# DIABETES AUSTRALIA LIMITED
# (Incorporated in Australian Capital Territory
# Company Limited by Guarantee)

## ABN 47 008 528 461

**Financial Report**
**For the Year Ended**
**30 June 2013**

Diabetes
AUSTRALIA

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# CORPORATE INFORMATION

## Directors

T Aylen

M D'Emden

J Gunton

C Jose

C Mackey

G Melsom

J Townend

M Watson

P Williams

## Company secretary

P Southcott

## Registered office

Level 1, 101 Northbourne Avenue

Turner ACT 2612

## Principal place of business

Level 1, 101 Northbourne Avenue

Turner ACT 2612

## Bankers

Commonwealth Bank of Australia
33-35 Northbourne Avenue,
Canberra City ACT 2600

National Australia Bank Limited
179 London Circuit,
Canberra ACT 2600

## Auditors

Ernst & Young
Australia

## DIRECTORS' REPORT

Your directors present this report on the Group for the financial year ended 30 June 2013.

### Directors

The names and details of the Group's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Names, qualifications, experience and special responsibilities**

**T Aylen**

| | |
|---|---|
| Qualifications | - Registered Nurse (Credentialed Diabetes Educator) |
| | - Bachelor of Health Science - Nursing, Grad Cert of Diabetes Education, Grad Cert of Health Service Management |
| Experience | - Board member since 17/06/10 (resigned 26/06/10, rejoined on the 29/04/11) |

**N W Cheung**

| | |
|---|---|
| Qualifications | - Endocrinologist |
| | - MBBS, FRACP, PhD |
| Experience | - Board member since 2006 (resigned 22/07/08, rejoined 15/11/10), resigned 24/10/12 |

**M D'Emden**

| | |
|---|---|
| Qualifications | - Endocrinologist |
| | - MB BS, FRACP, PhD |
| Experience | - Board member since 21/02/11 |

**J Gunton**

| | |
|---|---|
| Qualifications | - Endocrinologist |
| | - MBBS, FRACP, PhD |
| Experience | - Board member since 25/11/08 (resigned 11/10/09, joined 21/01/10, resigned 28/01/11, rejoined on the 24/10/12) |
| Special Responsibilities | - Member of the Medical, Educational and Scientific Committee |

**C Jose**

| | |
|---|---|
| Qualifications | - Solicitor |
| | - MBA, Diploma of Law |
| Experience | - Board member since 10/05/11 |
| Special Responsibilities | - Chair of the NDSS Governance Committee |
| | - Member of the Nomination and Remuneration Committee |

## DIRECTORS' REPORT (CONT'D)

**C Mackey**

| | |
|---|---|
| Qualifications | - Manager |
| | - BEc, CTch |
| Experience | - Board member since 31/05/10 |
| Special Responsibilities | - Member of the International Affairs Committee |
| | - Member of the Finance, Audit, and Risk Management Committee |
| | - Member of the Nomination and Remuneration Committee |

**P McKenzie**

| | |
|---|---|
| Qualifications | - Company Director |
| | - LLB |
| Experience | - Board member since 08/06/10, resigned 20/4/13 |
| Special Responsibilities | - Independent president |
| | - Member of the Finance, Audit, and Risk Management Committee |
| | - Member of the Nomination and Remuneration Committee |

**G Melsom**

| | |
|---|---|
| Qualifications | - Chef Executive Officer |
| | - Post Grad Dip MGT, MBA |
| Experience | - Board member since 12/05/11 |
| Special Responsibilities | - Member of the Finance, Audit and Risk Management Committee |

**J Townend**

| | |
|---|---|
| Qualifications | - Television Producer |
| | - AM, CFRE, FFIA, LFS (Hons) |
| Experience | - Board member since 18/06/10 |
| Special Responsibilities | - Director and Chair of Diabetes Australia Research Limited |

**M Watson**

| | |
|---|---|
| Qualifications | - Company Director |
| | - DipTch, B Ed, Grad Dip Dist Ed, Dip Man |
| Experience | - Board member since 03/12/09 |
| Special Responsibilities | - President from 20/4/13 |
| | - Chair and member of the Finance, Audit, and Risk Management Committee |
| | - Member of the International Affairs Committee |
| | - Member of the NDSS Governance Committee |
| | - Chair of the Nomination and Remuneration Committee |

**P Williams**

| | |
|---|---|
| Qualifications | - Hospital Scientist |
| | - BSc (Hons), MSc, PhD, ARCPA, FFSc (RCPA) |
| Experience | - Board member since 22/12/08 (resigned 11/10/09, rejoined 19/01/10) |
| Special Responsibilities | - Member of the International Diabetes Federation Western Pacific Region Executive Committee |
| | - Chair of International Affairs Committee |
| | - Director of Diabetes Australia Research Limited |

DIRECTORS' REPORT (CONT'D)

## Company Secretary

The following person held the position of company secretary at the end of the financial year:

**Mr Paul Southcott**

B. Economics, CPA

Mr Southcott has extensive experience in senior management roles in the private and public sector in financial management, strategic planning, office administration and governance.

Mr Southcott was appointed as Company Secretary on 30 November 2008.

## Dividends

Diabetes Australia Limited is a company limited by guarantee and does not pay dividends.

## Short and long-term objectives and strategy

Throughout the year, the Board and management conducted a strategic planning process including stakeholder consultations, planning sessions and meetings, discussions papers and culminating in the adoption of Diabetes Australia's Strategic Directions 2013-18.

The new strategic plan includes four strategic priorities:

**Diabetes Leadership:**

- Stronger National advocacy
- Raise the profile and awareness of diabetes
- Strong local, national and global influence

**Diabetes Management:**

- Retain the National Diabetes Services Scheme (NDSS) and promote national self management programs
- Stronger focus on preventing complications (cardiovascular, eye, kidney, foot and limb and mental health and wellbeing)
- Build the capacity of the health system and workforce in diabetes

**Diabetes Prevention:**

- Advocate for, lead and develop a funded National Diabetes Prevention Program for high risk pre-diabetes Australians
- Advocate for and develop systematic risk assessment approaches and Campaign and advocate for public policies for healthier food environments, communities, workplaces and healthy activity

**Research**

- Produce accessible, easy to understand publications about Diabetes Australia's funded research program
- Influence the national research agenda

## Principal activities

Diabetes Australia is the national body for people affected by all types of diabetes and those at risk. A non-profit organisation, Diabetes Australia works in partnership with consumers, health professionals, and researchers. We are committed to reducing the impact of diabetes.

**DIRECTORS' REPORT (CONT'D)**

Diabetes Australia core focus areas are:

- people affected by all types of diabetes - this includes people with type 1 diabetes, people with type 2 diabetes, women with gestational diabetes, people with other forms of diabetes, their families and carers; and
- people at risk of developing diabetes.

Diabetes Australia has one controlled entity being Diabetes Australia Research Limited which is the trustee for the Diabetes Australia Research Trust. The Diabetes Australia research activities are reported in two segments being the research program and the fundraising activities. Diabetes Australia has two further reporting segments being the National Diabetes Service Scheme (NDSS) and Diabetes Australia general.

Some of the key activities in the 2012-13 financial year include:

- The launch at the National Press Club in June 2013 of a new National Diabetes Strategy and Action Plan - Election 2013, providing a clear framework for the incoming government for a new national strategy for diabetes and a five year action plan.
- The Aboriginal and Torres Strait Islander Peoples Diabetes Policy Forum at Parliament House in March 2013 bringing together experts in indigenous health and diabetes which guided the development of the Aboriginal and Torres Strait Islanders and Diabetes Action Plan that was launched in July 2013.
- Launch of Western Pacific Diabetes Declaration Action Plan 2012-2015 which aims to improve the lives of those living with diabetes in the Western Pacific through targeted advocacy and education across all levels of society. There are over 100 million people living with diabetes in the Western Pacific and six of the top ten countries for diabetes prevalence are Pacific Islands.
- Diabetes Australia has strongly advocated for the action on diabetes at both the Federal and State/Territory Governments.
- The Diabetes Australia Research Trust (DART) supports and develops the field of diabetes research through providing funding (from Member organisation, corporate partners and the community) towards the prevention, management and cure of diabetes, as well as enabling and fostering young researchers. DART calls for applications for three types of grants and they are assessed and granted on a merit basis.
- Production of two publications, issued quarterly, tailored to consumers (Conquest) and health professionals (Diabetes Management Journal).
- As Australia's member of the International Diabetes Federation (IDF) we continue to play a significant role in the IDF and IDF Western Pacific Region committees and have many representatives on other IDF committees. We are extremely proud that the IDF World Diabetes Congress will be held in Melbourne in December 2013. Prior to that event the inaugural Parliamentary Champion for Diabetes Forum will be held in Melbourne. This forum brings together up to 100 Parliamentarians from around the world with a special interest in diabetes.
- Through the administration of the NDSS, Diabetes Australia and its Agents provide practical assistance, information and subsidised products to over 1,080,000 Australians diagnosed with diabetes.

No significant changes in the nature of the Group's activities occurred during the financial year.

## Performance measures

The Group measures its performance through:

- Ensuring the efficient and effective delivery of the company objectives and strategy such that Member Organisations continue to support Diabetes Australia.
- Influencing government policy and funding for diabetes.
- Provision of an efficient and effective diabetes research grant program.
- Meeting the objectives and obligations of the National Diabetes Services Scheme (NDSS).

## Operating results

The surplus of the Group amounted to $2,368,981 (2012: $279,467).

DIRECTORS' REPORT (CONT'D)

## Significant changes in the state of affairs

Mr Lewis Kaplan resigned as Chief Executive Officer (CEO) effective 30 October 2012. Professor Greg Johnson was appointed as the new CEO on the same date. Greg has10 years experience in Diabetes Australia after commencing as CEO with Diabetes Australia - Victoria in January 2003. Since July 2009, Greg has had national responsibility for the NDSS, reporting directly to the Diabetes Australia Board. Greg previously served as Acting CEO of Diabetes Australia from July 2009 to February 2011, and since that time has been National Policy Adviser.

Patricia McKenzie stepped down as Independent President effective 20 April 2013. The Board appointed Moira Watson as the President from 20 April 2013 until the 4 November 2013.

## After balance date events

The Board of Diabetes Australia on the 2 October 2013 advised that former Federal member of Parliament and Minster, Hon Judi Moylan, has been appointed as Independent President and Board Chair of Diabetes Australia. Judi has been a longstanding supporter and advocate for people affected by all types of diabetes. She has strong experience in the Federal Parliament including the establishment of the Federal Parliamentary Diabetes Support Group in 2000. Ms Moylan will commence in the role of Independent President on 4 November 2013.

## Environmental regulations and performance

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a state or territory.

## Share options

Diabetes Australia Limited is a Company limited by guarantee and does not grant share options.

## Directors' meetings

During the financial year, 7 meetings of directors were held. Attendance by each director were as follows:

| | | Director's Meetings | |
|---|---|---|---|
| Director | Alternative Director | Eligible Meetings | Number Attended |
| T Aylen | | 7 | 7 |
| N W Cheung | | 2 | 2 |
| M D'Emden | S Andrikopoulos | 7 | 6 |
| J Gunton | N W Cheung | 5 | 4 |
| C Jose | K Arndt | 7 | 6 |
| C Mackey | Maarten Kamp | 7 | 7 |
| P McKenzie | | 6 | 5 |
| G Melsom | R Manning | 7 | 7 |
| J Townend | | 7 | 7 |
| M Watson | | 7 | 7 |
| P Williams | | 7 | 7 |

### Finance, Audit, and Risk Management Committee

The Board is responsible for the finance, audit and risk management of the Group. On 20 November 2010, the Board agreed that a Finance, Audit and Risk Management (FARM) committee should be established to advise the Board.

### Other Committees

Other standing committees of the board are the:

- Medical, Education and Scientific Committee (MESC)
- International Affairs Committee (IAC)
- NDSS Governance Committee
- Nomination and Remuneration Committee

**DIRECTORS' REPORT (CONT'D)**

The Board forms adhoc committees from time to time.

The MESC provides the Board with expert advice on medical, education and scientific matters.

The IAC provided the Board with advice on matters related to the on International Diabetes Federation and global activities in diabetes.

The NDSS Governance Committee provides advice, assistance and assurance to the Board on corporate governance and oversight responsibilities in respect of the NDSS Agreements.

The Nomination and Remuneration Committee recommends to the Board candidates for key roles (CEO and Independent President) their remuneration and terms and conditions of employment.

## Indemnifying officers or auditor

During or since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

i. The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

## Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 10 of the directors' report.

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

Moira Watson, Director and President

Gordon Melsom, Director

Dated this 18th day of October 2013.

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Canberra ACT 2600 Australia
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# Auditor's Independence Declaration to the Directors of Diabetes Australia Limited

In relation to our audit of the financial report of Diabetes Australia Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

James Palmer

James Palmer
Partner
Canberra

18 October 2013

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

| | | Consolidated | |
|---|---|---|---|
| | Note | 2013 | 2012 |
| | | $ | $ |
| Revenue | 2 (a) | 217,327,525 | 205,042,544 |
| Other income | 2 (b) | 5,407,416 | 2,426,513 |
| Employee benefits expense | 3 (a) | (2,081,944) | (1,917,671) |
| Depreciation and amortisation | 3 (b) | (113,600) | (61,141) |
| NDSS product supplies | | (172,630,399) | (164,956,669) |
| Agents' remuneration | | (38,972,101) | (34,585,340) |
| Research grants | | (1,899,991) | (1,342,226) |
| Other expenses | 3 (c) | (4,667,925) | (4,326,543) |
| Surplus for the year | | 2,368,981 | 279,467 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 2,368,981 | 279,467 |

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

| | Note | Consolidated 2013 $ | 2012 $ |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 40,186,874 | 26,553,471 |
| Trade and other receivables | 6 | 758,399 | 1,637,100 |
| Other assets | 9 | 542,049 | 306,851 |
| TOTAL CURRENT ASSETS | | 41,487,322 | 28,497,422 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 119,500 | 214,288 |
| Intangible assets | 8 | 21,268 | 28,774 |
| TOTAL NON-CURRENT ASSETS | | 140,768 | 243,062 |
| TOTAL ASSETS | | 41,628,090 | 28,740,484 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 15,730,832 | 15,034,338 |
| Borrowings | 11 | 25,879 | 23,367 |
| Government grants | 13 | 18,141,247 | 8,361,985 |
| TOTAL CURRENT LIABILITIES | | 33,897,958 | 23,419,690 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 12 | 93,661 | 27,425 |
| Borrowings | 11 | 44,121 | 70,000 |
| TOTAL NON-CURRENT LIABILITIES | | 137,782 | 97,425 |
| TOTAL LIABILITIES | | 34,035,740 | 23,517,115 |
| NET ASSETS | | 7,592,350 | 5,223,369 |
| EQUITY | | | |
| Reserves | | 100 | 100 |
| Retained earnings | | 7,592,250 | 5,223,269 |
| TOTAL EQUITY | | 7,592,350 | 5,223,369 |

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

| | Consolidated | | |
|---|---|---|---|
| | Settlement capital | Retained earnings | Total |
| | $ | $ | $ |
| **Balance at 1 July 2011** | 100 | 4,943,802 | 4,943,902 |
| Surplus for the year | - | 279,467 | 279,467 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | - | 279,467 | 279,467 |
| **Balance at 30 June 2012** | 100 | 5,223,269 | 5,223,369 |
| Surplus for the year | - | 2,368,981 | 2,368,981 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | - | 2,368,981 | 2,368,981 |
| **Balance at 30 June 2013** | 100 | 7,592,250 | 7,592,350 |

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2013

| | Note | Consolidated 2013 | Consolidated 2012 |
|---|---|---|---|
| | | $ | $ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from grants | | 224,688,896 | 204,135,388 |
| Other receipts | | 27,171,271 | 21,693,852 |
| Payments to suppliers and employees | | (223,770,465) | (210,714,022) |
| Interest received | | 1,347,071 | 1,595,578 |
| GST received/(paid) | | (15,769,996) | (14,318,325) |
| Net cash flows from operating activities | 14 (b) | 13,666,777 | 2,392,471 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (10,007) | (186,663) |
| Net cash flows used in investing activities | | (10,007) | (186,663) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of finance lease liabilities | | (23,367) | (14,241) |
| Net cash flows used in financing activities | | (23,367) | (14,241) |
| Net increase in cash and cash equivalents | | 13,633,403 | 2,191,567 |
| Cash and cash equivalents at beginning of the financial year | | 26,553,471 | 24,361,904 |
| Cash and cash equivalents at end of the financial year | 5 | 40,186,874 | 26,553,471 |

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Diabetes Australia Limited (the Company) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 18 October 2013.

Diabetes Australia Limited is a public company limited by guarantee incorporated and domiciled in Australia.

The nature of the operations and principal activities of the company are described in the directors' report.

### Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

### Accounting policies

**a. New accounting standards and interpretations**

Management have reviewed the new Accounting Standards and Interpretations that have become applicable for the reporting period ended 30 June 2013 and have assessed that the new Accounting Standards and Interpretations will have no material impact on the reporting requirements and financial statement disclosures of Diabetes Australia Limited and its subsidiaries.

**b. Basis of consolidation**

The consolidated financial statements comprise the financial statements of Diabetes Australia Limited and its subsidiaries and special purpose entities (as outlined in note 16) as at and for the period ended 30 June 2013.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operations.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and surplus and deficits resulting from intergroup transactions have been eliminated in full.

**c. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid funds with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**d. Trade and other receivables**

Trade receivables, which generally have a 30 day term, are recognised initially at fair value, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**e. Investments and other financial assets**

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Group becomes a party to contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified ‘at fair value through income statement’ in which case transaction costs are expensed to the statement of comprehensive income immediately.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets are liabilities assumed, is recognised in the statement of comprehensive income.

*Classification and subsequent measurement*

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

i. the amount at which the financial asset or financial liability is measured at initial recognition;

ii. less principal repayments;

iii. plus or minus the cumulative amortisation of the difference, if any, between the amount

initially recognised and the maturity amount calculated using the effective interest method, and

iv. less any reduction for impairment

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

(i) *Financial assets as fair value through statement of comprehensive income*

Financial assets are classified at ‘fair value through the comprehensive income statement’ when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of the financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the statement of comprehensive income and the related assets are classified as current assets in the statement of financial position.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**e. Investments and other financial assets (cont'd)**

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) *Financial liabilities*

Non derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**f. Intangible assets**

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets have been assessed as finite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Gains or losses arising from the derecognistion of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### g. Property, plant and equipment

Plant and equipment is stated as historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

| | |
|---|---|
| Office furniture and equipment | 2.5 - 5 years |
| Computer equipment | 2 - 2.5 years |
| Fixture, fittings and furniture | 5 years |
| NDSS computer equipment | remaining life of contract |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment and any significant part initial recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is sold or derecognised. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### h. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*Group as a lessee*

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are classified as finance leases. Finance leases are capitalised by recording an asset and liability equal to the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expense on a straight-line basis over the lease term.

### i. Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets, to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive income statement.

Where the future economic benefits of an asset are not primarily dependent upon the assets ability to generate net cash inflows and when the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### j. Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### k. Grants received in advance

The liability for grants received in advance is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date or the conditions will only be satisfied more than 12 months after the reporting date, the liability is presented as non-current.

### l. Provisions and employee benefits

Provisions are recognised when there is a present obligation as a result of services rendered as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

*Wages, salaries, superannuation, annual leave and sick leave*

Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Contributions made by the entity to an employee superannuation fund are charged as expenses when incurred.

*Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the project unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of services.

### m. Taxation

*Income tax*

The Group is a charitable institution for the purposes of Australian taxation legislation and is exempt from income tax in accordance with Section 50-5 of the *Income Tax Assessment Act 1997.* The Group holds deductible gift recipient status.

*Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**n. Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that the Group is legally entitled to the income and can be reliably measured. Revenues are recognised net of the amount of goods and services tax (GST) payable to the Australian Taxation Office.

*Government grants*

Government grant monies are received to fund projects either for contracted periods of time or for specific projects irrespective of the period of time required to complete those projects. Government grants are recognised in the statement of financial position as a liability when the grant is received.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Where the Group is contractually obliged to provide the services in a subsequent financial period as to when the grant is received, such monies are treated as unexpended grants in the statement of financial position.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to deferred income and is released to the income statement over the expected useful life of the relevant asset on a straight-line basis.

*Other grants*

Other grant revenue received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are preformed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the group obtains control of the funds.

*Affiliation fees*

Revenue from affiliation fees are recognised upon the due date in accordance with the Parent's constitution.

*Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the rate inherent to the instrument.

*Donations and bequests*

Donations and bequests are recognised as revenue when the entity obtains control of the donation or the right to receive the donation and it is probable that the economic benefit comprising the donation will flow to the entity and the amount of the donation can be measured reliably. Unless they are designated for a specific purpose, where they are carried forward as a liability on the statement of financial position.

Where non-reciprocal donations and/or contributions are received for a nominal value, such contributions are recognised at the fair value at the date of acquisition upon which time an asset is recognised in the statement of financial position and revenue in the statement of comprehensive income.

No amounts are included in the financial statements for services donated by volunteers.

*Royalty recognition*

Royalties are recognised quarterly on an accrual basis based on information provided by the collector of Royalties.

*Rendering of services*

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

*Sale of goods*

Revenue from the sale of goods comprises revenue earned from the sale of goods purchased for resale. Sales revenue is recognised when the control of goods passes to the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**o. Research grants**

Research grants are amounts granted in Australia to recipients selected by the Diabetes Australia Research Trust panel, specialising in the prevention, management and cure for diabetes.

Grants are recognised when paid to the recipient or when there is an obligation to make payment under a contract. Unpaid grants are not recognised in the statement of financial position. Rather, the unpaid component is recognised as a commitment.

Diabetes Australia Victoria pays research grant recipients directly, and is not recognised in this financial report.

**p. Fundraising appeals and associated costs**

An appeal is run for regular donations though the "Cure Club" initiative without any face-to-face canvassing activities.

Fundraising costs are those incurred in seeking such donations and do not include costs of disseminating information relating to the activities carried on by the Group.

**q. Comparative figures**

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

**r. Significant accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expense. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**s. New accounting standards for applications in future periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the annual reporting period ended 30 June 2013 and are outlined in the table below:

| Standard | Title | Effective date | Impact on the Group financial report |
|---|---|---|---|
| AASB 1053 | Application of Tiers of Accounting Standards | Annual reporting periods beginning on or after 1 July 2013 (i.e. 30 June 2014 reporting date) | As a not for profit entity, the Group will be eligible to apply the Tier 2 reporting requirements that are provided in these standards. If the Group should decide to do so, this will reduce some disclosure in the notes to the financial statements but will not affect the statements of financial position or comprehensive income. The Group has not decided when to adopt these standards. |
| AASB 119 | Employee Benefits | Annual reporting periods beginning on or after 1 January 2013 (i.e. 30 June 2014 reporting date) | There may be some changes to the reported financial position and performance due to the need to discount annual leave not expected to be paid within one year. |

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 2: REVENUE AND OTHER INCOME

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| **(a) Revenue** | | |
| *Revenue from government grants and other grants* | | |
| — Federal government grants | 214,909,634 | 202,612,237 |
| — Other grants | 319,041 | 118,813 |
| *Other revenue* | | |
| — Affiliation fees | 316,086 | 307,177 |
| — Interest received | 1,344,227 | 1,605,507 |
| — Publications | 9,864 | 2,515 |
| — Royalties | 428,373 | 370,295 |
| — Other revenue | 300 | 26,000 |
| **Total Revenue** | 217,327,525 | 205,042,544 |
| **(b) Other income** | | |
| — Fundraising | 140,708 | 151,223 |
| — Donations and bequests | 3,923,941 | 1,353,045 |
| — NDSS stock sales | 773,005 | 524,902 |
| — NDSS on costing | 510,984 | 381,627 |
| — Gain and Loss on Disposal of Assets | - | 591 |
| — Other income | 58,778 | 15,125 |
| **Total Other Income** | 5,407,416 | 2,426,513 |
| **Total Revenue and Other Income** | 222,734,941 | 207,469,057 |

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

### NOTE 3: EXPENSES

| | Note | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **(a) Employee benefits expense** | | | |
| — Wages and salaries | | 1,776,417 | 1,623,187 |
| — Superannuation expense | | 156,024 | 147,911 |
| — Other employee benefits expense | | 149,503 | 146,573 |
| | | 2,081,944 | 1,917,671 |
| **(b) Depreciation and amortisation** | | | |
| — Office equipment | | 1,328 | 2,886 |
| — Computer equipment | | 28,066 | 18,645 |
| — Other Software | | 7,506 | 1,251 |
| — NDSS network | | 72,928 | 36,131 |
| — Fixtures, furniture and fittings and leasehold improvement | | 3,772 | 2,228 |
| | | 113,600 | 61,141 |
| **(c) Other expenses** | | | |
| — Bad and doubtful debts expense | 6 (a) | - | - |
| — Rental expense on operating leases | | 123,950 | 113,137 |
| — Consultants and contractors | | 2,402,330 | 1,938,530 |
| — Fundraising activities | | 24,932 | 23,400 |
| — Office and equipment | | 730,661 | 651,056 |
| — Administrative expenses | | 1,092,890 | 1,314,246 |
| — Other expenses | | 293,162 | 286,174 |
| | | 4,667,925 | 4,326,543 |

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 4: SEGMENT REPORTING

### (a) Operating segments

The Group identifies its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the decision-makers in order to allocate resources to the segments and to assess their performance. The Group's reportable segments are therefore as follows:

*(i) Fundraising*

Fundraising involves the collection of regular donations though the appeal 'Cure Club' which involves no face-to-face canvassing activities. All funds raised go to Australian research projects.

*(ii) Research*

Research involves all other collections specifically dedicated to support research, excluding fundraising outlined at (i). Research activities also include the provision of grants to support research in the prevention, management and cure of diabetes.

Funding for Research is sourced though donations, bequests, royalties and interest earned on cash deposits.

*(iii) National Diabetes Services Scheme (NDSS)*

The National Diabetes Services Scheme (NDSS) is an initiative of the Australian Government administered by Diabetes Australia Limited. The NDSS delivers diabetes-related products at a subsidised price and provides information and support services to people with diabetes.

*(iv) Policy, Advocacy and Other*

Diabetes Australia develops and continues to strongly advocate various diabetes strategies and action plans on behalf of all people affected by diabetes and those at risk. This is done locally, nationally and globally. This segment includes raising awareness and all these activities have a leadership, management and prevention component.

Funding is sourced by affiliation fees, donations and bequests and specific grants.

Information regarding each of these operating segments is detailed below. The financial performance of all segments is measured by adherence to budgeted and forecast results.

Information regarding the Groups reportable segments follows.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 4: SEGMENT REPORTING (CONT'D)

### (b) Segment revenue and results

The following is an analysis of the company's revenue and results by reportable segment.

| | Fundraising | Research | NDSS | Policy, Advocacy and Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2013** | | | | | |
| Revenue | | | | | |
| — Grants | - | - | 214,787,697 | 440,979 | 215,228,676 |
| — Donations and bequests | 140,708 | 3,672,175 | - | 251,766 | 4,064,649 |
| — Affiliation fees | - | - | - | 316,086 | 316,086 |
| — Interest | - | 187,123 | 1,112,588 | 44,516 | 1,344,227 |
| — Royalties | - | 428,373 | - | - | 428,373 |
| — Other | - | 1,609 | 1,294,544 | 56,777 | 1,352,930 |
| Total segment revenue | 140,708 | 4,289,280 | 217,194,829 | 1,110,124 | 222,734,941 |
| Total revenue | 140,708 | 4,289,280 | 217,194,829 | 1,110,124 | 222,734,941 |
| Net surplus/(deficit) for the year | 115,776 | 2,164,438 | - | 88,766 | 2,368,980 |

| | Fundraising | Research | NDSS | Policy, Advocacy and Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2012** | | | | | |
| Revenue | | | | | |
| — Grants | - | - | 202,600,945 | 130,105 | 202,731,050 |
| — Donations and bequests | 151,223 | 949,442 | - | 403,603 | 1,504,268 |
| — Affiliation fees | - | - | - | 307,177 | 307,177 |
| — Interest | - | 200,108 | 1,368,887 | 36,512 | 1,605,507 |
| — Royalties | - | 370,295 | - | - | 370,295 |
| — Other | - | - | 917,546 | 33,214 | 950,760 |
| Total segment revenue | 151,223 | 1,519,845 | 204,887,378 | 910,611 | 207,469,057 |
| Total revenue | 151,223 | 1,519,845 | 204,887,378 | 910,611 | 207,469,057 |
| Net surplus for the year | 127,822 | (40,993) | - | 192,638 | 279,467 |

**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)**

## NOTE 4: SEGMENT REPORTING (CONT'D)

Below are the measures reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance. The accounting policies of the reportable segments are the same as the Group's accounting policies description in Note 1 and in the prior period.

### (c) Segment assets and liabilities

| | Fundraising | Research | NDSS | Policy, Advocacy and Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2013** | | | | | |
| Segment assets | - | 6,523,478 | 33,176,540 | 1,916,766 | 41,616,784 |
| Capital expenditure | - | - | 519 | 10,787 | 11,306 |
| **Segment liabilities** | - | 6,460 | 33,177,059 | 852,222 | 34,035,741 |
| **Year ended 30 June 2012** | | | | | |
| Segment assets | - | 4,230,368 | 22,778,843 | 1,439,108 | 28,448,319 |
| Capital expenditure | - | 30,025 | 145,824 | 116,316 | 292,165 |
| **Segment liabilities** | - | 23,590 | 22,924,672 | 568,853 | 23,517,115 |

For the purposes of monitoring segment performance and allocating resources between segments:

— All assets are allocated to reportable segments.

— All liabilities are allocated to reportable segments.

### (d) Other segment information

| | Fundraising | Research | NDSS | Policy, Advocacy and Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2013** | | | | | |
| — Interest expense | - | - | - | 8,768 | 8,768 |
| — Depreciation and amortisation | - | 7,506 | 96,045 | 10,050 | 113,601 |
| — Other non cash expenses | - | - | - | - | - |
| **Year ended 30 June 2012** | | | | | |
| — Interest expense | - | 1 | - | 5,369 | 5,370 |
| — Depreciation and amortisation | - | 1,251 | 36,131 | 23,759 | 61,141 |
| — Other non cash expenses | - | - | - | - | - |

### (e) Geographical information

The Group operates in one geographic area - Australia (country of domicile).

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 4: SEGMENT REPORTING (CONT'D)

### (f) Information about major customers

Included in revenue (see Note 2(a)) are revenues of $214,909,634 (2012: $202,612,237) which were grants from the Federal Government.

### (g) Performance analysis

| | Fundraising | Research | NDSS | Policy, Advocacy and Other |
|---|---|---|---|---|
| | % | % | % | % |
| **Year ended 30 June 2013** | | | | |
| Costs as a % of segment revenue | 17.72% | 49.54% | 100.00% | 92.00% |
| Surplus as a % of segment revenue | 82.28% | 50.46% | 0.00% | 8.00% |
| Funds applied to activities as a % of total expenditure | 0.01% | 0.97% | 98.56% | 0.46% |
| Funds applied to investment and administration costs as a % of total expenditure | 0.00% | 0.02% | 0.33% | 0.15% |
| Funds applied to activities as a % of total income | 0.01% | 0.95% | 97.51% | 0.46% |
| **Year ended 30 June 2012** | | | | |
| Costs as a % of segment revenue | 15.47% | 102.70% | 100.00% | 78.85% |
| Surplus as a % of segment revenue | 84.53% | -2.70% | 0.00% | 21.15% |
| Funds applied to activities as a % of total expenditure | 0.01% | 0.75% | 98.89% | 0.35% |
| Funds applied to investment and administration costs as a % of total expenditure | 0.00% | 0.03% | 0.48% | 0.12% |
| Funds applied to activities as a % of total income | 0.01% | 0.75% | 98.76% | 0.35% |

## NOTE 5: CASH AND CASH EQUIVALENTS

| | Note | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| CURRENT | | | |
| Cash at bank and on hand | | 34,486,874 | 23,353,471 |
| Bank deposits | | 5,700,000 | 3,200,000 |
| | 21 | 40,186,874 | 26,553,471 |

**Reconciliation to statement of cash flows**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| Cash at bank and on hand | | 34,486,874 | 23,353,471 |
| Bank deposits | | 5,700,000 | 3,200,000 |
| | 14 | 40,186,874 | 26,553,471 |

Cash at bank earns interest at floating rates based on daily deposit rates. Bank deposits are made for varying periods of between one and six months, depending on the Group's cash requirements. These deposits earn interest at market rate, are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Included in cash and cash equivalents is $28,177 held by the Commonwealth Bank as a security for a guarantee provide by them to Filmwing Pty Ltd. This guarantee is for Diabetes Australia Limited obligations for rental bond under its tenancy agreement for the registered office.

**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)**

## NOTE 6: TRADE AND OTHER RECEIVABLES

| | Note | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| CURRENT | | | |
| Trade receivables | | 122,535 | 401,732 |
| Provision for impairment of receivables | | - | (4,925) |
| | | 122,535 | 396,807 |
| Taxation assets | | 377,233 | 730,891 |
| Other receivables | | 258,631 | 509,402 |
| Total current trade and other receivables | 21 | 758,399 | 1,637,100 |

### (a) Provision for impairment of receivables

Trade receivables are non-interest bearing and are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expense items.

Movement in the provision for impairment of receivables is as follows:

| | $ |
|---|---|
| Provision for impairment as at 30 June 2011 | 4,925 |
| — Charge for year | - |
| — Written off/Reversed | - |
| Provision for impairment as at 30 June 2012 | 4,925 |
| — Charge for year | - |
| — Written off | (4,925) |
| Provision for impairment as at 30 June 2013 | - |

### (b) Credit risk

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

### NOTE 6: TRADE AND OTHER RECEIVABLES (CONT'D)

| | | Past due by not impaired | | | | |
|---|---|---|---|---|---|---|
| | **Total** | **0-30** | **31–60** | **61–90** | **> 90** | **Considered Impaired** |
| | $ | $ | $ | $ | $ | $ |
| **2013** | | | | | | |
| Trade receivables | 122,535 | 121,642 | 893 | - | - | - |
| Other receivables | 635,864 | 635,864 | - | - | - | - |
| Total | 758,399 | 757,506 | 893 | - | - | - |
| **2012** | | | | | | |
| Trade receivables | 401,732 | 394,101 | 506 | 2,200 | - | 4,925 |
| Other receivables | 1,240,293 | 1,240,293 | - | - | - | - |
| Total | 1,642,025 | 1,634,394 | 506 | 2,200 | - | 4,925 |

Receivables past due but not considered impaired are $893 (2012: $2,706). Payment terms on these amounts have not been renegotiated.The Group has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due.  It is expected that these other balances will be received when due.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amounts at the beginning and end of the period

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | NDSS network $ | Office equipment $ | Computer equipment $ | Fixtures, fittings and furniture $ | Total $ |
| **Year ended 30 June 2013** | | | | | |
| Carrying amount at beginning of year | 109,693 | 1,328 | 91,414 | 11,853 | 214,288 |
| Additions | 519 | - | 3,946 | 6,841 | 11,306 |
| Depreciation expense | (72,928) | (1,328) | (28,066) | (3,772) | (106,094) |
| Carrying amount at the end of year | 37,284 | - | 67,294 | 14,922 | 119,500 |
| **At 30 June 2013** | | | | | |
| Cost | 1,007,304 | 31,229 | 115,260 | 26,311 | 1,180,104 |
| Accumulated depreciation | (970,020) | (31,229) | (47,966) | (11,389) | (1,060,604) |
| Net carrying amount | 37,284 | - | 67,294 | 14,922 | 119,500 |
| **Year ended 30 June 2012** | | | | | |
| Carrying amount at beginning of year | - | 4,214 | 1,223 | 6,601 | 12,038 |
| Additions | 145,824 | - | 108,836 | 7,480 | 262,140 |
| Depreciation expense | (36,131) | (2,886) | (18,645) | (2,228) | (59,890) |
| Carrying amount at the end of year | 109,693 | 1,328 | 91,414 | 11,853 | 214,288 |
| **At 30 June 2012** | | | | | |
| Cost | 1,006,784 | 31,229 | 159,812 | 19,470 | 1,217,295 |
| Accumulated depreciation | (897,091) | (29,901) | (68,398) | (7,617) | (1,003,007) |
| Net carrying amount | 109,693 | 1,328 | 91,414 | 11,853 | 214,288 |

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 8: INTANGIBLE ASSETS

### (a) Reconciliation of carrying amounts at the beginning and end of the period

| | Consolidated | | |
|---|---|---|---|
| | Developed software | Other software | Total |
| | $ | $ | $ |
| **Year ended 30 June 2013** | | | |
| Carrying amount at beginning of year | - | 28,774 | 28,774 |
| Amortisation | - | (7,506) | (7,506) |
| Carrying amount at the end of year | - | 21,268 | 21,268 |
| **At 30 June 2013** | | | |
| Cost | 1,343,175 | 30,025 | 1,373,200 |
| Accumulated amortisation | (1,343,175) | (8,757) | (1,351,932) |
| Net carrying amount | - | 21,268 | 21,268 |
| **Year ended 30 June 2012** | | | |
| Carrying amount at beginning of year | - | - | - |
| Additions | - | 30,025 | 30,025 |
| Amortisation | - | (1,251) | (1,251) |
| Carrying amount at the end of year | - | 28,774 | 28,774 |
| **At 30 June 2012** | | | |
| Cost | 1,343,175 | 30,025 | 1,373,200 |
| Accumulated amortisation | (1,343,175) | (1,251) | (1,344,426) |
| Net carrying amount | - | 28,774 | 28,774 |

**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)**

## NOTE 8: INTANGIBLE ASSETS (CONT'D)

**(b) Description of intangible assets**

*(i) Developed software*

Software developed by a third party on the entity's behalf and is operational as intended. Developed software costs are carried as cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method for the remaining life of the current NDSS contract, which will expire on the 30 June 2016.

## NOTE 9: OTHER ASSETS

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| Prepayments | 542,049 | 306,851 |
| | 542,049 | 306,851 |

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 10: TRADE AND OTHER PAYABLES

| | Note | Consolidated 2013 $ | 2012 $ |
|---|---|---|---|
| CURRENT | | | |
| Trade payables | | 15,227,768 | 13,949,950 |
| Sundry payables and accrued expenses | | 274,641 | 739,556 |
| Taxation liabilities | | 34,657 | 71,718 |
| Non Government grants received in advance | | 27,107 | 193,005 |
| Employee benefits | | 156,539 | 80,109 |
| Other current liabilities | | 10,120 | - |
| | 10 (a) | 15,730,832 | 15,034,338 |

**(a) Financial liabilities at amortised cost classified as trade and other payables**

| | Note | Consolidated 2013 $ | 2012 $ |
|---|---|---|---|
| Trade and other payables | | | |
| — Total current | | 15,730,832 | 15,034,338 |
| — Total non-current | | - | - |
| | | 15,730,832 | 15,034,338 |
| Less grants received in advance | | (27,107) | (193,005) |
| Less taxation liabilities | | (34,657) | (71,718) |
| Less annual leave entitlement | | (135,916) | (78,163) |
| Financial liabilities as trade and other payables | 21 | 15,533,152 | 14,691,452 |

## NOTE 11: BORROWINGS

| | Note | Consolidated 2013 $ | 2012 $ |
|---|---|---|---|
| CURRENT | | | |
| Finance lease liabilities | | 25,879 | 23,367 |
| | | 25,879 | 23,367 |
| NON-CURRENT | | | |
| Finance lease liabilities | | 44,121 | 70,000 |
| | | 44,121 | 70,000 |
| Total Borrowings | 21 | 70,000 | 93,367 |

Unless otherwise disclosed, the carrying amount of the entities current and non-current borrowings approximates their fair value. Lease liabilities are secured by the underlying leased assets.

**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)**

## NOTE 12: PROVISIONS

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| NON CURRENT | | |
| — Make good provision | - | - |
| — Long service leave | 93,661 | 27,425 |
| | 93,661 | 27,425 |

For a description of the nature and timing of cash flows associated with the above provisions, refer to section (b) on this page.

### (a) Movements in provisions

| | Consolidated | | |
|---|---|---|---|
| | **Long service leave** | **Make good provision** | **Total** |
| | **$** | **$** | **$** |
| Opening balance at 1 July 2012 | 27,425 | - | 27,425 |
| Arising during the year | 66,236 | - | 66,236 |
| Closing balance at 30 June 2013 | 93,661 | - | 93,661 |

### (b) Nature and timing of provisions

*(i) Long service leave*

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1(l) to this report.

*(ii) Make good provision*

During the year ended 30 June 2011, Diabetes Australia Limited relocated to a new leased premises. In accordance with the new lease agreement with Filmwing Pty Ltd, the Group is required to restore the premises to the condition prior to taking occupation, including any damages caused in complying with these obligations at the end of the lease term in 2018.

No material changes have been made to the pre existing fit-out of the premises and therefore at this time it is reasonable to estimate that any costs associated with the make good of the new premises will be immaterial in nature and have not been recognised in the statement of financial position.

## NOTE 13: GOVERNMENT GRANTS

| | Consolidated | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| CURRENT | | |
| — Federal government grants (NDSS) | 18,094,011 | 8,267,823 |
| — Federal government grants (Non NDSS) | 47,236 | 94,162 |
| Total government grants deferred | 18,141,247 | 8,361,985 |

The accounting policies adopted and the description of government grants received by the Group, including the conditions attached to the grants, have been disclosed in Note 1 (k and n).

### (a) Movement in government grants

| | Consolidated | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Government grants as at beginning of year | 8,361,985 | 7,557,475 |
| — Received during the year | 224,688,896 | 210,974,222 |
| — Transfer to new agreement | - | (4,024,407) |
| — Released to the statement of comprehensive income | (214,909,634) | (202,612,237) |
| — Returned to Government | - | (3,533,068) |
| Government grants as at end of year | 18,141,247 | 8,361,985 |

The National Diabetes Services Scheme (NDSS) is an initiative of the Australian Government administered by Diabetes Australia Limited. The agreement provides that any surplus under the contract may need to be returned to the Government at the end of any financial year.

A further $86,670 will be returned to the Government regarding under utilised funds held at the end of the 2012 financial year. At the time of this report it was not possible to determine if any additional funds will be returned to the Government with regard to surpluses held as at 30 June 2013.

**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)**

## NOTE 14: CASH FLOW STATEMENT RECONCILATION

| | Note | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **(a) Reconciliation of cash** | | | |
| Cash at bank | | 34,486,874 | 23,353,471 |
| Bank deposits | | 5,700,000 | 3,200,000 |
| | 5 | 40,186,874 | 26,553,471 |
| **(b) Reconciliation of cash flow from operations with surplus** | | | |
| Net Surplus for the year | | 2,368,981 | 279,467 |
| Cash flows excluded from profit attributable to operating activities | | | |
| *Adjustments for* | | | |
| Depreciation and amortisation | | 113,600 | 61,141 |
| Registrant contributions | | (27,459,803) | (25,165,559) |
| *Changes in assets and liabilities* | | | |
| (Increase)/decrease in trade and other receivables | | 878,701 | 872,685 |
| (Increase)/decrease in other assets | | (235,198) | (178,383) |
| (Decrease)/increase in trade and other payables | | 37,934,260 | 26,511,791 |
| (Decrease)/increase in long-term provisions | | 66,236 | 11,329 |
| Net cash flows from operating activities | | 13,666,777 | 2,392,471 |

## NOTE 15: MEMBERS' GUARANTEE

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $50 each towards meeting any outstanding obligations of the Company.

At 30 June 2013, the number of members was 7 (2012:7).

## NOTE 16: RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Diabetes Australia Limited and the subsidiaries listed below:

— Diabetes Australia Research Trust

— Diabetes Australia Research Limited

Diabetes Australia Limited as parent company, manages and provides administrative support for Diabetes Australia Research Limited which acts as trustee for the Diabetes Australia Research Trust. The trust activities include the provision of grants to support research in prevention, management and cure of diabetes.

### (b) Other related parties

No other related party transactions occurred during the financial year.

## NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Directors' compensation

The Independent President, Patricia McKenzie received a total remuneration of $23,472 during the year to perform the necessary duties to fulfil the role.

All other directors act in an honorary capacity and receive no remuneration for their services.

### (b) Other key management personnel

The following personnel also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the year:

| Executive | Position |
|---|---|
| Lewis Kaplan | Chief Executive Officer to 30 October 2012 |
| Greg Johnson | NDSS Executive Officer to 30 October 2012 |
| Greg Johnson* | Chief Executive Officer from 31 October 2012 |
| Paul Southcott | General Manager, Corporate Services |
| Susan Davidson | General Manager, NDSS |

* The role of Chief Executive Officer includes the responsibilities previously held by the NDSS Executive Officer.

The expense recognised for the above key management personnel received during the year is shown in the table below:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Short - term employee benefits | 587,080 | 567,268 |
| Post - employment benefits | 47,788 | 61,553 |
| Other long - term benefits | - | - |
| Termination benefits | 68,165 | - |
| TOTAL COMPENSATION | 703,033 | 628,821 |

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 18: COMMITMENTS

| | | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **(a) Finance lease commitments** | | | |
| Payable — minimum lease payments | | | |
| — Within one year | | 32,138 | 32,136 |
| — After one year but not more than five years | | 48,204 | 80,346 |
| — After five years | | - | - |
| Minimum lease payments | 21 | 80,342 | 112,482 |
| Less future finance charges | | (10,342) | (19,115) |
| Present value of minimum lease payments | | 70,000 | 93,367 |

Diabetes Australia completed an Information Technology Infrastructure refresh in October 2011. A finance lease on computer equipment commenced on 1 December 2011, for four years with the lease payments payable quarterly in advance. The equipment is being leased through Capital Easy Finance & Leasing.

**(b) Operating lease commitments**

| | 2013 $ | 2012 $ |
|---|---|---|
| Payable — minimum lease payments | | |
| — Within one year | 106,584 | 103,480 |
| — After one year but not more than five years | 54,348 | 160,932 |
| — After five years | - | - |
| Minimum lease payments | 160,932 | 264,412 |

The Diabetes Australia property lease, is a non-cancellable operating lease with a five-year term, with rent payable one month in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by Consumer Price index (Canberra All Groups) per annum. An option exists to renew the lease at the end of the four-year term for an additional term of three years.

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

### NOTE 18: COMMITMENTS (CONT'D)

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| **(c) Research grants** | | |
| Payable - General research grants | | |
| — Within one year | 680,000 | 585,230 |
| — After one year but not more than five years | - | - |
| | 680,000 | 585,230 |
| Payable - Millennium research grants | | |
| — Within one year | 223,497 | 221,993 |
| — After one year but not more than five years | 75,000 | 73,497 |
| | 298,497 | 295,490 |
| Payable -Viertel research grants | | |
| — Within one year | 225,000 | 224,868 |
| — After one year but not more than five years | 75,000 | 75,000 |
| | 300,000 | 299,868 |
| Total research grant commitments | 1,278,497 | 1,180,588 |

As part of the national research program administered through Diabetes Australia Research Trust (DART), three types of grants are awarded. General research grant payments are made on a half yearly basis for one year; Viertel and Millennium grants payments are made on a half yearly basis for two years.

### NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 30 June 2013.

### NOTE 20: EVENTS AFTER THE BALANCE DATE

The Board of Diabetes Australia on the 2 October 2013 advised that former Federal member of Parliament and Minster, Hon Judi Moylan, has been appointed as Independent President and Board Chair of Diabetes Australia. Judi has been a longstanding supporter and advocate for people affected by all types of diabetes. She has strong experience in Federal Parliament including the establishment of the Federal Parliamentary Diabetes Support Group in 2000. Ms Moylan will commence in the role of Independent President on 4 November 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments consist solely of deposits with banks, accounts receivable, payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | | Consolidated | |
|---|---|---|---|
| | Note | 2013 | 2012 |
| | | $ | $ |
| **Financial Assets** | | | |
| Cash and cash equivalents | 5 | 40,186,874 | 26,553,471 |
| Loans and receivables | 6 | 758,399 | 1,637,100 |
| | | 40,945,273 | 28,190,571 |
| **Financial Liabilities** | | | |
| Trade and other payables | 10 (a) | 15,533,152 | 14,691,452 |
| Lease liabilities | 18 (a) | 80,342 | 112,482 |
| | | 15,613,494 | 14,803,934 |

**Risk exposures and responses**

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk, and credit risk. The Group does not use derivative instruments to manage risks associated with its financial instruments.

The directors have overall responsibility for risk management, including risks associated with financial instruments, which seeks to ensure maximum return on funds held, whilst minimising potential adverse effects on financial performance.

Risk management policies are established to identify and analyse the risks associated with the Group's financial instruments, to set appropriate risk limits and controls and to monitor the risks and adherence to limits. The Finance, Audit and Risk Management (FARM) Committee is responsible for monitoring the effectiveness of the Group's risk management policies and processes and to regularly review risk management policies and systems, taking into account changes in market conditions and the Group's activities. The FARM committee is responsible for developing and monitoring investment policies.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

**NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

*(i) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates to the Group's cash, and short-term deposits.

The Group has no debt obligations exposed to interest rate risk.

At balance date, the Group had the following mix of financial assets exposed to Australian variable interest rate risk:

| | | Consolidated | |
|---|---|---|---|
| | Note | 2013 | 2012 |
| | | $ | $ |
| **Financial Assets** | | | |
| Cash | | 34,486,874 | 23,353,471 |
| Bank deposits | | 5,700,000 | 3,200,000 |
| | 5 | 40,186,874 | 26,553,471 |

*(ii) Interest rate sensitivity*

A 1% decrease in interest rates and 0.25% increase in interest rates have been determined to be a reasonable possible movement in interest rates over a 12 month period based on information from various financial institutions, review of movements over the past two years and economic forecasters' expectations. If this change has occurred at the reporting date, it would, with all other variables held constant, have increase or decreased the Group's surplus as follows:

| | Consolidated | |
|---|---|---|
| | Net Surplus Higher/(Lower) | |
| | 2013 | 2012 |
| | $ | $ |
| + 0.25% (25 basis points) | 112,858 | 95,998 |
| - 1% (100 basis points) | (451,434) | (383,992) |

The movements in net surplus are due to higher/(lower) interest from variable rate cash, and bank deposits.

## NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

*(iii) Liquidity risk*

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

— preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;

— maintaining a reputable credit profile;

— managing credit risk related to financial assets;

— investing surplus cash only with major financial institutions;

— comparing the maturity profile of financial liabilities with the realisation profile of financial assets; and

— Directors are in receipt of monthly management reports.

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | **Within 1 year** | **1 - 5 years** | **> 5 years** | **Total** |
| | **Note** | **$** | **$** | **$** | **$** |
| **Year ended 30 June 2013** | | | | | |
| Liquid financial assets | | | | | |
| Cash and cash equivalents | 5 | 40,186,874 | - | - | 40,186,874 |
| Loan and receivables | 6 | 758,399 | - | - | 758,399 |
| Total anticipated inflows | | 40,945,273 | - | - | 40,945,273 |
| Financial liabilities | | | | | |
| Lease liabilities | 18 | (32,138) | (48,204) | - | (80,342) |
| Trade and other payables | 10 | (15,533,152) | - | - | (15,533,152) |
| Total expected outflows | | (15,565,290) | (48,204) | - | (15,613,494) |
| **Net inflow/(outflow)** | | **25,379,983** | **(48,204)** | **-** | **25,331,779** |
| **Year ended 30 June 2012** | | | | | |
| Liquid financial assets | | | | | |
| Cash and cash equivalents | 5 | 26,553,471 | - | - | 26,553,471 |
| Loan and receivables | 6 | 1,637,100 | - | - | 1,637,100 |
| Total anticipated inflows | | 28,190,571 | - | - | 28,190,571 |
| Financial liabilities | | | | | |
| Lease liabilities | 18 | (32,136) | (80,346) | - | (112,482) |
| Trade and other payables | 10 | (14,691,452) | - | - | (14,691,452) |
| Total expected outflows | | (14,723,588) | (80,346) | - | (14,803,934) |
| **Net inflow/(outflow)** | | **13,466,983** | **(80,346)** | **-** | **13,386,637** |

**NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

*(iv) Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and removal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counter parties), ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the invoice date.

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 6.

At the reporting date, the Group did not have any material credit risk exposures to any single receivable or group of receivables or any bank or financial institution.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

## NOTE 22: CAPITAL MANAGEMENT

Management controls the capital of the Group to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The Board considers adequacy of cash reserves in conjunction with the annual budget process and monthly financial reports.

The Group's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the Group’s capital by assessing the Group’s financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes to the strategy adopted by management to control the capital of the Group since the previous year.

The gearing ratios for the years ended 30 June 2013 and 30 June 2012 are as follows:

| | | Consolidated | |
|---|---|---|---|
| | Note | 2013 | 2012 |
| | | $ | $ |
| Total financial liabilities | 21 | 15,613,494 | 14,803,934 |
| Less cash and cash equivalents | 5 | (40,186,874) | (26,553,471) |
| Net debt | | (24,573,380) | (11,749,537) |
| Total equity (reserves + retained earnings) | | 7,592,350 | 5,223,369 |
| **Capital and net debt** | | (16,981,030) | (6,526,168) |
| Gearing ratio | | 144.7% | 180.0% |

## NOTE 23: ECONOMIC DEPENDENCE

A significant portion of the Group's income is from the Federal Department of Health to operate the National Diabetes Services Scheme (NDSS). The Group has successfully renegotiated a further five year agreement with the Department to continue to conduct NDSS services from 1 July 2011 to 30 June 2016. Activities managed under the NDSS are dependent on these funds, and for Diabetes Australia Limited to operate at its current capacity.

The level of income from bequest and donations is not directly under the control of the Group and may substantially vary from year to year.

The Group is also reliant on members' affiliation fees as sources of revenue.

## NOTE 24: PARENT ENTITY

| | 2013 | 2012 |
|---|---|---|
| Information relating to Diabetes Australia Limited | $ | $ |
| Current assets | 34,606,135 | 24,265,806 |
| Total assets | 34,725,636 | 24,480,095 |
| Current liabilities | 33,580,300 | 23,400,159 |
| Total liabilities | 33,650,299 | 23,493,527 |
| Issued capital | - | - |
| Retained earnings | 1,075,337 | 986,569 |
| Total shareholders’ equity | 1,075,337 | 986,569 |
| Surplus or deficit of the parent entity | 88,768 | 192,638 |
| Total comprehensive income of the parent entity | 88,768 | 192,638 |

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013 (CONT'D)

### NOTE 25: AUDITORS' REMUNERATION

The auditor of Diabetes Australia Limited is Ernst & Young (Australia).

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| *Amounts received or due and receivable by Ernst & Young (Australia) for:* | | |
| — auditing or reviewing the financial report of the entity and any other entity in the consolidated group | 50,067 | 48,523 |
| — Other services in relations to the entity and any other entity in the consolidated group | | |
| — Assurance related | - | - |
| — Operational Consultancy | 344,509 | 388,018 |

## DIRECTORS' DECLARATION

In accordance with the resolution of the Directors of Diabetes Australia, I state that:

1. In the opinion of the directors:

   (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Group are in accordance with the *Corporations Act 2001* , including:

      (i) Giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date.

      (ii) Complying with the Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001* .

   (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. This declaration has been made in accordance with a resolution of the Board of Directors.

Moira Watson, Director and President

Gordon Melsom, Director

Dated this 18th day of October 2013.

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# Independent auditor's report to the members of Diabetes Australia Limited

## Report on the financial report

We have audited the accompanying financial report of Diabetes Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

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### *Opinion*

In our opinion the financial report of Diabetes Australia Limited is in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Ernst & Young

James Palmer
Partner
Canberra

18 October 2013