

---

Positively impacting the Australian community



## Report on operations 4

Financial Summary 6

Message from the Chair 8

Message from the Managing Director 9

Highlights 10



## National Acoustic Laboratories 12



## Caring for our clients 14



## Our people 18



## Management 22

Governance Arrangements 22

Our Corporate Governance 24

Board of Directors 32

Executive Management 35



## Financial statements 37

Appendices 66

Glossary 68

Compliance Index 69

Customer access 70

Australian Hearing Centres 71



Australian Hearing  
Australian Hearing Hub  
Level 5, 16 University Avenue  
Macquarie University  
NSW 2109 Australia

T (02) 9412 6800  
TTY (02) 9412 6802

[www.hearing.com.au](http://www.hearing.com.au)

## Letter to the Minister

The Hon Stuart Robert MP  
Minister for Human Services  
Parliament House  
Canberra ACT 2600

Dear Minister

I have pleasure in presenting Australian Hearing's Annual Report for the year ended 30 June 2015. The report has been prepared in accordance with the requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and relevant Finance Minister's orders.

This Annual Report complies with the reporting requirements prescribed by the PGPA Act. Australian Hearing's Directors as the accountable authority are responsible for the preparation and contents of the Annual Report in accordance with the requirements contained per section 7AB of the Public Governance Performance and Accountability (Consequential and Transitional Provisions) Rule 2014 and the Commonwealth Authorities (Annual Reporting) Orders 2011.

The report outlines the achievements and milestones for Australian Hearing during 2014/15 and was made in accordance with a resolution of Directors on 30 September 2015.

Yours sincerely

**Dr Peta Seaton**  
Chair

30 September 2015

## Report on Operations

**Our financial results for the financial year 2014/15 were a significant improvement over both budget and previous year. Our revenue was in excess of \$229 million, and our Net Profit before Tax was in excess of \$25 million.**

Excluding CSO funding, which is intended to be cost neutral, our EBITDA percentage was 20.5%, and our Return on Assets was a healthy 19.7%. By any standards this is a competitive result.

This financial year, we continued our client-focussed approach through the application of market research to respond to the needs of our clients. This included a national employee engagement program to not only inform staff of the research outcomes but also understand the market and customer changes ahead of us.

Additionally, our marketing strategy encompassed the key market research findings with achievements from the year including a company-wide road show which took all staff on the 'Australian Hearing brand journey', where the research findings were explained and ideas shared. We



created the role of Community Hearing Advisor, tasked with sharing positive messages about hearing health and supporting the local community in accessing services. Our Hearing Centres focussed on strengthening the referral partnership between GPs and our audiologists. The year also saw award winning country music star Troy Cassar-Daley announced as our official Ambassador, including the launch of his song dedicated to us, *I Can Hear You Now* ([www.hearing.com.au/troysong](http://www.hearing.com.au/troysong))

Further to this, we developed a new Corporate Plan (2015/16-2018/19) to commence with the 2015/16 financial year. The Corporate Plan has taken into account the market research findings with a focus on responding to current and future market challenges, and the need to develop collaborative partnerships with appropriate organisations.

The introduction of new hearing technology helped support good client outcomes. The benefits of the new technology were enthusiastically taken up by our clinicians and clients alike, addressing the issue of stigma and perception of hearing aids.

The 2014/15 financial year also included an announcement by the Australian Government in May 2015 that it would carry out further consultation with the hearing impaired community about the findings of the scoping study into future ownership options for Australian Hearing. This consultation would also focus on the implications of the introduction of the National Disability Insurance Scheme (NDIS) for government

funded hearing services. No decision has been made by Government on the future ownership of Australian Hearing. We remain focussed on the job at hand and continue to deliver world-class hearing services and research, and look forward to maintaining this momentum into next year.

**See more of Australian Hearing's 2014/15 highlights on page 10.**

# Financial summary

Australian Hearing is accountable to the Minister for Human Services.

Our organisation is managed by a Board of Directors appointed by the Minister for Human Services and is subject to the requirements of the PGPA Act and *Australian Hearing Services Act 1991* (AHS Act). Annual financial statements for financial year 2014/15 are subject to audit by the Auditor-General and are provided to the Minister.

## Revenue performance

We achieved total revenue of \$229.2 million, which was 7.9% more than last year.

REVENUE 2011-2015 (\$ MILLIONS)

Year	Revenue (\$ Millions)
2011	199.0
2012	209.0
2013	203.3
2014	212.2
2015	229.2

## Profit before tax

We achieved a profit before tax of \$25.2 million.

PROFIT BEFORE TAX 2011-2015 (\$ MILLIONS)

Year	Profit Before Tax (\$ Millions)
2011	13.8
2012	9.6
2013	4.2
2014	12.5
2015	25.2

## Key business indicators

Our earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were \$33.2 million. This was 77% more than the previous year.

EBITDA 2011-2015 (\$ MILLIONS)

Year	EBITDA (\$ Millions)
2011	20.6
2012	18.3
2013	11.9
2014	18.8
2015	33.2

An EBITDA percentage of 20.5% excluding CSO was achieved this year.

EBITDA 2011-2015 (%)

Year	EBITDA %
2011	10.3%
2012	8.7%
2013	5.9%
2014	8.8%
2015	14.5%

■ EBITDA % ■ EBITDA % excluding CSO

We achieved a return on total assets of 13.9% this year. (Including CSO Funding)

RETURN ON TOTAL ASSETS 2011-2015 (%)

Year	Return on Total Assets (%)
2011	10.5%
2012	7.0%
2013	2.8%
2014	7.4%
2015	13.9%

Capital expenditure for the year was \$9.6 million as we continued our investment in information technology to support efficiencies in the business. Return on total assets increased during the year. This was a result of our higher profit.

# Risk management and audit

During the year we worked with our internal auditors to improve our risk management framework and this included two workshops attended by Directors, Audit and Risk Management Committee members and Executives. We also reviewed our strategic risk assessment to ensure that our risk profile was aligned with our Corporate Plan Strategic Themes and the business environment in which we operate. Risk Assurance Maps and Risk Registers have been further developed and updated as a result.

A detailed audit program consisting of internal and external audits was undertaken. An internal audit of the Australian Hearing IT Security Framework along with penetration testing was completed and a regular update on the IT security Risk Treatment plan was provided at each Audit and Risk Management Committee meeting. A programme of Hearing Centre risk assessments and benchmarking has been established and will be rolled out across the Australian Hearing network.

As part of the Australian National Audit Office (ANAO) audit and consistent with previous years, Crowe Horwath was subcontracted by ANAO to audit key areas including analytical testing of overall revenue streams as part of the 2015 audit of the financial statements.

In addition other services were provided by Crowe Horwath relating to the 2015 Australian Hearing tax review which they completed as our tax advisers and is reflected in *Note 4 Income Tax Expense* for the June 2015 Financial Statements. This work was previously undertaken by Deloitte.

## Reporting and analysis

In addition to reports to our Board of Directors, we provided quarterly reporting against our Corporate Plan to the Minister for Human Services. The reports contained key performance and financial indicators, as well as performance against strategic goals.

We also provided the Office of Hearing Services (OHS) with quarterly reports on our compliance with the Memorandum of Agreement to deliver the Community Service Obligations services.

Australian Hearing Annual Report 2014/15

## Message from the chair



In my first year as the Chair of the Board of Directors it has been my privilege to witness and experience firsthand the work undertaken by Australian Hearing in communities right across the country. Our clients' wellbeing and interests are at the heart of all we do. In the 2014/15 financial year we delivered hearing services to over 213,000 people.

The Australian Hearing brand touches diverse groups and communities across the country. Over the past year, our fleet of hearing buses alone have travelled over 174,000 kilometres to more than 750 locations and provided more than 20,000 hearing checks.

Whether in remote Northern Territory, the Torres Strait Islands, urban communities in our capital cities or far flung regional centres I have enjoyed meeting our dedicated staff, who listen to our customers and genuinely care about meeting their unique needs.

Whether front desk staff, technicians or audiologists they bring the highest standards of professionalism to their roles and also represent Australian Hearing in their broader communities. Our people have a real passion for hearing, and the National Acoustic Laboratories conduct world class research to constantly advance hearing solutions.

My sincere thanks also go to our former Chair, Associate Professor Rae Cooper who dedicated herself to making a valuable contribution to Australian Hearing.

Throughout 2014/15 we have remained focussed on running Australian Hearing both productively and efficiently, while seeking ways to focus even more strongly on our customers. I am pleased to report that along with the positive hearing health outcomes for our clients, we have also delivered a strong financial return for our

stakeholders. This is a significant achievement and a credit to Managing Director Bill Davidson's leadership and the support of the Board.

I also wish to express my appreciation to our former Minister, Senator the Honourable Marise Payne, for her consistent advocacy for the importance of positive hearing health, particularly for preventing avoidable hearing loss and maximising the opportunities for children with hearing loss during the year. We have appreciated her strong interest in Australian Hearing's activities, her regular visits to local hearing centres and support of National Hearing Awareness Week.

I welcome the appointment of the Hon Stuart Robert MP as Minister for Human Services and look forward to working closely with him to continue the excellent work of Australian Hearing.

I also thank Troy Cassar-Daley, our Ambassador and dedicated advocate for helping raise awareness of the importance of tackling hearing loss.

Dr Peta Seaton  
Chair, Australian Hearing



## Message from the Managing Director

After a year full of achievement and growth, Australian Hearing is in a strong position. I'd like to start by thanking each and every one of Australian Hearing's staff for the contribution they have made to the organisation over 2014/15. We have a culture that truly cares about what we do and I'm proud to be able to experience the positive impact we make on people's lives.

### Financial year in review

The 2014/15 year has been one of our strongest yet. We achieved a total revenue of \$229.2 million, a 7.9% increase on the previous year. In addition, our EBITDA increased 77% from the 2013/14 year to be \$33.2 million. This is an excellent result and comes despite facing an uncertain market and an increase in competition. We are proud to be the leading hearing support, services, and research organisation in Australia and remain focussed on the job at hand – delivering world class hearing services and research.

### Caring for our clients

Our clients are at the heart of everything we do. Throughout the year we maintained our client focussed approach, which included the continued roll-out of our market research to better understand and respond to their needs. As part of this we worked closely with staff to implement capabilities and a supportive culture to best focus on our clients.

Australian Hearing clients access our services from every corner of the country and over the past year, our footprint continued to grow. By the end of 2014/15 we established 10 new hearing centres, supporting new communities including Victor Harbor, Bowral, Mildura and Wonthaggi. But our reach also extends to rural and remote areas through our Outreach program for Aboriginal and Torres

Strait Islanders. I'm proud to say that over 100 of our audiologists supported more than 230 communities throughout the year.

In order to help us spread the importance of hearing health more broadly, Troy Cassar-Daley joined the team as our official Ambassador. From the Tamworth Music Festival to South West Rocks and Brisbane, Troy has taken the message to the people! We were also fortunate enough for Troy to write and dedicate a heartfelt song to us – *I Can Hear You Now* – with proceeds from its sale donated to an education fund for hearing impaired students.

### Shaping our future

Australian Hearing is in a very positive position and I believe as an organisation, we are in better shape than ever. I'm confident that we have the right people and the strategies in place to maintain momentum and make us an even more effective organisation. Once again, I'd like to thank each of the 1,198 Australian Hearing staff for their ongoing contribution, as well as our Board of Directors and Executive Managers.

Bill Davidson  
Managing Director, Australian Hearing

# HIGHLIGHTS 2014/15

from the year that was

# I ♥ MY JOB

We ranked in the top 25% of employers for staff engagement in Australia and New Zealand

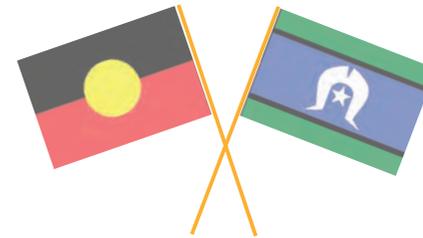
We provided over

# 510,000

hearing health services



Our Loud House hearing awareness campaign won four marketing industry awards



We visited over 230 Aboriginal and Torres Strait Islander communities

We translated client materials into 12 different languages

Our hearing bus fleet of nine travelled over 174,000 kilometres to more than 750 locations and provided more than 20,000 hearing checks



We opened

# 10

new Hearing Centres

We rebranded and redesigned our website to appeal to existing and emerging customer groups



# 35%

increase in traffic to the Australian Hearing website

Troy Cassar-Daley joined the team. And together we released a hit record and an academic award



The I Can Hear You Now video was viewed over

# 80,000

 times

# 550%

increase in Facebook followers.

NAL launched the Know Your Noise website with 4,000 people completing the online hearing test

## KNOW YOUR NOISE



# National Acoustic Laboratories

National Acoustic Laboratories (NAL) is a world leader in hearing loss assessment, prevention and rehabilitation. With the benefit of wide collaboration, the knowledge gained and solutions developed are disseminated internationally.

## Know your Noise

NAL, supported by funding from the Office of Hearing Services and in conjunction with the HEARing Co-operative Research Centre (CRC) has established that young Australians are at potential risk of noise injury from regular participation in 'noisy' non-work and leisure activities. NAL has developed the Know Your Noise website ([knowyournoise.nal.gov.au](http://knowyournoise.nal.gov.au)), which invites individuals to assess their hearing and find out if their hearing habits are placing them at risk of developing noise-injury. The site was launched November 2014 and in the first six months, around 4,000 individuals completed the online hearing test. A further 2,000 visitors used the site's interactive 'Noise Risk Calculator' to determine their personal level of noise risk. This site will be updated on a regular basis to ensure it remains a vital and relevant resource to help people better understand the risks associated with leisure noise exposure.

## Binaural beamformer

Listening in noisy environments remains one of the biggest challenges for people with hearing problems. In collaboration with the HEARing CRC, a super-directional signal processing algorithm (beamformer) was developed, implemented in hearing protectors and hearing aid prototypes, and tested. A novel feature of the technology is that a super-directional output signal is produced while preserving the localisation cues. Preservation of location cues is critical for speech communication in group conversations. In the laboratory, the beamformer has been shown to improve speech understanding in noise, improve comfort in prolonged exposure to noise and improve the ease of listening generally. Work to support possible commercialisation of the technology in hearing aids, cochlear implants, and assistive listening devices is in progress.

## Child outcomes study

The Longitudinal Outcomes of Children with Hearing Impairment (LOCHI) study, performed by NAL and its collaborators within the HEARing CRC, has provided population-based, world-first evidence for the benefits of early intervention resulting from universal newborn hearing screening. While the LOCHI study has shown that children who received early fitting of hearing aids or cochlear implants, combined with early educational intervention, have achieved good language outcomes at five years of age; it has also revealed that many children displayed weaknesses in pre-reading skills. Of those who have now completed their evaluations at nine years of age, many continued to exhibit deficits. These results suggest that additional intervention targeting specific skills is needed. NAL has commenced research into strategies for providing early support for the development of pre-reading skills with a new cohort using a tablet-based application devised by NAL. A parent-led program for training pre-reading skills has been implemented, and is currently on trial with families in Victoria (funded by Victorian Deaf Education Institute).

## Evaluating infants objectively

The HEARLab system developed by NAL for the measurement of cortical responses to sounds has been further extended with new software modules. A second module, aimed at measuring brain stem responses is being prepared for European Union certification. A third module, the cortical automatic threshold estimator has been developed to allow automatic estimation of cortical thresholds of infants and adults who are difficult to test behaviourally. Clinical performance evaluation of the

module is underway. As children are getting implanted earlier in life – which is important for their language development as shown by the LOCHI study – an appropriate adjustment of the implant is essential even when these children are too young to be able to provide reliable behavioural feedback.

## Neural effects of noise exposure

Recent studies have shown that noise exposure may affect auditory nerve fibres that encode high-level sounds, which participate to a great extent in challenging daily activities like speech perception in noise. However, audiometry tests typically carried out in the clinical practice only evaluate the auditory system at levels near threshold. Some people may therefore be suffering from specific hearing problems without being diagnosed. Within the Early Indicators of Noise Injury (EINI) project, we are developing different neurophysiology strategies to evaluate the integrity of the auditory system at supra-threshold levels. These strategies might enable us to diagnose what is nowadays called "hidden hearing loss".

For further details on NAL publications go to: [www.nal.gov.au](http://www.nal.gov.au)



## Caring for our clients

Australian Hearing is committed to delivering effective and accessible hearing services, quality clinical care and excellence in customer service. Last year we provided 510,416 hearing health services to clients.

NUMBER OF OUTREACH SITES VISITED  
2010/11 TO 2014/15

FINANCIAL YEAR	NUMBER OF SITES VISITED
2010/11	229
2011/12	215
2012/13	224
2013/14	217
2014/15	233



Australian Hearing is funded to service clients through two sources; the Community Service Obligations program and the Voucher program.

Our clients include pensioner concession card holders, recipients of a Centrelink Sickness Allowance, holders of a Department of Veterans' Affairs Gold and White card (specifying hearing loss), children and young adults under the age of 26 years, adults with complex hearing needs and Aboriginal and Torres Strait Islanders aged over 50 years.

### The Community Service Obligations program (CSO)

We receive fixed funding annually to deliver services designated as CSO under a Memorandum of Agreement with the Office of Hearing Services (OHS). CSO funding represented 29% of our total revenue.

The Memorandum of Agreement with the OHS emphasises the importance of access and quality services for our Community Service Obligations clients.

### Services to Aboriginal and Torres Strait Islanders

While many Aboriginal and Torres Strait Islanders chose to receive hearing services at our hearing centres and visiting sites, a higher proportion accessed our services through their local health service. We worked closely with these local services to deliver our outreach program which provided hearing services to some of the most remote communities in Australia. There are now 116 Australian Hearing Audiologists covering 233 sites involved in the outreach program.

### Services to Aboriginal and Torres Strait Islander children

During the year we saw a total of 5,327 Aboriginal and Torres Strait Islander children and young adults aged under 26. This represents 16% of the total number of children and young adults who received services during the year.



## Adults with complex hearing rehabilitation needs

During the year, Australian Hearing provided 48,426 services to just over 21,000 adults with complex hearing needs; 15% of these services were provided at the client's place of residence. The majority of these adults have a severe or profound hearing loss, or poor understanding of speech and require much more than just a well fitted hearing aid to participate in life. Over 76% of adults with complex needs who were seen for a review were provided with specialised communication assessment and individual training programs, to maximise their communication ability and assist them to continue to take part in activities they enjoy.

## Services for babies, children and young people up to age 26

In 2014/15 we provided 66,552 services to 30,130 young Australians under the age of 21. We also provided services to 3,020 young adults aged between 21 and 26.

During the year we also provided over 6,000 remote microphone systems to children and young adults. Remote Microphone systems are used in addition to hearing aids and cochlear implants to overcome the adverse effects of distance, background noise and reverberation. They can be particularly useful in a classroom environment. The most commonly-fitted remote microphone systems for children now operate on a digital, rather than Frequency Modulated (FM) platform.



We also funded 695 speech processors through the cochlear implant upgrade program; this was an increase of 43% over the previous year. Demand for speech processor upgrades increased due to a change in technology.

The Paediatric Program Advisory Committee (PPAC) met on four occasions in 2014/15 and continues to provide valuable input to our services. Members provided advice and feedback about the development of online resources to replace the "Choices" publication, resources for clients seen on outreach and communication with families and resources for developing independence for young clients.

## The Voucher program

During the year we provided 381,374 services to clients under the Voucher program.

Australian Hearing continues to grow its sites to service both CSO and Voucher clients at convenient, easy to access locations. At 30 June 2015, Australian Hearing had 137 permanent sites which was a growth of 8% compared to the previous year.

In addition, clients can access services at visiting sites. At 30 June 2015, Australian Hearing had 380 visiting sites throughout Australia, an increase of 3.3% against the previous year.

## Caring for our people

Australian Hearing has maintained its strong focus on its people, recognising that they are the cornerstone of our success. Our people-focus continues to rest on three key pillars.



### Making our people processes 'simple & easy':

Every day, our leaders complete a number of people-related actions such as recruiting a person to fill a vacant position, coaching a team member to assist their development or completing a performance review. We are making these processes as simple and easy as possible.

### Creating the best working environment for our people:

We are creating an environment in which our people love coming to work and do their best work each and every day. Our more structured and continual focus on employee engagement is paying dividends, with Australian Hearing ranked once again in the top quarter of employers in Australia and New Zealand (as per our independent employee engagement survey conducted by Aon Hewitt).

### Essence and Purpose:

Our focus on embedding our Essence & Purpose has assisted us to drive beneficial cultural change. We are empowering our people and giving them the flexibility and autonomy they need to make their Centre a vibrant part of their local community. Our Essence & Purpose provides our people with two golden rules: whatever you are doing, do it in a way that has a positive impact and that shows that you care.

Creating the conditions in which our people can do their best work has favourably impacted our key business and people metrics. Over the course of the 2014/15 financial year, personal/carer's leave remained relatively low as did our voluntary turnover.

## STAFFING PROFILE AND PERFORMANCE INDICATORS

	2010/11	2011/12	2012/13	2013/14	2014/15
Employees at 30 June (headcount)	1,168	1,193	1,141	1,176	<b>1,198</b>
Voluntary staff turnover	13.3%	11.6%	11.5%	9.6%	<b>6.33%</b>
Ratio of clinical to non-clinical staff	1:1.6	1:1.4	1:1.6	1:1.6	<b>1:1.6</b>
Unplanned leave (days/FTE)	7.2	6.7	6.5	6.1	<b>7.3</b>
Percentage of women	79.8%	81%	80%	81.6%	<b>80.9%</b>
Percentage of women in senior management roles	62.1%	65%	66%	67%	<b>70%</b>
Employees using the Employee Assistance Program	44	43	62	50	<b>43</b>
Number of Health and Safety Committee members who are employee representatives	14	23	20	15	<b>14</b>
Aboriginal and Torres Strait Islander employees as a percentage of total employees	0.7%	0.6%	1.5%	1.9%	<b>2.17%</b>

## Our people's safety and wellbeing

Australian Hearing remains committed to providing a safe environment for our employees, clients and visitors. We are continuously improving our performance in workplace safety and striving to have no injuries to our people. Our Work Health and Safety management system describes how we will fulfil this duty of care and the actions we take to create a healthy and safe working environment. This year we maintained certification for our management system against the Australia and New Zealand Standard AS/NZS 4801 for Occupational Health and Safety Systems.

Australian Hearing has a strong focus on improving the health and wellbeing of our employees. This year we introduced an externally hosted portal, MyHealth. All employees are able to access this portal for information on health and wellbeing topics, as well as to undertake their on-line Health Risk Assessment (HRA). Over 35% of our employees have completed their HRA and the portal is accessed by around 200 users every month.

Utilisation of our Employee Assistance Program (EAP) was similar to previous years. However, this year we had some major events where additional on-site counselling support was provided by our EAP provider. This included dealing with the aftermath of Cyclone Marcia in Rockhampton.

## Safety Reporting

This year Australian Hearing revamped our WHS reporting. Monthly reporting to the Board and Executive included the monitoring of key safety statistics and the WHS plan. Data reported includes injury frequency rates, incident analysis, open corrective actions and actions from audits, wellbeing initiatives and progress against the annual WHS Plan.

Our WHS Plan included the development of a new incident recording system, early intervention for our non-work related injuries, the delivery of a health and wellbeing portal and new processes implemented for managing the risk of aggressive clients. Australian Hearing will also partner with the White Ribbon Organisation to become a workplace advocate for reducing the risk of domestic violence.

## Comcare

Australian Hearing's worker's compensation premiums continue to be lower than the average for similar Commonwealth agencies. We have improved case management capabilities in the organisation to assist us to manage an early return to work for our injured employees. We have also developed a closer working relationship with our insurer, Comcare, and this has led to better case management and improved support for injured workers.

Australian Hearing was not issued with any Prohibition, Non-Disturbance or Provisional Improvement Notices during the year. No notifiable or dangerous incidents were reported to Comcare under Work Health and Safety legislation.

### WORK HEALTH AND SAFETY INDICATORS 2011/12 TO 2014/15

Indicator	2011/12	2012/13	2013/14	2014/15	2015/16
Comcare workers compensation premium rate for Australian Hearing (percentage of payroll as at June 2015)	0.71%	1.22%	0.93%	1.72%	<b>1.51%</b>
Comcare premium rates for all agencies combined	1.28%	1.61%	1.65%	1.93%	<b>1.85%</b>

# Management



## Governance Arrangements

Australian Hearing reports to the Minister for Human Services.

### Minister

Senator the Hon Marise Payne was Minister for Human Services between 18 September 2013 and 21 September 2015. On 21 September 2015 the Hon Stuart Robert MP was appointed Minister for Human Services.

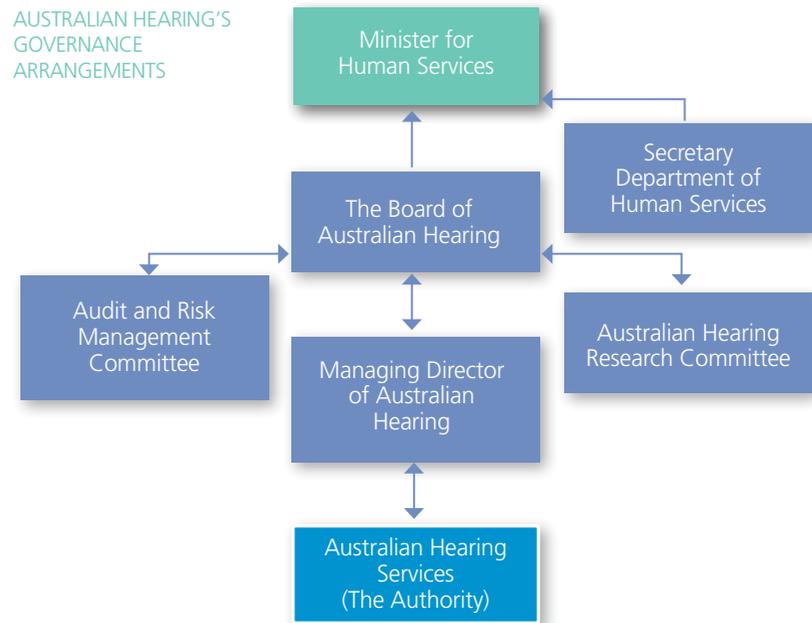
At 30 June 2015, the Minister for Human Services is responsible for administering specific legislation including the AHS Act, except to the extent that it is administered by the Minister for Health.

### Department of Human Services

The Department of Human Services provides policy advice on service delivery matters to government to ensure effective, innovative and efficient implementation of government service delivery. It is subject to the PGPA Act. The Department delivers a range of government and other payments and services to almost every Australian including Centrelink, Aged Care, Medicare and Child Support.

The Department works closely with Australian Hearing, providing strategic advice to the Minister and Secretary on service delivery policy and regulatory requirements for services delivered by Australian Hearing under the Australian Government Hearing Services Program.

AUSTRALIAN HEARING'S GOVERNANCE ARRANGEMENTS



# Our corporate governance

The Australian Hearing Board is committed to achieving good corporate governance as an essential component of good business practice and culture.

The Board is committed to implementing appropriate governance structures and mechanisms to ensure discipline, integrity, transparency, fairness and accountability in all its operations and actions.

As an Australian Government agency we operate under the AHS Act and the PGPA Act. Under the PGPA Act Australian Hearing is classified as a Corporate Commonwealth entity. The duties of the Managing Director are, as provided for under section 42 of the AHS Act to manage the Authority.

We are accountable to the Minister for Human Services. The Board is responsible for the development of corporate and financial plans. The PGPA Act (section 35) requires corporate Commonwealth entities to prepare and publish corporate plans every year.

Both plans are submitted to the Minister for Human Services and to the Minister for Finance. Annual financial statements are subject to audit by the Auditor General.

The Board comprises up to five Non-Executive Directors (including the Chair) and the Managing Director. Directors, having qualifications relevant to or special experience or interest in a field related to Australian Hearing's functions, are appointed by the Minister.

Australian Hearing has established a corporate governance framework that meets existing legislative requirements. In doing so Australian Hearing strives to apply the principles of good corporate governance and continuously improve its corporate governance practices. The Board meets on a regular basis. The table below lists the number of meetings attended by each Board member during the financial year.

BOARD ATTENDANCE AT BOARD MEETINGS

BOARD OF DIRECTORS		MEETINGS ATTENDED	MEETINGS ELIGIBLE TO BE ATTENDED
Associate Professor Rae Cooper	Chair retired 21 October 2014	3	3
Dr Peta Seaton	Chair appointed 8 December 2014	5	5
The Hon Michael Knight AO	Director	8	8
Mrs Swati Dave	Director Acting Chair 22 October 2014 – 7 December 2014	8	8
Mrs Glenise Coulthard	Director	8	8
Mrs Sam Andersen	Director	8	8

CIRCULAR RESOLUTION DISTRIBUTION TO THE BOARD OF DIRECTORS

		CIRCULARS DISTRIBUTED	CIRCULARS ELIGIBLE TO BE RECEIVED
Associate Professor Rae Cooper	Chair retired 21 October 2014	1	1
Dr Peta Seaton	Chair appointed 8 December 2014	7	7
The Hon Michael Knight AO	Director	9	9
Mrs Swati Dave	Director Acting Chair 22 October 2014 – 7 December 2014	9	9
Mrs Glenise Coulthard	Director	9	9
Mrs Sam Andersen	Director	9	9

## Directors' induction

New Directors are provided with a formal induction program to provide an understanding of their roles and responsibilities, key features of the business, including operations, policies and strategies. Ongoing Director education is provided by way of site visits and presentations on matters of current interest at Board meetings.

## Directors' confidentiality agreements

Privacy and confidentiality are important to Australian Hearing. All Australian Hearing Directors, are required to sign a confidentiality agreement on commencement with Australian Hearing. These agreements set out the obligations of Directors to not disclose confidential information obtained during the course of their duty as Directors.

## Indemnity and insurance of Officers

During the year, we paid a premium of ex GST \$17,500 to insure the Directors and Officers of Australian Hearing. The liabilities insured were legal costs and other expenses that may be incurred in defending any civil or criminal proceedings brought against them in their capacity as Directors and Officers of Australian Hearing.

## Board questionnaire

A Board performance appraisal is undertaken on an annual basis, focusing on Board and other Committee effectiveness. A formal board questionnaire, based on the questionnaire recommended by the Australian Institute of Company Directors (AICD), is completed on a confidential basis by each Australian Hearing Director. The most recent review was completed in August 2015.

## Board performance assessment

Assessment of the Board performance is conducted against the statutory requirements, the functions and role of the Board.

## The role of the Board

### (A) THE FUNCTIONS OF THE BOARD ARE:

- (i) to decide the objectives, strategies and policies to be followed by Australian Hearing in accordance with section 14(1) (a) of the AHS Act.
- (i) to ensure that Australian Hearing performs its functions in a proper, efficient and economical manner in accordance with section 14(1)(b) of the AHS Act.
- (i) to act in accordance with any duties imposed by the PGPA Act on Officials, including the obligations provided for in Division 3 (subdivision A - section 25-29) dealing with the general duties of Officials.

### (B) IN EXECUTING ITS FUNCTIONS, THE BOARD WILL:

- (i) ensure that Australian Hearing complies with Commonwealth reporting requirements.
- (ii) provide guidance to senior management.
- (iii) ensure the long term viability and financial position of Australian Hearing.
- (iv) agree on key performance indicators (KPIs) for the measurement of Australian Hearing's performance.
- (v) ensure an appropriate corporate governance structure is in place.
- (vi) assess the performance of Australian Hearing, our management and the Board itself.
- (vii) monitor developments within Australian Hearing's operating environment.
- (viii) approve annual accounts, the annual report and other public documents and sensitive reports.

### (C) THE BOARD WILL USE ITS BEST ENDEAVOURS TO:

- (i) ensure that overall corporate strategies, significant policies and the financial plans are approved and reviewed.
- (ii) ensure that adequate risk management processes and internal controls exist and are being adhered to.
- (iii) ensure legal and regulatory compliance is achieved.

## Certification

The Managing Director, Business Services Director and Chief Operating Officer and Company Secretary provide written certification regarding the integrity of the controls and activities of the organisation, including assurances as to its financial condition. This assurance supports the Audit and Risk Management Committee in one of its key responsibilities: reviewing the annual financial statements, which culminates in the acceptance of the annual financial statements by the Board.

## Company Secretary

The Company Secretary is Mr Stephen Patterson BCom, FCPA, ACIS, GAICD. Mr Patterson was appointed Company Secretary in March 2004.

## Independent professional advice

Directors have the right, with the prior agreement of the Chair, to obtain relevant independent professional advice at the expense of the organisation on any matter connected with the discharge of their responsibilities as a Director.

## Audit and Risk Management Committee

The functions of the Audit and Risk Management Committee are outlined in its charter as at 30 June 2015 and are detailed below:

- (i) Financial reporting; and
- (ii) System of risk oversight and management; and
- (iii) System of internal control;

## Financial Reporting

The responsibilities of the Audit and Risk Management Committee include the following:-

- review the financial statements and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chair of the Board. In particular the committee will:
  - (a) assess Australian Hearing's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures
  - (b) assess areas of significant judgment and financial statement balances that require estimation
  - (c) assess any significant changes to accounting policies and practices, (by May each year)
  - (d) review significant or unusual transactions, not covered by (b) or (c) above
  - (e) assess whether appropriate management action has been taken, in response to, any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- review the processes in place designed to ensure that financial information included in Australian Hearing's annual report is consistent with the signed financial statements;
- monitor the standard of financial information provided to the Board; and
- discuss with the ANAO the auditor's judgments about the adequacy of Australian Hearing's accounting policies and the quality of processes for the preparation of the financial statements.

## Systems of risk oversight and management

The responsibilities of the Audit and Risk Management Committee include the following:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of Australian Hearing's material financial and business risks, including fraud and approve the Risk Management Framework;
- determine whether a sound and effective approach has been followed in managing the entity's major risks, including those associated with individual projects, program implementation and activities;
- satisfy itself that management has assessed the impact of Australian Hearing's enterprise risk management framework on Australian Hearing's control environment;
- monitor the adequacy of insurance cover for the Australian Hearing;
- monitor reports on fraud from entity management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in Australian Hearing;
- at least annually, commission and approve an entity-wide assurance map that identifies the entity's key assurance arrangements.

## Systems of internal control

The responsibilities of the Audit and Risk Management Committee include the following:

- assess whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework, including controls over external parties such as contractors and advisors and information technology security and arrangements;
- review whether management has in place appropriate policies and procedures, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- assess whether appropriate policies and supporting procedures are in place for the management and exercise of delegations;
- assess whether management has taken steps to embed a culture that promotes the proper use of Commonwealth resources and which is committed to ethical and lawful behavior;
- determine whether a sound and effective approach has been followed in establishing Australian Hearing's business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested; and
- legislative and policy compliance
  - determine whether management has appropriately considered legal and compliance risks as part of Australian Hearing's enterprise risk management plan;
  - assess the effectiveness of the system for monitoring Australian Hearing's compliance with relevant laws, regulations and associated government policies.
- assess IT protective security framework

ATTENDANCE OF DIRECTORS AND MEMBERS AT THE AUDIT AND RISK MANAGEMENT COMMITTEE (ARMC) MEETINGS

		MEETINGS ATTENDED	MEETINGS ELIGIBLE TO BE ATTENDED
Mrs Swati Dave	Chair Director 22 October 2014 – 7 December 2014	6	6
The Hon Michael Knight AO	Director	6	6
Mrs Sam Andersen	Director Acting Chair 22 October 2014 – 7 December 2014	6	6
Ms Michelle Chiang	Member	5	6

The Chair of Australian Hearing Board, the Managing Director, the Business Services Director, the Chief Operating Officer and Company Secretary and representatives from Australian Hearing Management who are not members of the Committee may attend all or part of the ARMC meeting as observers, by invitation of the Committee Chair.

Representatives from ANAO and their contracted service provider (currently Crowe Horwarth) also attend each ARMC meeting by invitation of the Committee Chair.

Internal auditing has been outsourced to Ernst & Young

since 1 July 2014. Their representatives attend each ARMC meeting by invitation of the Committee Chair.

Regular reports are received from Management, Internal and External Auditors and recommendations for improved internal controls, processes and efficiencies are implemented on a regular basis. The Committee meets at least once a year independent of Management.

#### CIRCULAR RESOLUTION DISTRIBUTION TO AUDIT & RISK MANAGEMENT COMMITTEE MEMBERS.

		MEETINGS ATTENDED	MEETINGS ELIGIBLE TO BE ATTENDED
Mrs Swati Dave	Chair Director 22 October 2014 – 7 December 2014	1	1
The Hon Michael Knight AO	Director	1	1
Ms Michelle Chiang	Member	1	1
Mrs Sam Andersen	Director Acting Chair 22 October 2014 – 7 December 2014	1	1

## Remuneration and Organisation Development Committee

This Committee is a formal sub-committee of the Board established on 26 October 2012 with initial membership comprised of Associate Professor Rae Cooper (Chair), Mrs Swati Dave and Mrs Glenise Coulthard.

The role of the Committee is to assist and advise the Board of Directors in fulfilling its responsibilities on matters relating to the compensation, bonuses, incentives and remuneration issues of the Managing Director and staff. The Committee is not a policy making body, but assists the Board by implementing Board policy. During the year the objectives of the Committee were assumed by the Board and the Committee was discontinued.

The objectives of the Committee include:

- review and recommend to the Board annually remuneration for the Managing Director within the terms of the employment contract and Remuneration Tribunal guidelines.
- review the Managing Director's recommendation regarding remuneration for staff.
- ensure staff remuneration is aligned with market trends.
- monitor and review the Managing Director's performance and key performance indicators for the determination of the annual bonus components.
- review and recommend incentive plans for Executives and staff.
- ensure that remuneration is aligned with strategy.
- ensure that the key performance indicators and performance of senior Executive staff is aligned with strategy.
- assist the Board in driving talent management at a strategic level.
- assist the Board in the recruitment and development of senior Executive staff.

#### ATTENDANCE OF DIRECTORS AND MEMBERS AT REMUNERATION AND ORGANISATION DEVELOPMENT COMMITTEE MEETINGS

		MEETINGS ATTENDED	MEETINGS ELIGIBLE TO BE ATTENDED
Associate Professor Rae Cooper	Chair retired 21 October 2014	2	2
Mrs Swati Dave	Director Acting Chair 22 October 2014 to 7 December 2014	2	2
Mrs Glenise Coulthard	Director	2	2

## (k) Australian Hearing's Research Committee

The Research Committee met five times during the year. Its role is to:

- Review the strategic plan of NAL research once a year.
- Determine that the projects undertaken are in line with the role of Australian Hearing as described in the AHS Act and any broad strategic directions for NAL that are in place at any time.
- In relation to projects that receive funding from the Commonwealth Department of Health (the Department):
  - Endeavour to ensure that NAL's activities are consistent with the terms of the Agreement between the Office of Hearing Services and NAL; and
  - Endeavour to ensure alignment between the aim of each project undertaken by NAL and the objectives of the Hearing Services Program by confirming that each project:
    - Has the potential for national application;
    - Provides practical and sustainable benefits;
    - Has methodological merit, and where appropriate, be peer reviewed;
    - Is cost effective;
    - Can be directly translatable into practice and/or provide knowledge that has the potential to guide future research and development impacting on practice; and
    - Is delivered in accordance with the Commonwealth government standards of accountability, efficiency and transparency.
  - Monitor and review the performance, progress and expenditure of projects against the above listed criteria and ensure that any changes to the direction and/or scope of a project do not compromise synergy with the objectives of the Hearing Services Program; and
  - Manage the quality of the research through a review process which may be conducted by members of the Committee and/or involve audiological or other scientific peer review external to the Committee; and
- Consider whether to endorse any reports as requested by the Department prior to NAL formally submitting them to the Office of Hearing Services.
- Take a proactive, high level role in project selection, evaluation, resource allocation and balance of type of outcomes to be achieved (i.e. basic research versus applied research versus development, and community benefit versus commercial return).
- Take a proactive, high level role in:
  - identifying and advising on risk at all levels (organisational and project) around research and development at NAL; and
  - providing oversight to ensure that all risks are effectively mitigated and managed by NAL.
- Be interactive, and apply scrutiny and guidance at a strategic level including review of project progress reports at each meeting.
- Assess significant changes to projects in line with strong governance, structure and reporting/evaluation mechanisms, including oversight of variations to individual project budgets/allocations.
- Monitor the development, ownership, protection and commercialisation of intellectual property created by NAL.

#### AUSTRALIAN HEARING RESEARCH COMMITTEE ATTENDANCE

		MEETINGS ATTENDED	MEETINGS ELIGIBLE TO BE ATTENDED
Associate Professor Rae Cooper	Chair retired 21 October 2014	2	2
Mrs Swati Dave	Acting Chair 22 October 2014 to 7 December 2014	1	1
Dr Peta Seaton	Chair appointed 8 December 2014	2	2
Mr Bill Davidson	Managing Director	4	5
Ms Tracey Duffy	OHS	5	5
Dr Bob Frater	Member	3	5
Associate Professor Jim Patrick	Member	4	5
Professor Louise Hickson	Member	2	5
Professor Harvey Dillon	NAL Director	5	5
Mrs Glenise Coulthard	Director	5	5
Professor Sakkie Pretorius	Member appointed 3 October 2014	1	3

## Research Ethics Committee

The Australian Hearing Board approves the appointment of the Chair of the Ethics Committee based on the recommendation of the Director of Research, NAL. Other members are invited and appointed by the Director of Research as vacancies occur.

The role of the Human Research Ethics Committee is to:

- (a) protect the welfare and rights of participants in research undertaken by researchers employed by Australian Hearing.
- (b) approve research by other institutions on Australian Hearing clients where:
  - (i) there is significant involvement by researchers employed by Australian Hearing, or;
  - (ii) issues of privacy of customer records kept by Australian Hearing are raised by the research, in which case, the Committee needs to review the research to ensure that any breaches of the Australian Privacy Principles are justified or steps are required of the researchers to obtain customer permission to access the records.
- (c) ensure that prior to the commencement of subject testing, all projects have received the appropriate ethics approval.
- (d) monitor the progress of research projects to which it has given ethics approval. This will be performed on an annual basis by examining the progress reports submitted by the researchers.
- (e) approve procedures to deal with complaints from participants of research projects, researchers or other interested parties about the conduct of the research or the consideration of research projects by the Committee.

## Conflict of interest

Directors who have a material personal interest in a matter to be considered by the Board or a Board Committee are required to make the nature of that interest known and must not be present while the matter is being considered. Details of such disclosures are recorded in the minutes of each Board meeting.

## Enabling legislation

Australian Hearing is established under the AHS Act. The purpose of the AHS Act is to establish the authority and provide for its functions.

The functions of the authority are set out in Section 8 of the AHS Act as follows:

### FUNCTIONS

The Authority has the following functions:

- (a) to provide hearing services to Voucher holders in accordance with an agreement entered into by the authority under Part 3 of the *Hearing Services Administration Act 1997*:
  - (aa) provide declared hearing services to young Australians;
  - (ab) to provide declared hearing services;
  - (ac) to referred Comcare clients;
  - (ad) to provide declared hearing services to referred Commonwealth employees;
  - (ae) to provide declared hearing services to designated persons
- (b) to carry out research and development (including co-operative research with other institutions) into:
  - (i) assessment of hearing; and
  - (ii) hearing aids and procedures for fitting hearing aids; and
  - (iii) hearing rehabilitation; and
  - (iv) hearing loss prevention; and
  - (v) the effects of noise on the community.
- (c) to enter into arrangements for supply of hearing services.
- (d) to provide, as appropriate, for the training and education of persons or bodies (including overseas bodies) providing hearing services.
- (e) to provide advice on, and to conduct public education programs in relation to, hearing services provided by the authority.
- (f) to develop standards in relation to noise levels in the community that are acceptable in connection with the prevention of hearing loss.
- (g) to provide consultancy services relating to any of the matters referred to in this subsection.
- (h) to promote the establishment of export markets for Australian Hearing Service.
- (i) to operate special acoustic facilities for acoustic measurement and research.
- (j) such other functions as are conferred on the authority by the Act.

(k) any functions incidental to any of the foregoing functions.

## Executive governance structures

### EXECUTIVE COMMITTEE

The Executive Committee provides strategic and business leadership, reviews and makes recommendations to the Board on strategic, capital and business plans, and assesses quality and performance of services.

### BUSINESS ETHICS GUIDE

Australian Hearing has implemented a Business Ethics Guide which includes the following:

- the values that underpin the way we do business.
- the commitments and expectations that govern our interaction with others.
- the standards of workplace behaviour that are expected.
- behaviours that are unacceptable and require action.
- the consequences of breaching the requirements of this guide.

## Our corporate plan

Australian Hearing undertakes a yearly strategic planning session and presents a Corporate Plan to the Minister for Human Services and the Finance Minister. This plan must meet the requirements of the AHS Act and the PGPA Act. In accordance with the AHS Act, the Board must review and revise the plan as soon as practicable before the beginning of each financial year and give the Corporate plan to the Minister for Human Services and the Finance Minister at least 60 days before the start of the first reporting period to which the plan relates.

The Managing Director and Australian Hearing Executives attend quarterly meetings with the Department of Human Services to review actual performance against the Corporate Plan. Quarterly meetings are also held with the Office of Hearing Services, Department of Health in relation to the delivery of Community Services Obligations Service. These quarterly meetings report on performance against key performance indicators and progress on specific projects.

### AUSTRALIAN HEARING HUMAN RESEARCH ETHICS COMMITTEE ATTENDANCE

	MEETINGS ATTENDED	MEETINGS ELIGIBLE TO BE ATTENDED
Dr John Quilter Chairman	2	2
Ms Alison King	1	2
Rev Philip Bradford	2	2
Mr Richard Brading	2	2
Dr John Mack	2	2
Professor Di Yerbury	2	2
Associate Professor Catherine McMahon	-	2
Dr Gitte Keidser	2	2
Dr Teresa Ching	2	2

# Board of Directors

## Board composition

Directors are appointed to the Board of Australian Hearing on fixed terms by the Australian Government. All are Non-Executive Directors, except for the Managing Director. The names and details of the Directors in office during 2014/15 are detailed below. Unless otherwise indicated, all held their position as a Director throughout the entire year.



### Dr Peta Seaton

Doctor of Philosophy (PhD), Archaeology (USyd), BA (Hons), Archaeology (USyd), GAICD  
CHAIR

Dr Peta Seaton was appointed as Chair on the 8 December 2014. She is the principal of Strategic Consulting, providing counsel to CEOs on strategic issues including health, finance, infrastructure, public sector services and change management. She has authored books and articles including on public sector policy reform and is an occasional guest lecturer. She has served as Deputy Chair of the Bradman Foundation and as a Director of CARE Australia. In August 2015, Dr Seaton was appointed to the University of Sydney's Near Eastern Archaeology Foundation Board. A former NSW Parliamentarian and frontbencher, Dr Seaton served as Director of Transition and Director of Strategic Priorities in the NSW Premier's Office from 2011 establishing the NSW Strategic Plan and performance reporting, Infrastructure NSW, the NSW Public Service Commission, and Service NSW, asset management and State Owned Corporations reform, along with key elements of the NSW/Federal reform agenda.



### Mrs Swati Dave

B.Com (UON)  
NON-EXECUTIVE DIRECTOR

Swati Dave was formerly an Executive General Manager at National Australia Bank. From August 2014 to July 2015, Swati had a portfolio of Executive and Non-Executive Director roles which included acting as Executive General Manager, Consumer Lending and Executive General Manager, Lending and Deposits (August 2014 to October 2014) as well as serving as a Non-Executive Director and Chair of the newly created Board Risk Committee for Great Western Bancorp Inc. in the US and the NAB Wealth Responsible Entity Boards in Australia. From March 2009 to July 2014, Swati was the Executive General Manager of Specialised Finance. In this role she provided strategic and executive leadership for a specialist team with responsibility for arranging and providing financing solutions across the infrastructure, energy & utilities and resources sectors in Australia, the United Kingdom and Singapore.

Swati has 30 years of banking and finance experience gained at NAB, Deutsche Bank, AMPHenderson Global Investors, Bankers Trust and Westpac. Swati is keen to use her executive experience across strategy, financial performance, risk management and customer delivery to make a broader contribution to our community. In particular, she is passionate about Australian Hearing and the services it provides for children, youth, veterans and Aboriginal and Torres Strait Islanders.

Swati believes these services are vital to improving the quality of life for hearing-impaired Australians.



### The Hon Michael Knight AO

NON-EXECUTIVE DIRECTOR

Michael Knight was the Minister for the Sydney Olympic and Paralympic Games. Michael has extensive experience in public sector commercial entities, including a board member of Delta Electricity and Chairman of the Sydney Olympic Park Authority. Michael is a strong advocate for disadvantaged groups and individuals, having spent most of his working life in Government and community service.



### Glenise Coulthard

NON-EXECUTIVE DIRECTOR

Director Glenise Coulthard is an Adnyamathanha woman from the Northern Flinders Ranges in South Australia. She has extensive experience in South Australia's Aboriginal and mainstream health services and was a part of the team that developed the first Aboriginal health unit at the Port Augusta Hospital. From 2004 to 2007, Glenise was the Project Manager for the Otitis Media Clinical Support Systems. During this time she worked in partnership with several stakeholders to reduce middle ear disease in Aboriginal children in the north and far west regions of South Australia. Glenise was the first Aboriginal person appointed to the board of the Royal Flying Doctor Service Central Operations and has held this position for the past 20 years. In 2006 Glenise joined the Board of the Ninti One Cooperative Research Centre for Remote Economic Participation, formerly the Desert Knowledge Cooperative Research Centre. Through this appointment, Glenise ensures Aboriginal and non-Aboriginal people benefit from the growth of tourism in the desert. Glenise is passionate about her culture, language, family, country and the health and wellbeing of the Aboriginal community. She believes an increase in tourism in the outback will create reconciliation while improving the self-determination, health, wellbeing, management and lifestyle of Aboriginal and Torres Strait Islanders.



## Sam (Sandra) Andersen

LLB (QUT), CPA, FAICD, FFinsia  
NON-EXECUTIVE DIRECTOR

Sam (Sandra) Andersen is a Certified Practising Accountant with a Bachelor of Law degree. She is a Fellow of Finsia (the Financial Services Institute of Australasia) and the Australian Institute of Company Directors.

Sam was appointed as a Director of Australian Hearing in August 2013. She is a member of the Board of Trustees and Chair of the Finance and Audit Committee for Melbourne Convention and Exhibition Trust, a Director and the Chair of the Audit and Risk Management Committee for VicTrack, a Director and Chair of the Audit and Risk Committee for Anteo Diagnostics Limited, a Director and Chair of Board Risk Committee for Beyond Bank Australia, and Chair of the Audit & Risk Management Committee for Department of Premier & Cabinet, Victoria.

Sam has held senior executive positions with ANZ, Commonwealth Bank and NAB. Following a career change from banking and finance into industry, she was CFO at Lumacom Ltd and Chief Operating and Financial Officer at Multi-Emedia.com Ltd, and led the initial public offering as Managing Director of Eyecare Partners Limited (ASX:EPL)



## Bill Davidson

MAICD  
MANAGING DIRECTOR

Mr Davidson was appointed Managing Director of Australian Hearing on 24 October 2013.

Before Australian Hearing, Bill was CEO at Job Futures—a leading social enterprise committed to finding jobs for the more disadvantaged members of our community. Bill has held several senior management roles in the managed services industry within both the private and public sectors. He has extensive experience in the delivery of contracted, outsourced services in Australia, the UK and South-East Asia.

Bill serves on the board of CHOICE as Deputy Chair and as a member of the Audit and Risk Committee. He is also a Director of Streetwise Publications Limited—a youth magazine for Aboriginal and Torres Strait Islanders—and the Director of Pat and Stick's Homemade Ice Cream Co.

## Associate Professor Rae Cooper

BA (Hons) UNSW, Phd (USyd)  
RETIRED AS CHAIR 21ST OCTOBER 2014.

# Executive management



## Ms Vivian Quinn

BEC, FCPA, GAICD, SA Fin, MAppFin  
BUSINESS SERVICES DIRECTOR

Ms Vivian Quinn joined Australian Hearing in July 2015 with a wealth of experience across the pharmaceutical, IT FMCG and consumer services industries. Prior to Australian Hearing she was the Chief Financial Officer at First Data Australia New Zealand. She has also held executive roles at O'Brien Glass Industries, Wyeth Australia and Johnson & Johnson.

Ms Quinn completed her Masters of Applied Finance in 2014, earned a Graduate Diploma in Financial Planning in 2010, graduated from the Australian Institute of Company Directors' Course in 2006 and became a Fellow of CPA Australia in 2004. Her undergraduate degree was a Bachelor of Economics from Macquarie University in 1987.

Since 2003, Ms Quinn has served as an adjunct professor in the Faculty of Business at the University of Technology, Sydney.



## Mr Stephen Patterson

B Com, FCPA, ACIS, GAICD  
CHIEF OPERATING OFFICER AND COMPANY SECRETARY

Mr Patterson joined Australian Hearing in March 2004 as Chief Financial Officer. He has a Bachelor of Commerce Degree from the University of NSW, is a qualified Company Secretary and a Graduate of the Australian Institute of Company Directors. He has extensive commercial experience in financial and stock exchange reporting in Australia and overseas with senior roles at corporate head office level and on a divisional or regional basis with considerable involvement in acquisitions and restructuring. Mr Patterson held the Chief Financial Officer role from 2004 to 2009 during which time the organisation undertook significant proactive commercial and financial changes resulting in his winning the Australian Financial Review Chief Financial Officer award for the Government sector.

In April 2009 Mr Patterson was promoted to the role of Chief Operating Officer directly responsible for key projects including the negotiation of some of the largest tenders in the world, namely the Hearing Aid and Earmould contracts, plus the successful relocation of the National Support office to the Macquarie University Australian Hearing Hub. He is responsible for the Operations of inventory and logistics, legal and procurement, project management and secretariat requirements across the organisation plus the strategic growth of the Australian Hearing footprint via new and relocated centres as well as the roll out of the hearing buses.



## Ms Gina Mavrias

BSc, DipAud MAudSA (CCP)  
OPERATIONS DIRECTOR

Ms Mavrias has a Bachelor of Science Degree and a Diploma of Audiology from the University of Melbourne and completed the General Management Program at the Australian Graduate School of Management in 2007. She has been in a senior management position with Australian Hearing for 16 years and a member of the Australian Hearing Executive team since 2004. Ms Mavrias has extensive knowledge of the business and the hearing industry and currently holds the role of Operations Director. She is responsible for the management of operations and service delivery across a national network of sites. This includes responsibility for human resource management, clinical policies and procedures, and marketing.



## Professor Harvey Dillon

BE, PhD  
DIRECTOR NATIONAL ACOUSTIC LABORATORIES

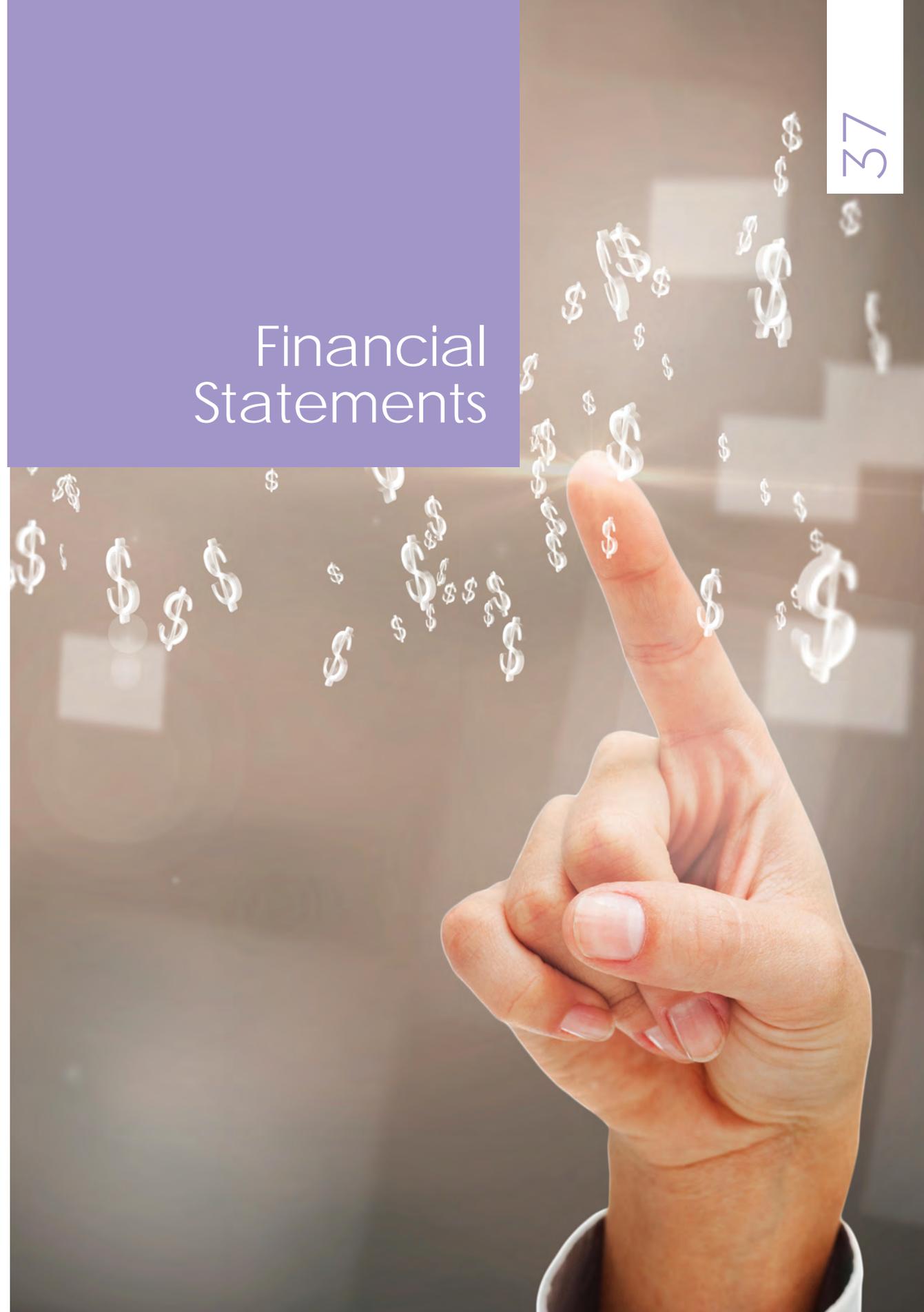
Professor Harvey Dillon joined Australian Hearing in 1979 and became Director of Research in 2000.

Professor Dillon has lectured extensively in the areas of acoustics, psychoacoustics and hearing aids in the audiology program at Macquarie University, where he is an adjunct professor. He is the author or co-author of more than 200 scientific articles, 12 book chapters and a text book on hearing aids widely used around the world, now in its second edition.

He has been the recipient of several awards including the Callier Prize from the University of Texas and the NSW public sector scientist/engineer of the year, both in 2013, and the 2015 International Award from the American Academy of Audiology. He is frequently invited to present keynote addresses at overseas conferences.

Professor Dillon has an undergraduate degree in Electrical Engineering and a PhD for research into psychoacoustics. His current research interests centre on processing of sounds by the brain and electrophysiological testing of hearing.

# Financial Statements



# Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2015



## To the Minister for Human Services

I have audited the accompanying annual financial statements of Australian Hearing for the year ended 30 June 2015, which comprise:

- Statement by the Directors, Managing Director and Chief Operating Officer and Company Secretary;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments; and
- Notes to the Financial Statements including a Summary of Significant Accounting Policies.

## Accountable Authority's Responsibility for the Financial Statements

The Directors of Australian Hearing are responsible under the Public Governance, Performance and Accountability Act 2013 for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Directors are also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

## Auditor's opinion

In my opinion, the financial statements of Australian Hearing:

- comply with Australian Accounting Standards and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and
- present fairly the financial position of Australian Hearing as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

**Kristian Gage**

Audit Principal  
Delegate of the Auditor-General

Canberra  
31 August 2015

# Statement by the Directors, Managing Director, Chief Operating Officer and Company Secretary.

FOR THE YEAR ENDED 30 JUNE 2015

In our opinion, the attached financial statements for the year ended 30 June 2015 are based on properly maintained financial records and presents fairly the matters required by subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the directors.

**Dr Petra Seaton**  
Chair

**Bill Davidson**  
Managing Director

**Stephen Patterson**  
Chief Operating Officer  
and Company Secretary

28 August 2015

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
<b>INCOME</b>			
Sale of goods and rendering of services	2	226,428	209,706
Interest on deposits		2,283	2,095
Royalties		174	386
Gains from sale of assets		285	-
<b>Total Income</b>		<b>229,170</b>	<b>212,187</b>
<b>EXPENSES</b>			
Employee benefits and payroll tax	3A	101,041	98,367
Suppliers	3B	92,293	92,257
Depreciation and amortisation	3C	10,218	8,398
Finance costs - unwinding of discount		192	177
Losses from asset sales		202	518
<b>Total Expenses</b>		<b>203,946</b>	<b>199,717</b>
Profit before income tax equivalent		25,224	12,470
Income tax equivalent expense	4	7,583	3,623
Surplus after income tax equivalent		17,641	8,847
<b>OTHER COMPREHENSIVE INCOME</b>			
		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>17,641</b>	<b>8,847</b>

The above statement should be read in conjunction with the accompanying notes.

# Statement of Financial Position

AS AT 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,181	6,781
Trade and other receivables	6A	4,829	5,455
Inventories	6B	3,140	2,810
Work in progress	6C	3,736	3,543
Other current assets	6D	2,749	2,786
Investments under s.59 of the PGPA Act		67,714	55,500
<b>Total current assets</b>		<b>88,349</b>	<b>76,875</b>
<b>NON-CURRENT ASSETS</b>			
Land and buildings	7A	10,481	12,132
Property, plant & equipment	7B	8,846	10,402
Intangible assets	8	5,743	4,505
Deferred tax assets	1, 9	13,296	15,246
<b>Total non-current assets</b>		<b>38,366</b>	<b>42,285</b>
<b>Total assets</b>		<b>126,715</b>	<b>119,160</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10A	18,810	16,275
Provisions	11A	10,139	10,111
Deferred revenue	10B	16,789	16,052
Tax liabilities	1	3,183	7,126
Dividend payable		3,964	4,547
<b>Total current liabilities</b>		<b>52,885</b>	<b>54,111</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	10A	7,989	7,699
Provisions	11A	16,419	15,006
<b>Total non-current liabilities</b>		<b>24,408</b>	<b>22,705</b>
<b>Total liabilities</b>		<b>77,293</b>	<b>76,816</b>
<b>NET ASSETS</b>		<b>49,422</b>	<b>42,344</b>
<b>EQUITY</b>			
Retained surplus	12	49,422	42,344
<b>TOTAL EQUITY</b>		<b>49,422</b>	<b>42,344</b>

The above statement should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
<b>RETAINED EARNINGS</b>			
Opening Balance		42,344	38,522
Surplus for the year		17,641	8,847
Total comprehensive income		17,641	8,847
<b>Transactions with owners</b>			
Dividend distributions	(a)	(10,563)	(5,025)
<b>Closing Balance</b>	<b>12</b>	<b>49,422</b>	<b>42,344</b>
<b>(a) Dividends</b>			
Interim		(6,599)	(478)
Final payable to the Australian Government		(3,964)	(4,547)
Total dividends		(10,563)	(5,025)

Dividend payable is expected to be settled within 12 months.

The above statement should be read in conjunction with the accompanying notes.

# Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>CASH RECEIVED</b>			
Goods and services		231,233	211,495
Interest		2,285	1,903
Other revenue		174	386
Net GST received		2,833	2,550
Total cash received		236,525	216,334
<b>CASH USED</b>			
Employees		(99,298)	(97,984)
Suppliers		(96,662)	(96,545)
Income tax equivalent		(9,580)	(1,726)
Total cash used		(205,540)	(196,255)
<b>Net cash flows from operating activities</b>	<b>13</b>	<b>30,985</b>	<b>20,079</b>
<b>INVESTING ACTIVITIES</b>			
<b>CASH RECEIVED</b>			
Proceeds from sale of property, plant and equipment		1,366	-
Proceeds from investments under s.59 of the PGPA Act		110,546	76,000
Total cash received		111,912	76,000
<b>CASH USED</b>			
Purchases of property, plant and equipment		(9,592)	(7,005)
Payments for investments under s.59 of the PGPA Act		(122,760)	(83,500)
Total cash used		(132,352)	(90,505)
<b>Net cash used by investing activities</b>		<b>(20,440)</b>	<b>(14,505)</b>
<b>FINANCING ACTIVITIES</b>			
<b>CASH USED</b>			
Dividend paid		(11,145)	(1,872)
Total cash used		(11,145)	(1,872)
<b>Net cash used by financing activities</b>		<b>(11,145)</b>	<b>(1,872)</b>
Net increase/(decrease) in cash held		(600)	3,702
Cash at the beginning of the reporting period		6,781	3,079
<b>Cash at the end of the reporting period (note 1)</b>		<b>6,181</b>	<b>6,781</b>

As per Statement of Financial Position \$6.2 million (2013/14: \$6.8 million).

The above statement should be read in conjunction with the accompanying notes.

# Schedule of Commitments

AS AT 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
<b>BY TYPE</b>			
Commitments receivable			
Net GST recoverable on commitments		(6,469)	(6,284)
Commitments payables			
Capital commitments			
Property, plant and equipment	(a)	483	1,125
Other commitments			
Operating lease	(b)	59,146	57,080
Supply Contracts		5,792	11,781
<b>Total Commitments Payable</b>		<b>65,421</b>	<b>69,986</b>
<b>Net commitments by type</b>		<b>58,952</b>	<b>63,702</b>
<b>BY MATURITY</b>			
Capital commitments			
Within one year		439	1,023
<b>Total capital commitments</b>		<b>439</b>	<b>1,023</b>
Other commitments			
Operating Leases			
Within one year		11,062	8,274
Between one and five years		21,779	20,594
More than five years		20,407	23,023
<b>Total operating lease commitments</b>		<b>53,248</b>	<b>51,891</b>
Supply contracts			
Within one year		4,573	7,012
Between one and five years		692	3,776
<b>Total supply contracts</b>		<b>5,265</b>	<b>10,788</b>
<b>Net commitment by maturity</b>		<b>58,952</b>	<b>63,702</b>

Commitments are GST inclusive where relevant.

- (a) Outstanding contractual payments for clinical equipment, computer hardware and software under development.
- (b) Operating leases.

Nature of lease	General description of leasing arrangement
Leases for office accommodation	Most lease payments are subject to annual increases based on either movements in the consumer price index, an agreed amount or prevailing market rentals at the time of review. The initial periods of some accommodation leases are still current and in some cases the lease may be renewed for periods of up to five years at Australian Hearing's option following a review to current market rentals.
Agreements for the provision of motor vehicles	No contingent rentals exist and there are no renewal or purchase options available to Australian Hearing for these leases.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## Contents

NOTE NO.	DESCRIPTION	PAGE
Note 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	45
Note 2	INCOME	52
Note 3	EXPENSES	52
Note 4	INCOME TAX EQUIVALENT EXPENSES	54
Note 5	COMPETITIVE NEUTRALITY	54
Note 6	CURRENT ASSETS	55
Note 7	PROPERTY, PLANT AND EQUIPMENT	57
Note 8	RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF INTANGIBLE ASSETS	59
Note 9	TAX ASSETS	60
Note 10	PAYABLES	60
Note 11	PROVISIONS	61
Note 12	RETAINED SURPLUS	62
Note 13	CASH FLOW RECONCILIATION	62
Note 14	SENIOR MANAGEMENT PERSONNEL REMUNERATION	63
Note 15	REMUNERATION OF AUDITORS	63
Note 16	UNQUANTIFIABLE CONTINGENCIES	63
Note 17	FINANCIAL INSTRUMENTS	64
Note 18	EVENTS AFTER THE REPORTING PERIOD	65

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 OBJECTIVE OF AUSTRALIAN HEARING

Australian Hearing is an Australian Government controlled entity and operates on a for-profit basis. The objectives of Australian Hearing are to provide hearing services and to carry out research and development in hearing related matters.

The continued existence of Australian Hearing in its present form and with its present programmes is dependent on Government policy in relation to the provision of hearing services.

The Australian Government has commenced a Scoping Study into the future of Australian Hearing. Deliberations on future ownership options are a matter for Government. As the Government has not announced a decision on Australian Hearing's future ownership, an estimate of the financial effects cannot be made.

### 1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are general purpose financial statements and are required by section 42 of the Public Governance, Performance and Accountability Act 2013.

The financial statements have been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements and notes have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance has been made for the effect of changing prices on the results or the financial position.

The financial statements and notes are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the

Statement of Financial Position when and only when it is probable that future economic benefits will flow to Australian Hearing or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

### 1.3 FAIR VALUE MEASUREMENT

Australian Hearing operates on a for-profit basis. As per approved exemption 17.7 under the Financial Reporting Rule, Australian Hearing is exempted from the requirement of fair value measurement for valuation of non-financial assets and the related level of disclosure hierarchy.

### 1.4 REVENUE

#### SALE OF GOODS AND RENDERING SERVICES

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the seller retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured;
- and
- the probable economic benefits with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that time spent to date bears to the estimated total time of completing the contract.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any

impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

#### INTEREST REVENUE

Interest income from Cash and Cash Equivalents is recognised when it is probable that the economic benefits will flow to Australian Hearing and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest income from financial assets is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

#### REVENUES FROM GOVERNMENT

Australian Hearing receives most of its government revenues from two sources:

- Federal budget funding via the Department of Health, Office of Hearing Services branch (OHS), for its community service and research work; and
- revenue received through a competitive voucher scheme administered by the OHS.

Funding from the OHS is recognised when the service or goods have been provided. Funding that is carried forward to be recognised as revenue in future years is specifically authorised by the OHS.

Revenue for services provided under the competitive voucher scheme is recognised when the services are provided. Fees for annual maintenance services are received in advance and revenue is recognised proportionately over the twelve months that services are provided.

#### GRANTS AND RESEARCH FUNDING

Australian Hearing is a member of a research organisation, HEARing Cooperative Research Centre (HCRC). Australian Hearing provides staff and facilities to the venture to conduct research into hearing technology and receives funds to reimburse expenditures in its research division, the National Acoustics Laboratory (NAL).

Royalty income is derived from the subsequent commercial application of intellectual property developed by HCRC. Australian Hearing via NAL has a share in a bank of intellectual property devised over the previous years of its involvement in HCRC which may lead to royalty income at some time in the future.

Australian Hearing receives grants from organisations to conduct studies into hearing and noise. Most grants require services or facilities to be provided or eligibility criteria to be met. In these cases revenue is only

recognised to the extent that the services required have been performed or the eligibility criteria have been satisfied. Where grant monies are received in advance, a liability is recognised.

### 1.5 GAINS

#### SALE OF ASSETS

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

### 1.6 LEASES

Australian Hearing has no finance leases.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Any lease incentive are recognised under operating leases as a reduction of rental expense, respectively over the lease term. The calculation is required to be on a straight-line basis unless another systematic basis is representative of the time pattern of the benefits.

### 1.7 TAXATION / COMPETITIVE NEUTRALITY

Australian Hearing is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

#### COMPETITIVE NEUTRALITY

Australian Hearing provides services on a for-profit basis. Under competitive neutrality arrangements Australian Hearing is required to make payroll tax and income tax equivalent payments to the Government in addition to payments for FBT and GST.

Income tax is expected to be settled with 12 months.

### 1.8 CASH

Cash and cash equivalents includes cash on hand and any deposits in bank accounts, with a short maturity of three months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

- In accordance with the financial targets and performance considerations contained in the *Australian Hearing Services Act 1991*, the level of cash resources held by Australian Hearing is, in the opinion of the board of directors, sufficient to maintain:

- a reasonable level of reserves, having regard to estimated future infrastructure requirements;
- the extent of the Commonwealth equity in the entity; and
- Australian Hearing's commercial operational requirements.

### 1.9 FINANCIAL ASSETS

Australian Hearing has classified its financial assets in the following categories: -

- held-to-maturity investments
- loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

#### EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### LOANS AND RECEIVABLES

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Trade Receivables are recognised initially at fair value and are subsequently measured at amortised cost. As this category is representative of short term transactions, amortised costs are generally consistent with nominal amount.

#### HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that Australian Hearing has the positive intent and ability to hold to maturity have been classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. As per S59 of the PGPA Act, the money is invested on deposit with a bank, including a deposit evidenced by a certificate of deposit, all maturing within 12 months.

#### IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been

incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### 1.10 INVENTORIES

Inventories held for sale are valued at the lower of cost and net realisable value.

Inventories held for distribution are valued at cost and are adjusted for any loss in service potential.

Costs are assigned to inventory using the average cost method.

### 1.11 WORK IN PROGRESS

Under the current claims process with the Office of Hearing Services, Australian Hearing is remunerated on completion of a fitting which occurs when a client returns for her follow up appointment. In order to match revenue against cost in each accounting period, Work in Progress is used to recognise revenue relating to activities that are partially completed i.e. the client has been fitted with a hearing device but has yet to return for a follow up appointment.

### 1.12 ACQUISITION OF ASSETS

Assets are recorded at cost on acquisition except as stated below. As per Approved exemption 17.7 under the Financial Reporting Rule, Australian Hearing is exempted from the requirement of fair value measurement for valuation of non financial assets and the related level of disclosure hierarchy.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

### 1.13 PROPERTY, PLANT AND EQUIPMENT

#### ASSET RECOGNITION THRESHOLD

Purchases of property, plant and equipment are recognised at cost in the Statement of Financial Position except for purchases costing less than \$1,000, which are expensed in the year of acquisition.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration obligations in property leases taken up by Australian Hearing where an obligation to restore the property to its original condition exists. These costs are included in the value of Australian Hearing's leasehold improvements and a corresponding provision for the restoration obligation is recognised.

### DEPRECIATION

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives using, in all cases, the straight line method of depreciation.

Depreciation rates, useful lives, residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. During the year a review of clinical assets was conducted resulting in the reduction in the useful life from 7 years to 5 years.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
Buildings on freehold land	-	40 years
Leasehold improvements	Lease term	Lease term
Plant and equipment	3-20 years	3-20 years

### IMPAIRMENT

All assets were assessed for impairment at 30 June 2015. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment is made if the asset's recoverable amount is less than its carrying amount. The impairment adjustment is reflected in the gross carrying value of the assets.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Australian Hearing were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### DERECOGNITION

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. During the year land and building with a net book carrying value of \$1,075,000 was sold.

### 1.14 INTANGIBLE ASSETS

Intangible assets comprise both specifically developed software for internal use, and proprietary software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of Australian Hearing's software are 3 to 7 years (2013/14: 3 to 7 years).

All software assets were assessed for indicators of impairment as at 30 June 2015.

### 1.15 EMPLOYEE BENEFITS

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits expected to be wholly settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as the net total of the present value of the estimated future cash outflows to be made in respect of services provided by employees up to reporting date.

### LEAVE

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Australian Hearing is estimated to be less than the annual entitlement for sick leave.

Leave liabilities both annual leave and long service leave must be discounted on the basis of when the benefits are due to be settled.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, including Australian Hearing's employer superannuation contribution rates.

The liability for long service leave has been determined by reference to the work of an actuary as at May 2014. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. Expected future payments were previously discounted using Commonwealth bond rates, however, due to a late exemption that was finalised in July of 2015, Australian Hearing has applied the Corporate Bond rate to the 2015 financial statements.

### SUPERANNUATION

Staff of Australian Hearing are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSSdb), the PSS Accumulation Plan (PSSap) or other superannuation funds held outside the Commonwealth.

The Directors of Australian Hearing are members of the PSS Defined Benefits (PSSdb), Commonwealth Superannuation Scheme (CSS) or other superannuation funds held outside the Commonwealth.

The CSS and PSSdb are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance administered schedules and notes.

Australian Hearing makes employer contributions to the Commonwealth employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. Australian Hearing accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2015 represents outstanding contributions for the final fortnight of the year.

### 1.16 FINANCIAL LIABILITIES

Australian Hearing has classified its financial liabilities in the following category: -

- Other Financial Liabilities
- Financial liabilities are recognised and derecognised upon 'trade date'

### EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability, or, where appropriate, a shorter period.

### OTHER FINANCIAL LIABILITIES

Supplier and other payables are recognised at amortised cost. As this category is representative of short term transactions, amortised cost are generally consistent with nominal amount.

### 1.17 PROVISIONS

Provisions are recognised when Australian Hearing has a present obligation (legal or constructive) as a result of a past event, it is probable that Australian Hearing will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## SEPARATION AND REDUNDANCY

Australian Hearing shall recognise termination benefits when: -

- costs for a restructuring within the scope of AASB 137 involves payment of termination benefits.
- offer of these benefits can no longer be withdrawn.

### 1.18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities and assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset in respect of which the amount cannot be reliably measured.

Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are recognised when settlement is greater than remote.

### 1.19 NEW ACCOUNTING STANDARDS

#### ADOPTION OF NEW AUSTRALIAN ACCOUNTING STANDARD REQUIREMENTS

No accounting standard has been adopted earlier than the application date as stated in the standard.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to Australian Hearing. Australian Hearing has decided not to early adopt any of the new and amended pronouncements. Australian Hearing's assessment of the new and amended pronouncements that are relevant but applicable in future periods is set out below:

Title	Key Requirements	Effective Date
AASB 15 'Revenue from Contracts with Customers'	Australian Hearing is assessing the potential impact of this standard.	30 Jun 2018

#### FUTURE AUSTRALIAN ACCOUNTING STANDARD REQUIREMENTS

All new standards, amendments to standards or interpretations that are applicable to future periods have been issued by the Australian Accounting Standards Board.

### 1.20 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Australian Hearing's accounting policies, the directors are required to make judgements, estimates and assumptions about the

carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

No accounting judgements in applying the accounting policies have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

#### KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- (a) **Estimate of asset lives, residual lives and depreciation methods** - Australian Hearing estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal evaluation and experience with similar assets. During the year a review of clinical assets was conducted resulting in the reduction in the useful life from 7 years to 5 years.
- (b) **Restoration obligations** - Restoration provisions include future cost estimates associated with restoring the original site. Uncertainty may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the average cost to restore.
- (c) **Long service leave and Annual leave provision** - The liability for leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. This is based on actuarial assessment. Consideration is given to

expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates.

- (d) **Inventory obsolescence** - Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

### 1.21 CHANGES TO COMPARATIVES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where Australian Hearing becomes aware of an error in the financial statements for prior periods, an adjustment is made to reflect the amended balance. An error was uncovered as part of the review of the tax calculation, where deferred maintenance revenue should have been included as assessable income for prior years. As the error relates to the timing of tax on deferred revenue an adjustment in the comparatives at 30 June 2014 was required only in the Statement of Financial Position. The adjustment was to increase deferred tax assets by \$3,901,297 and increase tax liabilities by the same amount.

	2015 \$'000	2014 \$'000
<b>NOTE 2: INCOME</b>		
<b>2: Sale of goods and rendering of services</b>		
Provision of goods - related entities	81,066	71,386
Provision of goods - external parties	39,937	36,937
Rendering of services - related entities	95,259	91,623
Rendering of services - external parties	10,166	9,760
<b>Total sale of goods and rendering of services</b>	<b>226,428</b>	<b>209,706</b>
<b>NOTE 3: EXPENSES</b>		
<b>3A: Employee benefits</b>		
Wages and salaries	73,890	71,764
Superannuation	12,449	12,176
Leave and other entitlements	9,917	8,899
Separation and redundancies	697	1,836
Payroll tax	4,088	3,692
<b>Total employee benefits</b>	<b>101,041</b>	<b>98,367</b>
<b>3B: Suppliers</b>		
Goods and services supplied or rendered are made up of:		
Goods and services		
Aids and Appliances	50,801	51,123
Consultants	1,269	1,209
Contractors	1,134	1,401
Information and Communication Technology	8,642	7,829
Marketing	2,911	3,615
Property	3,228	3,026
Travel	5,027	4,875
Others	6,943	6,951
<b>Total goods and services supplied or rendered</b>	<b>79,955</b>	<b>80,029</b>
Goods and services are made up of:		
Provision of goods - external parties	50,649	51,230
Provision of services - external parties	29,306	28,799
<b>Total goods and services supplied or rendered</b>	<b>79,955</b>	<b>80,029</b>

	2015 \$'000	2014 \$'000
<b>NOTE 3: EXPENSES CONTINUED</b>		
Other supplier expenses		
Operating lease rentals - external parties		
Minimum lease payments	11,079	11,147
Workers compensation premiums	1,259	1,081
<b>Total other supplier expenses</b>	<b>12,338</b>	<b>12,228</b>
<b>Total supplier expenses</b>	<b>92,293</b>	<b>92,257</b>
<b>3C: Depreciation and amortisation</b>		
Depreciation		
Leasehold improvements	2,239	2,272
Plant and equipment	5,911	4,095
<b>Total depreciation</b>	<b>8,150</b>	<b>6,367</b>
Amortisation		
Computer software	2,068	2,031
<b>Total depreciation and amortisation</b>	<b>10,218</b>	<b>8,398</b>

	2015 \$'000	2014 \$'000
<b>NOTE 4: INCOME TAX EQUIVALENT EXPENSE</b>		
Reconciliation of income tax equivalent expense to prima facie tax payable:		
Net profit from ordinary activities	25,224	12,470
Income tax calculated at 30%	7,567	3,742
Tax effect of permanent differences:		
- non allowable expenses	25	24
- National Acoustic Laboratories exempt from income tax equivalent	(9)	(143)
<b>Income tax equivalent expense</b>	<b>7,583</b>	<b>3,623</b>
This is comprised of:		
Current tax expense	9,533	7,492
Deferred tax expense	(1,950)	(3,896)
<b>Income tax equivalent expense</b>	<b>7,583</b>	<b>3,623</b>

Australian Hearing provides services on a for-profit basis and is subject to the Australian Government's competitive neutrality policy. The above amounts have been calculated as being payable to the Australian Government in the form of company income tax under the Income Tax Assessment Acts had they applied. These amounts have been paid or are payable to the Official Public Account. For further information, see note 1.21.

	2015 \$'000	2014 \$'000
<b>NOTE 5: COMPETITIVE NEUTRALITY</b>		
State tax equivalent expense	4,088	3,692
Commonwealth tax equivalent expense	7,583	3,623
Dividend declared	10,563	5,025
<b>Total expenses and dividend declared</b>	<b>22,234</b>	<b>12,340</b>

	2015 \$'000	2014 \$'000
<b>NOTE 6: CURRENT ASSETS</b>		
<b>6A: Trade and other receivables</b>		
<b>Goods &amp; Services</b>		
Goods and services - related entities	3,463	3,561
Goods and services - external entities	428	967
<b>Total goods &amp; services (gross)</b>	<b>3,891</b>	<b>4,528</b>
Impairment allowance - goods and services	(36)	(36)
<b>Total goods &amp; services (net)</b>	<b>3,855</b>	<b>4,492</b>
<b>Other Receivables</b>		
Interest receivable	606	608
GST receivable from the Australian Tax Office	368	355
<b>Total other receivables</b>	<b>974</b>	<b>963</b>
<b>Total trade and other receivables (net)</b>	<b>4,829</b>	<b>5,455</b>
Trade and other receivables (gross) aged as follows:		
Not overdue	4,483	5,259
Overdue by:		
0 to 30 days	234	203
30 to 60 days	45	14
61 to 90 days	91	8
More than 90 days	12	7
<b>Total trade and other receivables (gross)</b>	<b>4,865</b>	<b>5,491</b>

Australian Hearing terms of payment are 30 days from date of invoice, 14 days for OHS Claims for Payment.

	2015 \$'000	2014 \$'000
<b>6B: Inventories</b>		
Inventories held for sale	2,632	2,561
Inventories held for distribution	1,175	793
<b>Total inventories</b>	<b>3,807</b>	<b>3,354</b>
Provision for obsolescence	(667)	(544)
<b>Total inventories</b>	<b>3,140</b>	<b>2,810</b>
Inventory held for sale that was recognised as an expense	50,553	51,073
<b>6C: Work in progress</b>		
Services in progress	3,842	3,649
Provision for non-recoverable	(106)	(106)
<b>Total work in progress</b>	<b>3,736</b>	<b>3,543</b>
Work in progress is expected to be settled within 12 months.		
<b>6D: Other current assets</b>		
Other revenue receivable	369	410
Prepayments	2,380	2,376
<b>Total other current assets</b>	<b>2,749</b>	<b>2,786</b>

Other current assets are expected to be settled within 12 months.

	2015 \$'000	2014 \$'000
<b>NOTE 7: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>7A: Land and buildings</b>		
Freehold land	-	950
Buildings on freehold land	54	180
Accumulated depreciation	(54)	(53)
<b>Total buildings on freehold land</b>	<b>-</b>	<b>127</b>
Leasehold improvements at cost	31,832	30,210
Accumulated depreciation	(21,351)	(19,155)
<b>Total leasehold improvements</b>	<b>10,481</b>	<b>11,055</b>
<b>Total land and buildings</b>	<b>10,481</b>	<b>12,132</b>
<b>7B: Property, Plant and equipment</b>		
Property, Plant and equipment at cost	29,664	31,771
Accumulated depreciation	(20,818)	(21,369)
<b>Total Property, plant and equipment</b>	<b>8,846</b>	<b>10,402</b>

No indicators of impairment were found for property, plant & equipment.

Cost of Property, Plant and equipment sold during the year was \$58,378 with a nil net book carrying value.

No property, plant & equipment is expected to be sold or disposed within next 12 months.

## 7C: Reconciliation of the opening and closing balances of property, plant and equipment

2014/15	LAND \$'000	BUILDINGS ON FREEHOLD LAND \$'000	BUILDINGS - LEASEHOLD IMPROVEMENTS \$'000	TOTAL LAND AND BUILDINGS \$'000	OTHER PROPERTY PLANT AND EQUIPMENT \$'000
<b>As at 1 July 2014</b>					
Gross book value	950	180	30,210	31,340	31,771
Accumulated depreciation	-	(53)	(19,155)	(19,208)	(21,369)
<b>Total as at 1 July 2014</b>	<b>950</b>	<b>127</b>	<b>11,055</b>	<b>12,132</b>	<b>10,402</b>
Additions	-	-	1,749	1,749	4,390
Depreciation expense	-	(1)	(2,238)	(2,239)	(5,911)
Transfers	-	(1)	(85)	(86)	92
Written down value of disposals	(950)	(125)	-	(1,075)	(127)
Total as at 30 June 2015	-	-	<b>10,481</b>	<b>10,481</b>	<b>8,846</b>
<b>As at 30 June 2015</b>					
Gross book value	-	54	31,832	31,928	29,664
Accumulated depreciation	-	(54)	(21,351)	(21,447)	(20,818)
<b>Total as at 30 June 2015</b>	<b>-</b>	<b>-</b>	<b>10,481</b>	<b>10,481</b>	<b>8,846</b>

2013/14	LAND \$'000	BUILDINGS ON FREEHOLD LAND \$'000	BUILDINGS - LEASEHOLD IMPROVEMENTS \$'000	TOTAL LAND AND BUILDINGS \$'000	OTHER PROPERTY PLANT AND EQUIPMENT \$'000
<b>As at 1 July 2013</b>					
Gross book value	950	180	27,943	29,073	30,999
Accumulated depreciation	-	(53)	(17,253)	(17,306)	(19,762)
<b>Total as at 1 July 2013</b>	<b>950</b>	<b>127</b>	<b>10,690</b>	<b>11,767</b>	<b>11,237</b>
Additions	-	-	2,655	2,655	3,598
Depreciation expense	-	-	(2,272)	(2,272)	(4,095)
Written down value of disposals	-	-	(18)	(18)	(338)
<b>Total as at 30 June 2014</b>	<b>950</b>	<b>127</b>	<b>11,055</b>	<b>12,132</b>	<b>10,402</b>
<b>As at 30 June 2014</b>					
Gross book value	950	180	30,210	31,340	31,771
Accumulated depreciation	-	(53)	(19,155)	(19,208)	(21,369)
<b>Total as at 30 June 2014</b>	<b>950</b>	<b>127</b>	<b>11,055</b>	<b>12,132</b>	<b>10,402</b>

## 8: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF INTANGIBLE ASSETS

2014-15	COMPUTER SOFTWARE INTERNALLY DEVELOPED \$'000	COMPUTER SOFTWARE PURCHASED \$'000	TOTAL \$'000
<b>As at 1 July 2014</b>			
Gross book value	6,268	4,461	10,729
Accumulated amortisation	(3,031)	(3,193)	(6,224)
<b>Total as at 1 July 2014</b>	<b>3,237</b>	<b>1,268</b>	<b>4,505</b>
Additions	2,647	806	3,453
Amortisation expense	(1,153)	(915)	(2,068)
Transfers	(6)	-	(6)
Written down value of disposals	(137)	(4)	(141)
<b>Total as at 30 June 2015</b>	<b>4,588</b>	<b>1,155</b>	<b>5,743</b>
<b>As at 30 June 2015</b>			
Gross book value	8,772	5,263	14,035
Accumulated amortisation and impairment	(4,184)	(4,108)	(8,292)
<b>Total as at 30 June 2015</b>	<b>4,588</b>	<b>1,155</b>	<b>5,743</b>

No indicators of impairment were found for Intangibles.

Cost of Intangibles disposed during the year was \$1,966,749 with a net book carrying value of \$141,802.

No Intangibles are expected to be sold or disposed within next 12 months.

2013-14	COMPUTER SOFTWARE INTERNALLY DEVELOPED \$'000	COMPUTER SOFTWARE PURCHASED \$'000	TOTAL \$'000
<b>As at 1 July 2013</b>			
Gross book value	16,775	7,861	24,636
Accumulated amortisation	(12,488)	(6,202)	(18,690)
<b>Total as at 1 July 2013</b>	<b>4,287</b>	<b>1,659</b>	<b>5,946</b>
Additions	264	488	752
Amortisation expense	(1,202)	(829)	(2,031)
Impairment of Asset	(112)	(50)	(162)
<b>Total as at 30 June 2014</b>	<b>3,237</b>	<b>1,268</b>	<b>4,505</b>
<b>As at 30 June 2014</b>			
Gross book value	6,268	4,461	10,729
Accumulated amortisation and impairment	(3,031)	(3,193)	(6,224)
<b>Total as at 30 June 2014</b>	<b>3,237</b>	<b>1,268</b>	<b>4,505</b>

	2015 \$'000	2014 \$'000
<b>NOTE 9: TAX ASSETS</b>		
Deferred tax assets	13,296	15,246
The balance comprises temporary differences attributable to:		
Tax losses (carried forward)	15,246	11,378
Fixed Assets	(2,521)	(50)
Doubtful debts	(56)	42
Provision for Inventory obsolescence	37	7
Unearned revenue	(57)	(171)
Accruals	68	11
Provision for High Level Technology refunds	10	(23)
Provision for future rent	20	12
Provision for Audit fees	21	3
Maintenance revenue in advance	37	3,901
Lease Renewal	161	326
Provision for employee entitlements	344	(191)
Provision for make good	(14)	(2)
Other	-	3
<b>Total Deferred tax assets</b>	<b>13,296</b>	<b>15,246</b>

**NOTE 10: PAYABLES****10A: Trade and other payables**

Trade creditors and accrued expenses	11,488	9,434
Salaries and wages	6,523	6,284
Lease incentives	8,788	8,256
<b>Total payables</b>	<b>26,799</b>	<b>23,974</b>

Trade and other payables is expected to be settled in:

Less than 12 months	18,810	16,275
More than 12 months	7,989	7,699
<b>Total payables</b>	<b>26,799</b>	<b>23,974</b>

**10B: Deferred revenue**

Maintenance and Hearing Services Card	16,068	15,871
Research revenue	721	181
<b>Total deferred revenue</b>	<b>16,789</b>	<b>16,052</b>

	2015 \$'000	2014 \$'000
<b>NOTE 11: PROVISIONS</b>		
<b>11A: Total provisions</b>		
Current provision for leave	8,793	8,126
Current provision for restoration obligations	1,314	1,919
Current provision for separations and redundancies	32	66
<b>Total current provisions</b>	<b>10,139</b>	<b>10,111</b>
Non-current provision for leave	11,209	10,335
Non-current provision for restoration obligations	5,210	4,671
<b>Total non-current provisions</b>	<b>16,419</b>	<b>15,006</b>
<b>11B: Employee provisions</b>		
Current provision for leave - less than 12 months	8,793	8,126
Non-current provision for leave - more than 12 months	11,209	10,335
Current provision for separations and redundancies - less than 12 months	32	66
<b>Total employee provisions</b>	<b>20,034</b>	<b>18,527</b>
<b>11C: Restoration obligations</b>		
Current provision for restoration obligations - less than 12 months	1,314	1,919
Non-current provision for restoration obligations - greater than 12 months	5,210	4,671
<b>Total restoration obligations</b>	<b>6,524</b>	<b>6,590</b>
Reconciliation of opening and closing balances:		
Opening balance	6,590	6,440
Additional provisions made	168	181
Amounts utilised	(36)	(95)
Amounts reversed	(390)	(113)
Unwinding of discount	192	177
<b>Closing balance</b>	<b>6,524</b>	<b>6,590</b>

Australian Hearing currently has 137 (2013/14:134) agreements for the leasing of premises which have provisions requiring Australian Hearing to restore the premises to their original condition at the conclusion of the lease. A provision has been made to reflect the present value of this obligation.

	2015 \$'000	2014 \$'000
<b>NOTE 12: RETAINED SURPLUS</b>		
Australian Hearing	48,876	41,830
National Acoustic Laboratories	546	514
<b>Total Retained Surplus</b>	<b>49,422</b>	<b>42,344</b>

	2015 \$'000	2014 \$'000
--	----------------	----------------

**NOTE 13: CASH FLOW RECONCILIATION**

<b>13: RECONCILIATION OF OPERATING RESULT TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating result	17,641	8,847
Adjustments for non-cash items		
Depreciation and amortisation	10,218	8,398
Finance costs	192	177
Net loss on disposal of assets	(83)	518
Make Good Costs	(314)	(81)
Movements in assets and liabilities:		
(Increase) decrease in current receivables	626	(1,355)
(Increase) decrease in current inventories	(330)	(103)
(Increase) decrease in other current assets	(156)	(1,080)
(Increase) decrease in deferred tax assets	1,950	(3,869)
Increase (decrease) in tax payable	(3,943)	5,766
Increase (decrease) in liabilities to suppliers	1,589	3,422
Increase (decrease) in deferred revenues	1,536	252
Increase (decrease) in other current provisions	465	(814)
Increase (decrease) in other non-current provisions	1,594	-
<b>Net cash from operating activities</b>	<b>30,985</b>	<b>20,079</b>

	2015 \$	2014 \$
<b>NOTE 14 : SENIOR MANAGEMENT PERSONNEL REMUNERATION</b>		
<b>Short-term employee benefits</b>		
Salary	4,697,432	4,781,387
Performance bonuses	866,223	1,222,408
Motor Vehicle and other allowances	336,338	359,572
<b>Total short-term employee benefits</b>	<b>5,899,993</b>	<b>6,363,367</b>

<b>Post-employment benefits</b>		
Superannuation	780,491	799,546
<b>Total post-employment benefits</b>	<b>780,491</b>	<b>799,546</b>

<b>Other long-term employee benefits</b>		
Annual leave accrued	354,206	354,590
Long- service leave	159,392	159,565
<b>Total other long-term employee benefits</b>	<b>513,598</b>	<b>514,155</b>

<b>Termination benefits</b>		
Voluntary Redundancy Payments	100,196	830,569
<b>Total termination benefits</b>	<b>100,196</b>	<b>830,569</b>
<b>Total senior executive remuneration expenses</b>	<b>7,294,278</b>	<b>8,507,637</b>

The total number of senior executive and director personnel that are included in the above table are 33 individuals (2013/14 : 38 individuals)

	2015 \$	2014 \$
<b>NOTE 15: REMUNERATION OF AUDITORS</b>		
Auditing services provided by the Australian National Audit Office	132,000	118,000

Audit services for Australian Hearing are provided by the Australian National Audit Office and are subcontracted to Crowe Horwath. Other services provided by Crowe Horwath relate to the 2015 tax review for \$15,000 (2013/14 \$7,450 in relation to agreed upon procedures)

**NOTE 16: UNQUANTIFIABLE CONTINGENCIES**

Subsequent to the 2014 year end, a Statement of Claim was filed against Australian Hearing. Australian Hearing insurers were notified of the claim. In May 2015 the dispute was settled on a confidential basis but at year end no amount had been paid nor provided for in the accounts. Australian Hearing expects to be covered by insurance for any potential settlement amounts other than excess on its Insurance policy. Australian Hearing has no other contingent liabilities. Australian Hearing has no contingent assets.

	2015 \$'000	2014 \$'000
<b>NOTE 17: FINANCIAL INSTRUMENTS</b>		
<b>17A: Categories of financial instruments</b>		
Financial assets		
Cash on hand or on deposit	6,181	6,781
Trade and other receivables	4,461	5,100
Term deposits	67,714	55,500
<b>Carrying amount of financial assets</b>	<b>78,356</b>	<b>67,381</b>
Financial liabilities		
Trade creditors	11,488	9,434
<b>Carrying amount of financial liabilities</b>	<b>11,488</b>	<b>9,434</b>
<b>17B: Net income or expense from financial instruments</b>		
Interest revenue	2,283	2,095
<b>Net gain from financial assets</b>	<b>2,283</b>	<b>2,095</b>

### 17C: FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial instruments presented in Australian Hearing's balance sheet approximate their fair value amount in both the current and the immediately preceding reporting periods.

### 17D: CREDIT RISK

Australian Hearing is a wholly owned Australian Government entity, which is primarily funded by competing for revenue via the Government's voucher scheme for the provision of hearing services. Its exposure to risk is primarily related to credit risk on trade receivables of \$4.8 million (2013/14 \$5.5 million) although this risk is minimal in terms of its operations.

The majority of goods and services provided by Australian Hearing are delivered on behalf of other government entities and there is therefore minimal exposure to credit risk. Australian Hearing's senior management has implemented policies and procedures for debt management (including the provision of credit terms) to reduce the incidence of credit risk. Australian Hearing manages its credit risk, inter alia, by undertaking background and credit checks prior to allowing a debtor relationship.

The carrying value of financial assets, net of impairment losses, reported in the balance sheet represents Australian Hearing's maximum exposure to credit risk.

Australian Hearing holds no collateral to mitigate credit risk and has no significant exposures to any concentrations of credit risk.

### 17E: LIQUIDITY RISK

Australian Hearing's financial liabilities comprise trade creditors who are payable usually within 30 days. The exposure to liquidity risk is based on the notion that Australian Hearing will encounter difficulty in meeting its obligations associated with its financial liabilities. This is considered unlikely as Australian Hearing maintains sufficient reserves of cash to meet its obligations as they fall due and prepares detailed business plans annually to ensure it has adequate funds to meet future payments as they fall due. In addition, Australian Hearing has policies in place to ensure timely payments are made when due and has no past experience of defaults.

### 17F: MARKET RISK

Australian Hearing holds basic financial instruments that do not expose the Authority to certain market risks. Australian Hearing is not exposed to 'currency risk' or 'other price risk'.

### NOTE 18: EVENTS AFTER THE REPORTING PERIOD

The scoping study on Australian Hearing was announced in the 2014-15 Budget.

The scoping study process involved consultation with a wide range of stakeholders in the hearing services industry as well as with community stakeholders and peak bodies representing the interests of Australians with hearing loss.

The Minister for Finance announced in May 2015 that the Government would carry out further consultation with the hearing community about the findings of the scoping study. This consultation will also focus on the implications of the introduction of the National Disability Insurance Scheme (NDIS) for government funded hearing services. Consultations about the implications of the NDIS are ongoing.

# Appendices

FOR THE YEAR ENDED 30 JUNE 2015

## Appendix 1: Freedom of Information

Australian Hearing is subject to the *Freedom of Information Act 1982 (FOI Act)*. The FOI Act provides the public with a general right of access to documents held by Australian Government agencies, by requiring agencies, such as Australian Hearing, to publish the information and provide a right of access to the documents.

This general right, is limited by exception, to protect essential public interests, including the privacy of individuals and the business affairs of those who give information to the agency.

In the reporting year to 30 June 2015, Australian Hearing did not receive any new requests for information under the FOI Act.

Australian Hearing is required to publish information to the public as part of the Information Publication Scheme (IPS). The IPS is designed to promote open and transparent communications of government information. Australian Hearing's plan showing what information it publishes in accordance with the IPS is located at [www.humanservices.gov.au/corporate/freedom-of-information/](http://www.humanservices.gov.au/corporate/freedom-of-information/)

As part of the IPS, Australian Hearing is required to publish on its website information about its structure, functions and statutory appointments. Australian Hearing must also publish its annual reports and other types of information including information that guides decisions or recommendations affecting members of the public as well as information about how the public can comment on policy proposals. This information is available at [www.hearing.com.au/category/about-us](http://www.hearing.com.au/category/about-us)

Enquiries on freedom of information matters, including requests for access to documents, may be directed to:

The FOI Officer  
Australian Hearing  
Level 5, 16 University Avenue  
Macquarie University NSW 2109

Telephone: (02) 9412 6800  
TTY: (02) 9412 6802  
Email : FOI@hearing.com.au

## Appendix 2: Commonwealth disability strategy

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010-2020, which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014, and can be found at [www.dss.gov.au](http://www.dss.gov.au).

Australian Hearing, in its capacity as service provider and employer, supports the National Disability Strategy to improve the lives of people with disability, promote participation and create a more inclusive society.

## Appendix 3: Ministerial directions and other statutory requirements

Australian Hearing is required to make annual disclosures under the following legislation:

- *Australian Hearing Services Act 1991*
- *Public Governance, Performance and Accountability Act 2013*
- *Work Health and Safety Act 2011*
- *The Environment Protection and Biodiversity Conservation Act 1999.*

No Ministerial directions were issued during the year 2014/15. No General Policy Orders were applied to Australian Hearing.

## Appendix 5: Related entity transactions

During the year Australian Hearing has not entered into any procurement or grant transactions with a company where a Director of Australian Hearing is also a Director of the other company, where the value of the transaction was at least \$10,000 (GST Inclusive).

## Appendix 6: Environment

Australian Hearing is committed to contributing towards ecologically sustainable development (ESD) and improving its environmental performance.

Australian Hearing is committed to achieving the environmental targets set by the Australian Government for energy use, resource consumption and waste.

Australian Hearing also supports the mandatory environmental standards set by the Australian Government for procurement processes, which are intended to drive performance, resource efficiency and innovation in supply chains and across industry.

As part of our commitment the following measures were taken to minimise the effect of activities on the environment:

Activity	Measures
Building Operations	Landlord and tenant obligations under a Green Lease Schedule improved energy efficiency in the premises and building at the Australian Hearing Hub by implementing an Energy Management Plan which supports the requirements and objectives of the Australian Government Operations Energy Efficiency Policy.  Our cleaning contractors provide environmentally friendly tissue paper (toilet paper and towels) and cleaning products.
Motor Vehicle Travel	We promoted the leasing of Australian-made, value for money, environmentally friendly vehicles for fleet use, particularly four cylinder vehicles or vehicles with a high Green Vehicle Guide rating. We also promoted the use of energy efficient fuels such as LPG and diesel and the use of ethanol blended fuels (E10)
Air Travel	We promoted and supported the use of video and phone conferencing instead of staff using air travel
Information and Communications Technology (ICT)	We have virtualised around 97.5% of Wintel Server workload and 95% of Unix Server workload.  As a result of datacentre consolidation and relocation, energy efficiencies have been realised with further energy efficiencies expected when we replace our EMC disk storage unit with a Solid State storage unit.  Most personal computers are manually shutdown and all monitors are being put into sleep mode after 10 minutes of inactivity.  Personal computers and monitors that have been refreshed and are all eco and power saving compliant. Rationalisation of printers and multifunction devices continues and is part of our BAU process.  Paper reduction technology was introduced to our printers to further reduce consumption of paper.  Electronic case note technology introduced to reduce reliance on paper.
Stationery including paper	All copier paper has been replaced with 100% recycled copy paper for use in printers, photocopiers and multifunction devices. The copy paper is certified by the Forest Stewardship Council.
Contracts with suppliers/Service providers	Environmental Management clauses continue to be included in contracts with suppliers to improve the environmental performance of products and suppliers. This may cover issues such as using energy efficient products, products from recycled materials or other environmentally preferable products, reduction/elimination of environmentally sensitive materials, material selection, design for end of life, product longevity/life cycle extension, energy conservation, end of life management, and corporate management and packaging

<b>AHS Act</b>	Australia Hearing Services Act 1991
<b>AHSPIA</b>	Australian Hearing Specialist Program for Aboriginal and Torres Strait Islanders.
<b>APS</b>	Australian Public Service.
<b>ASA</b>	Audiological Society of Australia.
<b>Audiologist</b>	A university qualified professional who treats clients for hearing disorders.
<b>Audiometrist</b>	A clinician who has completed a certificate course in hearing assessment, hearing aid fitting and management.
<b>BTE</b>	Behind-the-ear hearing aid.
<b>CALD</b>	Culturally and linguistically diverse.
<b>Clinician</b>	An Audiologist or Audiometrist.
<b>CDEP</b>	Community Development Employment Project.
<b>Corporate plan</b>	A document detailing Australian Hearing's strategic direction that the agency is required to prepare for the Minister for Human Services.
<b>CSO</b>	Community Service Obligations.
<b>DHS</b>	Department of Human Services.
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation.
<b>FM</b>	Frequency Modulation (system).
<b>FTE</b>	Full-time equivalent.
<b>Greenfleet</b>	A 'not-for-profit' organisation which encourages other organisations and individuals to avoid and reduce greenhouse gas emissions and 'offset' any remaining emissions by planting native forests.
<b>Hearing centres</b>	Australian Hearing's service outlets and point of contact for clients.

<b>NAL</b>	National Acoustic Laboratories.
<b>Network</b>	Australian Hearing centres across Australia.
<b>OHS</b>	Office of Hearing Services. A unit within the Department of Health that administers and regulates the Australian Government's Hearing Services Program.
<b>Permanent site</b>	A permanently staffed hearing centre offering services between 9.30am and 4.30pm Monday to Friday, with a qualified practitioner present at least 40% of time averaged over any fortnightly period.
<b>PGPA Act</b>	Public Governance, Performance Accountability Act 2013
<b>Quality Framework</b>	A foundation for implementing quality management standards in order to improve products, services and processes and meet customer requirements.
<b>RAP</b>	Reconciliation Action Plan.
<b>Remote site</b>	A location providing for assessment, device fitting and rehabilitation, situated in a locality determined by OHS as being disadvantaged by restricted accessibility of goods and services.
<b>Sound-attenuating booth</b>	A specially constructed room or booth used for hearing tests so that outside noises do not interfere with the testing and results.
<b>Visiting site</b>	A location with appropriate facilities for assessment, device fitting and rehabilitation. Site must be attended by a qualified practitioner on a regular basis of at least one half day per month.
<b>Voucher</b>	Certificate issued to eligible clients from OHS entitling clients to hearing assessment and rehabilitation services.
<b>WHS</b>	Work health and safety.

The index below shows compliance with information requirements contained in the Commonwealth Authorities (Annual Reporting) Orders 2011.

Commonwealth Authorities (Annual Reporting) Orders 2011	Requirements	Annual Report Page
Clause 5	Purpose	3
Clause 6	Approval by Directors	3,39
Clause 7	Exemptions	NIL
Clause 8	Parliamentary standards of presentation	YES
Clause 9 (a,b,c,d)	Plain English and clear design	YES
Clause 10	Enabling legislation	30
Clause 11	Responsible Minister	24
Clause 12 (a,b,c,d)	Ministerial directions and other statutory requirements	66
Clause 13	Information about directors	32-34
Clause 14 (a,b)	Outline of organisational structure and statement on governance	22-29 35-36 70-71
Clause 15 (a,b)	Related entity transactions	67
Clause 16	Key activities and changes affecting the authority	4,44,65
Clause 17 (a,b)	Judicial decisions and reviews by outside bodies	7,63
Clause 18	Obtaining information from subsidiaries	NIL
Clause 19	Indemnities and insurance premiums for officers	25
Clause 21	Index of annual report requirements	2
Clause 22	Definitions	69

## Definitions

**Annual report** means the reports the Directors of a Commonwealth authority are required to give their responsible Minister after the end of the financial year, in accordance with section 46 of the PGPA Act.

**PGPA Act** means the *Public Governance, Performance Accountability Act 2013*

**Due on 15 October** includes any later date resulting from an extension granted by a Minister under section 34C of the *Acts Interpretation Act 1901*.

**Finance Minister** means the Minister responsible for the Finance portfolio.

**Financial year** means the period of a year being reported upon (typically commencing on 1 July and ending on 30 June).

**Responsible Minister** means the Minister with portfolio responsibility for the Commonwealth authority.

# Customer access

## More locations, better hearing centres

As at 30 June 2015, Australian Hearing operated in 137 permanent hearing centres, 380 visiting centres, 20 remote sites, 7 hearing buses and 233 Aboriginal and Torres Strait Islander outreach sites.



## Australian Hearing centres

### Permanent hearing centres.

#### ACT

CANBERRA

#### NEW SOUTH WALES

ALBURY  
BALLINA  
BANKSTOWN  
BATEMANS BAY  
BELMONT  
BLACKTOWN  
BOWRAL  
BROKEN HILL  
CAMPBELLTOWN  
CAMPSIE  
CESSNOCK  
CHATSWOOD  
COFFS HARBOUR  
DEE WHY  
DUBBO  
EAST MAITLAND  
ERINA  
GOSFORD  
GRAFTON  
HORNSBY  
HURSTVILLE  
LAKE HAVEN  
LAURIE  
LISMORE  
LIVERPOOL  
MACQUARIE UNIVERSITY  
MAITLAND  
MAROUBRA JUNCTION  
MIRANDA  
NEWCASTLE  
NOWRA  
ORANGE  
PARRAMATTA  
PENRITH  
PORT MACQUARIE  
SALAMANDER BAY  
SHELLHARBOUR  
SPRINGWOOD  
SYDNEY  
TAMWORTH  
TAREE  
TORONTO  
TOUKLEY

TWEED HEADS  
WAGGA WAGGA  
WALLSEND  
WOLLONGONG  
WOY WOI

#### NORTHERN TERRITORY

ALICE SPRINGS  
DARWIN

#### QUEENSLAND

ASPLEY  
ATHERTON  
BEENLEIGH  
BRISBANE  
BUNDABERG  
CABOOLTURE  
CAIRNS  
CALOUNDRA  
CLEVELAND  
GLADSTONE  
HERVEY BAY  
IPSWICH  
LOGAN  
MACKAY  
MAROOCHYDORE  
MARYBOROUGH  
MT GRAVATT  
NOOSAVILLE  
PALM BEACH  
REDCLIFFE  
ROBINA  
ROCKHAMPTON  
SHERWOOD  
SOUTHPORT  
TOOWOOMBA  
TOWNSVILLE  
WYNNUM

#### SOUTH AUSTRALIA

ADELAIDE  
CHRISTIES BEACH  
ELIZABETH

MARION  
MODBURY  
MOUNT GAMBIER  
VICTOR HARBOR  
WOODVILLE

#### TASMANIA

BELLERIVE  
BURNIE  
DEVONPORT  
GLENORCHY  
HOBART  
KINGSTON  
LAUNCESTON

#### VICTORIA

BALLARAT  
BELMONT  
BELL POST HILL  
BENDIGO  
BOX HILL  
BROADMEADOWS  
CAULFIELD  
CHELTENHAM  
COLAC  
CRANBOURNE  
CROYDON  
DANDENONG  
DRYSDALE  
EPPING  
FOREST HILL  
FRANKSTON  
GEELONG  
GREENSBOROUGH  
HAMILTON  
HORSHAM  
KNOX  
LILYDALE  
MELBOURNE  
MILDURA  
MOONEE PONDS  
MORWELL

PAKENHAM  
RESERVOIR  
ROSEBUD  
SHEPPARTON  
SUNBURY  
SUNSHINE  
WANGARATTA  
WARRAGUL  
WARRNAMBOOL  
WERRIBEE  
WONTHAGGI

#### WESTERN AUSTRALIA

BUNBURY  
CANNINGTON  
FREMANTLE  
KARRINYUP  
MANDURAH  
MORLEY  
PERTH

For further details of Australian Hearing centres, visiting sites and remote sites go to: [www.hearing.com.au](http://www.hearing.com.au)



Australian Hearing National Support Office:  
Australian Hearing Hub  
Level 5, 16 University Avenue,  
Macquarie University, NSW 2109

Tel: (02) 9412 6800

TTY: (02) 9412 6802

[www.hearing.com.au](http://www.hearing.com.au)

Registered trademark of Australian  
Hearing Services - ABN 80 308 797 003  
Australian Hearing is a quality certified  
organisation (AS/NZS ISO 9001:2008)