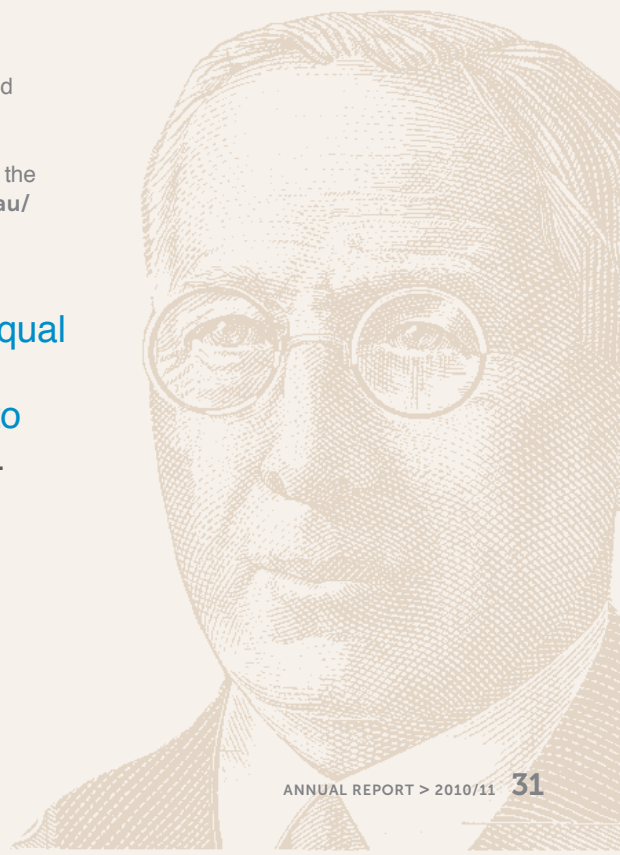
For more information on the history of the RFDS, visit www.flyingdoctor.org.au/history.html



**Do not pray for tasks equal
to your powers;
pray for powers equal to
your tasks.**

Rev John Flynn.

RFDS



We acknowledge and thank our corporate partners, sponsors, donors, members, friends, volunteers, along with the Commonwealth and State governments. Your support and combined contributions make our work possible and on behalf of all, including our patients, we say thank you.
RFDS Western Operations Team

How you can help >

The Royal Flying Doctor Service relies on support from individuals, corporations, the government and the community to carry out our life-saving work.

To continue, we must rely on donations from people like you. Help us ensure that we can be there when we're needed:

To donate you can:

- > Send to Royal Flying Doctor Service
Reply Paid - Locked Bag 2
Canning Vale DC WA 6970
- > Phone us on +61-8-9417 6400
- > Visit our website www.flyingdoctor.org.au
to make an online donation.

ABN 29 067 077 696



Royal Flying Doctor Service
WESTERN OPERATIONS