

Diabetes NSW

ABN 84 001 363 766

General purpose (RDR) financial report
for the year ended 30 June 2016

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Directors' report

For the year ended 30 June 2016

Your directors submit their report on Diabetes NSW (referred to hereafter as the "Company") for the year ended 30 June 2016.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period.

Mr LE Tutt, Chairperson

Mr AG Koumoukelis, Vice Chair

Mr JA Bell

Mr K Boorman

Ms G Daley

Ms E Hare

Mr BG Hayman

Dr B King

Ms A Pino

Mr PJ Tuck

Ms N Woloszuk

Names, qualifications, experience and special responsibilities

Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Mr Leo Tutt	BEC, LLB, FCA, CTA, FCPA, MAICD	28/5/2001	Partner and the National Leader of the Audit & Assurance Division of William Buck, a leading Chartered Accounting and Business Advisory practice. Director of Glycemic Index Ltd and Director of Diabetes Australia Ltd.	Board Chairperson, Finance, Audit and Risk Management ex officio committee member
Mr Arthur Koumoukelis	BCom, LLB, LLM, FTIA, GAICD, Public Notary	31/12/2007	Partner of Gadens Lawyers Australia focusing on health and aged care as well as not-for-profit organisations. Director of Vasse House Association.	Finance, Audit and Risk Management Committee member
Mr John Bell	AM, BPharm, FPS, FRPharmS, FACPP, MSHP	28/5/2001	Past Vice President of International Pharmaceutical Federation and Past President of the Commonwealth Pharmaceutical Association. Board Member of the Medic Alert Foundation.	Nomination and Remuneration Committee Member
Mr Ken Boorman	BCom (NSW), CA	16/5/2005	Chief Executive of Junofield Pty Ltd, a management and financial accounting firm.	Finance, Audit and Risk Management Committee Member

Directors' report (continued)

For the year ended 30 June 2016

Directors (continued)

Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Ms Geraldine Daley	Dip. Law (LPAB), LLM, GAICD	18/11/2014	Colin Daley Quinn Solicitors - Director specializing in Litigation. Alternate director of St George, Sutherland Medical Research Foundation.	
Ms Elizabeth Hare	B Tech [Food]; Grad Cert Human Nutrition	8/11/2011	Member of Diabetes NSW Support Group Network. Over fifteen years experience working in the food industry.	
Mr Bruce Hayman		Appointed: 21/11/2006 Resigned: 01/05/2009 Re-appointed: 01/09/2009	Chairman of Chartwell Management. Director of AV Jennings Ltd. Chair of Ella Foundation and Chair of Zipper and Stent Group.	Finance, Audit and Risk Management Committee Member
Dr Bruce King	MBBS, FRACP, RACP SAC, PhD	04/12/12	Associate Professor Paediatric Diabetes and Endocrinology at the University of Newcastle	
Ms Anna Pino	M Comm, Cert. Small Bus Man., Grad Dip Comp. Sc. (Psych.), BSc, GAICD	20/11/2012	CEO of Lighthouse Business Innovation Centre, Past President of Diabetes ACT	Nomination and Remuneration Committee Member
Mr Phil Tuck	BEC, BA, FGIA, FAIM, MAICD, JP	6/6/2005	Managing Director of Interim Executive Search.	Nomination and Remuneration Committee Member
Ms Nicole Woloszuk	BA Comms, Master Public Administration	18/11/2014	Manager, Policy and Strategic Planning, Corporate Communications, Western Sydney Local Health District, Media and Communications WSLHD & NSW Police	

Dividends

No dividends have been paid or declared since the end of the previous financial year.

Company Secretary

Ms Francis Harris
Mr Sturt Eastwood

Principal activities

The principal activity of the Company during the year was that of a charitable organisation serving the needs of people with diabetes. The Company offers a range of services, including information, health and education advice, advocacy, funds research and the provision of a range of products. The Company is also the New South Wales agent for the National Diabetes Services Scheme (NDSS).

Directors' report (continued)

For the year ended 30 June 2016

Operating and financial review

The Company's annual result is assessed by reviewing performance against strategic objectives as well as financial and non-financial performance measures.

During Financial Year 2016, Diabetes NSW continued to make progress against longer-term strategic priorities of diversifying income sources and implementing more efficient and effective utilisation of our limited resources. In doing so, the organisation recorded a strong financial result for the year with a net surplus of \$1,361,524 (2015: \$39,852).

Short-term and long-term objectives

Diabetes NSW continues to focus on the strategic pillars of Engaged Customers, Valued People, Operational Excellence and Thought Leadership. These pillars ensure the organisation remains focussed on achieving our mission of a life without the complication(s) of diabetes. During the last financial year we assisted over 80,000 callers to our info line, supported 48,000 members and provided face to face education at over 800 separate events throughout NSW, including consumer Expos attended by over 1000 people and our increasingly popular Health Professional Education Day attended by over 300 people.

Through the generosity of our members and donors, Diabetes NSW introduced Diabuddies Days, especially for children with type 1 diabetes and their families. These days were held in both Sydney and regional centres across NSW and attended by over 300 families some of whom travelled hundreds of kilometres. The Schools Project was initiated over the past year and through collaboration with the NSW Department of Education and Catholic and Independent Schools sectors, a new policy, education materials and workshops have been developed to ensure the school environment remains diabetes friendly. We introduced Mood Food Move and Me as the four key enablers to better self-management of diabetes and over 85% of readers agreed that Circle magazine is better than previous publications.

The changes to the NDSS contract which became effective 1 July 2016 necessitated structural change and whilst the organisation said good-bye to many long-standing staff members and volunteers, throughout the extended transition process the Diabetes NSW team worked collaboratively with other state and territory organisations to ensure the consistent and efficient provision of NDSS services nationally.

In preparing for the future and diversifying income sources, we established Diabetes Qualified, a registered training organisation to run diabetes education and support for people living with diabetes and the health professionals who care for them. In May 2016, the members of Diabetes ACT voted overwhelmingly to unify with Diabetes NSW in yet another demonstration of effective and efficient use of limited resources. This action alone is expected to realise over \$100,000 in cost savings.

Results

The net surplus for the year was \$1,361,524 (2015: \$39,852), this was principally due to the success of membership and fundraising, corporate partnerships and improved operational focus.

Significant events after the reporting period

Diabetes NSW entered a Deed of Assignment with Diabetes ACT Limited on 31 May 2016 to acquire the business of Diabetes ACT Limited as at 1 July 2016. Subsequent to year end, Diabetes NSW also changed its trading name to Diabetes NSW and ACT to reflect the position of the organisation that now supports people with diabetes in both NSW and ACT. The fair value of net assets transferred on 1 July 2016 to Diabetes NSW was approximately \$280,000.

There have been no other significant events occurring after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

Directors' report (continued)

For the year ended 30 June 2016

Indemnification and insurance of directors and officers

During the financial year directors and officers of the company were insured against liability to the extent permitted by the *Corporations Act 2001*.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Name	Board Meetings		Finance, Audit and Risk Management		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Mr LE Tutt	11	11	4*	4	-	-
Mr AG Koumoukelis	11	9	4	4	-	-
Mr BG Hayman	11	9	4	4	-	-
Mr K Boorman	11	11	4	4	-	-
Mr PJ Tuck	11	9	-	-	3	3
Mr JA Bell	11	9	-	-	3	3
Ms E Hare	11	11	-	-	-	-
Ms A Pino	11	11	-	-	3	3
Dr B King	11	5	-	-	-	-
Ms G Daley	11	10	-	-	-	-
Ms N Woloszuk	11	11	-	-	-	-

A = number of meetings eligible to attend

B = number of meetings attended

* = ex officio

For detailed director profiles, please refer to page 1.

Members' Guarantee

As a company limited by guarantee in accordance with the Company's Constitution, each Ordinary Member of the Company has a maximum liability of \$50 in the event of the Company being unable to meet its obligations as and when they fall due. Total membership at 30 June 2016 was 44,302 (2015: 43,676). The total maximum liability of members is \$2,215,100 (2015: \$2,183,800).

Directors' report (continued)

For the year ended 30 June 2016

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from their audit (for an unspecified amount) as a result of any misrepresentation or wilful or wrongful act or omission by the Company. No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed in accordance with a resolution of the directors.



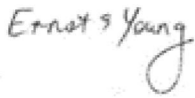
Mr LE Tutt
Director
Sydney
28 October 2016



Mr K Boorman
Director
Sydney
28 October 2016

Auditor's Independence Declaration to the Directors of Diabetes NSW

In relation to our audit of the financial report of Diabetes NSW for the financial year ended 30 June 2016, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.



Ernst & Young



Loretta Di Mento
Partner
28 October 2016

Statement of financial position

As at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and short-term deposits	5	4,490,060	2,257,711
Trade and other receivables	6	765,423	668,006
Inventories	7	169,986	156,772
Other financial assets	8	3,435,410	3,331,363
Prepayments		99,894	89,329
Total current assets		8,960,773	6,503,181
Non-current assets			
Property, plant and equipment	9	3,495,936	3,909,510
Total non-current assets		3,495,936	3,909,510
Total assets		12,456,709	10,412,691
Liabilities and equity			
Current liabilities			
Trade and other payables	10	3,389,583	2,485,465
Employee benefit liabilities	11	546,680	606,210
Subscriptions in advance	12	673,662	768,654
Total current liabilities		4,609,925	3,860,329
Non-current liabilities			
Employee benefit liabilities	11	64,256	84,348
Subscriptions in advance	12	8,593	55,603
Total non-current liabilities		72,849	139,951
Total liabilities		4,682,774	4,000,280
Equity			
Retained surplus		7,773,935	6,412,411
Total equity		7,773,935	6,412,411
Total equity and liabilities		12,456,709	10,412,691

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

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

		2016	2015
	Notes	\$	\$
Sale of goods		826,533	563,987
National Diabetes Services Scheme revenue		13,193,616	12,842,965
Donations, fundraising and sponsorships		1,865,930	1,659,261
Membership subscriptions		1,424,188	1,393,298
Bequests		2,351,072	1,293,129
Other income	4.1	1,083,783	785,079
Total revenue		<u>20,745,122</u>	<u>18,537,719</u>
Employee benefits expense	4.2	(9,532,881)	(9,277,239)
Depreciation expense		(565,741)	(312,374)
Operational and warehouse expenditure		(6,491,750)	(6,257,291)
General educational resources & expenses		(176,583)	(152,866)
Other expenses	4.3	(2,616,643)	(2,498,097)
Total expense		<u>(19,383,598)</u>	<u>(18,497,867)</u>
Surplus before income tax expense		1,361,524	39,852
Income tax expense		-	-
Net surplus for the year		<u>1,361,524</u>	<u>39,852</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,361,524</u>	<u>39,852</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2016

	<u>Retained surplus</u> \$
At 1 July 2015	6,412,411
Surplus for the year	1,361,524
Other comprehensive income	-
Total comprehensive income for the year	<u>1,361,524</u>
At 30 June 2016	<u>7,773,935</u>
At 1 July 2014	6,372,559
Surplus for the year	39,852
Other comprehensive income	-
Total comprehensive loss for the year	<u>39,852</u>
At 30 June 2015	<u>6,412,411</u>

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

Statement of cash flows

For the year ended 30 June 2016

	2016	2015
Notes	\$	\$
Operating activities		
Receipts from customers, donors and members	9,110,638	6,732,434
Payments to suppliers and donations	(10,417,367)	(13,413,330)
Payments to and on behalf of employees	(9,552,973)	(9,277,239)
Interest received	138,089	294,182
Receipts of funding for NDSS and other programs	13,193,616	13,414,167
Net cash flows from/(used in) operating activities	<u>2,472,003</u>	<u>(2,249,786)</u>
Investing activities		
Proceeds from sale of property, plant and equipment	1,876	-
Purchase of property, plant and equipment	9 (241,530)	(484,802)
Net cash flows used in investing activities	<u>(239,654)</u>	<u>(484,802)</u>
Financing activities		
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	2,232,349	(2,734,588)
Cash and cash equivalents at 1 July	5 2,257,711	4,992,299
Cash and cash equivalents at 30 June	<u>5 4,490,060</u>	<u>2,257,711</u>

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

Notes to the financial statements

For the year ended 30 June 2016

1. Corporate information

The financial report of Diabetes NSW (the "Company") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 28 October 2016.

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

The registered office and principal place of business of the Company is 26 Arundel St, Glebe, NSW 2307.

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

2. Significant accounting policies

2.1 Basis of preparation

The financial statements is a general purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-Profits Commission Act 2012, other authoritative pronouncements of the Australian Accounting Standards Board and the Charitable Fundraising Act 1991. These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through profit or loss, which have been measured at fair value.

On 2 May 2016 Diabetes Qualified Pty Ltd become a wholly owned subsidiary of Diabetes NSW. In the period to 30 June 2016 the entity has not commenced trading and therefore consolidated financial statements have not been presented.

The financial report is presented in Australian dollars (\$).

2.2 Statement of compliance

The financial statements of the Company comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

2.3 Changes in accounting policy, disclosures, standards and interpretations

Changes in accounting policies, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2015/2016 do not impact the financial statements of the Company.

a) Comparative information

Comparative figures have been adjusted to conform with changes in the presentation for the current year.

b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Notes to the financial statements (continued)

For the year ended 30 June 2016

2. Significant accounting policies (continued)

b) Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- It is held primarily for the purpose of trading
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

c) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

d) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. 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 Company will not be able to collect the receivable.

e) Inventories

Stock on hand, being finished goods, has been valued at the lower of cost or net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the stock and bringing it to its existing location.

(i) Stock held for distribution

Stock held for distribution are assets:

- held for distribution at no or nominal consideration in the ordinary course of operations;
- in the process of production for distribution at no or nominal consideration in the ordinary course of operations; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services at no or nominal consideration.

Stock held for distribution are measured at the lower of cost and current replacement cost. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. When distributed, the carrying amount of inventories held for distribution is recognised as an expense. The amount of any write-down of inventories to current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs.

(ii) National publications income

National Publications are activities carried out as a separate and distinct activity to the Company's activities, which services all state and territory diabetes organisations across Australia.

Notes to the financial statements (continued)

For the year ended 30 June 2016

2. Significant accounting policies (continued)

e) Inventories (continued)

(iii) Inventory expensed immediately

A number of educational items are provided free of charge at various education seminars and events throughout the year. These are requisitioned from stock and expensed immediately.

f) Investment and other financial assets

(i) Initial recognition

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets held for trading include investments in managed funds. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

(iii) Derecognition

A financial asset is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset.

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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.

g) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes to the financial statements (continued)

For the year ended 30 June 2016

2. Significant accounting policies (continued)

g) Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Land	not depreciated
- Buildings	over 10 to 50 years
- Furniture and fittings	over 5 to 10 years
- Office equipment	over 3 to 5 years
- Computer equipment	over 3 years
- Motor vehicles	over 5 years

Capital work in progress is capitalised until the asset is held for use and subsequently transferred to property, plant and equipment.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss 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 profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leases

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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

i) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations, are recognised in the statement of profit or loss and other comprehensive income as an expense.

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 Company prior to the end of the financial year that are unpaid and arise when the Company 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.

Notes to the financial statements (continued)

For the year ended 30 June 2016

2. Significant accounting policies (continued)

k) Employee benefit liabilities

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and annual leave

The Company does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Company recognises a liability for long service leave and annual leave 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 projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Education income

Education income primarily comprises of contributions received from participants and sponsors in attending and supporting the vast and varying number of education activities and programs delivered by the Company throughout the year.

Donations, fundraising and bequests

Donations, fundraising and bequests are recognised on a receipt basis.

Subscriptions

Subscriptions paid by members are deferred and recognised as revenue on a straight-line basis over the period of membership.

Notes to the financial statements (continued)

For the year ended 30 June 2016

2. Significant accounting policies (continued)

l) Revenue recognition (continued)

Interest income

Interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the statement of profit or loss and other comprehensive income.

Sponsorships

Sponsorships are recognised when the contract outcome can be reliably measured, control of the right to be compensated for the service has been attained and the stage of completion can be reliably measured.

NDSS revenue

NDSS revenue for the sale of goods is recognised on a receipt basis. Revenue relating to grants and other specific performance related funding is recognised when the contract outcome can be reliably measured, control of the right to be compensated for the service has been attained and the stage of completion can be reliably measured.

m) Income tax

The Company is not liable to income tax by virtue of Section 50-B of the Income Tax Assessment Act, 1997.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

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

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.

n) Government grants

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

Notes to the financial statements (continued)

For the year ended 30 June 2016

2. Significant accounting policies (continued)

o) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under the headings that aggregate all costs related to that category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis consistent with use of their resources.

The Company donates monies to either research and educational institutions which is in line with their objectives. Where monies are specifically committed for a fixed amount, these are recognised as an expense at the time the legal obligation is entered into and a corresponding liability is recorded on the statement of financial position.

3. 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 expenses. Management bases its judgements and estimates on historical experience and on other 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.

Notes to the financial statements (continued)

For the year ended 30 June 2016

4. Revenue and expenses

4.1 Other income

	<u>2016</u>	<u>2015</u>
	\$	\$
Education income	274,307	406,400
Grant and other income	671,387	84,497
	<u>945,694</u>	<u>490,897</u>

Finance income

Interest	34,041	52,363
Increase in fair value of managed portfolio	104,048	241,819
Total other income	<u><u>1,083,783</u></u>	<u><u>785,079</u></u>

4.2 Employee benefits expense

	<u>2016</u>	<u>2015</u>
	\$	\$
Wages and salaries	8,239,318	8,219,748
Defined contribution superannuation expense	707,888	677,043
Other employee benefits expense	585,675	380,448
Total employee benefits expense	<u><u>9,532,881</u></u>	<u><u>9,277,239</u></u>

4.3 Other expenses

	<u>2016</u>	<u>2015</u>
	\$	\$
Cost of sales	511,222	351,352
Fundraising and sponsorship	767,788	638,027
Computer software and support	272,110	315,131
Marketing expenses	11,388	6,087
Minimum lease payments - operating lease	311,344	236,777
Bad and doubtful debts expense	7,918	3,712
Administration	664,662	551,107
Other expenses	70,211	395,904
Total other expenses	<u><u>2,616,643</u></u>	<u><u>2,498,097</u></u>

Notes to the financial statements (continued)

For the year ended 30 June 2016

5. Cash and short-term deposits

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash at bank and at call deposits	<u>4,490,060</u>	<u>2,257,711</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

6. Trade and other receivables

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade receivables	268,668	246,059
Other debtors	496,755	397,320
Goods and services tax	-	24,627
Carrying amount of trade and other receivables	<u>765,423</u>	<u>668,006</u>

7. Inventories

	<u>2016</u>	<u>2015</u>
	\$	\$
<i>Finished goods at cost</i>		
Trading stock	169,986	297,249
Provision for diminution in value	-	(140,477)
	<u>169,986</u>	<u>156,772</u>

8. Other financial assets

	<u>2016</u>	<u>2015</u>
	\$	\$
<i>Financial assets at fair value through profit or loss</i>		
Managed investment portfolio	<u>3,435,410</u>	<u>3,331,363</u>

Notes to the financial statements (continued)

For the year ended 30 June 2016

9. Property, plant and equipment

	Freehold land and buildings	Construction in progress	Office equipment	Furniture, fittings and equipment	Computer equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
At 1 July 2015	3,765,624	185,225	57,609	569,551	1,119,072	5,697,081
Additions	21,446	-	15,165	72,360	132,559	241,530
Disposals	(289,042)	-	(9,070)	(178,314)	-	(476,426)
Transfer	-	(130,869)	-	-	130,869	-
At 30 June 2016	3,498,028	54,356	63,704	463,597	1,382,500	5,462,185
Depreciation						
At 1 July 2015	952,269	-	20,125	418,437	396,740	1,787,571
Depreciation charge for the year	208,837	-	10,358	87,646	258,900	565,741
Disposals	(218,027)	-	(9,070)	(159,966)	-	(387,063)
At 30 June 2016	943,079	-	21,413	346,117	655,640	1,966,249
Net book value						
At 30 June 2016	2,554,949	54,356	42,291	117,480	726,860	3,495,936

Disposals for the year include assets written down associated with the refurbishment of the office.

10. Trade and other payables

	2016	2015
	\$	\$
Current		
Trade payables	882,092	824,201
Other payables and accruals	1,379,813	978,169
Goods and services tax	76,563	-
Grants received in advance	1,051,115	683,095
	3,389,583	2,485,465

Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes to the financial statements (continued)

For the year ended 30 June 2016

11. Employee benefit liabilities

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Annual leave	411,090	416,373
Long service leave	<u>135,590</u>	<u>189,837</u>
	<u>546,680</u>	<u>606,210</u>
Non-current		
Long service leave	<u>64,256</u>	<u>84,348</u>

12. Subscriptions in advance

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Subscriptions in advance	<u>673,662</u>	<u>768,654</u>
Non-current		
Subscriptions in advance	<u>8,593</u>	<u>55,603</u>

13. Commitments

Leasing commitments

Operating lease commitments - Company as lessee

The Company has entered into various non-cancellable operating leases for office equipment and premises as well as sale-and-leaseback agreements for a fleet of motor vehicles.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	108,355	441,537
After one year but not more than five years	<u>178,428</u>	<u>174,784</u>
Total minimum lease payments	<u>286,783</u>	<u>616,321</u>

14. Contingencies

As at 30 June 2016, the Company had no contingent liabilities (2015: none).

Notes to the financial statements (continued)

For the year ended 30 June 2016

15. Related party disclosures

a Directors

The directors of the Company, or their director-related entities, may transact with the Company within a normal member, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Company would have adopted if dealing with an entity at arm's length. These transactions include the following:

As customers:

- Payment of membership subscriptions
- Purchase of goods and services
- Payment of donations, contributions and fund raising events
- The amounts involved in the above transactions average less than \$40 per transaction.

Legal fees were paid to Gadens Lawyers Sydney, in which Arthur Koumoukelis is a Partner. Total fees were \$47,079 (2015: \$52,164) for the year including probono services to the value of \$25,000 (2015: \$25,000)

Consulting fees were paid to William Buck NSW, in which Leo Tutt is an equity director. Total fees were \$42,240 (2015: \$nil) for the year.

Compensation of key management personnel

The performance of the Company depends upon the quality of its directors and executives. To achieve the best outcome for those with Diabetes, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company provides competitive rewards to attract high calibre executives and ensures that total compensation is competitive by market standards. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans, in order to take advantage of the fringe benefit tax concessions available to the Company.

The directors are remunerated pursuant to an arrangement approved by the NSW Government. The total amount paid to directors in 2016 was \$73,000 (2015: \$Nil). Under the terms of Leo Tutt's and Arthur Koumoukelis' contractual arrangements with their respective employers, William Buck NSW and Gadens Lawyers Sydney, any remuneration received by them as a director is to the ultimate benefit of their respective employer.

b Key management personnel

The names of those having authority for planning, directing and controlling the Company's activities, directly or indirectly (other than directors), are:

Sturt Eastwood
Francis Harris
Therese Coffey
Patricia Egan
Bronwyn Muir
Linda Farrugia

	<u>2016</u>	<u>2015</u>
	\$	\$
Total compensation (2016: 6, 2015: 8)	998,708	1,361,963
	<u>998,708</u>	<u>1,361,963</u>

Notes to the financial statements (continued)

For the year ended 30 June 2016

15. Related party disclosures (continued)

c Other transactions with related parties

Provision of Trustee services

The Company is the trustee of the Diabetes Overseas Aid Fund (the "Trust"). The only beneficiary is the CLAN Health and Development Relief Fund.

There were no other related party transactions during the year other than those disclosed above.

Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

16. Economic dependency

The Company is dependent upon the ongoing receipt of funds from the Federal Department of Health NDSS contract for a significant portion of its income. The current contract runs until 30 June 2020.

17. Events after the reporting period

Diabetes NSW entered a Deed of Assignment with Diabetes ACT Limited on 31 May 2016 to acquire the business of Diabetes ACT Limited as at 1 July 2016. Subsequent to year end, Diabetes NSW also changed its trading name to Diabetes NSW and ACT to reflect the position of the organisation that now supports people with diabetes in both NSW and ACT. The fair value of net assets transferred on 1 July 2016 to Diabetes NSW was approximately \$280,000.

There have been no other significant events occurring after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

18. Members' guarantee

As a company limited by guarantee in accordance with the Company's Constitution, each Ordinary Member of the Company has a maximum liability of \$50 in the event of the Company being unable to meet its obligations as and when they fall due. Total membership at 30 June 2016 was 44,302 (2015: 43,676). The total maximum liability of members is \$2,215,100 (2015: \$2,183,800).

Notes to the financial statements (continued)

For the year ended 30 June 2016

19. Information and declaration of the furnished under the Charitable Fundraising Act 1991

a Details of aggregate gross income and total expenses of fundraising appeals

	<u>2016</u>	<u>2015</u>
	\$	\$
Gross proceeds from fundraising appeals		
Appeals	299,954	277,391
Bequests	2,351,072	1,293,129
Other General Donations	554,973	558,738
Live Your Life Events	318,483	181,717
	<u>3,524,482</u>	<u>2,310,975</u>
Less total direct cost of fundraising appeals		
Appeals	145,143	127,510
Bequests	34,853	37,019
Other General Donations	25,002	24,986
Live Your Life Events	190,620	82,182
	<u>395,618</u>	<u>271,697</u>

b Statement showing how funds received were applied to charitable purposes

	<u>2016</u>	<u>2015</u>
	\$	\$
Net surplus from fundraising appeals	<u>3,128,864</u>	<u>2,039,278</u>

This surplus is used for awareness, research, education and advocacy programs.

c Fundraising appeals conducted throughout the financial period

Throughout the financial period the Company conducted fundraising activities including Tax Appeal, Raffles, Christmas Appeal, Renewal Appeals and Live Your Life Events.

Notes to the financial statements (continued)

For the year ended 30 June 2016

19. Information and declaration of the furnished under the Charitable Fundraising Act 1991 (continued)

d Comparison by monetary figures and percentages

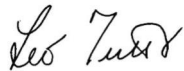
Comparisons	2016		2015	
	\$	%	\$	%
Total cost of fundraising	\$395,618		\$271,679	
Gross income from fundraising	\$3,524,482	11	\$2,310,975	12
Net surplus from fundraising	\$3,128,864		\$2,039,296	
Gross income from fundraising	\$3,524,482	89	\$2,310,975	88
Total costs of services	6,818,457	35	6,153,570	33
Total expenditure	19,383,598		18,497,867	
Total costs of services	6,818,457	33	6,153,570	33
Total income received	20,745,122		18,537,719	

Directors' declaration

In accordance with a resolution of the directors of Diabetes NSW, we state that in the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) In respect of Diabetes NSW:
 - (i) the provisions of the *NSW Charitable Fundraising Act 1991*, the regulations under the Act and the conditions attached to the fundraising authority have been complied with (as the State in which Diabetes NSW is incorporated); and
 - (ii) the internal controls exercised by the Diabetes NSW are appropriate and effective in accounting for all income received.

On behalf of the Board



Mr LE Tutt
Sydney
28 October 2016



Mr K Boorman
Sydney
28 October 2016

Independent auditor's report to the members of Diabetes NSW

Report on the financial report

We have audited the accompanying financial report of Diabetes NSW (the registered entity), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and 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.

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 – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* 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 preparation of the financial report that gives a true and fair view 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 registered 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 *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the company a written Auditor's Independence Declaration.

Opinion

In our opinion the financial report of Diabetes NSW is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of Diabetes NSW at 30 June 2016 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015*

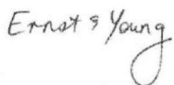
We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the requirements described in the above-mentioned Act and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion:

- a) the financial report of Diabetes NSW has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2016, in all material respects, in accordance with:
 - i sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - ii sections 10(6) and 11 of the *NSW Charitable Fundraising Regulations 2015*;
- b) the money received as a result of fundraising appeals conducted by the registered entity during the financial year ended 30 June 2016 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act and Regulations.



Ernst & Young



Loretta Di Mento
Partner
Sydney
28 October 2016