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The Honourable Grant Tambling
Parliamentary Secretary to the Minister for Health and Aged Care
Parliament House
CANBERRA ACT 2600

Dear Senator Tambling,

I have pleasure in submitting Health Services Australia’s (HSA) Annual Report for the year 1 July 2000 to 30 June 2001.

The report has been prepared in accordance with the requirements of the Corporations Act 2001, Commonwealth Authorities and Companies Act 1997, the Government Business Enterprise Governance Arrangements and the guidelines issued by the Department of Prime Minister and Cabinet (‘Guidelines for the content, preparation and presentation of annual reports by statutory authorities’).

The financial year 2000–2001 represented our fourth consecutive year of growth and saw the Company achieve a record profit. The main factors impacting on business growth were a strong client focus, commitment to superior service, expansion into new service areas (Gulf War Health Study, Defence Recruiting) and diversification of client base.

While noting our achievements over the past twelve months, the report also looks to the future, outlining strategies and plans for our long-term viability and continuing success.

Yours sincerely,

Rae Taylor AO
Chairman
October 2001

The Company has performed strongly in 2000–01, significantly outstripping the sound performance achieved in previous years and recording healthy growth in revenue, in profit, in service volume, in clients and in staff numbers.

Revenue increased 19% to $49.7 million, resulting in an operating profit before tax of $9.0 million (after tax $5.9 million), up 154% on last year. The Company pays all Commonwealth taxes and charges and pays to the Commonwealth amounts in lieu of State taxes. In respect of 2000–01, HSA will pay $8.0 million ($4.2 million last year) in taxes and dividends.

The commitment of management and staff to our vision of “Excellence, Innovation and Integrity in Health” provided the framework for us to strengthen existing client relationships, successfully tender for major contracts, introduce new services and diversify our client base. Our approach going forward will be to continue to put clients at the centre of our decision making processes and to maintain our focus on our corporate vision.
Excellence

A key area which differentiates us from our competitors is our capacity to respond to the significant changes which can occur in the requirements of our many national clients, particularly our government clients.

Our work with Centrelink saw a 19% increase in referrals in 2000–2001, compared with the previous year, with a dramatic increase simultaneously recorded in requests to perform health assessments on all new arrivals at Immigration Detention Centres. HSA is regularly required to dispatch doctors and other health professionals to remote locations such as Woomera, Port Hedland, Curtin and Derby, sometimes at only half a day's notice. Health assessments form a vital role in detecting and managing public health risks in order to protect the safety of both detainees and the Australian community.

These projects, together with our involvement in the provision of pre-recruitment medical assessments in a pilot project for the Australian Defence Force in Victoria, require an extraordinary degree of organisational responsiveness. They often involve rapid mobilisation of professional staff, an ability to deliver services under extremely challenging conditions and against tight deadlines at remote locations around Australia.

Our success in meeting these challenges attests to the excellence of our people who readily make themselves available for deployment whenever they are required by clients.

Innovation

Research and Development (R&D) was a priority for 2000–01, with roll-out of an R&D program focusing on ways to further enhance existing services and meet the evolving needs of our clients.

Our R&D program led to innovation in a number of areas. This included the development of unique programs to assist organisations manage shift worker health, absenteeism, call centre related health and stress issues, and the development of protocols to help manage audio stress and the ever evolving travel related health risks.

In order to continue to underpin the integrity and national consistency of our services, we created two new management roles. A Lead Medical Practitioner to oversee the continual development of nationally consistent medical protocols tailored to individual clients requirements, and a National Operations Manager, to ensure our processes are always nationally consistent and assume responsibility for national project management.

We remain committed to staff development and providing a work environment that is responsive to the demands of balancing work and home life, including flexible work hours, and part time and sessional employment.

Looking Ahead

The future continues to hold many challenges, but with a strong management team and staff committed to quality client service, the Company is well positioned to successfully meet any challenges.
Corporate profile

Health Services Australia (HSA), established in 1997, is the only organisation in Australia offering a truly national one-stop-shop in work-related health, safety and travel. No other health organisation offers the same depth and breadth of services delivered through an extensive operational network which spans the nation, taking in every Capital City and extending into rural and remote Australia.

Our expertise lies in:

- workplace health and safety services;
- pre-employment assessments;
- overseas travel vaccinations and health advice;
- medical assessments for government benefit and pension applicants; and
- medical assessments for immigration applicants.

We have a diverse workforce of more than 450 employees, committed to innovative, cost-effective, superior service delivery. Our people include doctors, nurses, psychologists, occupational therapists, administrators, marketers, finance and IT experts.

We operate from 13 offices. We have an office located in every Capital City and a number of regional centres around Australia. Our office structure is supported with a unique national network of doctors and nurses, enabling us to service clients beyond the cities into rural and remote areas like Mount Isa, Alice Springs and Thursday Island. Our head office is in Canberra, ACT.
A commitment to excellence, innovation and integrity in health underpinned HSA’s actions during this financial year, resulting in a record profit and the fourth consecutive year of growth.

Our ability to continue to grow and return sizeable profits is particularly significant given Australia’s increasingly competitive healthcare environment.

The last 18 months have witnessed a surge in general practice corporatisation leading to consolidation in the historically fragmented private healthcare sector. The result has seen the development of new national healthcare organisations keen to compete in HSA’s traditional marketplace.

HSA has met this challenge head on. Our national on-the-ground presence combined with our constant client focus and high quality, innovative services has enabled us to win major national tenders, grow business with existing clients and expand into new service areas. These achievements enhance HSA’s reputation in important professional and operational areas and bring positive outcomes to the community.
Our ability to continue to grow and return sizeable profits is particularly significant given Australia’s increasingly competitive healthcare environment.

Corporate Achievements

Growth: fourth consecutive year of growth in services, with overall growth of 24.6% achieved by the Company during this financial year; growth was particularly significant in occupational health and safety and immigration services.

Profit: recorded a record profit; total revenue grew by 19% compared to last year resulting in a 75% increase in profit before tax; profit resulted from a combination of growth in volume of services and greater efficiencies.

Acquisition: an acquisition offer was made by HSA to Australia’s leading provider of travel health services, Travellers Medical and Vaccination Centre (TMVC); the acquisition, to be finalised in 2001–02, will significantly extend our client base and bring additional revenue of around $5 million per annum.

Centrelink tender: HSA successfully tendered for 20% of Centrelink’s medical assessment services; the win saw HSA retain metropolitan Brisbane business and win back work in country Queensland and Western Melbourne which had been lost in a 1997 tender; a contract has now been signed covering all Centrelink work to June 2002.

Property purchase: purchased a building in Hobart’s CBD to enable transfer of the Hobart office to larger premises.

GST: successfully implemented all tax reform changes.

Service Innovation

Tailored services: developed pre-employment assessments tailored to particular needs of specific industries; this approach helps decrease the risk of work-related injuries and legal challenges from unsuccessful applicants.

Absenteeism: completed a six-month pilot of a unique HSA-developed absenteeism program designed to assist organisations manage absenteeism; early results are proving positive.

Shift Work: an in-house occupational health physician conducted research into the OH&S implications of shift work, results are being used to develop a shift work management protocol.

DVT: in response to the emergence of deep vein thrombosis (DVT) as a significant travel health issue, developed a DVT fact sheet and are producing a questionnaire to assess travellers’ risk and provide appropriate risk management advice and products.

Defence Recruiting: in conjunction with Monash University, began work in September 2000 on a Gulf War Health Study, to assess the health of Gulf War veterans against a control group; this represents a new service area made possible through our unique national network of medical practitioners.

F111: successfully tendered to undertake health assessments as part of a national health study on F111 crew involved in fuel tank maintenance; the project, to be undertaken on behalf of the Departments of Defence and Veterans’ Affairs, will roll out next financial year.

WSG: our rehabilitation provider partner, Work Solutions Group (WSG), established offices in Canberra and Sydney and began servicing clients out of HSA’s Adelaide office, enabling us to introduce return to work and rehabilitation services to new markets.
HSA, a Government Business Enterprise, is wholly owned by the Australian Government and is accountable to its shareholders*, the Minister for Finance and Administration and the Parliamentary Secretary to the Minister for Health and Aged Care. It is managed by an independent Board of Directors.

The Board appoints the Managing Director (MD) to oversee the operational aspects of the business. Each State and Territory business, except for NSW, is headed by a general manager who is responsible to the MD for operations and performance in their business units, including quality assurance and clinical standards.

In NSW, management is devolved to the three general managers managing our major offices at Sydney Central, Parramatta and Newcastle, and is coordinated by a Board of Management, comprising the three NSW-based general managers and a finance manager. The Board is chaired by the MD.

The Company has an issued share capital of $13.3 million and in 2000–2001 had a turnover of $49.7 million and an asset base of $30 million.

HSA is required to pay all Commonwealth taxes and charges and pay a dividend to shareholders. It is also required to pay the Commonwealth amounts in lieu of State taxes.

*Under the Commonwealth Authorities and Companies Act Senator Grant Tambling, Parliamentary Secretary to the Minister for Health and Aged Care, is the responsible Minister in respect of HSA. Under the Government Business Enterprises Governance Arrangements the Minister for Finance and the Parliamentary Secretary for Health and Aged Care are recognised as shareholder Ministers.
Health Services Australia provides a range of competitively priced, high-quality professional services, tailored to meet the needs of individual clients. We specialise in providing independent health assessments and advice rather than hands-on medical treatment or rehabilitation, remaining free from conflict of interest. Information on the following key services is provided in this section:

**Centrelink health assessments**  **Migrant health assessment services**  **Occupational health services**  **International travel health services**

### Health Services Australia, number of services by business line

<table>
<thead>
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<th>Service</th>
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<td>30</td>
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</tr>
<tr>
<td>Travel Health</td>
<td>30</td>
<td>60</td>
<td>90</td>
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HSA offers the most comprehensive occupational health and safety service (OH&S) of any organisation in Australia. Our breadth of services combined with our nationwide on-the-ground presence enables us to successfully meet all the OH&S needs of employers and employees from recruitment to retirement, anywhere in Australia.

During this financial year, OH&S business experienced exceptional growth of 46%. A key factor driving this was the implementation of a strategic plan to focus attention on specific industries (call centre, transport, insurance and recruiting), and the tailoring of existing services to meet individual industry needs. This was further enhanced by the introduction of innovative services and work associated with national projects.

**National Health Studies:**
- **Gulf War Veterans Health Study** – In partnership with Monash University and Department of Veterans’ Affairs, began work on a national study to assess the health of Gulf War veterans, opening up a new service area.
- **F111 Health Study** – HSA won a tender to conduct health assessments as part of a national study of F111 crew involved in fuel tank maintenance. This project will roll out next financial year.

**Defence Recruitment Medical Assessments:** in conjunction with Manpower Australia, undertook a recruitment pilot in Victoria and Tasmania for the Australian Defence Force (ADF). We were responsible for the medical assessment component of the recruiting process.

**Major Contracts:** awarded a 12-month contract to deliver OH&S and travel services to Nortel employees nationally. Early work has focused on assessing exposure to lasers and radio frequencies and on travel assessments.

Experienced an 85% increase in revenue from work undertaken for Military Compensation and Rehabilitation Services (MCRS), due to MCRS expanding HSA’s area of responsibility to cover WA and TAS. A central aspect of the new work involved reviewing 150 backlogged cases in Perth against extremely tight deadlines. This was achieved with the support of neighbouring States who supplied additional occupational physicians to Perth to help meet the timelines.

**Absenteeism:** we completed a six-month pilot of a unique absenteeism program (Happy, Healthy, Here), developed by HSA to help organisations manage absenteeism. The pilot involved undertaking a detailed analysis of the workplace in relation to

Managing in a Call Centre environment is challenging and HSA gives me access to professional health services and advice

**Occupational health and safety**
absenteeism issues and identifying strategies to address the issues. Early anecdotal evidence appears positive.

**Shift Work:** following a client request, researched the OH&S implications of shift work for staff and employees. The results are currently being used to develop a shift work management protocol.

**Call Centres:** as a result of the emergence of the phenomenon “audioshock”, HSA has put in place protocols to actively monitor research into the condition both nationally and internationally. Results will be fed into work currently being undertaken internally to develop models to help assess and manage the condition.

**Tailored Services:** in-house specialists developed pre-employment assessments tailored to specific industries. The process involves identifying the essential physical/medical qualities necessary to undertake identified tasks and the development of a medical assessment to help select the most appropriate candidate.

**Influenza Vaccination Program:** achieved a 14% increase in the number of vaccinations compared to last year. Key to the program’s success was a nationwide marketing campaign highlighting the cost to business of lost productivity through illness from influenza. Marketing efforts comprised direct mail and letterbox drops.

**Work Solutions Group:** the second year of partnership between HSA and Melbourne-based specialist rehabilitation provider, Work Solutions Group (WSG), continued to see a broadening of the customer base for both organisations.

The partnership was created to provide a fully integrated network able to meet all the occupational health and safety needs of employers and employees in a coordinated and cost-effective way. Our ability to achieve this continues to grow as WSG expands services beyond Victoria. This year saw the establishment of WSG offices in Canberra and Sydney and the commencement of services out of HSA’s Adelaide office.

**Promotion Activities:** undertook a range of promotional activities to raise the profile of HSA’s OH&S services. This included having HSA occupational physicians address various conferences, attend scientific meetings, conduct seminars on absenteeism and publish articles on workplace health issues, including audioshock and call centre health issues.

Around Australia, other HSA efforts also included attendance at major trade shows and conferences, particularly in relation to call centres, insurance and transport.

HSA offers the most comprehensive occupational health and safety service of any organisation in Australia.

**OH&S services**

- Absenteeism management programs
- Drug & alcohol screening
- Ergonomic workplace assessments
- Executive medicals
- Exit medicals
- Fitness for duty assessments
- Health & lifestyle screenings
- Post-exposure medicals
- Pre-employment medicals
- Psychiatric assessments
- Psychological assessments
- Rehabilitation & return to work
- Stress management
- Toxic hazard advice & screening
- Vaccination (Influenza, Hepatitis A&B, Q fever)
- Workplace education programs

HSA provides a comprehensive range of occupational health and safety services to businesses and organisations.
Travel health services

The principal aim of travel medicine is to protect the health of travellers through education, vaccination and up-to-date advice on keeping healthy while travelling.

Travel Health Australia offers a comprehensive service targeted to those who are visiting or being posted overseas, including vaccinations, check-ups to diagnose pre-existing medical conditions, and travel health advice and tips.

The benefits of accessing comprehensive travel health services are many:

• decreases risk of becoming ill overseas;
• limits expenses associated with overseas health treatments;
• peace of mind – many overseas healthcare facilities are either lacking or very expensive;
• limits excessive repatriation costs ($60,000 – $100,000 plus); and
• enhances the chance of safe, happy enjoyable travel.

Travel health has been targeted as a priority business area for the future, with an offer made by HSA to acquire Australia’s leading provider of travel health services, TMVC; TMVC is represented in every Capital City as well as a number of regional centres; the acquisition, to be finalised in 2001–02, enhances our ability to provide travel health services nationwide.

Promotion: successful marketing activities undertaken at State and Territory level included direct mail campaigns, presentations to travel agencies and attendance at travel seminars.

Website: to better meet client needs and add value to our services, a complete re-design and upgrade of HSA’s website (www.healthoz.com.au) was undertaken; travel health was a major focus of the revamp and the new site contains essential travel health service information and news, plus free travel-related fact sheets.

DVT: travel-related blood clots, deep vein thrombosis (DVT), developed as a significant health issue this year; as part of our advisory and educational role, developed a fact sheet on DVT and are in the process of developing a questionnaire to assess individual travellers’ risk and provide appropriate preventative advice.

Travel Accessories: developed a basic traveller’s first aid kit which can be tailored to specific needs by the addition of items based on destination and individual traveller health; kits can be ordered from any HSA office.

HSA specialises in protecting the health of international business travellers
HSA conducts independent medical assessments on behalf of Centrelink to assist in determining medical eligibility for the Disability Support Pension (DSP) and Sickness/Newstart Incapacity Allowance. These benefits are paid by the Commonwealth Government to people who are assessed as having a continuing inability to work due to a significant physical, mental, intellectual or sensory impairment.

HSA continues to implement measures to make our service delivery more flexible and cost-effective and to enhance the quality, consistency and turnaround of assessments. The impact of these measures saw HSA well positioned in 2000–2001 to respond to and meet client needs in a rapidly changing market.

Tender: Centrelink tendered eligibility assessment business in areas Brisbane, North and Central Queensland and West Victoria, representing 20% of Centrelink’s total assessment business; HSA won the tender, resulting in retaining metropolitan Brisbane business and winning back work in areas which had been lost in a 1997 tender.

Contract: HSA and Centrelink signed an 18 month contract covering all eligibility assessment business including the newly tendered work; the contract runs to June 2002.

Innovation: completed a pilot project to streamline service to Centrelink and avoid work duplication by providing a dedicated HSA team working on-site at Centrelink’s Noarlunga office in SA; a key benefit of the pilot was a halving of assessment and reporting times, as well as providing a more flexible and accessible service to Centrelink customers; the results are being reviewed with the possibility of rollout to other states and territories.

Partnership: HSA continued to partner Centrelink in the training and development of their staff. HSA doctors conducted seminars and training sessions to assist Centrelink officers to better understand certain medical components of the assessments.

Impairment Guide: HSA was requested by the Department of Family and Community Services to develop a detailed Guide to the Impairment Tables. This was done by a HSA Brisbane doctor who also presented training sessions on the Guide to Centrelink officers across the country.

Centrelink assessments

Centrelink South Australia and HSA have worked hard to establish an effective partnership which delivers results for our customers and the taxpayers of Australia. This partnership is characterised by mutual respect, openness and understanding of each others business needs – and it works.
Immigration services

People who want to migrate to Australia or reside temporarily for longer than 12 months must undergo comprehensive health checks to ensure they meet Australia’s health standards. In particular, applicants must be free of active tuberculosis (TB).

Health checks, which generally include a medical examination and chest x-ray to detect TB, are conducted on migrants either in their country of residence or, for those already in Australia, onshore in Australia.

Onshore examinations are performed by HSA doctors. Examinations outside Australia are conducted by panel doctors and radiologists. Where local clearance at the overseas Department of Immigration and Multicultural Affairs (DIMA) office is not possible, these reports and x-rays are sent to the DIMA Health Assessment Service (HAS) for evaluation. HSA manages DIMA’s HAS.

Since December 1999, HSA has also been involved in conducting health screening checks on detainees at Woomera, Port Hedland and Curtin detention centres, with around 7,000 assessments undertaken since January 2000 to date. The emphasis of the health screening is on public health conditions.

In total, HAS conducted approximately 87,000 migrant and student examinations during this financial year.

Highlights include:

- **Integrity and Quality:** the integrity and quality of medical assessments is vital to DIMA. Requirements were formalised between DIMA and HSA on 1st December 2000; conditions of the contract serve to enhance the integrity, quality and timeliness of assessments and reporting, and further enhance client liaison, service and communication. Specific measures introduced during the year included passport checking to improve integrity, a successful trial of secure remote IT access to health results by authorised DIMA staff and improved procedures for clients in rural and regional Australia.

- **Detainees:** medical assessments and x-rays were undertaken on around 4,000 detainees during this financial year, mainly from Afghanistan and Iraq; the vast majority of assessments were conducted at remotely located detention centres in WA and SA against tight deadlines. A number of cases of active TB and other conditions of public health concern were identified and treated.

- **International student examinations:** demand for health assessments on international students rose 20% on last financial year; HSA continued to adopt a flexible approach to cope with demand, including weekend and evening openings and employing additional medical and administrative staff at peak times; in all around 38,000 student assessments were undertaken.

- **Health Assessment Service (HAS):** HSA manages HAS on behalf of DIMA; continued to effectively manage increasing demand (20% increase over three years) within a static budget; staff maintained a five day turnaround in assessing medical files; in all more than 90,000 cases were assessed and reported to overseas DIMA offices.
A major HSA business imperative is to retain and grow business with existing clients, while striving to expand our client base. We achieve this by placing client requirements at the centre of all business activities, and working to not only meet, but exceed, client expectations.

As the first national health services company in Australia to achieve quality certification to the ISO 9000 series of Standards, HSA has continued its commitment to providing the highest standard of client service, with all 13 offices now proudly displaying the quality assured logo.

The HSA Intranet is a valuable quality tool, providing direct access for all employees to our quality documentation, including policies, procedures, guidelines and other company information. During the year, our Intranet technology was upgraded to provide improved speed and access for staff, thus assuring our clients of a consistently high standard of service across the nation.

Development of our Quality Management System will continue to progress in the new financial year. We will explore options to further enhance the utilisation of our Intranet and streamline our internal quality audit process to ensure that our systems remain relevant and effective, as we work towards achieving our triennial re-certification to the recently released ISO 9001:2000 Standard for Quality Management Systems.

Website

To better meet client needs and add value to our services, we undertook a complete re-design and upgrade of our website (www.healthoz.com.au). The new website offers a number of free services:

- workplace and travel health news
- feature articles
- fact sheets
- subscription to HSA’s newsletter, Pulse.

It also contains more detailed information about HSA, who we are, what we do, our people, to assist our clients and potential clients better understand us and our business.

This upgrade is phase one of a three phase website strategy which, following an evaluation period, will see phase two introduce greater interactivity, leading in phase three to comprehensive E-business capabilities.

National Operations Manager

HSA’s unique position as the only organisation in Australia offering a truly national one-stop-shop in health assessments, OH&S and travel health services, has seen us increase our national client base, as well as the range of services provided.

An essential requirement of national clients is consistency in service delivery across Australia. In order to ensure this, HSA established the position of National Operations Manager in September 2000.

Information Technology

During this financial year we introduced a new, improved human resources management system, upgraded our intranet and revamped our website.

In addition, HSA continued working towards the successful development and implementation of an improved IT system to manage our appointment making and health assessment processes. The aim is to eventually have in place a system tailored to our unique needs, and one which allows clients to tap directly into our network to make appointments, track progress of cases and which facilitates comprehensive E-business activities.

Extensive effort has gone into designing such a system, with roll-out anticipated in 2001-2002. The end result should be enhanced client service with more efficient and timely appointment making, and therefore faster reporting, greater accessibility and a decrease in administrative workload with the introduction of on-line payments.
Our people

Teamwork is the key to our success

Client Focused

Through our workforce of more than 450, we strive to provide the highest quality, cost-effective services. This is made possible by having motivated, professional staff focused on our clients and their needs.

We have a diverse workforce – medical specialists, administrators, allied health professionals, marketers, finance and IT experts. Our professional staff have specific training and expertise in workplace health and international travel health, and includes occupational physicians and nurses, psychologists, physiotherapists and occupational therapists.

Teamwork

HSA draws on this diversity, assembling teams with the right skill mix to most appropriately and effectively meet specific project and client needs. This was particularly evident in the establishment of Gulf War Health Study teams in every HSA office, ensuring high quality, nationally consistent services.

Our team approach means clients are assured of realistic, appropriate outcomes with the close involvement of our medical staff in both project planning and execution. The professionalism and client focus of our specialists is mirrored throughout HSA staff, ensuring seamless delivery of services from the moment a client first engages us to delivery of a final report.

‘I enjoy liaising with clients and clinicians to ensure that we provide a nationally consistent, high quality service.’

Dr Barbara Bell, HSA Lead Medical Practitioner.
Training & development
To continue to provide high quality services and attract the best employees, HSA is committed to ongoing training and professional development. Throughout the year a range of training programs were undertaken with medical, management and administration staff. These included sessions on leadership, marketing and IT innovation.

Medical and nursing staff also attended various occupational health conferences to enhance their clinical knowledge and skills and facilitate networking and information sharing. Staff involved in the Gulf War project participated in intensive initial and ongoing training programs focused on ensuring that all medical and psychological tests and examinations were nationally consistent, meeting the rigorous standards set for the study.

Workplace Relations
Negotiations to develop the Company’s third Certified Agreement were completed with unions in the latter half of the financial year. The revised agreement has been accepted by staff and is awaiting certification by the Australian Industrial Relations Commission.

Highlights of the new agreement include:
• 5% across the board salary rise in 2001–2002 and a 4% rise in 2002–2003 (this follows a 2% rise in 2000–2001);
• coverage extended to people employed under contract;
• introduction of a centralised professional development fund; and
• establishment of a medical ethics committee.

HSA also finalised negotiations with the Australian Medical Association (AMA), to establish a medical practitioners’ award.

IT Innovation
A new human resources management system, Complete Human Resource Information System (CHRIS), was introduced to streamline pay processes and enable the development of more analytical management reports, leading to better people management. An upgrade of our intranet resulted in improved internal communication and enhanced national consistency in policy and procedures.

Staff Survey
A staff survey was undertaken towards the end of the financial year. The survey seeks to measure how HSA is developing as a Company and to identify ways to further improve performance and process and make the Company a better place to work.

Diversity Management
HSA is committed to equal opportunity in the workplace. During the year the Company continued developing its workplace diversity program, including in the Certified Agreement a commitment to provide the conditions necessary for developing skills, obtaining training and balancing work and family issues.

Our team approach means clients are assured of realistic outcomes with close involvement of our medical staff.
It was a busy, challenging and profitable year for HSA offices across Australia. Strong service growth, particularly evident in health assessments and immigration services, was a direct result of a continuous nationwide effort to produce quality, innovative services.

This was further enhanced and supported by our highly qualified teams – medical, managerial and administrative – whose professionalism and client focus ensure seamless service delivery from Wollongong to Woomera and Melbourne to Perth.

The introduction of two new services had a major impact on business across most offices. A national study into the health of Gulf War veterans led to the establishment of dedicated Gulf War health assessment teams in every HSA office, while a Defence Recruitment pilot, managed in conjunction with Manpower Australia, resulted in extremely demanding but satisfying work for offices in Victoria and Tasmania.
New South Wales

Across the board, NSW offices experienced exceptional growth in both service volume and revenue. A key factor involved in the NSW success was the commitment from staff to demonstrate the organisation’s ability to supply high quality health services.

This dedication resulted in an increase in new business, a rebuilding of client relationships, service innovation and implementation of highly successful promotional activities. These advances were strengthened by the appointment of a NSW marketing manager.

Sydney

- Demand for immigration services increased considerably; we continued to introduce client-focused initiatives to cope with demand, including establishments of two in-house call centres to handle enquiries and make appointments.
- Gulf War Health Study was a major project; we provided travel health services on behalf of the travel health organisation, TMVC.
- Experienced strong growth in OH&S consulting services, mainly in pre-employment assessments, consulting services, vision screening and audiograms.
- Ensured clients’ comfort by conducting call centre stress audits on behalf of the Department of Family and Community Services to help employees better understand and manage workplace stress; this is anticipated that it will be rolled out across the Nation.
- Conducted call centre stress audits on behalf of the Department of Family and Community Services to help employees better understand and manage workplace stress; this is the first time such a program has been run in Australia, and it is anticipated that it will be rolled out across the Nation.
- Conducted a highly successful influenza vaccination campaign, delivering on-site vaccinations to more than 8,000 employees; our accomplishment was linked to promotional work undertaken by the NSW marketing manager.

Parramatta

- Completed a process which began last financial year to consolidate Sydney services from two sites (Elizabeth St and Surry Hills) into one office at Surry Hills; as of October 2000, all services had been successfully transferred.
- Achieved ISO9002 certification.

Newcastle

- Achieved ISO9002 Quality Assurance Certification.

Parramatta

- Expanded the 5 star Corporate Good Health program, which offers cholesterol, blood sugar, and Body Mass Index (BMI) assessments, to include bone density testing to assess risk of osteoporosis; this testing is conducted using a portable machine, enabling us to offer our enhanced service on-site.
- Developed a medical terminology course to assist our clients read and better understand medical reports; it has proved highly successful with Centralink NSW and may be expanded throughout Australia.
- Conducted a comprehensive travel health marketing campaign, including attendance at local travel expos, briefings to local travel agents, and regular emailing of travel health information and updates to a network of travel agencies.
- Together with HSA Newcastle, provided travel health services on behalf of the travel health organisation, TMVC.

Wollongong

- Undertook a high-profile travel health marketing campaign, including attendance at local travel expos, briefings to local travel agents, and regular emailing of travel health information and updates to a network of travel agencies.
- Conducted a process which began last financial year to consolidate Sydney services from two sites (Elizabeth St and Surry Hills) into one office at Surry Hills; as of October 2000, all services had been successfully transferred.
- Achieved ISO9002 Quality Assurance Certification.

Victoria

- Important player in an Australian Defence Force (ADF) pilot to trial outsourcing of defence recruiting in Victoria and Tasmania; our role involves conducting medical assessments on potential recruits; the project has a major impact on workload and required the establishment of an HSA office within the ADF to facilitate the process.
- Conducted a highly successful influenza vaccination campaign, delivering on-site vaccinations to more than 8,000 employees; our accomplishment was linked to flexibility in service delivery, including matching the timetable of shift workers.
- Experienced strong growth in OH&S consulting services linked to a number of new projects including, infection control training, health promotion schemes and work for the Public Transport System; in order to effectively manage this growth and plan for the future, employed a Senior Medical Adviser with sole responsibility for OH&S.
• Initiated a range of internal changes to improve client service including: creating two new positions, Client Services Manager and Customer Relations Manager; and restructuring Centrelink service teams.

• To successfully meet the demands of Centrelink business growth, introduced Saturday clinics, and undertook a successful recruitment drive for doctors.

• Following the appointment of the previous General Manager (GM) to National Operations Manager, employed a new GM with a strong background in medical administration, including senior management positions in the private hospital system.

South Australia

• Strong OH&S growth resulted largely from winning work with major new clients in the telco, mining, energy, manufacturing and retail sectors.

• Following concerted marketing efforts, experienced significant growth in volume of independent psychological assessments undertaken for private sector clients; majority of assessments concerned Fitness for Duty and compensation claims.

• Developed relationships with local vocational rehabilitation providers enabling us to offer clients a complete range of OH&S services from recruitment to retirement; the relationships helped us secure business (functional capacity pre-employment medical assessments including one for a funeral services organisation, focusing on lifting and hearing; specifically targeted assessments result in a better job-person fit and decrease the risk of compensation claims.

• Introduced a new type of psychological assessment for executive recruitment; aside from assessing personality and psychological traits, the new assessment also looks at literacy and numeracy skills, offering a new tool in executive recruitment.

Western Australia

• Meeting increasing demand, continued to provide a rapid response service to undertake health assessments on detainees in Port Hedland and Curvin detention centres; this service requires medical personnel to travel thousands of miles and work in extremely demanding conditions against tight deadlines.

• Expanded services to DIMA to include: establishment of a radiology service on site at Derby, resulting in a significant improvement in turn around time in delivery of x-ray and radiology services to DIMA; vaccinations and health advice to DIMA staff working at detention centres; and, provision of specialist medical counsel to handle acute public health issues.

• Gulf War Health Study was a high priority; invested heavily in training a large number of staff to conduct assessments, enabling us to provide a more flexible and responsive service, including weekend openings.

• In conjunction with Melbourne office, WA in-house training occupational physician developed an acoustic shock (audioshock) service, combining information and training seminars to help employers understand and manage the condition.

• Developed a basic travellers’ first aid kit which can be tailored to specific needs by the addition of items based on destination and individual traveller health; travel kits are supplied by WA to other HSA offices.
Along with Victoria, involved in conducting medical assessments as part of the ADF pilot to trial outsourcing of defence recruiting; the project required the employment of additional doctors, nurses and administration staff.

In September, the Hobart office moved into larger premises in the CBD; the premises are housed in a building owned by HSA, which was refurbished to meet workplace needs; the new office provides double the number of examination rooms.

As a result of concerted marketing efforts, ran a highly successful influenza vaccination program topping last year’s figures; marketing activities saw us maintain previous clients and open new markets.

Employed an in-house Occupational Physician to work between the Hobart and Launceston offices, initially servicing mostly military compensation and insurance clients.

**Australian Capital Territory**

Strong OHS growth, particularly in pre-employment assessments, vision screening, audiograms, and psychological assessments, resulted from expanding business with existing clients, and winning new contracts.

In order to service the demand of the Gulf War Health Study, employed a psychologist and additional nurse to form part of a dedicated Gulf War team which also includes doctors and administrative personnel.

Introduced a range of initiatives to add value to services and ensure we continue to provide a superior service: took over administrative tasks usually performed by our clients; enhanced communication via increased face-to-face liaison at executive level; and established agreed guidelines to benchmark our services.

Purchased an ultrasound bone density machine to measure bone strength and assess risk of osteoporosis; the machine is portable enabling service delivery to both the ACT and surrounding regional areas; the service represents a broadening of OHS capabilities and will be marketed in the new financial year.

**Northern Territory**

Exceptional growth in OHS services due mainly to work undertaken for Telstra’s Best of Health Program and increased demand for audiograms and psychological services.

Conducted post-deployment medical assessments on Australian Federal Police officers returning from service in East Timor; the assessments were conducted as soon as possible following arrival in Australia, usually in groups of 50–100 over a two day period.

Invited by Telstra to manage the Family Fun Day event, held annually as part of Telstra’s Best of Health Program; HSA coordinated all activities for the Darwin event; HSA held a stand for the day offering blood pressure readings and weight analysis.

Following a request from DIMA last financial year, continued to conduct medical assessments on illegal immigrants to assess their fitness for onward travel to detention centres in SA and WA; these exercises require flexibility and their success lies in the high degree of co-operation between government departments, Australian Federal Police and HSA.

Employed an in-house psychologist and second medical adviser to better service client needs.
In the decade since the Gulf War a relatively high proportion of Australia’s 1,872 Navy, Army and Air Force personnel sent to the Gulf have lodged sickness claims, compared with veterans from other conflicts. A similar phenomenon has occurred amongst British, American and Canadian veterans.

In response, the Departments of Veterans' Affairs and Defence commissioned the most comprehensive Gulf War health study ever. While many studies have been conducted overseas, this is the first study involving medical, psychological and exposure assessments of such depth and complexity.

HSA, in partnership with Monash University, was successful in tendering to conduct the Study, thereby opening up a new, exciting service area for the Company.

The study, designed by Monash University, investigates whether Australia’s Gulf War veterans have a higher than expected rate of adverse health effects and, if so, whether these can be associated with environmental, chemical or combat related exposures during the Gulf War.

HSA is responsible for conducting medical and psychological assessments on the Gulf War veterans and a control group of Defence Force personnel employed at the time of the war but who did not go to the Gulf.

The results are forwarded to Monash University for analysis.

Our unparalleled experience in health assessments, combined with our independence and extensive national network puts us in a unique position to meet the critical demands of such studies for in-depth medical assessment embodying internationally certified quality procedures which ensure national consistency. This has been enhanced with the establishment and training of dedicated Gulf War study teams in every HSA office.

Our commitment, both in terms of time and personnel, has been enormous but extremely rewarding. To date, 75% of Australia’s Gulf War veterans have either been assessed or agreed to participate. Two thousand of the targeted 3,000 plus assessments had been completed at the end of the financial year.

The testing phase of the Study is due to finish in November 2001 with analysis and a final report to the Departments of Veterans’ Affairs and Defence to follow.

I hope that my participation in the Gulf War Veterans’ Health Study will help in developing programs to support our Gulf War Vets.’

Mr Alan Adams
Dr Michael Pincus, MBBS
20 October 1951 – 30 June 2001

The HSA Board, Management and staff would like to pay a special tribute to Dr Michael Pincus.

Michael was a key contributor to HSA’s innovations in service delivery, growth and change management, and a driving force in the evolution of HSA from a branch of the Federal Department of Health to a highly successful government business enterprise.

He was held in the highest esteem by all who knew and worked with him. He was a person of great generosity of spirit, unstinting in sharing his information and knowledge. He was a man of integrity, who loved the intellectual challenges of his work.

Michael began his distinguished 20-year career in public health in Canberra, including working for Australian Government Health Services and HSA. He rose to become HSA National Business Manager and General Manager of South Australian operations, where he earned a reputation as a dynamic leader, respected by colleagues and clients alike.

We miss his wonderful sense of humour, his laughter and hugely infectious smile that lit up his face. We miss his imagination, his ideas, his experience. We share his family’s loss and celebrate our memories of a man who made a difference to all who knew him.
Directors’ Report

Health Services Australia: excellence, innovation and integrity in health

The Board of Directors of Health Services Australia Limited (Health Services Australia) has pleasure in submitting its Group report in respect of the financial year ended 30 June 2001.

Board of Directors

The names and details of the directors in office during or since the end of the financial year are below:

Unless indicated otherwise, all directors held their position as a director throughout the entire financial year and up to the date of this report.

Legislation

Health Services Australia was incorporated on 17 June 1997 under the Corporations Act 2001. The Company is also subject to the Commonwealth Authorities and Companies Act 1997. Functions, assets and liabilities of the Australian Government Health Service were transferred to the Company on 1 July 1997 under the Hearing Services and AGHS Reform Act 1997.

Health Services Australia is a public company limited by shares, incorporated in Australia. The registered office is located at Level 1, 15 Bowes Street, Woden, ACT, 2606.

Responsible Minister

The Honourable John Fahey, Minister for Finance and Administration and Senator The Honourable Grant Tambling, Parliamentary Secretary to the Minister for Health and Aged Care have responsibility for Health Services Australia.

Directors’ Interests

No director holds shares or options in the Group.

Directors’ Meetings

There were 12 Board and 4 Audit Committee meetings held between 1 July 2000 and 30 June 2001. The following table shows the number of meetings the Directors attended during the financial year:

Responsibility for Directors’ Report

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Financial years subsequent to the year ended fi

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Principal Activities

The principal activities of Health Services Australia
during the course of the financial year were the
provision of health assessment and advice services.
No significant change in the nature of these activities
curred during the year.

Operating Results

The profit of the Group, after providing for income
tax, amounted to $5.8 million.

Dividends Paid or Recommended

The Company paid the 1999-00 final dividend of
$0.84 million in November 2000. The interim dividend
for 2000–01 of $1.5 million was paid in April 2001
and the Board has recommended a final dividend
of $2.2 million. Total dividends paid/recommended
relating to the 2000–01 financial year total
$3.7 million and represent 63% per cent of the after
income tax net profit of the Company for that year.
In addition, the Company made payments
totalling $1.2 million (2000: $1.1 million) to the
Commonwealth under the Tax Equivalent Regime in lieu
of State taxes.

Review of Operations

A review of Health Services Australia’s operations is
contained in the Message from the Board.

Staff

As at 30 June 2001, the Company employed a total
of 454 staff.

Significant Changes
in State of Affairs

Significant changes in the state of affairs of the
Company that occurred during the financial year and
reported in the financial statements were:
• the provision of Occupational Health services to
approximately 2000 Gulf War veterans Australia
wide for the Department of Veteran Affairs and
participation in the Department of Defence
Recruitment Pilot in Victoria and Tasmania;
• a net increase in shareholder value from
$15.5 million to $17.7 million; and
• commencement of replacement strategy for a
core information technology system.

Events Subsequent
to Balance Date

On 31 August 2001, the Company agreed to
acquire a 100% interest in TMC The Travel Doctor
Group for consideration of $1.38 million. The event has no effect on the
operations of the economic
core.

Environmental Issues

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

Options

No options over issued shares or interests in
the Group were granted during or since the end
of the financial year and there were no options
outstanding at the date of this report.

Directors’ Remuneration
and Benefits

Remuneration and allowances for directors
of the Company are determined by the
Commonwealth Remuneration Tribunal, an
independent statutory body.

The remuneration for non-executive directors
of Health Services Australia is set
by the Remuneration Tribunal under its advisory jurisdiction.
Travel allowances, also set by the Remuneration Tribunal,
are payable to directors.

Directors receive no benefits other than those
stated above and detailed in Notes 25 and 26 of
the financial statements.

Details of the Board Committees are as follows:
1. Audit Committee

Responsibility –
• overseeing the Internal Audit function;
• monitoring the implementation of internal and
external audit recommendations;
• reviewing management responses to external
audit reports;
• reviewing the final draft of the financial
statements and the audit report prior to the
meeting of the Board to approve the financial
statements; and
• overseeing risk and fraud management plans
and practices.

2. Board Nominations and
Remuneration Committee

Responsibility –
• provide Shareholder Ministers with a list of
suitable candidates for Board membership.
The membership of the Committee is the same as
that of the Audit Committee. The committee only
meets on an as required basis.

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Remuneration Committee

Responsibility –
• provide Shareholder Ministers with a list of
suitable candidates for Board membership.
The membership of the Committee is the same as
that of the Audit Committee. The committee only
meets on an as required basis.
During the financial year the Company has paid a premium of $17,248 for the insurance of Directors and Officers of the Company. This insurance coverage insures each full-time executive and secretary of the Company, against liabilities and expenses arising as a result of work performed in their respective capacities to the extent permitted by law. There have been no claims made pursuant to the above arrangements.

Signed in accordance with a resolution of the directors.

Corporate Governance
The Company operates within the Governance Arrangements for Commonwealth Government Business Enterprises. The Board has also established an Internal Audit function that provides assurance to the Audit Committee on a range of operational and financial activities.

Directors and Auditors Indemnification
The Company has not, during or since the financial year, in respect of any person who is or has been an auditor of the Company:
• indemnified or made any relevant agreement for indemnifying against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings; or
• paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an auditor for the costs or expenses to defend legal proceedings.

Directors’ Declaration
The directors declare that:
(a) the financial statements and associated notes:
    (i) comply with the accounting standards and Urgent Issues Group Consensus Views; and
    (ii) give a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 and of their performance for the year ended on that date;
(b) in the directors’ opinion:
    (i) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the Company and consolidated entity will together be able to meet any obligations or liabilities to which they are or may become subject to by virtue of guarantees provided.
    (ii) the financial statements and notes are in accordance with the Corporations Act 2001, including sections 296 and 297.

Made in accordance with a resolution of the directors.

Mr Rae Taylor AO
Chairman

Ms Vanessa Fanning
Managing Director

11 October 2001
INDEPENDENT AUDIT REPORT

To the members of Health Services Australia Limited

I have audited the financial report of Health Services Australia Limited for the financial year ended 30 June 2001. The financial report comprises:

- Directors' Declaration;
- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flow; and
- Notes to and forming part of the Financial Statements.

The financial report includes the financial statements of Health Services Australia Limited and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the shareholders of the company.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance whether the financial report is free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the accuracy and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. Those processes have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with my understanding of the company and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

[Signature]

Resident Director

For the Auditor-General

Canberra

11 December 2001
### Statement of Financial Performance

#### For the Year Ended 30 June 2001

#### Revenue from Ordinary Activities

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Sale of health services</td>
<td>52,895,063</td>
<td>48,520,887</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>44,632,135</td>
<td>40,957,207</td>
</tr>
<tr>
<td>Interest from non-related parties</td>
<td>851,536</td>
<td>851,536</td>
</tr>
<tr>
<td>Interest from partly owned controlled entity</td>
<td>703,319</td>
<td>690,629</td>
</tr>
<tr>
<td>Other revenue</td>
<td>0</td>
<td>45,245</td>
</tr>
<tr>
<td>Total Revenue from Ordinary Activities</td>
<td>93,592,510</td>
<td>49,677,705</td>
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#### Expenses from Ordinary Activities

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Employee related expenses</td>
<td>29,381,317</td>
<td>28,613,960</td>
</tr>
<tr>
<td>Supplier related expenses</td>
<td>11,206,701</td>
<td>11,330,849</td>
</tr>
<tr>
<td>Depreciation/Amortisation</td>
<td>1,427,209</td>
<td>1,687,669</td>
</tr>
<tr>
<td>Rental expense on operating leases</td>
<td>1,894,618</td>
<td>1,872,202</td>
</tr>
<tr>
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<td>0</td>
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#### Borrowing Costs

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<tr>
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<tr>
<td>Interest from ordinary activities</td>
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<td>9,045,025</td>
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<tr>
<td>Total Borrowing Costs</td>
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<td>1,036</td>
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#### Current Liabilities

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<tr>
<td>Payables</td>
<td>1,936</td>
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<tr>
<td>Interest from partly owned controlled entity</td>
<td>192,618</td>
<td>192,618</td>
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<tr>
<td>Total Current Liabilities</td>
<td>21,590,490</td>
<td>21,498,428</td>
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#### Total Liabilities

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<tr>
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<tr>
<td>Total Liabilities</td>
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<td>29,396,939</td>
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#### Consolidated Notes

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HEALTH SERVICES AUSTRALIA LIMITED ABN 99 078 934 791 AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001

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<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$57,486,677</td>
<td>$53,310,288</td>
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<tr>
<td>Payments to suppliers and employees</td>
<td>($44,048,374)</td>
<td>($40,265,677)</td>
</tr>
<tr>
<td>Payments of GST</td>
<td>($2,823,441)</td>
<td>($2,611,941)</td>
</tr>
<tr>
<td>Interest received</td>
<td>910,279</td>
<td>936,776</td>
</tr>
<tr>
<td>Interest paid</td>
<td>($49,557)</td>
<td>0</td>
</tr>
<tr>
<td>Payments of income tax</td>
<td>($2,368,114)</td>
<td>($2,368,410)</td>
</tr>
<tr>
<td></td>
<td>$9,113,470</td>
<td>$9,000,436</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>$44,466</td>
<td>$23,466</td>
</tr>
<tr>
<td>Investments in controlled entities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loans to controlled entities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loans to directors</td>
<td>($53,759)</td>
<td>0</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>($3,164,510)</td>
<td>($2,879,180)</td>
</tr>
<tr>
<td>Net redemption/(purchase) of investments</td>
<td>($3,520,065)</td>
<td>($3,520,065)</td>
</tr>
<tr>
<td></td>
<td>($6,640,106)</td>
<td>($6,375,775)</td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid by parent entity</td>
<td>($2,340,000)</td>
<td>($2,340,000)</td>
</tr>
<tr>
<td>Loans</td>
<td>208,419</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>($1,131,581)</td>
<td>($1,131,581)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>($1,330,561)</td>
<td>($1,330,561)</td>
</tr>
<tr>
<td>NET INCREASE/(DECREASE) IN CASH HELD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at the beginning of the financial year</td>
<td>$31,700</td>
<td>$28,657</td>
</tr>
<tr>
<td>Cash at the end of the financial year</td>
<td>$994,621</td>
<td>$556,281</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
The significant policies which have been adopted in the preparation of the financial statements are:
a) Basis of Accounting
The financial statements have been prepared as a general purpose financial report which complies with Australian Accounting Standards, Urgent Issues Group Consensus Views and other mandatory professional reporting requirements, and the Corporations Act 2001. The financial statements have been prepared on an accrual basis. The financial statements are in accordance with the historical cost convention, and except where stated, do not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.
The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.
b) Comparatives
Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.
c) Principles of Consolidation
The consolidated financial statements include the financial statements of the Company, being the parent entity, and its controlled entity (refer Note 23), referred to collectively as ‘the consolidated entity’. Control exists where the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company.
The balances, and effects on transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside equity interests in the equity and results of the entity controlled by the Company are shown as a separate item in the consolidated financial statements.
d) Intangibles – Note 11
Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised over the period of time during which benefits are expected to arise.
Goodwill is amortised on a straight line basis over 10 years. The unamortised balance of goodwill is reviewed at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the Statement of Financial Performance.
e) Revenue Recognition
Sales of Health Services
Sales of health services comprises revenue earned from the provision of medical assessments for residency applications, government and private enterprise employment and occupational health and safety purposes, and the delivery of advice and vaccinations to Australians travelling overseas. Revenue for reports and services is recognised in the period in which the service is provided, having regard to the proportion of completion of the service at the reporting date.
Interest Revenue
Interest income is recognised as it accrues.

f) Borrowing Costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and issue finance charges. Borrowing costs are expensed as incurred.
g) Income Tax – Note 4
The consolidated entity adopts the income statement liability method of tax effect accounting.
Income tax expense is based on the operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. Both balances have been adjusted for the change in the corporate tax rate, from 34% to 30% as at 1 July 2001. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. The tax effect of capital losses is not recorded unless realisation is virtually certain.
h) Non-Current Assets
The carrying amounts of non-current assets, are reviewed to determine whether they are in excess of their recoverable amount. Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount.

i) Receivables – Note 7
Trade debtors are carried at amounts due. The collectibility of debts is assessed at balance date and a general provision made for debts that are doubtful.

j) Other Financial Assets – Note 8
The investment in the controlled entity is carried in the Company’s financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Statement of Financial Performance when they are declared by the controlled entity.
The Company invests cash excess to its immediate requirements in a combination of bank bills and floating rate notes. These investments are not actively traded and are recorded at the lower of cost and not realisable value. Interest revenue on those investments is brought to account on an accrual basis. Premiums and discounts on acquisition are amortised over the period the Company intends to retain the investment.

k) Property, Plant and Equipment – Note 10
Property, plant and equipment are brought to account at cost, less applicable, any accumulated depreciation or amortisation. All property, plant and equipment is recorded at the lesser of written-down value or recoverable value as required by AASB 1010 “Recoverable Amount of Non-Current Assets”. In determining the recoverable value, cash flows were not discounted.

According to AASB 1021, the useful lives of property, plant and equipment are reviewed annually, and adjusted where necessary.

Except for leasehold improvements, the Company recognises all acquisitions with an expected life exceeding twelve months and a cost value exceeding $300. Acquisitions with a cost value less than $300 are not capitalised, but are expensed in the year of acquisition.
All expenditure on leasehold improvements has been capitalised where the expected useful life exceeds twelve months.

Costs incurred in property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs incurred in property, plant and equipment which do not meet the criteria for capitalisation are expensed as incurred.
The straight-line method of depreciation has been adopted for all property, plant and equipment assets, excluding freehold land, at rates based on their assessed useful life to the Company. Assets are depreciated or amortised from the date the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful life of the improvement.

The depreciation rates used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Class of Fixed Asset</th>
<th>Depreciation/Amortisation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>5.0%</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>22.5%</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>3 to 40%</td>
</tr>
<tr>
<td>Software</td>
<td>40.0%</td>
</tr>
<tr>
<td>Leasehold</td>
<td>Amortised over the life of each improvements lease</td>
</tr>
</tbody>
</table>

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

b) Leases

Operating leases are not capitalised and rental payments are expensed in the year in which they are incurred. The total benefit of operating lease incentives is recognised as a liability at the commencement of each lease and subsequently amortised over the life of the respective lease.

Provision is made for surplus leased premises which is determined that no substantive future benefits will be obtained by the consolidated entity from the premises.

The consolidated entity does not hold any leases which would be categorised as finance leases.

c) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Trade accounts are normally settled within 30 days.

n) Employee Entitlements – Note 14

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amounts which the consolidated entity has a present obligation to pay resulting from employees’ services provided up to balance date. The provisions have been calculated at undiscounted amounts based on current wages and salary rates and include related on-costs.

The portion of the provision for annual leave that is current has been determined using past experience of the actual cost of annual leave taken each year.

Long service leave

The provision for long service leave reflects the present value of the estimated future cash flows to be made in respect of all employees, resulting from employees’ services provided up to balance date. Related on-costs have also been included in the provision. The portion of the provision for long service leave that is current has been determined using past experience of the value of long service leave taken and paid out each year.

Provisions for leave entitlements which are not expected to be settled within twelve months are discounted using rates attaching to notional government securities at balance date, and amortised over the life of each respective provision.

Sick leave

No provision has been made for sick leave. All sick leave is non-vesting and the average sick leave taken by staff is estimated to be less than the sick leave annually accrued.
NOTE 4 – TAXATION

a) Income tax expense

The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2000–2001 (A)</th>
<th>2001–2002 (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from Ordinary Activities</td>
<td>8,956,456</td>
<td>9,045,025</td>
</tr>
<tr>
<td>Prima facie tax thereon at 34% (2000: 36%)</td>
<td>3,045,195</td>
<td>3,075,309</td>
</tr>
<tr>
<td>Under provision for income tax in prior year</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amortisation of Goodwill</td>
<td>13,855</td>
<td>0</td>
</tr>
<tr>
<td>Tax benefit on leases of controlled entity</td>
<td>16,258</td>
<td>0</td>
</tr>
<tr>
<td>Restatement of deferred tax balances due to change in company tax rate</td>
<td>37,394</td>
<td>0</td>
</tr>
<tr>
<td>Income tax expense attributable to profit from ordinary activities</td>
<td>3,318,230</td>
<td>3,566,222</td>
</tr>
<tr>
<td>Income tax expense attributable to operating profit</td>
<td>3,318,230</td>
<td>3,566,222</td>
</tr>
</tbody>
</table>

b) Tax Liabilities (Provision for current income tax)

Movements during the year

<table>
<thead>
<tr>
<th>Description</th>
<th>2000–2001 (A)</th>
<th>2001–2002 (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>1,341,173</td>
<td>1,341,173</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>254,349</td>
<td>254,349</td>
</tr>
<tr>
<td>Under provision for income tax in prior year</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Income tax to be paid on current year’s operating profit</td>
<td>3,290,107</td>
<td>3,290,107</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>1,341,173</td>
<td>1,341,173</td>
</tr>
</tbody>
</table>

c) Deferred Tax Liabilities (Provision for deferred income tax)

Provision for deferred income tax comprises the estimated expense at current income tax rates on the following items:

<table>
<thead>
<tr>
<th>Description</th>
<th>2000–2001 (A)</th>
<th>2001–2002 (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments and Accrued Income</td>
<td>101,813</td>
<td>101,813</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>101,813</td>
<td>101,813</td>
</tr>
</tbody>
</table>

NOTE 5 – SEGMENT REPORTING

The consolidated entity operates in Australia and provides medical assessment and health advisory services to individuals and organisations, mainly Commonwealth and State Government departments and agencies.

NOTE 6 – DIVIDENDS

Dividends paid or proposed

<table>
<thead>
<tr>
<th>Description</th>
<th>2000–2001 (A)</th>
<th>2001–2002 (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>5,245,846</td>
<td>5,245,846</td>
</tr>
<tr>
<td>Services-in-progress</td>
<td>126,515</td>
<td>126,515</td>
</tr>
<tr>
<td>less: Provision for doubtful debts</td>
<td>176,598</td>
<td>176,598</td>
</tr>
<tr>
<td>Total Current Receivables</td>
<td>5,293,851</td>
<td>5,293,851</td>
</tr>
</tbody>
</table>

NOTE 7 – RECEIVABLES
### NOTE 8 – OTHER FINANCIAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short Term Bank Bills/Corporate Bond</td>
<td>2,990,588</td>
<td>4,902,754</td>
</tr>
<tr>
<td><strong>Non-Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td>13,015,545</td>
<td>8,002,017</td>
</tr>
<tr>
<td>Investment in Controlled Entity: Unlisted shares at cost</td>
<td>0</td>
<td>515,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,015,545</td>
<td>8,002,017</td>
</tr>
</tbody>
</table>

### NOTE 9 – OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>227,281</td>
<td>92,232</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>83,793</td>
<td>105,891</td>
</tr>
<tr>
<td>Other</td>
<td>53,682</td>
<td>50,343</td>
</tr>
<tr>
<td><strong>Total Other Current Assets</strong></td>
<td>365,056</td>
<td>248,466</td>
</tr>
<tr>
<td><strong>Non-Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>10,825</td>
</tr>
</tbody>
</table>

### NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freehold land</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance: at Cost</td>
<td>180,000</td>
<td>180,000</td>
</tr>
<tr>
<td>Net Book Value of Land</td>
<td>180,000</td>
<td>180,000</td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance: at Cost</td>
<td>263,000</td>
<td>263,000</td>
</tr>
<tr>
<td>Additions</td>
<td>95,227</td>
<td>96,227</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>359,227</td>
<td>363,227</td>
</tr>
<tr>
<td>Opening Accumulated Depreciation</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Depreciation for the year</td>
<td>(20,642)</td>
<td>(20,642)</td>
</tr>
<tr>
<td>Closing Accumulated Depreciation</td>
<td>(20,642)</td>
<td>0</td>
</tr>
<tr>
<td>Net Book Value of Buildings</td>
<td>338,585</td>
<td>342,585</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motor Vehicles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance: at Cost</td>
<td>164,977</td>
<td>4,902,754</td>
</tr>
<tr>
<td>Additions</td>
<td>89,977</td>
<td>89,977</td>
</tr>
<tr>
<td>Disposals</td>
<td>(472,202)</td>
<td>(472,202)</td>
</tr>
<tr>
<td><strong>Net Book Value of Motor Vehicles</strong></td>
<td>130,007</td>
<td>96,041</td>
</tr>
<tr>
<td><strong>Plant &amp; Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance: at Cost</td>
<td>2,685,990</td>
<td>3,890,520</td>
</tr>
<tr>
<td>Additions</td>
<td>923,861</td>
<td>914,777</td>
</tr>
<tr>
<td>Disposals</td>
<td>(472,202)</td>
<td>(472,202)</td>
</tr>
<tr>
<td><strong>Net Book Value of Plant &amp; Equipment</strong></td>
<td>2,273,044</td>
<td>1,957,888</td>
</tr>
<tr>
<td><strong>Software</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance: at Cost</td>
<td>1,655,327</td>
<td>1,895,648</td>
</tr>
<tr>
<td>Additions</td>
<td>699,604</td>
<td>699,604</td>
</tr>
<tr>
<td><strong>Net Book Value of Software</strong></td>
<td>702,706</td>
<td>702,706</td>
</tr>
</tbody>
</table>
Leasehold Improvements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Opening Balance: at Cost</td>
<td>3,530,002</td>
<td>3,530,002</td>
</tr>
<tr>
<td>Additions</td>
<td>1,476,536</td>
<td>1,076,536</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>4,606,537</td>
<td>3,530,002</td>
</tr>
<tr>
<td>Opening Accumulated Amortisation</td>
<td>(446,653)</td>
<td>(446,653)</td>
</tr>
<tr>
<td>Amortisation for the year</td>
<td>(447,280)</td>
<td>(447,280)</td>
</tr>
<tr>
<td>Closing Accumulated Amortisation</td>
<td>(893,933)</td>
<td>(893,933)</td>
</tr>
<tr>
<td>Net Book Value</td>
<td>3,712,604</td>
<td>3,083,349</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Opening Balance: at independent valuation July 1997</td>
<td>391,130</td>
<td>391,130</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>391,130</td>
<td>391,130</td>
</tr>
<tr>
<td>Opening Accumulated Amortisation</td>
<td>(301,289)</td>
<td>(248,459)</td>
</tr>
<tr>
<td>Amortisation for the year</td>
<td>(52,830)</td>
<td>(40,750)</td>
</tr>
<tr>
<td>Closing Accumulated Amortisation</td>
<td>(354,119)</td>
<td>(289,209)</td>
</tr>
<tr>
<td>Net Book Value of Leasehold Improvements</td>
<td>382,445</td>
<td>382,445</td>
</tr>
</tbody>
</table>

The independent valuation on 1 July 1997 was carried out by the Australian Valuation Office and was on the basis of depreciated replacement cost of the assets concerned. The directors are of the opinion that this basis provides a reasonable estimate of the future economic benefits attributable to the assets.

NOTE 11 – INTANGIBLES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Goodwill at cost</td>
<td>407,499</td>
<td>0</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(81,500)</td>
<td>(40,750)</td>
</tr>
<tr>
<td></td>
<td>325,999</td>
<td>0</td>
</tr>
</tbody>
</table>

NOTE 12 – PAYABLES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Trade Creditors</td>
<td>1,432,250</td>
<td>1,209,808</td>
</tr>
<tr>
<td>Other Creditors</td>
<td>2,716,279</td>
<td>2,478,541</td>
</tr>
<tr>
<td>Total Payables</td>
<td>4,149,529</td>
<td>3,688,349</td>
</tr>
</tbody>
</table>

NOTE 13 – INTEREST BEARING LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Debtor Finance Facility – secured</td>
<td>125,895</td>
<td>0</td>
</tr>
<tr>
<td>Hire Purchase Liability – secured</td>
<td>52,385</td>
<td>0</td>
</tr>
<tr>
<td>Loans – unsecured</td>
<td>32,340</td>
<td>0</td>
</tr>
<tr>
<td>Total Current Interest Bearing Liabilities</td>
<td>210,519</td>
<td>56,436</td>
</tr>
</tbody>
</table>

NOTE 14 – PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Dividends</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>1,114,159</td>
<td>996,250</td>
</tr>
<tr>
<td>Restoration</td>
<td>40,625</td>
<td>28,899</td>
</tr>
<tr>
<td>Surplus leased premises</td>
<td>3</td>
<td>477,029</td>
</tr>
<tr>
<td>Other</td>
<td>37,915</td>
<td>477,029</td>
</tr>
</tbody>
</table>

NOTE 15 – OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company $</td>
<td>Company $</td>
</tr>
<tr>
<td>Lease Incentive liability</td>
<td>91,248</td>
<td>84,978</td>
</tr>
<tr>
<td>Lease Incentive liability</td>
<td>534,282</td>
<td>549,412</td>
</tr>
</tbody>
</table>

The Debtors Finance Facility is secured by a First Registered Mortgage Debenture Charge over Work Solutions Group Pty Ltd and guarantees by the Directors of Work Solutions Group Pty Ltd. Interest on this facility is charged at prevailing market rates. See also note 20.

The loans are unsecured and repayable on demand. Interest rates are fixed and vary between 8% and 8.5%.
### NOTE 16 – CONTRIBUTED EQUITY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consolidated</td>
<td>Company</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance at beginning of financial year</td>
<td>13,266,522</td>
<td>13,266,522</td>
</tr>
<tr>
<td>(7,472,473 ordinary shares fully paid)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of financial year</td>
<td>13,266,522</td>
<td>13,266,522</td>
</tr>
</tbody>
</table>

### NOTE 17 – RETAINED PROFITS AND DIVIDENDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total changes in equity recognised in the Statement of Financial Performance</td>
<td>$5,801,208</td>
<td>$5,865,867</td>
</tr>
<tr>
<td></td>
<td>Dividends provided for or paid</td>
<td>$(3,700,000)</td>
<td>$(3,700,000)</td>
</tr>
<tr>
<td></td>
<td>Net profit</td>
<td>$5,801,208</td>
<td>$5,865,867</td>
</tr>
<tr>
<td>Equity</td>
<td>Total profit at the end of the financial year</td>
<td>$13,266,522</td>
<td>$13,266,522</td>
</tr>
<tr>
<td></td>
<td>Total changes in outside equity interests</td>
<td>$(23,910)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total equity at the end of the reporting date</td>
<td>$13,266,522</td>
<td>$13,266,522</td>
</tr>
</tbody>
</table>

### NOTE 18 – OUTSIDE EQUITY INTERESTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening balance</td>
<td>3,891</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Add share of acquisition of controlled entity</td>
<td>0</td>
<td>107,502</td>
</tr>
<tr>
<td></td>
<td>Add share of operating profits/(loss)</td>
<td>$(23,910)</td>
<td>$(100,621)</td>
</tr>
<tr>
<td></td>
<td>Closing balance</td>
<td>$(20,029)</td>
<td>3,881</td>
</tr>
</tbody>
</table>

### NOTE 19 – COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not later than 1 year</td>
<td>$123,122</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Later than 1 year but not later than 5 years</td>
<td>$247,463</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total Capital Commitments Payable</td>
<td>$370,585</td>
<td>0</td>
</tr>
</tbody>
</table>

### NOTE 20 – CONTINGENCIES

The Company’s bank has provided a guarantee of $350,000 to the lessor of the head office premises on 1 November 1997. The directors are not aware of any circumstance or information which would lead them to believe that this liability will crystallise and consequently no provisions are included in the accounts in respect of this matter.

During the year, the Company became guarantor for a Debtor Finance Facility in behalf of Work Solutions Group Pty Ltd to a maximum value of $175,000, for working capital purposes. The directors have no reasons to believe that the guarantee will be drawn upon and thus no provisions are included in the accounts in respect of this matter.

The directors are not aware of any other material contingent liabilities.

### NOTE 21 – FINANCIAL INSTRUMENTS DISCLOSURE

#### a) Interest Rate Risk

The consolidated entity’s exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

<table>
<thead>
<tr>
<th></th>
<th>Weighted average interest rate</th>
<th>Floating Interest Rate</th>
<th>Fixed Interest Rate 1 year or less</th>
<th>Fixed Interest Rate 1 to 5 years</th>
<th>Non-Interest Bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000–2001</td>
<td>4.43%</td>
<td>$356,601</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Financial Assets</td>
<td>Cash</td>
<td>4.43%</td>
<td>$356,601</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>Receivables</td>
<td>n/a</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$5,200,851</td>
</tr>
<tr>
<td></td>
<td>Investments</td>
<td>6.24%</td>
<td>$13,015,545</td>
<td>$2,950,588</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td>Accounts Payable</td>
<td>n/a</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4,140,847</td>
</tr>
<tr>
<td></td>
<td>Interest Bearing Liabilities</td>
<td>12.25%</td>
<td>$210,519</td>
<td>$133,293</td>
<td>$0</td>
<td>$346,803</td>
</tr>
<tr>
<td></td>
<td>Dividends Payable</td>
<td>n/a</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>
b) Foreign Exchange Risk
The consolidated entity has not entered into any foreign currency transactions.

c) Credit Risk Exposure
Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the consolidated entity which have been recognised in the Statement of Financial Position, is the carrying amount of those assets, net of any provision for doubtful debts. Due to the nature of the majority of the consolidated entity’s clients (mainly Commonwealth and State Government), such risk is considered by the Directors to be very low.

d) Net fair values of financial assets and liabilities
The net fair values of investments have been valued at cost less amortisation of any premium (or discount) paid to acquire them and at amortised cost where the assets have been classified as held-to-maturity. For other assets and other liabilities, the net fair value approximates their carrying value. None of the financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position.

NOTE 22 – FINANCING ARRANGEMENTS
The consolidated entity has access to a bank overdraft facility of $1,000,000 (2000: $1,000,000). The amount of unused credit at the end of the financial year was $1,000,000 (2000: $1,000,000). Any interest arising from the overdraft credit arrangement is charged at prevailing market rates.

Financial Assets

<table>
<thead>
<tr>
<th>Weighted average interest rate</th>
<th>Floating Interest Rate 1 year or less</th>
<th>Fixed Interest Rate 1 to 5 years</th>
<th>Non-Interest Bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999–2000</td>
<td>5.98% 564,821</td>
<td>$0</td>
<td>$0</td>
<td>$564,821</td>
</tr>
<tr>
<td>Receivables</td>
<td>n/a 0</td>
<td>$0</td>
<td>$5,601,172</td>
<td>$5,601,172</td>
</tr>
<tr>
<td>Investments</td>
<td>6.11% 8,002,017</td>
<td>$0</td>
<td>$4,502,754</td>
<td>$12,504,771</td>
</tr>
</tbody>
</table>

Financial Liabilities

| Accounts Payable | 0 | $0 | $3,697,529 | $3,697,529 |
| Dividends Payable | 0 | $0 | $840,000 | $840,000 |

NOTE 23 – PARTICULARS IN RELATION TO THE CONTROLLED ENTITY
There was no change in the investment in controlled entities during the year. (On 1 July 1999, the Company purchased 50% of the ordinary shares of Work Solutions Group Pty Ltd for cash consideration).

Consideration (cash) 515,000
Fair value of net assets of entity acquired
Property, plant & equipment 248,393
Cash (218,428)
Trade debtors 464,341
Other assets 101,331
Trade creditors (142,149)
Hire purchase liability (161,932)
Borrowings (97,629)
Provisions (50,334)
Other liabilities (15,059)

$100,003
$115,000
$275,000
$107,502
407,499

NOTE 24 – NOTES TO THE STATEMENT OF CASH FLOWS
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

(a) Reconciliation of cash
Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand 118,055 117,292 37,559
At call deposits with financial institutions 810,046 819,546 556,682 614,722
536,601 536,601 594,821 692,287
Reconciliation of operating profit after income tax to net cash provided by operating activities

<table>
<thead>
<tr>
<th>Year</th>
<th>Consolidated</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000–2001</td>
<td>$5,777,298</td>
<td>$5,865,867</td>
</tr>
<tr>
<td>2001</td>
<td>$1,997,085</td>
<td>$2,245,077</td>
</tr>
</tbody>
</table>

Add/(less) items classified as investing/financing activities:

- Amortisation: $20,005 to $27,454
- Diminution in value of non-current investments: $20,005 to $27,454
- Surplus leased space: $0 to $239,013

Net cash provided by operating activities before change in assets and liabilities:

<table>
<thead>
<tr>
<th>Year</th>
<th>Consolidated</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000–2001</td>
<td>$7,643,216</td>
<td>$7,519,694</td>
</tr>
<tr>
<td>2001</td>
<td>$4,089,049</td>
<td>$4,161,068</td>
</tr>
</tbody>
</table>

Change in assets and liabilities:

- Increase in receivables: $271,831 to $627,194
- Increase in payables: $765,944 to $465,259
- Increase in provisions: $263,940 to $312,715
- Increase in income taxes payable: $551,993 to $551,697
- Increase in future income tax benefits: $280,050 to $280,027
- Increase in other liabilities: $18,860 to $88,014

Net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Year</th>
<th>Consolidated</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000–2001</td>
<td>$9,113,470</td>
<td>$9,000,436</td>
</tr>
<tr>
<td>2001</td>
<td>$9,186,610</td>
<td>$9,422,568</td>
</tr>
</tbody>
</table>

Note 26 – Directors’ Remuneration

The number of directors of the Company and consolidated entity whose income from the Company and consolidated entity or any related party falls within the following bands:

<table>
<thead>
<tr>
<th>Income Band</th>
<th>Number of Directors</th>
<th>Number of Related Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $9,999</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>$20,000 to $29,999</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>$30,000 to $39,999</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>$40,000 to $49,999</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>$50,000 to $59,999</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$60,000 to $69,999</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>$70,000 to $79,999</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>$80,000 to $89,999</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>$90,000 to $99,999</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$100,000 to $109,999</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The total remuneration paid or payable, or otherwise made available, to all directors in the consolidated entity from the consolidated entity or any related party:

- $387,854
- $352,007
- $444,319
- $276,245
- Total: $1,250,825

NOTE 26 – RELATED PARTIES

Directors

The names of each person holding the position of Director of Health Services Australia during the reporting period are Messrs R. Taylor AO, R. Basham, Dr S. Morey AM, Ms V. Fanning and Ms R. James. Mr W. Wilkinson AM commenced as a Director on 15 December 2000.
Details of directors’ remuneration are set out in Note 25.

The Chairman of the Company resigned as Chairman of the Australian Government Employee Superannuation Trust (AGEST) on 5 October 2000. AGEST is the default superannuation service provider of the Company and approximately $510,000 in employee and employer contributions is lodged annually with AGEST under normal terms and conditions.

During the year, the Company charged AGEST for the sub-letting of one of its offices and associated costs. The amount charged was $4,455, and was on full commercial terms.

No director has entered into a material contract with the Company during the reporting period, and there were no material contracts involving directors’ interests existing at year end.

The Company is wholly owned by the Commonwealth Government. No director holds shares in the Company.

Partly owned controlled entities
Details of interests in partly owned controlled entities are set out at Note 23.

During the year the Company entered into the following transactions with partly owned controlled entities:

- interest received or receivable on the loan to the controlled entity of $43,245 (2000: $36,569)
- reimbursement of costs for airfares booked under the Company’s name of $39,943 (2000: $28,028)
- sub-lease revenue of $31,334 (2000: $20,439)
- health services of $1,185 (2000: $5,525)

The aggregate amounts receivable from, and payable to, partly owned controlled entities by the Company at balance date are shown below:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>79,514</td>
<td>46,907</td>
</tr>
<tr>
<td>Non-CURRENT</td>
<td>585,000</td>
<td>585,000</td>
</tr>
<tr>
<td></td>
<td>664,514</td>
<td>631,907</td>
</tr>
<tr>
<td>Payables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>2,882</td>
<td>0</td>
</tr>
<tr>
<td>Non-CURRENT</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2,882</td>
<td>0</td>
</tr>
</tbody>
</table>

Notes:

1. These amounts include trade debtors and trade creditors as well as loans. Refer Note 7.
2. All dealings with the partly owned controlled entity are in the ordinary course of business and on normal terms and conditions.
3. The loan is for a term of 8 years, commencing 14 July 1999, with repayments of principal to commence 14 July 2002. Interest on the outstanding balance is calculated at prevailing market rates, reviewed quarterly (2000: fixed rate of 6.75%).
4. The activities of the Company are dependent on the significant level of services provided to Centrelink, and immigration related services provided to, and on behalf of, Department of Immigration and Multicultural Affairs, and the resultant revenue from the provision of these services.
5. The Company’s external auditor is the Australian National Audit Office. MGI Meyrick Webster performs an audit review of the controlled entity’s financial information.
6. The Company earned 78.5 cents per share after tax (in 2000: 30 cents per share).
7. Acquisition of Subsidiary

On 31 August 2001, the Company agreed to acquire a 100% interest in three companies that comprise the TMVC The Travel Doctor Group for consideration of $1,380,000. The Group specialises in travel medicine.

This event has no effect on the financial statements for the year ended 30 June 2001.
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03 9224 8344

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03 6211 0464

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