

1998

Annual Report



**THE FRED HOLLOWES
FOUNDATION**



The Fred Hollows Foundation is proud to be associated with
the **Australian Council for Overseas Aid (ACFOA)** and
Vision 2020 The Right To Sight.

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Front cover (clockwise from top left hand corner):

Yag laser attached to a slit lamp microscope - courtesy of Scanoptics;
Professor Fred Hollows - Frank Violi, Telegraph Mirror; Ram Bahadur
Thapa of Trisuli Valley, Nepal - Rex Shore, Tilganga Eye Centre, Nepal;
Dr Wanjiku Mathenge - Gillian Cochrane, The Fred Hollows
Foundation, Harare.

Professor Frederick Cossom Hollows AC was born on 9 April 1929 in Dunedin, New Zealand. He grew up in a tolerant Christian socialist family.

Fred entered medical school after he discovered he wasn't cut out to be a clergyman. He also had a variety of jobs: an alpine guide, a psychiatric hospital orderly, a bulldozer driver and a labourer sinking bores in the backblocks of Queensland. He finally decided to become an 'eye doctor', a profession he described as 'good work'.

After studying in New Zealand and London, Fred did postgraduate work among Welsh mining families - giving him a practical, professional, compassionate and ethical basis for his work. It taught him a lesson he was to take with him throughout his career - 'there is no survey without service' - meaning that it is vital to treat patients with care and consideration and to carefully record results.

In the 1970s Fred pioneered the treatment of trachoma and other eye diseases prevalent among Australia's Aboriginal people, halving curable blindness among them. He helped establish the Aboriginal Medical Service in Redfern and was instrumental in the establishment of Aboriginal medical services throughout Australia. He worked with the Department of

Ophthalmology at The Prince of Wales Hospital for over 25 years.

As a consultant to the World Health Organisation, Fred visited many third world countries. He met highly motivated and efficient people in Nepal, Eritrea and Vietnam and found that they were doing a great deal with scarce resources. He decided to raise the money to build intraocular lens laboratories, thereby equipping local people with the necessary tools to help reduce the backlog of cataract blindness in their own countries. Fred saw the benefits of this work flowing on to other developing nations, and his dream was that their citizens would help each other in the fight against cataract blindness.

When Fred Hollows became busy, conflict was inevitable and some sensibilities were probably bruised. Hindrances had to be overcome, waffle was dismissed and wasted time was not tolerated. But the patient - whoever and wherever they were - would see the doctor!

Fred Hollows was a remarkable person. Thanks to his altruism and his vision, thousands of people as far away as The Gambia, Tibet and Vietnam, can see today.

Throughout his life, Fred received many awards and accolades. He was deeply

honoured by this recognition, but his drive was the desire to see as many doctors as possible in developing countries, trained in the modern cataract surgical technique.



Fred Hollows died on the 10 February 1993, shortly after The Fred Hollows Foundation was formed. The Foundation works to fulfil the promises it made to Fred and will continue to initiate projects that are in keeping with his vision.

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Our Vision

The Fred Hollows Foundation aims to develop sustainable local capacity to prevent and treat avoidable blindness in developing countries; and to act as a catalyst for improving the health of indigenous Australians. The Foundation will work to achieve equal access to health services through the provision of expertise, training and the development of technologies.



A post-operative patient, **Tang Thi Tam** (70 years) from Ho Chi Minh City, Vietnam.

How it all began...

A not-for-profit, community-based, non-government organisation, The Fred Hollows Foundation was formally established in September 1992 to carry on the long-standing work of the late professor Fred Hollows. A remarkable man, and one of Australia's greatest humanitarians, Fred's vision was to greatly reduce the huge backlog of cataract blindness in the developing world, and also to provide equity of access to health care, for everyone, everywhere.

The World Health Organisation (WHO) estimates that there are currently around 20 million people world-wide who are blind from cataract – by far the most common form of avoidable blindness – with about 80% of these people living in developing countries. Yet cataract blindness is reversible – a skilled eye surgeon can perform the modern, sight-restoring, intraocular lens (IOL) implant surgery in less than 20 minutes.

Huge backlogs of cataract blind people exist in developing countries because most of these people do not have access to modern, sight-restoring IOL implant surgery. In western countries, there is the opportunity for anyone with a cataract to have surgery well before they go blind because of it, so there are no large accumulations of cataract blind people in Australasia, Europe and North America. In Australia, with a population of under 19 million people, over 100,000 cataract operations are performed each year, while in the United States of America, this figure is around 1,400,000.

Fred Hollows helped refine and adapt a practical and safe technique of intraocular lens implant surgery for developing countries, known as extracapsular cataract extraction with intraocular lens implant (ECCE + IOL). He argued vehemently against the entrenched assumption that this type of surgery (a procedure which has been routine in western society for about 20 years) was too expensive, too risky and too complicated to perform in developing nations around the world.

And he fought desperately against the injustice of cataract blind people in these countries having to "make do" with the inferior methods of cataract surgery, or as was the case with most of these people, not getting any surgery at all. *(Please see inside back cover for a detailed explanation on cataract and its surgery).*

After Fred Hollows died in February 1993, people questioned the prospect of The Foundation succeeding without him. The Foundation's Board and the Australian public strongly supported The Foundation's work despite these doubts from some. The dedication and commitment of The Foundation's partners in Nepal, Eritrea and Vietnam also encouraged us to set about the demanding task of building state-of-the-art, self-sustaining IOL laboratories in Eritrea and Nepal, training and equipping local eye surgeons, and by bringing the cost of modern cataract surgery down to around \$25 per eye in developing countries (including the IOL). By 1998, The Foundation has not only helped restore sight to thousands of cataract blind people across Africa and Asia, but has also restored their dignity – another of Fred's visions, and one of the tenets fundamental to The Foundation's philosophy.

The Fred Hollows Foundation in 1998 - six years on...

Some impressive figures...

At the end of 1998, The Foundation has helped restore sight to around 250,000 cataract blind people and has helped train over 550 local eye surgeons with the skills to perform modern cataract surgery. In 1998, Cambodia, one of the world's poorest nations, has been added to the growing list of countries in which The Foundation now works.

Demand for modern cataract surgery is growing as awareness increases

Due to the success of The Foundation's work in developing countries, awareness of the superiority of ECCE + IOL has grown significantly, to the point where even those blindness prevention organisations who criticised Fred's belief that modern surgery could be performed in the developing world, have themselves now embraced the idea.

The concept of Cost Recovery

The Foundation emphasises the concept of cost-recovery, so vital to self-sustainability and independence from foreign charity. The concept and practice of Cost Recovery is becoming more widespread, and will be an important component of The Foundation's work in China.

International medical device accreditation

One of the most notable successes for The Foundation in 1998 was ISO9002/EN46002 international medical device accreditation and CE Mark certification for The Fred Hollows IOL Laboratory, Kathmandu, Nepal, (*for full details, please refer to the Technical Report on page 13*). This means that the Fred Hollows laboratory in Nepal is able to sell its intraocular lenses into the European and Asian market. The Fred Hollows IOL Laboratory, Kathmandu, Nepal, is the first company or organisation in Nepal to receive such certification, and this represents an enormous achievement, particularly for the laboratory staff in Kathmandu.

Blazing the trail with leading edge technology and new surgical techniques

By the end of 1998, The Foundation, in conjunction with Australian manufacturers, is about to introduce new products onto the market, which grew out of Foundation-initiated research and development projects (*for full details, please refer to the Technical Report on page 14*).

In Nepal, Dr Sanduk Ruit, the first person anywhere to implant IOLs in a village situation, is developing another first – a new small incision surgical technique. (This technique doesn't rely on phaco emulsification, where an expensive machine using costly consumables, breaks up the hard part of the cataract, before suction removes it through a small unstitched wound).

Use of phaco emulsification can cost up to \$3,500 per eye in Australia, and to date has been too expensive and too technically complicated to be affordable and practical for disadvantaged people in developing countries. Dr Ruit's method of sutureless small incision eye surgery has eliminated the need for phaco emulsification, making sutureless surgery affordable and safe in developing regions.

The end results of this breakthrough method of surgery are that it is safer, has better post-operative results, and at *even less* than the \$25 per eye it currently costs for standard IOL implantation, is *even more* cost-effective. The overriding benefit however, is that it is quick – taking around 5 minutes per eye, instead of 10-20 minutes using conventional techniques. This has enormous implications in a world where an estimated 20 million people are cataract blind.

The future

The Fred Hollows Foundation will not only continue to find innovative ways to help address the problem of cataract blindness in developing countries, but will also continue to look at ways to make a positive contribution to the health and well-being of indigenous Australians.

The remainder of this report details The Fred Hollows Foundation's main activities during 1998.



I think Professor Fred Hollows and Sir Donald Bradman are the two most remarkable blokes I've ever met. Very different characters.

I first met Fred in 1980. Back o' beyond, west of Katherine up in The Territory. He and Gabi, and their travelling medical roadshow, were out in the dust, fixing Aboriginal eyes. Trachoma was the main problem – an endemic disease that doesn't exist in white Australia. Just blackfellas, because of poor hygiene and lack of public health care.

I was filming a story for Sixty Minutes. "The Land of the Blind" we'd called it. Appropriate, too. I'd never seen so many blind people in one place, outside of a clinic. Middle-aged Aboriginal women, mostly. Going blind, they seemed to accept, was just part of growing older.

But Fred Hollows wouldn't accept that. Trachoma, a treatable eye disease, simply being left untreated – to eventually and inevitably cause blindness. He and Gabi set about fixing the problem.

"The difference between human beings and other animals", Fred used to say, "is that we have the capacity to care." The capacity to care. How true is that?

Fred Hollows lived that belief. The capacity to care.

He loved whisky, he loved arguments and he loved to swear. But, by God, he cared. Mother Theresa, with a voice-box soaked in gravel. Fred had this cock-eyed dream that we could eradicate cataract blindness.

Just like polio had been eradicated. What was needed was a simple operation and cheap, quality lenses. "We can bloody do it", he used to snort, in between puffs on a dry pipe. "Just gotta' get off our backsides and have a go."

Well, sadly Fred died in 1993. He left us a thousand good memories, lots of laughs and a great family. And his cock-eyed dream.

So, a bunch of Fred's old mates – mostly acolytes and ophthalmologists – and some other good people, formed The Fred Hollows Foundation. They got off their backsides, as Fred insisted.

With the help of thousands of other Australians and Kiwis, who've sent hard-earned money and supported us, we're changing things for the better. Using that "capacity to care".

We've restored the sight of over 250,000 people in Asia and Africa who were blind from the scourge of cataracts. We've trained over 550 local eye doctors in the Hollows surgical technique. And while it wasn't practical to build an intraocular lens laboratory in Vietnam, we've done so in Eritrea & Nepal. Both are producing low-cost, high-quality lenses to give people

back their sight. And their lives.

Because that's what cataract blindness means in most countries. If you go blind you become unproductive and a burden on your family. And, often, you die much earlier than you should.

So, that's what we're starting to change. In 20 countries, around the world.

At the same time, The Fred Hollows Foundation is starting to tackle other problems of indigenous health in Australia. Another Hollows' dream, which we'll push forward with into the new century. Fred must be smiling. Somewhere.

The tremendous support from the Australian and New Zealand public continues to grow. Australian Government support through AusAID made up 16% of The Foundation's 1998 budget. The Foundation's income for 1998 increased by 14% over the income for 1997.

The incredibly generous donation of \$1,000,000 from Dick Smith helped achieve this good result.

The Business Forum of The Foundation, with John Dawkins as patron and managed by Howard Davies, aims to increase business support for The Foundation. Ray Williams from HIH Winterthur leads the way for others by donating \$100,000 per year, for 5 years, to The Foundation.

Following the practice of business and other not-for-profit organisations, The Board also decided to build

up modest financial reserves. These reserves will ensure that long-term commitments can now be made to develop programs in Asia and Africa as well as with indigenous people in Australia. The target is to operate at a surplus over the next five years, so that at least one year's budget is eventually kept in reserve. Interest from these reserves will also be used to fund on-going programs.

Russell Rollason left The Foundations Board in 1998, after 5 years valuable contribution. Fessehaie Abraham, the former Eritrean Ambassador to Australia, and the person who got Fred interested in Eritrea in the first place, joined The Board of The Foundation along with Howard Davies in 1998. Howard Davies, the Chair of the British - Australian Chamber of Commerce and an active Rotarian, has been a long-standing donor to The Foundation.

I thank all the other hard working staff, Medical Advisory Group and Board Members of The Fred Hollows Foundation for their unstinting contribution.

You're right, Fred. We do have the capacity to care.

Ray Martin

CHAIRMAN

The Foundation's Program Manager is Jo Thomson

Africa

Phase One of The Foundation's Africa Microsurgical Training program, which commenced in September 1995 and which was substantially funded by AusAID, has exceeded expectations. The initial aim was to train 66 eye doctors in modern cataract surgical procedures before the end of 1998 and this target has been surpassed. During 1998, 18 eye surgeons were trained, bringing the total number to 133 from 11 African countries at the year's end. Of the 133 eye surgeons trained, 27 are accredited to go on and instruct their colleagues in modern cataract surgical techniques.



Mr Mbarouk, a Primary Eye Care Co-ordinator, tests cataract patients' eyes, Zanzibar Island, Tanzania.

A Mid-term Review of The Foundation's surgical training program in Africa, was held in January 1998. Following this mid-term review (a necessary requirement of AusAID funded overseas projects), detailed planning of Phase 2 of the Africa Microsurgical Training program commenced, with Project Design Management, the company involved with the original project design, assisting in the process.

Since The Foundation's Africa Microsurgical Training program began, there has been a significant increase in awareness of sight-restoring intraocular lens implant surgery from cataract patients. This has resulted in widespread conversion to the technique by policy makers and other blindness prevention organisations working in Africa. In addition, the concept and practice of cost-recovery steadily increased in some African countries during 1998. In simplistic terms, cost-recovery, the key to self-sustainability and independence from foreign charity, involves the patient paying a nominal fee for the IOL and the surgery. Another IOL is then imported and the remaining money is placed in a central "kitty" and is used to purchase consumables like sutures and medicines. This money is also used to replace broken instruments as well as for subsidising those poorer patients who cannot afford even the nominal fee.

One of the prime objectives of Phase 2, which will begin in 1999, is to work with The Foundation's partners to support local initiatives to increase the volume of modern cataract surgery across Africa. Another objective is to widen the concept and practice of cost recovery systems to those African countries where it has not been implemented.



Mr Mahmoud Drammeh.

A story from Africa

Mr Mahmoud Drammeh a tailor from Banjul in The Gambia, had had a traumatic injury to one eye while helping his family on their farm. His first operation was solely an extra capsular cataract extraction (ECCE) without an IOL implantation, which required the need for wearing glasses with "coke bottle" lenses. Even with these, he did not have the required vision or the focus to return to tailoring, as he was no longer able to judge depths or the fine detail so integral to Gambian clothing.

After 3 years, at one of The Foundation's workshop sessions, Mahmoud was finally able to have a secondary operation which involved an IOL implantation. In his own words, he thought it was like "night and day", and was so excited because his restored eyesight meant that he could return to his work as a tailor – a considerably better paid occupation than farming.

Cambodia

In partnership with UK Non Government Organisation (NGO) HelpAge International, The Foundation in late 1998, commenced a cataract management program in Cambodia, a country with a tragic recent history. Cambodia is one of the poorest countries in the South East Asian region, with an annual per capita income of under \$300. Ophthalmic services, in 1998, were limited to only 5 of Cambodia's 22 provinces. The Foundation's priority therefore, is to set up the infrastructure to provide modern cataract surgical training to Cambodian eye doctors, to cover all parts of the country.

HelpAge International is one of several International NGOs already working in Cambodia. Within their already existing ophthalmic program, The Foundation will also establish systems to supply low-cost Fred Hollows Foundation manufactured intraocular lenses; arrange the supply and maintenance of inexpensive equipment and instruments, and establish a cost-recovery system to ensure the self-sustainability of current and future programs.

The initial stage of the cataract management program in Cambodia will involve training 5 Basic Eye Doctors (BEDs) - doctors who have received further training in eye health care. Commencing in January 1999, these doctors will be taught modern cataract surgical techniques by Foundation-trained, Vietnam based Dr Binh, in Da Nang in neighbouring Vietnam. On an individual basis, the training will be tailored to each of the doctor's specific needs, and is likely to take between 3-6 weeks, depending on their level of skill and knowledge. The Foundation will provide ongoing surgical support to these doctors, and will also look at cataract surgical training for other BEDs on completion of their basic eye care course.

China

In April 1998, in partnership with the China Disabled Peoples Federation and the Jiangxi Provincial Bureau of Health, a one-month pilot training workshop was held in Jiangxi Province.

As part of the on-going planning process for the

establishment of a microsurgical program in China, this workshop was headed by Australian ophthalmologist, Dr Jennifer Arnold. Her team included Dr Sanduk Ruit of the Tilganga Eye Centre in Nepal, and Dr Richard Le Mesurier, The Foundation's Harare-based Africa Medical Director. Trainees spent the first 3 weeks of the workshop in Jiian,



Dr Jennifer Arnold receives a warm welcome from local villagers in Ninggang County Jiangxi Province, China.

learning The Foundation's surgical and training techniques. The subsequent week was spent at the Nan Gang Hospital where Dr Ruit passed on his Tilganga multi-disciplinary approach to high volume surgery. During this period, 327 modern cataract surgical operations were performed, and 8 surgeons trained. Of these 8 doctors, 2 were each given microscopes and surgical instrument sets which were funded by Integral Energy (NSW).

One of the objectives of the pilot project was to identify any obstacles to delivering high-volume, high-quality, sight-restoring cataract surgery to disadvantaged people living mainly in rural China. Those which surfaced most clearly, were the high cost of surgery and the lack of adequate surgical equipment. During 1998, The Foundation concentrated on finding workable solutions to these problems.

In November 1998, a follow-up assessment of the pilot project was undertaken by Jennifer Arnold and The Foundation's Medical Adviser, Dr Garry Brian. Detailed discussions on the concept of Cost Recovery were held with Chinese doctors and hospital administrators. Ideas on the establishment of systems for monitoring patient tracking cards, record keeping, equipment maintenance and equipment resupply were also examined.

At the close of 1998, Mary Anne McDonald was appointed Project Manager of The Foundation's China program. She has worked for over 20 years in the development of public health projects, including blindness prevention. Having worked for the Trachoma Program in the Northern Territory and also with some of our current partners in Africa, Mary Anne brings tremendous experience to The Fred Hollows Foundation.



Chime Lama, from Shegopma Village in Dolpa, Nepal is 37 years old. She had been blind from cataract for over 3 years and had never seen her new baby. The Jamgon Kongtrul Rinpoche Foundation found her up in her village and took her and her family to Tilganga.

Nepal

1998 saw the continuing consolidation of activities at Tilganga Eye Centre in Kathmandu. The three facilities within the centre – the Fred Hollows IOL Lab, the Surgicentre and the Eye Bank – continued to expand and develop.

The Fred Hollows IOL lab, Tilganga's internationally accredited manufacturing facility (*See Technical report p. 13 for details*) produced and sold lenses for both the domestic and international markets. IOLs are now being exported from Nepal to fifteen countries. Production figures are expected to increase dramatically in 1999, when the new FH2000 automatic lathe, able to process up to 1,000 lenses a day, comes on line.

The new model IOL, The FH105, required for sutureless surgery, is undergoing trials at the Surgicentre (*See Technical report p. 14*). This IOL is specially designed for the smaller incision used in this technique. As this new method of surgery becomes more widely accepted and used, the FHF105 will be produced in increasing numbers.

The Surgicentre continued to expand its services. During 1998, a total of 57,986 patients were examined and over 6,000 operations performed. This represents maximum capacity with present staff levels and space available. Training of surgeons and paramedical staff from other centres in Nepal and from the surrounding region continues. This includes training in both surgical techniques and in the management and cost recovery systems used by Tilganga.

The Nepal Eye Program Australia (NEPA) – a support group for Nepal within the Fred Hollows Foundation, continued to support the eye camp program, provide microscopes for new trainees and provide support for equipment and training at the Surgicentre.

Pakistan

In partnership with The Pakistan Institute of Community Ophthalmology (PICO) and the Khyber Eye Foundation, in October 1997, The Fred Hollows Foundation commenced a Microsurgical Training Program in the North West Frontier Province of Pakistan.

As in other places where The Fred Hollows Foundation works, many of Pakistan's cataract blind population live in poorer, rural and more remote areas, and have far less access to modern cataract surgery than those living in the larger regional centres where most qualified eye surgeons are concentrated. Compounding the problem of the urban concentration of ophthalmologists, is the unique situation presented by cataract blind women living in rural Pakistan. Here social and religious customs dictate that a woman cannot travel alone, and this creates an added financial and logistical burden for the family, resulting in very few poorer, cataract blind Pakistani women from rural areas seeking treatment.

These two factors have determined the rural focus. The Foundation has adopted in Pakistan, where the main objective of the project, with funding assistance from AusAID, was to train and equip 24 district level ophthalmologists from the North West Frontier Province with the skills to perform modern cataract surgery.

In June 1998, these 24 eye doctors graduated at a ceremony attended by the Australian High Commissioner to Pakistan. Follow-on training sessions, to consolidate their skills in modern cataract surgery, were co-ordinated by Dr Rubina Gillani who in 1998, was appointed Country Representative for The Foundation's Pakistan microsurgical training program. Dr Gillani, whose position was supported with AusAID funding, is the only woman in the North West Frontier Province to hold a Masters in Public Health. The Foundation's priority is to take our work to a national level in Pakistan. The first phase of this will involve a situational analysis – a national "audit" of the current level of surgical skills, equipment and human resources. This commenced in 1998 and will be funded with assistance from AusAID.

The Foundation's microsurgical training program in Pakistan has to date been highly successful. It is a notable achievement that the initial phase was entirely funded by money



Theatre Assistant, **Ms Sajida**, with post-operative patient **Khaira Jan**.

received from donor members of The Fred Hollows Foundation, from an appeal held in February 1997. Significantly, IOL implant surgery has increased dramatically through outreach sessions in the North West Frontier Province, and Pakistan has now become an important market for Fred Hollows Foundation IOLs.

Dr Rubina Gillani's perspective on the impact that The Fred Hollows Foundation's presence has had in Pakistan...

The story of The Fred Hollows Foundation is quite recent in Pakistan, and so is the realization that blindness is a Public Health problem.

The reality regarding blindness in Pakistan was for the first time documented in 1987-1990, in a survey study conducted at a national level. The results were shocking for most planners and other concerned people.

According to this survey Pakistan has a total of 1.65 million blind, increasing at a rate of 33,000/ year. The annual cataract surgical output for the whole country is 140000/- from all possible avenues, and including all types of cataract surgeries.



Dr Rubina Gillani, Country Representative for The Fred Hollows Foundation's Pakistan microsurgical training program.

With the present resources in cataract surgery and the existing economic conditions of the country, dealing with the problem of blindness seemed an uphill task. The emergence of The Fred Hollows Foundation on the scene at a time when the realization had come, but when there was not much chance of going ahead to meet the challenge; was nothing short of a dream come true.

Many national and international NGOs are already working in various Primary Health Care and Public health programs. However, very little attention had been paid to the problem of blindness as such. The few organizations which are doing some work are mostly working in vertical, short term programs.

The Fred Hollows Foundation undertook to put in its resources and efforts into developing a more sustainable, long-term program. It has worked through the existing government systems rather than developing a parallel organization. The Fred Hollows Foundation started working closely with the Department of community and clinical ophthalmology, Hayatabad Medical Complex Peshawar.

In the last two years The Fred Hollows Foundation has exposed all the available District Head Quarters (DHQ) ophthalmologists to initial / refresher courses of ECCE + IOL implantation techniques. It has also provided every DHQ ophthalmic facility with a surgical microscope and cataract surgical instruments. These training sessions are being followed-up by out-reach

programs in each District. During each out-reach program, around 120 modern cataract operations are performed by the DHQ ophthalmologist under the supervision of the trainers.

The impact of all these activities has been really remarkable. What The Fred Hollows Foundation program has contributed to the cataract services in a very short time, has been beyond the expectations of all involved.

The Fred Hollows Foundation's presence in the North West Frontier Province specifically, and in Pakistan generally, has brought an attitudinal change towards cataract surgery. A realization that quality does matter, no matter whosoever is the patient. "Whosoever" because Fred Hollows IOLs have made lens purchase possible even for economically disadvantaged patients. It has made the word "intraocular lenses", almost a part and parcel of cataract surgery. Ophthalmologists have, for the first time, experienced working with low-cost, but of the highest-quality lenses, and are recommending cataract surgery with IOL implantation, to all who need it.

The District Ophthalmologist who is mainly dealing with poor people in remote areas, is now a more confident person, because he has been the main person addressed in The Fred Hollows Foundation programs. The Follow-up out-reach activities have helped the District Ophthalmologist gain the confidence of the communities and promoted his image as a focal person for them. As such the ophthalmologist sees himself as a more responsible person who should strive for high standards. This has really developed a learning culture which is so much needed in Pakistan.

With these gains it now seems easier to achieve the goal of reducing avoidable blindness due to cataract - the ultimate goal of The Fred Hollows Foundation and many in Pakistan.

The Fred Hollows Foundation's presence has not only done a lot of good for Pakistan, but has also had positive effects on Australia's image there. With the name of The Fred Hollows Foundation, the word "Australia" also travels. Many Pakistani now see Australia as not only a technically developed country, but a country concerned about the well being of the under-served

and the privileged regardless of race or nationality. They see Australia as a generous Donor Friend. The Fred Hollows Foundation's work in North West Frontier Province, and its Situation Analysis in the country, has produced a stir which is very encouraging. We hope The Fred Hollows Foundation can spread a similar message and generate the same effect throughout the whole of Pakistan. We also hope that with the lessons learnt from its mistakes and the encouragements gained from its success in the North West Frontier Province, goals will be achieved for the rest of the country as well.

Vietnam

The first stage of the surgical training program for Vietnam, a collaboration between The Fred Hollows Foundation and the Vietnam Institute of Ophthalmology (VNIO) commenced in 1992 and will be completed in mid 1999.

Around 380 Foundation-trained surgeons are now working throughout every province of Vietnam and IOL implant surgery has gone from around 100 cases in 1992 when training first began, to over 50,000 by the end of 1998.

10 refresher training courses were held throughout 1998 in the northern provinces of Vietnam, and were conducted by the VNIO. The prime objectives of these were to consolidate the skills of those doctors previously trained, and to address the difficulties experienced by some of them due to professional and geographical isolation.



Mrs Pham Thi Ke (77) from Que Phan near Da Nang, Vietnam, is led by her daughter **Nguyen Thi Thien**, to the village health centre for a cataract operation on both eyes.

Primary surgical training, refresher training and complications management courses also commenced during 1998, and were conducted by Foundation-trained eye surgeons. These courses, along with professional development meetings and additional surgical equipment, were funded by AusAID.

A ceremony to celebrate the opening of Da Nang Eye Hospital was held on October 6th 1998, and was attended by Gabi Hollows and Mike Lynskey, The Foundation's Chief Executive Officer. Gabi Hollows, whose first trip to Vietnam was 6 weeks after Fred's death – to reassure the Vietnamese people that Fred's promises would be kept – expressed her amazement at the wonderful progress that has been made in cataract management in Vietnam, since her second visit in 1994.

One of the three main eye health institutions in Vietnam, Da Nang Eye Hospital is headed by Dr Pham Binh, who was among the first group of eye surgeons to be trained in extracapsular cataract extraction with IOL implant. Greatly impressed by Dr Ruit's work in Nepal when he visited Tilganga in 1994, Dr Binh's surgical skill and enthusiasm ever since, have been a motivating and inspirational force for other Vietnamese eye surgeons being trained by The Foundation.

In November 1998, The Foundation's Chief Executive Officer advised Foundation donor members that construction of the proposed IOL laboratory in Vietnam would not take place, despite extensive efforts to bring about this project. Fred Hollows IOL laboratories need to

manufacture and sell a minimum of 50,000 intraocular lenses per year, to ensure that they become economically independent. The Vietnamese government was unable to confirm that this target was achievable, and this formed the basis of The Foundation's decision not to proceed with the IOL laboratory in Vietnam.

The Foundation will continue its long-standing support of Vietnam's cataract blind population. This commitment will be consolidated over the next five years with The Foundation donating 10,000 IOLs per year for the poorest and most disadvantaged of Vietnam's cataract blind population. Plans are also afoot to improve distribution channels there, so that low-cost, high-quality IOLs can be accessed readily throughout Vietnam. Microsurgical training will continue to be a high priority.

Some brief comments from Foundation-trained Dr Binh

Since 1994, The Fred Hollows Foundation has contributed greatly to eye health care in Vietnam, by training eye doctors in modern cataract surgical techniques and by helping with the supply of medical equipment. Da Nang Eye Hospital in particular has benefited from Fred Hollows Foundation donations of such superior equipment as microscopes, YAG lasers, surgical instrument sets and

IOLs worth many thousands of Vietnamese dong.

The area which The Fred Hollows Foundation has made the most impact however, is in the area of training. By the end of 1998, 380 eye surgeons had been trained in modern cataract surgical techniques with IOL implantation, with the result that thousands of previously cataract blind people have now had their sight restored.

First and foremost with The Fred Hollows Foundation, are cataract blind people, no matter if they are rich or poor, and no matter what their racial origin. The Foundation's goal has always been to make superior cataract surgery available to all who need it, at the lowest possible cost.



Dr Pham Binh.



Dr Garry Brian examines Dann Rubin's eyes at Thursday Island Hospital.

The Foundation conducted a specialist ophthalmic service delivery demonstration project in far north Queensland from 1995 to 1997. This was possible through the invitation of local community groups, public donations, and a generous grant from the Viertel Foundation. This project, which was run by Dr Garry Brian, successfully addressed many of the impediments to providing good quality eye services to rural and remote Australians, particularly those in indigenous communities.

By October, 1996, the project's success allowed The Foundation's Ray Martin, Mike Lynskey, and Garry Brian to confidently lobby the Federal Government to organise a review of indigenous eye health and the delivery of eye services to these Australians. The Federal Minister of Health, Michael Wooldridge, commissioned such a review in December, 1996.

Professor Hugh Taylor, of the Centre for Eye Research Australia (CERA), conducted this review, and presented his findings to the Minister in June, 1997.

The Taylor Report, "Eye Health in Aboriginal and Torres Strait Islander Communities", deals with more than just ophthalmic specialist service delivery. However, The Foundation's service model is taken as the template for the recommendations concerning this aspect of eye care.

After six months, at the beginning of this year, and despite considerable Federal bureaucratic activity, there was no apparent progress by the government in implementing the report. In March, Garry Brian was seconded from The Foundation to work part-time with the Office of Aboriginal and Torres Strait Islander Health Services (OATSIHS), that part of the Federal Health Department responsible for the report's implementation. This was so he could assist OATSIHS by bringing his far north Queensland experience to the task of replicating the service model across Australia. Since then, Garry has spent considerable time in rural and remote South Australia, Victoria, Queensland, and the Northern Territory.

In particular, this has involved visiting and consulting Aboriginal communities, indigenous health organisations, and potential service providers. As a result, he has prepared detailed service delivery implementation plans for these states.

Despite these plans, as the year finishes, the only obvious consequence of the report has been the closure of the poorly performing residual Trachoma and Eye Health Committees. As yet, there has been no provision of a framework to support the services required to improve indigenous eye health to a level accepted and expected by mainstream urban Australians for themselves.

Now eighteen months since the Taylor Report's presentation, this lack of implementation is of concern to The Foundation, which is presently considering its options in helping drive this forward. In the meantime, with the appointment of new OATSIHS staff responsible for this project, The Foundation is hopeful rapid progress will be made in the new year.

The Foundation's Technical Director is Ray Avery

Intraocular Lens Manufacture

From the commencement of commercial scale manufacturing operations in 1995, the production output of intraocular lenses from the Fred Hollows IOL Laboratories in Nepal and Eritrea has doubled each year. This trend is forecast to continue in 1999.

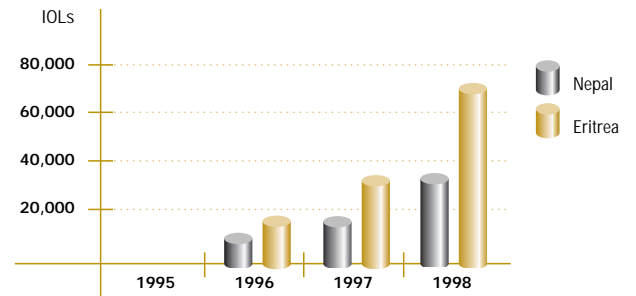
A systematic program to increase the production capacity of each laboratory is now in place which, together with increased production yields and improved inventory control systems, will result in a lower manufactured cost of goods.

Fred Hollows IOLs are now distributed to over 30 countries and the demand for lenses continues to exceed the combined annual production output of both Laboratories.

piece IOL design, leading edge production, and compliance with the most stringent International codes of Good Manufacturing Practice.

In August 1998, the IOL laboratory in Nepal, was awarded a CE Mark certificate, a product-related quality mark which allows IOLs manufactured in Nepal, to bear the prestigious internationally

FH IOL Laboratories - Annual Production Output



In March 1998, the Fred Hollows IOL Laboratory at the Tilganga Eye Centre, Kathmandu, Nepal, obtained ISO9002/EN46002 Certification, a standard that defines the European regulatory requirements for the manufacture of implantable medical devices (such as IOLs). This independent audit

recognised CE Mark. The CE Mark allows Fred Hollows IOLs to be sold freely within the European community, and is the same certification required by European IOL manufacturers.

International Accreditation

The guiding principle for the manufacture of IOLs at

The independent assessment and certification of the Fred Hollows IOL Laboratory, Kathmandu, Nepal by an accredited certification body, demonstrates that Fred Hollows IOLs are manufactured in compliance with world class standards. This is a huge achievement for The Foundation and the Tilganga IOL laboratory staff in Nepal.



The Fred Hollows IOL Laboratory, Kathmandu, Nepal is accredited to these standards.



The Fred Hollows IOL laboratories is to produce large volumes of high-quality IOLs at the lowest possible cost, ensuring precision-made, quality IOLs are accessible to those in need.

These objectives are achieved through the use of state-of-the-art, single



assessment, conducted by SGS Yarsley International Services Pty Ltd, confirmed that The Fred Hollows IOL laboratory in Kathmandu operates in compliance with these standards.

In October 1996, The Foundation commenced two innovative research and development programmes with funding provided by the Perron Group. Overseen by Macquarie Bank, the project had two objectives; to develop an automated IOL manufacturing process and to develop a portable YAG laser.

Development of an automated IOL manufacturing process

During 1997, a fully automated prototype IOL lathe was assembled in Adelaide. Commercial scale production trials confirmed that this lathe is highly reliable, producing lenses of higher optic quality and dimensional accuracy than lenses manufactured using traditional technology.

In August 1998 the lathe was shipped to Nepal for integration into the Fred Hollows IOL Laboratory upstream manufacturing process. Unfortunately the lathe was severely damaged in transit.

Repair and commercial scale validation of the lathe is scheduled for completion in January 1999.

Development of a Portable Yag Laser

The LQP4106 YAG laser is used for the treatment of Posterior Capsular Opacification (PCO) which occurs following 5-10% of IOL implant cases by Fred Hollows Foundation-trained doctors. PCO is the clouding of the posterior lens capsule that supports



LQP4106 Yag Laser.

the intraocular lens. As a result of the increasing acceptance of cataract surgery with IOL implantation, there was a need for an affordable Yag laser for treating PCO.

In 1998, the development of the portable LQP4106 YAG laser was completed, with field trials carried out in Nepal and Africa. The field trials were an outstanding success, demonstrating the advantages of a lightweight, portable and robust YAG laser for use in developing countries.

By developing the YAG laser, The Foundation has brought the price of YAG lasers down from approximately \$60,000 to under \$20,000 for INGOs working in developing countries. There is strong demand for YAG lasers, and Ellex Laser Systems, The Foundation's partner in the development of the YAG laser, currently has orders for over 50 units.

Development of the FH105 IOL

The Foundation is continually seeking ways to reduce the cost of ECCE + IOL surgery. As part of this strategy, in 1998 in conjunction with Dr Sanduk Ruit of the Tilganga Eye Centre, The Foundation developed the FH105 intraocular lens.

The FH105 lens has a 5.5mm optic, a 12.5mm overall diameter and a narrow cross section to facilitate insertion through a narrow tunnel incision. This removes the need to use sutures to close the wound.

The benefits of sutureless surgery include; a significant reduction in the cost of surgery due to the reduced costs of consumables, shorter operating times (typically less than 5 minutes) and improved postoperative visual acuity.

The sutureless surgical technique developed by Dr Ruit has the potential to revolutionise the way in which ECCE surgery is performed in developing countries.



The Foundation's **Richard Combe** operating the FH2000 Automated Lathe.

When The Foundation was established in 1993, a Medical Directorate was formed to plan and help implement the medical aspects of The Foundation's work. This group consisted of Garry Brian (then of Adelaide, but currently in Cairns), Mark Gillies (Sydney), Jamie LaNauze (Albury), and David Moran (Port Macquarie). Garry, Mark and David had worked with Fred Hollows in conjoint clinical (Staff Specialist Ophthalmologist at Prince of Wales Hospital, Sydney) and academic (University of New South Wales) appointments, and shared with him field work

As The Foundation, its projects, and its outlook have evolved, so too has the role of this medical group. With this evolution, there has been a need to restructure the group.

Earlier this year, Garry Brian, who has worked in Eritrea (from 1988) and Nepal (from 1989), and spent considerable time in Aboriginal and Torres Strait Islander communities from 1987, most particularly while running The Foundation's far north Queensland ophthalmic specialist service delivery project (1995-1997), was appointed The Foundation's Chief Medical Adviser.

As coordinator of The Foundation's medical activities and the Medical Advisory Group, Garry aims

The medical components of The Foundation's country projects are mentioned elsewhere in this Annual Report. However, it is worth emphasising several of them in particular.

Sanduk Ruit, ophthalmic surgeon and head of The Foundation's partner institution in Nepal, The Tilganga Eye Centre, which houses both a surgical facility and The Fred Hollows Intraocular Lens manufacturing laboratory, has developed a low cost method of removing cataracts through a self-sealing, sutureless, smaller incision. David Moran and Garry Brian both visited Nepal in 1998, to lay the



Dr David Moran



Dr Richard Le Mesurier



Dr Garry Brian



Dr Jamie LaNauze



Dr Mark Gillies

both overseas and in rural and remote Australia. Jamie had a connection through a residual state Trachoma and Eye Health Program, a remnant of the national program run by Fred in the late 1970s.

In 1996, Richard Le Mesurier, based in Harare, Zimbabwe, and running The Foundation's Africa Microsurgical Training Program, was added to the Directorate.

to strengthen the support given to local in-country medical partners, incorporate them more fully in Foundation activities as a contributing resource, and increase their influence in the medical decision-making within The Foundation. While this emphasis on promoting The Foundation's partners is not new, formalisation of it is.

groundwork to help Tilganga collect data concerning the efficacy and safety of this procedure. Tilganga and The Foundation will promulgate this surgery in the medical literature, and by sponsoring visits to Kathmandu by The Foundation's medical partners from other countries. The visits will also be used to expose these surgeons to the organisational aspects of doing large volume/good

quality eye surgery. The first of these visits occurred in December, when Dr Khurshid of Pakistan accompanied Sanduk Ruit, Garry Brian, and local Nepalese surgeons on a five day eye camp at which 1057 cataract operations with intraocular lenses were completed. Early next year, it is anticipated Foundation partners from Ethiopia and Vietnam will visit Tilganga.

In April, Jennifer Arnold (Aberdeen) coordinated and lead a surgeon training workshop in Jiangxi province, China. Richard Le Mesurier and Sanduk Ruit participated, bringing their expertise and experience of Africa and Asia. This pilot workshop and the follow-up assessment several months later by Jennifer and Garry Brian have provided valuable insights into the Chinese ophthalmic service delivery situation. Above all, as The Foundation continues to explore the possibility of undertaking a surgeon training and surgical cost recovery/patient cross-subsidisation project in China, the wisdom of The Foundation's commitment to identifying a local medical partner to own and control the ophthalmic aspects of it, was confirmed.

Earlier in 1998, The Foundation's Africa Microsurgical Training Program was positively evaluated in the AusAID sponsored Mid-Term Review. The extraordinary efforts of Richard Le Mesurier and Gillian Cochrane in spreading the technique and for good quality intraocular lens surgery across the continent, deserve special mention. As the year concludes, planning is underway for what happens at the end of the current project, in June 1999.

On the strength of The Foundation's successful far north Queensland ophthalmic specialist service delivery demonstration project, run by Garry Brian, The Foundation was able to lobby the Australian Federal Government to organise a review of indigenous eye health and the delivery of eye services to this group. The resulting report was presented to the Federal Minister of Health, Michael Wooldridge, in June 1997. It suggested, amongst other recommendations, that The Foundation's model of service delivery be used across Australia. After six months, at the beginning of this year, there was no apparent progress by the government in implementing the report. Since March, Garry Brian

has spent several months seconded by The Foundation to work with the Office of Aboriginal and Torres Strait Islander Health Services, part of the federal health department. He has travelled and consulted widely in South Australia, Victoria, Queensland, and the Northern Territory. Much of this time has been spent in Aboriginal communities and with indigenous health organisations. Detailed implementation plans for the service delivery aspects of the report have resulted. Despite this, as the year finishes, the only obvious consequence of the report has been the closure of the poorly performing Trachoma and Eye Health Committees, but no provision of services to fill the void. The Medical Advisory Group is appalled by the lack of government progress in implementing the report, and is now seriously concerned that the Federal and State Health bureaucracies are unable or unwilling to do so.

As previously, the Medical Advisory Group continues to be active in preparing educational material, assisting the technical and project management groups within The Foundation, and representing The Foundation and its views in the medical literature and at ophthalmic meetings.

The Fred Hollows Foundation Board

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The Fred Hollows Foundation Business Forum, launched in 1996, is a means by which The Foundation can benefit from the knowledge, ideas, resources and customer networks of the Australian business community. In turn, Business Forum members have the opportunity to build good will with their own business associates, by showcasing their support of The Fred Hollows Foundation.

Since its inception, The Business Forum has greatly assisted The Foundation in ways which are not purely financial. An estimated \$1.25 million worth of "in-kind" support has been given in a diverse range of activities. These include appeals, on behalf of The Foundation, mounted through Business Forum members' own customer databases, professional advice, free advertising space, internet access and web-page support.

The Fred Hollows Business Forum has as its patron, John Dawkins, and is managed by businessman and a director of The Foundation, Howard Davies. At the end of 1998, the number of Australian companies who made up The Fred Hollows Foundation Business Forum totalled 104.

The Fred Hollows Foundation Business Forum is made up of the following organisations:

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- Rischbieth, E F
- Roberts, George
- Robertson, F A
- Robertson, Graeme
- Robertson, J R
- Rogers, Graeme G
- Rogers, Stewart
- Rose, Tom
- Roso, Karen
- Rowe, Doris
- Ruhl, Rosemary
- Ryan, Francis
- Sackren, Paula
- Saunders, M
- Sawyer, Kent H
- Scheer, C H T
- Scotton, Barry
- Senini, Lola
- Sergeant, David
- Shanahan, Daniel
- Sharma, Ved P
- Sharpe, Frank
- Sheen, D A
- Short, Lesley
- Signal, Anne
- Simpson, Jill T
- Simpson, Janet
- Sinclair, D
- Sitzler, Minna L
- Skinner, Eric R
- Slee Family,
- Sloman, Ernest
- Smith, Les
- Smith, Howard
- Smith, Fran
- Smith, Betty M
- Solari, H
- Soliman, Franco
- Solomon, Christine
- Spinelli, Brad
- Spratt, David
- Staer, Wallace
- Stalker, T M
- Steele, P F H
- Steele, J
- Stephens, Garry
- Stephenson, Liz
- Stewart, Peter
- Storer, Tim
- Stuart Fox, Peter
- Sullivan, Jennifer
- Sykes, J B
- Tateno, Yuko
- Taylor, Ward
- Taylor, Douglas
- Taylor, Sandra
- Tennant, Carl W
- Thatcher, Carolyn
- Theomin, J E
- Thompson, James
- Tong, N
- Tong, Billy
- Tsoloukidis, Sophie
- Tynan, M F
- Vandervaere, R E
- Vaughan, D E
- Veldkamp, J P
- Velthuys, John
- Wagensveld, John
- Walton, R
- Walz, Greg
- Warren, Paul & Yvonne
- Warren, Maria
- Wasley, Les & Janet
- Watkins, Ian
- Watson, David
- Watts, Marlene
- Weatherall, David & Joy
- Webster, Wayne & Leslie
- Weippert, Heather M
- Wells, James Selwyn
- Wetters, Peter
- Whang, B & S
- Wharton, Dick
- White, Paula
- Whiteside, SA & A
- Whitford, Doris
- Whyte, A Doug
- Williams, Angela
- Williams, Ross
- Willkie, Patricia
- Willocks, Alison
- Wood, H T & E
- Wood, Ellen
- Wood, S & P
- Woodall, R
- Woodrofe, G M
- Worthington, Stuart
- Wright, David H
- Wright-Smith, J & E M
- Wucherpennig, G
- Wurth, John
- Wyatt, R B
- Zoulek, Hans

Advertising agency Whybin Lawrence TBWA, whose strong and committed pro-bono support of The Foundation commenced in 1997, continued their advertising activities on behalf of The Foundation during 1998.

The Foundation relies heavily on free advertising and donated media services, and since its inception, the media have generously supported us. Apart from helping raise the funds needed to continue The Foundation's work, advertising also helps to keep the community informed about our activities.

The Fred Hollows Foundation thanks the following media organisations and individuals for their generous support.

Television

Media Sales
Nine Network
Nine Affiliates
Seven Affiliates
Seven Network
Special Broadcasting Services
Ten Network

Metro Press

Adelaide Advertiser
Adelaide Sunday Mail, The Age, The Australian, The Brisbane Courier Mail, The Brisbane Sunday Mail, The Bulletin, The Canberra Times, The Hobart Mercury, The Melbourne Herald Sun, The News Ltd
Northern Territory News, The Perth Sunday Times, The Perth West Australian, The Sunday Age, The Sun Herald, The Sydney Morning Herald, The

Regional Press

Sunshine Coast Daily, The

Magazines

Australian Good Taste
Australian Gourmet Traveller/Australian Wine HQ
Mens Health
Readers Digest
Sunday Magazine, The Who Weekly

NSW Radio

ABC Radio
Wollongong Wave FM
2DU
2MMM
2UE
2WS

VIC Radio

ABC Radio
Melbourne Magic 693
Melbourne Sport 927 Radio
3AK
3AW
3MP

WA Radio

ABC Radio
6PR
6WF
96FM

ACT Radio

ABC Radio
2CN

SA Radio

ABC Radio
Adelaide Radio
5AD
5MMM

QLD Radio

ABC Radio
B105FM
4KQ

Individuals

Brown, Malcolm
Sydney Morning Herald, The Hull, Crispin Canberra Times, The Laws, John 2UE
Leckie, David
TCN Channel Nine Pty Ltd
McAlpine, John
Network 10 Ltd
Milan, Nigel
Special Broadcasting Service
Munter, Julian
Amalgamated Television Services Pty Ltd
Perry, Anthony
News Limited
Stephens, Tony
Sydney Morning Herald, The

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THE FRED HOLLOWES FOUNDATION LIMITED
A.C.N. 070 556 642
DIRECTORS' REPORT
FOR THE YEAR ENDING 31 DECEMBER 1998

The directors submit their report for the year ended 31 December 1998.

Directors

The names and details of the directors of The Fred Hollows Foundation in office during the financial year and until the date of this report are: (Names, qualifications, experience and special responsibilities):

R.G. Martin (CHAIRMAN)	Journalist
M.R. Johnson (TREASURER)	Head of School, School of Social Science & Policy, University of New South Wales
V.M. Rubensohn (SECRETARY)	Communications Consultant
F. Abraham	Business and Development Consultant Mr Abraham joined the board on 21 May 1998
G. Briscoe	Historian
H. Davies	Company Director Mr Davies joined the board on 30 July 1998
J. Dawkins	Company Director
M. Gillies	Ophthalmologist
G.B. Hollows	Orthoptist
N. Milan	Managing Director, SBS Corporation
R.G. Rollason	Managing Director, Development Networks International Pty Ltd Mr Rollason resigned from the board on May 21, 1998
H.R. Taylor	Chairman, Department of Ophthalmology, Royal Victorian Eye & Ear Hospital

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

Principal Activity

The principal activity of The Fred Hollows Foundation during 1998 was as a charitable organisation engaged in:

Financial, technical and marketing support to Intraocular Lens manufacturing laboratories in Nepal and Eritrea. This support included preparation for an international audit of the Nepal laboratory, and preparation for a similar audit of the Eritrean laboratory. Both the laboratory in Eritrea and Nepal are independent organisations.

Cataract surgery and surgical training programs in Nepal, Vietnam, Pakistan, China, Cambodia and sub-Saharan Africa. Equipment and consumables have been provided for these programs, and to support on-going local surgery.

Working with the Commonwealth on the development of implementation strategies relating to the recommendations from the report prepared by Professor Hugh Taylor concerning Indigenous Eye Health. Some local eye care service delivery to remote indigenous communities in the Torres Strait. Preparatory work for the development of an Indigenous Diabetes Program.

Continued research and development work involving the automation of several steps in the current intraocular lens manufacturing process and the development of a portable YAG laser. Initial validation trials of the automated lens manufacturing equipment.

There has been no significant changes in the nature of the above activities during the financial year.

Operating Results

	\$
Operating Surplus for 1998	1,007,392
Operating Surplus for 1997	525,884

Review Of Operations

The Fred Hollows Foundation maintained its technical, logistical and marketing support to The Fred Hollows IOL Laboratory, Asmara, Eritrea during 1998. Almost 87,000 intraocular lenses were manufactured during the year, and sales totaled 76,400, an increase of 15% over 1997. Sales were made in 30 different countries during the year. The Foundation was heavily involved in preparing the Laboratory for an international accreditation audit, with the audit scheduled for mid 1999. The Foundation's involvement in this process amounted to provision of equipment, document preparation, validation of process, and staff training.

The Fred Hollows Intraocular Lens Laboratory, Kathmandu, obtained ISO9002/EN46002 certification in March 1998. This standard defines the European regulatory requirements for the manufacture of implantable medical devices. The Laboratory was awarded a CE Mark Certificate in August 1998. This is a product related quality mark allowing lenses produced in Nepal to bear the internationally recognised CE Mark. A rigorous independent audit was needed to achieve certification. Further proof as to the world class quality of the lenses produced in Nepal. Training of surgeons and paramedic staff from Nepal and the region continued at the Tilganga Surgicentre during 1998. Almost 58,000 patients were examined at the Surgicentre during the year, and over 6,000 operations were performed.

Agreement was reached between The Foundation and the Ministry of Health in Vietnam, that an IOL Laboratory would not be built in Vietnam. Rather, it was agreed, that an annual donation of lenses would be made by The Foundation for poor patients in Vietnam. The Foundation has continued to support refresher training courses in Vietnam during 1998. Primary surgical training and complications management courses were also conducted during the year. By year end, there were around 380 Foundation trained surgeons in Vietnam.

The Foundation's Microsurgical Training Program in sub-Saharan Africa continued successfully during 1998. By the end of the year 133 surgeons had been trained from 11 African countries. Of these surgeons, 27 had qualified as fully accredited trainers, able to train their colleagues. This training program has been largely responsible for increased patient awareness of intraocular lens implant surgery. This has led to its conversion by policy makers and other blindness prevention organisations working in Africa.

In conjunction with The Centre for Community Eye Health, Peshawar and the Khyber Eye Foundation, The Fred Hollows Foundation continued a cataract surgery training program in the North West Frontier of Pakistan. Twenty four surgeons have been trained and equipped to perform modern cataract surgery. Work has begun on the next phase of the Pakistan program, taking what had been achieved in the North West Frontier Province, to other parts of the country.

A pilot training workshop was held in Jiangxi Province, China, during April 1998. Subsequent review sessions were held later in the year. Having chosen Jiangxi Province as the initial base for The Foundation's China program, program plans were developed and a Program Manager appointed. Much effort has gone into looking for solutions to the problems of high surgical costs and lack of surgical equipment.

In late 1998, The Foundation commenced a cataract management program in Cambodia. This program is being run in conjunction with HelpAge International. Initially, the program involves the training of a group of Basic Eye Doctors. They will be trained in neighbouring Vietnam by Foundation trained surgeons. This training has commenced in January 1999.

The Foundation worked with the Commonwealth during 1998 to develop implementation strategies concerning recommendations made in the Taylor Report dealing with Indigenous Eye Health. Much more work is required in this area during 1999. Some eye care service was provided to remote indigenous communities in the Torres Strait during the year. The Foundation has commenced work during the year to develop a program focussing on Indigenous Diabetes; a significant health problem in indigenous communities.

The first stage of The Foundation's Research and Development programs concluded in May 1998. This involved two projects. The development of more portable, robust and less expensive YAG Laser, and the automation of several steps in the current lens manufacturing process. Further work was done on both projects after this date to ready them for potential commercialisation. Validation trials continued into 1999 for the lens manufacturing technology. Work was undertaken on the development of a smaller lens during 1998, as well as other modifications to the lens manufacturing processes.

Likely Developments

The Foundation will maintain its commitments to the programs in Eritrea, Nepal, Vietnam, sub-Saharan Africa, Pakistan, China and Cambodia during 1999. The Foundation will continue its commitment to the R&D program during 1999.

Significant Changes in State of Affairs

During 1998 there was no significant change in the state of affairs of The Foundation.

Significant Events after Balance Date

Up until the date of this report there have been no significant events after balance date that should be included in this financial report.

Directors' Emoluments

As per Section 5.4 of The Fred Hollows Foundation's Memorandum of Association, and in accordance with Section 150 of the Corporations Law, no money or benefit will be given by The Foundation to any director. During 1998 no director of The Foundation received or became entitled to receive a benefit.

Indemnification and Insurance of Directors

The Foundation has taken out Directors and Officers Liability cover during 1998. The insurance contract does not allow for the terms or amount of the contract to be disclosed.

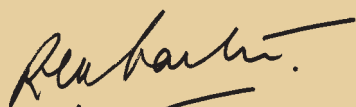
Directors' Meetings

During the financial year 7 meetings of directors were held. The number of meetings at which directors were in attendance is as follows:

	Meetings held while in office	Meetings attended
R.G. Martin	7	4
M.R. Johnson	7	7
V.M. Rubensohn	7	4
F. Abraham (appointed 21 May 1998)	4	3
G. Briscoe	7	5
H. Davies (appointed 30 July 1998)	3	2
J. Dawkins	7	5
M Gillies	7	4
G.B. Hollows	7	7
N. Milan	7	6
R.G. Rollason (resigned 21 May 1998)	4	3
H.R. Taylor	7	6

Due to the size of the operation no audit committee is in place. This will be subject to review by the directors and an audit committee constituted if this is warranted by growth in the volume of operations.

Signed in accordance with a resolution of the directors.



R.G. Martin
DIRECTOR

Sydney 4 May 1999

THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDING 31 DECEMBER 1998

	Notes	1998 \$	1997 \$
Operating revenue	2	<u>5,103,528</u>	<u>4,472,470</u>
Operating surplus	2	<u>1,007,392</u>	<u>525,884</u>
Operating surplus after income tax		<u>1,007,392</u>	<u>525,884</u>
Accumulated surplus at the beginning of the financial year		<u>1,756,507</u>	<u>1,230,623</u>
Accumulated surplus at the end of the financial year		<u>2,763,899</u>	<u>1,756,507</u>

THE FRED HOLLOWES FOUNDATION LIMITED
A.C.N. 070 556 642
BALANCE SHEET
FOR THE YEAR ENDING 31 DECEMBER 1998

	Notes	1998 \$	1997 \$
CURRENT ASSETS			
Cash		3,586,965	2,339,218
Receivables	7	45,272	12,982
Prepayments	8	123,285	65,464
TOTAL CURRENT ASSETS		<u>3,755,522</u>	<u>2,417,664</u>
NON - CURRENT ASSETS			
Prepayments	8	98,071	87,837
Plant and equipment	9	102,025	67,436
TOTAL NON - CURRENT ASSETS		<u>200,096</u>	<u>155,273</u>
TOTAL ASSETS		<u>3,955,618</u>	<u>2,572,937</u>
CURRENT LIABILITIES			
Creditors	10	1,153,620	794,812
Provisions	11	38,099	21,618
TOTAL CURRENT LIABILITIES		<u>1,191,719</u>	<u>816,430</u>
TOTAL LIABILITIES		<u>1,191,719</u>	<u>816,430</u>
NET ASSETS		<u>2,763,899</u>	<u>1,756,507</u>
ACCUMULATED SURPLUS		<u>2,763,899</u>	<u>1,756,507</u>

THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 31 DECEMBER 1998

	Notes	1998 \$	1997 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Donation income		4,001,225	2,429,784
Research and development funding		-	1,078,762
Merchandise sales		74,414	47,278
Payments to suppliers and employees		(3,352,170)	(3,081,972)
Research and development expenditure		(663,587)	(887,918)
Interest received		116,428	63,181
Grants received		1,140,077	759,605
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(12) (a)	<u>1,316,387</u>	<u>408,720</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of plant and equipment		2,000	2,000
Acquisition of plant and equipment		(70,640)	(28,115)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(68,640)</u>	<u>(26,115)</u>
NET INCREASE/(DECREASE) IN CASH HELD		<u>1,247,747</u>	<u>382,605</u>
Add opening cash brought forward		<u>2,339,218</u>	<u>1,956,613</u>
CLOSING CASH CARRIED FORWARD	(12) (b)	<u>3,586,965</u>	<u>2,339,218</u>

THE FRED HOLLOWES FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law which includes Urgent Issues Group Consensus Views and applicable accounting standards. Other mandatory professional reporting requirements have also been complied with.

Foreign currencies

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction. Cash balances which are denominated in foreign currency have been converted to local currency using the rates of exchange ruling at the end of the financial year. All resulting exchange differences are brought to account in determining the operating surplus for the financial year.

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

Plant and equipment

Cost and valuation

Items of plant and equipment are carried at cost.

Depreciation

Depreciation is provided for on a diminishing value or prime cost basis on all plant and equipment. Major depreciation periods are:

	1998	1997
Plant and equipment	3 to 10 years	3 to 10 years

Income recognition

Grants received and research & development funding is recognised as income when the relating expense is incurred.

Income tax

The Foundation has been registered under the provisions of The Charitable Fundraising Act, 1991, and in accordance with Section 23(j) of the Income Tax Assessment Act, is not liable for income tax.

Financial instruments

(a) Terms, conditions and accounting policies

Accounts receivable

Trade receivables and accruals as at balance date, net of a provision for amounts estimated to be uncorrectable. Interest is not charged on the outstanding amounts.

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods and services rendered. Accounts payable are normally settled within 60 days from the invoice and no interest is incurred on the accounts.

(b) Net fair values

The market value of the Foundation's short term deposits, receivables, creditors and provisions approximate their carrying amounts.

Employee entitlements

In accordance with ASRB 1028 a provision for Long Service Leave has not been recognised in the accounts due to the probability of the liability arising as well as the materiality of the provision.

Comparative figures

Comparative figures have been adjusted for consistency of presentation with the current year.

THE FRED HOLLOWES FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1997
	\$	\$
2. OPERATING PROFIT		
The operating profit is arrived at after charging/ (crediting) the following items:		
Depreciation of non-current assets		
Plant and Equipment	33,716	28,813
Provision for Employee Entitlements	16,481	416
Superannuation Contributions	16,739	37,142
Net Foreign Currency (Gains)/ Losses	(6,450)	-
Loss on Disposal of Plant & Equipment	335	1,952
Research & Development Expenditure	663,587	887,918
Included in the operating profit are the following items of operating revenue:		
Gross Proceeds from Fund Raising Appeals	4,088,606	2,477,062
AusAID Grants	557,959	758,125
Research and Development Income	348,457	1,174,102
Proceeds on Sale of Plant & Equipment	2,000	2,000
Other Revenue:		
Interest - Other Corporations	108,506	63,181
Operating Revenue	<u>5,103,528</u>	<u>4,472,470</u>

THE FRED HOLLOWES FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1998	1997	1997
	\$	\$	\$	\$
3. INFORMATION TO BE FURNISHED UNDER THE CHARITABLE FUND RAISING ACT 1991				
DETAILS OF AGGREGATE GROSS INCOME AND TOTAL EXPENSES OF FUND RAISING APPEALS				
Gross Proceeds from Fund Raising Appeals		4,088,606		2,477,062
Other Donations	2,830,702		1,459,292	
Functions	451,660		-	
Bequests	407,420		488,504	
Miracle Club	123,289		146,077	
Business Advisory Forum	102,881		103,195	
Cambodia Appeal	88,905		-	
Merchandise Sales	74,414		47,278	
Westpac Mail Out	9,335		36,490	
Pakistan Appeal	-		129,605	
China Appeal	-		66,621	
Less: Total Costs of Fund Raising Appeals		744,308		443,987
Other Donations	479,833		343,456	
Functions	137,571		-	
Bequests	20,238		13,882	
Miracle Club	-		2,548	
Business Advisory Forum	3,298		10,230	
Cambodia Appeal	8,470		-	
Merchandise Sales	94,898		54,142	
Westpac Mail Out	-		12,462	
Pakistan Appeal	-		6,517	
China Appeal	-		750	
Net Surplus Obtained from Fundraising Appeals		<u>3,344,298</u>		<u>2,033,075</u>

THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1998	1997	1997
	\$	\$	\$	\$

4. INFORMATION TO BE FURNISHED UNDER THE CHARITABLE
FUND RAISING ACT 1991

STATEMENT SHOWING HOW FUNDS RECEIVED ARE APPLIED
FOR CHARITABLE PURPOSES

Net Surplus Obtained from Fundraising Appeals	3,344,298	2,033,075
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This money was applied for charitable purposes in the following manner:

Expenditure on Head Office Administration	342,412	303,364
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Expenditure on Direct Service

Project Administration	839,775	678,774
Local Program Awareness	173,680	154,559
IOL Laboratory Costs	172,444	384,128
IOL Laboratory Accreditation Costs	291,382	154,045
Microscopes and Operating Equipment	348,832	513,269
Surgical Training Costs	506,564	372,229
Research and Development	663,587	887,919
Suture Development Program	-	2,721
Eritrea HIV/Aids Program	-	14,583
Office Equipment	13,152	30,368
Landmine Detector Prototype	-	6,640
	<u>3,009,416</u>	<u>3,199,235</u>

Surplus/(Shortfall)	<u>(7,530)</u>	<u>(1,469,524)</u>
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The shortfall of \$7,530 between the \$3,344,298 available from fund raising appeals conducted and the total expenditure of \$3,351,828 was provided by the following sources:

AusAID Grants	557,959	758,125
Research and Development Income	348,457	1,174,102
Interest - Other Corporations	108,506	1,014,922
	1,014,922	63,181
		1,995,408

Balance of income transferred to accumulated funds for future needs.

<u>1,007,392</u>	<u>525,884</u>
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THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1997
	\$	\$
5. INFORMATION TO BE FURNISHED UNDER THE CHARITABLE FUND RAISING ACT 1991		
COMPARISONS BY MONETARY FIGURES AND PERCENTAGES		
Gross income from fundraising	4,088,606	2,477,062
Total cost of fundraising	744,308	443,987
Total cost of fund raising as a percentage of gross income from fundraising	18%	18%
Net surplus from fundraising	3,344,298	2,033,075
Net surplus from fund raising as a percentage of gross income from fundraising	82%	82%
Total cost of services	3,009,416	3,199,235
Total expenditure (excluding cost of fund raising appeals)	3,351,828	3,502,599
Total cost of services as a percentage of total expenditure	90%	91%
total income received (Including net profit from appeals)	4,359,220	4,028,483
Total cost of services as a percentage of total income received	69%	79%

THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1997
	\$	\$
6. INFORMATION TO BE FURNISHED UNDER THE ACFOA CODE OF CONDUCT		
OPERATING STATEMENT FOR THE YEAR ENDING 31 DECEMBER 1998		
Revenue		
Donations & Gifts - Monetary	3,606,772	1,941,280
Legacies & Bequests	407,420	488,504
Grants - AusAID	557,959	758,125
Investment Income	108,506	63,181
Other Income - Research & Development	348,457	1,174,102
Other Income - Merchandise Sales	74,414	47,278
Total Revenue	5,103,528	4,472,470
Disbursements		
Overseas Projects - Funds to Overseas Projects	1,678,692	1,641,310
Overseas Projects - Other Project Costs	394,381	537,267
Domestic Projects - Aboriginal Project	257,479	106,887
Domestic Projects - Research & Development	505,184	752,572
Domestic Projects - Landmine Detector Prototype	-	6,640
Community Education	173,680	154,559
Public Fundraising Costs	744,308	443,987
Administration	342,412	303,364
Total disbursements	4,096,136	3,946,586
Excess of Revenue over disbursements	1,007,392	525,884
Funds available for future use at the beginning of the financial year	1,756,507	1,230,623
Funds available for future use at the end of the financial year	2,763,899	1,756,507

THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1997
	\$	\$
7. RECEIVABLES (CURRENT)		
Other Debtors	<u>45,272</u>	<u>12,982</u>
8. PREPAYMENTS (CURRENT)		
Prepayment for Intraocular Lenses	117,647	60,089
Prepayments Other	<u>5,638</u>	<u>5,375</u>
Total Prepayments (Current)	<u>123,285</u>	<u>65,464</u>
PREPAYMENTS (NON-CURRENT)		
Prepayment for intraocular lenses	<u>98,071</u>	<u>87,837</u>
9. PLANT & EQUIPMENT		
Plant & Equipment:		
At cost:	239,836	173,616
Provision for Depreciation:	<u>(137,811)</u>	<u>(106,180)</u>
Total Plant & Equipment	<u>102,025</u>	<u>67,436</u>
10. CREDITORS (CURRENT)		
Trade Creditors	259,451	498,919
Other Creditors	<u>894,169</u>	<u>295,893</u>
	<u>1,153,620</u>	<u>794,812</u>
11. PROVISIONS (CURRENT)		
Employee Entitlements	<u>38,099</u>	<u>21,618</u>

THE FRED HOLLOWES FOUNDATION LIMITED
A.C.N. 070 556 642
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 1998

	1998	1997
	\$	\$
12. NOTES TO STATEMENT OF CASHFLOWS		
(a) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations:		
Operating profit/(loss) after tax	1,007,392	525,884
Depreciation of Plant & Equipment	33,716	28,813
(Profit)/Loss on disposal of non-current assets	335	1,952
Changes in assets and liabilities		
(Increase)/Decrease in Receivables	(32,290)	41,488
(Increase)/Decrease in Prepayments	(68,055)	(1,940)
Increase/ (Decrease) in Creditors	358,808	(187,893)
Increase/ (Decrease) in Provisions	16,481	416
Net cash flow from operating activities	<u>1,316,387</u>	<u>408,720</u>

(b) Reconciliation of cash

Cash balance comprises:

	Date of Maturity	Interest Rate (%)		
Cash at Hand			522,563	781,104
Short Term Interest	December 31,1998	4.83	221,438	
Bearing Deposits	December 31,1998	4.80	251,688	
	December 31,1998	4.70	1,260,170	
	December 31,1998	4.59	331,106	
	January 31, 1999	4.70	1,000,000	
	January 8, 1998	4.60		325,697
	February 12, 1998	4.05		132,417
	February 28, 1998	4.92		1,100,000
Total Cash			<u>3,586,965</u>	<u>2,339,218</u>

**13. INFORMATION TO BE FURNISHED UNDER THE CHARITABLE FUND RAISING ACT 1991
FUND RAISING APPEALS CONDUCTED DURING THE FINANCIAL PERIOD**

Public Appeals and Merchandise Sales

14. DIRECTORS REMUNERATION

As per Section 5.4 of The Fred Hollows Foundation's Memorandum of Association and in accordance with Section 150 of the Corporations Law no money or benefit will be given by The Foundation to any Director. There is no director's remuneration.

15. AUDITORS REMUNERATION

The auditors of The Fred Hollows Foundation act on an honorary basis.

16. RELATED PARTY DISCLOSURES

(a) The directors of The Fred Hollows Foundation Limited during the financial year were:

R.G. Martin
M.R. Johnson
V.M. Rubensohn
F. Abraham (appointed 21 May 1998)
G. Briscoe
H. Davies (appointed 30 July 1998)
J. Dawkins
M Gillies
G.B. Hollows
N. Milan
R.G. Rollason (resigned 21 May 1998)
H.R. Taylor

As per Section 5.4 of The Fred Hollows Foundation's Memorandum of Association, and in accordance with Section 150 of the Corporations Law no money or benefit will be given by The Foundation to any director. During 1998 no director of The Foundation received or became entitled to receive a benefit.

17. SEGMENT REPORTING

The Fred Hollows Foundation Limited operates as a charitable organisation engaged in:

- Financial, technical and marketing support to Intraocular Lens manufacturing laboratories in Nepal and Eritrea. This support included preparation for an international audit of the Nepal laboratory, and preparation for a similar audit of the Eritrean laboratory. Both the laboratory in Eritrea and Nepal are independent organisations.
- Cataract surgery and surgical training programs in Nepal, Vietnam, Pakistan, China, Cambodia and sub-Saharan Africa. Equipment and consumables have been provided for these programs, and to support on-going local surgery.
- Eye care service to remote Aboriginal communities in the Cape York and Torres Strait regions.

The Fred Hollows Foundation New Zealand is an independent body responsible for its own fundraising, and determining where these funds are to be applied. All funds raised during the year are donated to The Fred Hollows Foundation Limited. The Fred Hollows Foundation Limited has reimbursed administrative and marketing costs incurred in New Zealand during 1998.

THE FRED HOLLOWS FOUNDATION LIMITED
A.C.N. 070 556 642
DIRECTORS' DECLARATION
FOR THE YEAR ENDING 31 DECEMBER 1998

In accordance with a resolution of the directors of The Fred Hollows Foundation Limited, I state that in the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 1998 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become payable and due.

On behalf of the Board.

A handwritten signature in black ink, appearing to read 'R.G. Martin', with a horizontal line underneath the name.

R.G. Martin
DIRECTOR

Sydney 4 May 1999

THE FRED HOLLOWES FOUNDATION LIMITED

A.C.N. 070 556 642

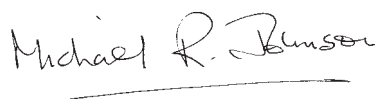
**DECLARATION BY PRINCIPAL OFFICER IN RESPECT OF FUNDRAISING APPEALS UNDER THE CHARITABLE FUND RAISING ACT 1991
FOR THE YEAR ENDING 31 DECEMBER 1998**

In accordance with a resolution of the directors of The Fred Hollows Foundation Limited I declare that:-

(1) In my opinion as the principal officer;

- (a) the accounts give a true and fair view of the state of all income and expenditure of The Fred Hollows Foundation Limited with respect to fundraising appeals; and
- (b) the balance sheet gives a true and fair view of the state of affairs with respect to fund raising appeals; and
- (c) the provisions of the Charitable Fundraising Act 1991 and the regulations under that Act and the conditions attached to the authority have been complied with.
- (d) the internal controls exercised by The Fred Hollows Foundation Limited are appropriate and effective in accounting for all income received.

On behalf of The Fred Hollows Foundation Limited



M.R. Johnson

PRINCIPAL OFFICER

Sydney 4 May 1999

INDEPENDENT AUDIT REPORT

To the members of The Fred Hollows Foundation Limited

Scope

We have audited the financial report of The Fred Hollows Foundation Limited for the financial year ended 31 December 1998, as set out on pages 24 to 42, including the Directors' Declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

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

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

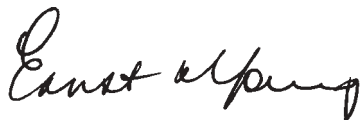
Qualification

In common with the circumstances existing in many similar not-for-profit organisations, The Fred Hollows Foundation Limited carries out various fund raising activities during the year. It was not practical to establish effective accounting controls over cash receipts from all fund raising activities prior to their receipt by the company. Our audit relating to such income was therefore limited to ensuring that the amounts received are properly recorded in the financial report. Accordingly, we do not express an opinion on whether all fund raising income has been received and we cannot determine the effects of such adjustments, if any, as might have been determined to be necessary had this limitation not existed.

Qualified Audit Opinion

In our opinion, except for the effects, if any, of the matter referred to in the qualification paragraph, the financial report of The Fred Hollows Foundation Limited is in accordance with:

- (a) the Corporations Law including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 1998 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Ernst & Young



A M McDonald
Partner
Sydney

Date: 4 May 1999



SPECIAL PURPOSE AUDIT REPORT

To the Minister for Gaming and Racing

Scope Pursuant to the Charitable Fundraising Act 1991 and Regulations

Our audit report has been prepared in accordance with Section 24(2) of the Charitable Fundraising Act 1991. We have conducted audit procedures on the financial statements as set out in our audit report to members dated 4 May 1999. We have also performed additional procedures including obtaining an understanding of the internal control structure for fund raising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising Act 1991 and Regulations.

The performance of our statutory audit included a review of internal controls for the purpose of determining the appropriate audit procedures to enable an opinion to be expressed on the financial statements. This review is not a comprehensive review of all those systems or of the system taken as a whole and is not designed to uncover all weaknesses in those systems.

Our audit opinion pursuant to the Charitable Fundraising Act 1991 has been formed on the above basis.

Qualification

It is not practicable for The Fred Hollows Foundation Limited to establish accounting control over all sources of fundraising appeal activities prior to receipt of these funds by employees of The Fred Hollows Foundation Limited and accordingly it is not possible for our examination to include procedures which extend beyond the amounts of such income recorded in the accounting records of The Fred Hollows Foundation Limited.

Qualified Audit Opinion Pursuant to the Charitable Fundraising Act 1991

In our opinion, except for the effects if any, of the matter referred to in the qualifications paragraph above:

- (a) the financial statements give a true and fair view of the financial result of fundraising appeal activities for the year ended 31 December 1998;
- (b) the financial statements have been properly drawn up, and the associated records have been properly kept for the year to 31 December 1998 in accordance with the Charitable Fundraising Act 1991 and Regulations;
- (c) money received as a result of fundraising appeal activities conducted during the year to 31 December 1998 has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 and Regulations; and
- (d) there are reasonable grounds to believe that The Fred Hollows Foundation Limited will be able to pay its debts as and when they fall due.



Ernst & Young



A M McDonald

Partner

Sydney

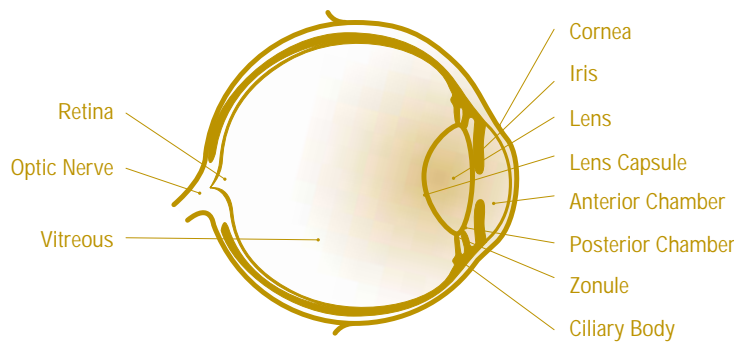
Date: 4 May 19999



In order for us to see, light passes through the cornea, anterior chamber, pupil, lens and vitreous to strike the retina. The retina converts this light to nerve impulses which are taken by the optic nerve to the brain. The brain interprets this information, which results in 'vision'.

With age, the eye's lens gradually loses its

There are two treatments for cataract, both of which involve removing the cataract by surgically entering the eye. With the first method, the cataract and the bag which



transparency. This process is accelerated by prolonged exposure to ultraviolet light, episodes of severe dehydration and poor nutrition. The resulting clouding of the lens is called cataract.

Cataract interferes with the passage of light to the retina. There is gradual loss of vision clarity as the cataract worsens.

Eventually not enough light strikes the retina to enable any vision, and cataract blindness is the result.

surrounds it (capsule) are extracted as one unit (intracapsular cataract extraction), allowing light to reach the retina. However, the image is very unfocused, leaving the patient functionally blind. Special thick spectacles (aphakic) are then required to focus the light. This inferior method is traditionally given to those in the developing world who are able to access treatment.

If the front part of the lens capsule is opened and the cataract lens substance removed (extracapsular cataract extraction), the intact transparent posterior capsule layer can be used to support a perspex intraocular lens which is inserted behind the iris at the time of surgery. This

intraocular lens focuses light onto the retina. Spectacles fine-tune this focus, however, good vision generally results without resorting to their use. This superior technique, and its variants, are standard in the developed world.

The World Health Organisation estimates that there are, world-wide, 20 million cataract blind people. Most are in the developing world where they generally die within four years of becoming blind. The Fred Hollows Foundation is committed to developing an environment where these people will be freed of the economic, social and medical tyrannies which prevent them from accessing the good quality cataract surgery which we generally take for granted.

To that end, The Fred Hollows Foundation has embarked on a program to transfer the skills, technology and resources which will allow extracapsular cataract surgery with IOL implantation to become routine in the developing world.

The Fred Hollows Foundation focuses on mastering limited, achievable goals.

Australia

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Rosebery, NSW 2018
Telephone: 61-2-9669-5899 Facsimile: 61-2-9669-5188
Donation Line: 1800 352 352
Email: fhf@hollows.com.au

Eritrea

The Fred Hollows IOL Factory
13 Fred Hollows Street, Asmara
Telephone: 291-1-120293 Facsimile: 291-1-122532
Email: fhlab@eol.com.er

Nepal

Tilganga Eye Centre
PO Box 561, Kathmandu
Telephone: 977-1-493-775 Facsimile: 977-1-474-937
Email: tilganga@mos.com.np

New Zealand

Private Bag, 56908
Dominion Road, Auckland 1003
Telephone: 64-9-630-7825 Facsimile: 64-9-630-2410
Donation Line: 0800 227 229
Email: f.hollows@xtra.com.nz

Vietnam

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Thai Ha Road, Dong Ba District, Hanoi
Telephone: 84-4-856-1416 Facsimile: 84-4-856-1545
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