Diabetes NSW trading as Diabetes NSW & ACT
ABN 84 001 363 766

General purpose (RDR) financial report for the year ended 30 June 2017

Contents

Directors' report

For the year ended 30 June 2017

Your directors submit their report on Diabetes NSW (referred to hereafter as the "Company") for the year ended 30 June 2017.

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 Dentons Australia Pty Ltd, previously Gadens Lawyers Australia focusing on health and aged care as well as not-for-profit organisations. Director of Vasey 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 2017

Directors (continued)

Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Ms Geraldine Daley	AM, 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 Albury Wodonga Diabetes Support Group. 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	19/11/2013	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, FCPA, FFin, FGIA, FIML, 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, Communications Consultant ADS and NADC	

Directors' report (continued)

For the year ended 30 June 2017

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 and Australian Capital Territory agent for the National Diabetes Services Scheme (NDSS). In July 2016, the new NDSS contract took effect with the organisation no longer managing the distribution of NDSS subsidised diabetes related products.

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.

The unification between Diabetes NSW and Diabetes ACT became effective 1 July 2016, with the trading name registered to Diabetes NSW & ACT on the 13th July 2016. During the financial year, Diabetes NSW & ACT 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 $539,269 (2016: $1,219,522).

Short-term and long-term objectives

Diabetes NSW & ACT continues to deliver services and support to over 440,000 people living with diabetes registered on the National Diabetes Services Scheme (NDSS). In July 2016, we finalised the merge of Diabetes NSW and Diabetes ACT, a move resulting in significant cost savings and enhanced service delivery. Our call centre handles 125,000 calls per annum, we service 1760 pharmacy Access Points, deliver in excess of 1900 service programs and publish quarterly editions of Circle magazine and 24 on line newsletters with a reach of 1.2 million people.

Members and Donors support the work of Diabetes NSW and ACT and the Diabetes Australia Research Trust. Our popular Diabuddies Days continue to bring together families of children living with type 1 diabetes and our Diabuddies Camps target a wide range of ages. We successfully developed and launched our Schools Program designed for teachers and other school staff better understand managing a child living with diabetes in the school environment. These workshops have been very well attended and since August 2016 we have had over 300 people attend from 134 different schools across NSW & ACT. Fundraising efforts enabled Diabetes NSW & ACT to direct $250,000 to the Diabetes Australia Research Program at the end of the financial year.

The new NDSS contract took effect in July 2016, the decrease in NDSS funding on prior year is reflective of the organisation no longer managing the distribution of NDSS subsidised diabetes related products. In July 2016, Diabetes NSW & ACT managed the transition period nationally for the changes to insulin pump consumables. Further, in April 2017 continuous glucose monitoring became available free of charge to people under 21 years of age, Diabetes NSW & ACT managed the registration of over 1110 young Australians to this service.

In an increasingly difficult fundraising and membership environment, sustainability through revenue diversification remains a key focus for the organisation. In FY17, the organisation invested in the refurbishment of their premises in Glebe, the staff relocated to the upper level and the lower level was leased to the University of Sydney.

Directors' report (continued)

For the year ended 30 June 2017

Operating and financial review (continued)

Short-term and long-term objectives (continued)

The organisation continues to improve its operations through its LEAN approach and in May 2017 implemented a new CRM that has further streamlined and increased process efficiency across the organisation.

Throughout the year the organisation rolled out quarterly KPI's to each member of staff. The KPI's link back to the company objectives and has helped to provide individuals with role clarity. Additionally, a staff engagement survey was undertaken throughout the year which showed pleasing results and that staff are passionate about the work they do to support our mission.

Results

The net surplus for the year was $539,269 (2016: $1,219,522), this was principally due to the success of membership and fundraising, corporate partnerships and improved operational efficiencies.

Significant events after the reporting period

There are no 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.

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:

	Board Meetings		Finance, Audit and Risk Management		Nomination and Remuneration Committee	
Name	A	B	A	B	A	B
Mr LE Tutt	11	11	7*	7	-	-
Mr AG Koumoukelis	11	9	7	6	-	-
Mr BG Hayman	11	10	7	7	-	-
Mr K Boorman	11	10	7	7	-	-
Mr PJ Tuck	11	11	-	-	4	4
Mr JA Bell	11	9	-	-	4	4
Ms E Hare	11	10	-	-	-	-
Ms A Pino	11	9	-	-	4	3
Dr B King	11	7	-	-	-	-
Ms G Daley	11	10	-	-	-	-
Ms N Woloszuk	11	10	-	-	-	-

A = number of meetings eligible to attend
B = number of meetings attended
*= ex officio

For detailed director profiles, please refer to page 1.

Directors' report (continued)

For the year ended 30 June 2017

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 2017 was 44,622 (2016: 44,302). The total maximum liability of members is $2,231,100 (2016: $2,215,100).

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.

Leo Tutt

Mr LE Tutt
Director
Sydney
27 October 2017

Mr K Boorman
Director
Sydney
27 October 2017

Building a better working world

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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 2017, 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 any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Loretta Di Mento
Partner
27 October 2017

Statement of financial position

As at 30 June 2017

	Notes	2017 $	2016 Restated (Note 20) $
Assets			
Current assets			
Cash and short-term deposits	5	1,701,310	4,490,060
Trade and other receivables	6	411,086	765,423
Inventories	7	157,162	169,986
Other financial assets	8	4,446,015	3,435,410
Prepayments		143,125	99,894
Total current assets		**6,858,698**	**8,960,773**
Non-current assets			
Property, plant and equipment	9	13,398,347	3,495,936
Total non-current assets		**13,398,347**	**3,495,936**
Total assets		**20,257,045**	**12,456,709**
Liabilities and equity			
Current liabilities			
Trade and other payables	10	1,690,145	3,389,583
Employee benefit liabilities	11	574,128	546,680
Total current liabilities		**2,264,273**	**3,936,263**
Non-current liabilities			
Employee benefit liabilities	11	55,206	64,256
Total non-current liabilities		**55,206**	**64,256**
Total liabilities		**2,319,479**	**4,000,519**
Equity			
Retained surplus		8,995,459	8,456,190
Reserve	12	8,942,107	-
Total equity		**17,937,566**	**8,456,190**
Total liabilities and equity		**20,257,045**	**12,456,709**

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 2017

	Notes	2017 $	2016 Restated (Note 20) $
Sale of goods		516,552	826,533
National Diabetes Services Scheme revenue		9,629,593	13,193,616
Donations, fundraising and sponsorships		2,426,323	1,865,930
Membership		1,377,402	1,282,186
Bequests		999,476	2,351,072
Other income	4.1	1,418,079	1,083,783
Total revenue		**16,367,425**	**20,603,120**
Employee benefits expense	4.2	(8,728,408)	(9,532,881)
Depreciation expense		(736,467)	(565,741)
Operational and warehouse expenditure		(3,242,207)	(6,491,750)
General educational resources and expenses		(398,576)	(176,583)
Other operating expenses	4.3	(2,722,498)	(2,616,643)
Total expense		**(15,828,156)**	**(19,383,598)**
Surplus before income tax expense		**539,269**	**1,219,522**
Income tax expense		-	-
Net surplus for the year		**539,269**	**1,219,522**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Revaluation of land and buildings		8,942,107	-
Other comprehensive income		**8,942,107**	**-**
Total comprehensive income for the year		**9,481,376**	**1,219,522**

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 2017

	Retained surplus	Reserve (Note 12)	Total
	$	$	$
At 1 July 2016	**8,456,190**	**-**	**8,456,190**
Surplus for the year	539,269	-	539,269
Other comprehensive income	-	8,942,107	8,942,107
Total comprehensive income for the year	539,269	8,942,107	9,481,376
At 30 June 2017	**8,995,459**	**8,942,107**	**17,937,566**
As at 1 July 2015 (restated) (Note 20)	**7,236,668**	**-**	**7,236,668**
Surplus for the year	1,219,522	-	1,219,522
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,219,522	-	1,219,522
At 30 June 2016	**8,456,190**	**-**	**8,456,190**

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 2017

	Notes	2017 $	2016 $
Operating activities			
Receipts from customers, donors and members		7,670,804	8,954,436
Payments to suppliers and donations		(9,412,522)	(10,261,165)
Payments to and on behalf of employees		(8,710,010)	(9,552,973)
Interest received		239,274	138,089
Receipts of funding for NDSS and other programs		9,629,593	13,193,616
Net cash flows (used in)/from operating activities		**(582,861)**	**2,472,003**
Investing activities			
Proceeds from sale of property, plant and equipment		-	1,876
Purchase of property, plant and equipment	9	(1,696,771)	(241,530)
Cash acquired from merger with Diabetes ACT		290,882	-
Investment in managed investment portfolio		(800,000)	-
Net cash flows used in investing activities		**(2,205,889)**	**(239,654)**
Financing activities			
Net cash flows from financing activities		**-**	**-**
Net (decrease)/increase in cash and cash equivalents		(2,788,750)	2,232,349
Cash and cash equivalents at 1 July	5	4,490,060	2,257,711
Cash and cash equivalents at 30 June	5	**1,701,310**	**4,490,060**

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 2017

1. Corporate information

The financial report of Diabetes NSW (the "Company") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 27 October 2017.

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, 2037.

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 and investment property recorded 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 2017 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

Revaluation of land and buildings

The Company re-assessed its accounting for land and buildings with respect to measurement of those assets. The Company had previously measured all property, plant and equipment using the cost model whereby assets were carried at cost less accumulated depreciation and accumulated impairment losses. Land was not depreciated.

As at 30 June 2017, the Company elected to change the method of accounting for land and buildings, as the Company believes that the revaluation model provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable estimates of the properties' fair value. The Company applied the revaluation model prospectively. The fair value adjustment has been recorded in the asset revaluation reserve.

All other 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 2016/2017 do not impact the financial statements of the Company.

a) 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

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Significant accounting policies (continued)

a) Current versus non-current classification (continued)

- 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

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.

b) 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.

c) 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.

d) 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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Significant accounting policies (continued)

d) Inventories (continued)

(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) 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.

e) 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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Significant accounting policies (continued)

f) Property, plant and equipment

Property, plant and equipment are stated at cost or fair value, 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.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

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

-	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.

g) Leases

Company as a lessee

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the 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 (or assets), even if that asset is (or those assets are) 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.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

h) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Significant accounting policies (continued)

h) Financial instruments - initial recognition and subsequent measurement (continued)

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 6.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) 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 or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Significant accounting policies (continued)

h) Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a company 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 company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a company 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.

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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

2. Significant accounting policies (continued)

l) Revenue recognition (continued)

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.

Membership

Membership fees are recognised on a receipt basis.

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.

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.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss.

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 2017

2. Significant accounting policies (continued)

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) 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 2017

4. Revenue and expenses

4.1 *Other income*

	2017	2016
	$	$
Education income	304,594	274,307
Grant and other income	741,502	671,387
Contribution from merger with Diabetes ACT	132,709	-
	1,178,805	**945,694**
Finance income		
Interest	28,669	34,041
Increase in fair value of managed portfolio	210,605	104,048
Total other income	**1,418,079**	**1,083,783**

4.2 *Employee benefits expense*

	2017	2016
	$	$
Wages and salaries	7,605,548	8,239,318
Defined contribution superannuation expense	626,046	707,888
Other employee benefits expense	496,814	585,675
Total employee benefits expense	**8,728,408**	**9,532,881**

4.3 *Other expenses*

	2017	2016
	$	$
Cost of sales	273,099	511,222
Fundraising and sponsorship	983,841	767,788
Computer software and support	214,034	272,110
Marketing expenses	173,848	11,388
Minimum lease payments - operating lease	524,535	311,344
Bad and doubtful debts expense	17,366	7,918
Administration and other expenses	535,775	734,873
Total other expenses	**2,722,498**	**2,616,643**

5. Cash and short-term deposits

	2017	2016
	$	$
Cash at bank and at call deposits	**1,701,310**	**4,490,060**

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

Notes to the financial statements (continued)

For the year ended 30 June 2017

6. Trade and other receivables

	2017	2016
	$	$
Trade receivables	332,376	268,668
Provision for impairment of receivables	(10,000)	-
	322,376	**268,668**
Other debtors	47,701	496,755
Loans to related parties	41,009	-
Carrying amount of trade and other receivables	**411,086**	**765,423**

As at 30 June 2017, trade receivables with an initial carrying value of $10,000 (2016: $nil) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

	Total
	$
At 1 July 2016	**-**
Charge for the year	10,000
At 30 June 2017	**10,000**

7. Inventories

	2017	2016
	$	$
Finished goods at cost		
Trading stock	**157,162**	**169,986**

8. Other financial assets

	2017	2016
	$	$
Financial assets at fair value through profit or loss		
Managed investment portfolio	**4,446,015**	**3,435,410**

Notes to the financial statements (continued)

For the year ended 30 June 2017

9. Property, plant and equipment

	Land and buildings	Construction in progress	Office equipment	Furniture, fittings and equipment	Computer equipment	Total
	$	$	$	$	$	$
Cost or valuation						
At 1 July 2016	3,498,028	54,356	63,704	463,597	1,382,500	5,462,185
Additions	-	84,642	21,962	1,235,376	354,791	1,696,771
Disposals	(54,677)	-	-	(73,882)	(461,158)	(589,717)
Revaluation adjustment	7,956,649	-	-	-	-	7,956,649
Transfer	-	-	26,700	(26,700)	-	-
At 30 June 2017	**11,400,000**	**138,998**	**112,366**	**1,598,391**	**1,276,133**	**14,525,888**
Depreciation						
At 1 July 2016	943,079	-	21,413	346,117	655,640	1,966,249
Depreciation charge for the year	98,062	-	26,181	108,487	503,737	736,467
Disposals	(54,677)	-	-	(72,875)	(461,159)	(588,711)
Revaluation	(986,464)	-	-	-	-	(986,464)
Transfer	-	-	14,767	(14,767)	-	-
At 30 June 2017	**-**	**-**	**62,361**	**366,962**	**698,218**	**1,127,541**
Net book value						
At 30 June 2017	**11,400,000**	**138,998**	**50,005**	**1,231,429**	**577,915**	**13,398,347**
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 and replacement of the CRM system.

Revaluation of freehold land and buildings
As at 30 June 2017, the fair value of land and buildings is based on valuations of independent valuers. Preston, Rowe and Paterson and CBRE performed valuations of properties at $11m and $400,000 respectively.

10. Trade and other payables

	2017	2016
	$	$
Current		
Trade payables	808,753	882,092
Other payables and accruals	874,891	1,456,376
Grants received in advance	6,501	1,051,115
	1,690,145	**3,389,583**

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 2017

11. Employee benefit liabilities

	2017	2016
	$	$
Current		
Annual leave	455,787	411,090
Long service leave	118,341	135,590
	574,128	**546,680**
Non-current		
Long service leave	**55,206**	**64,256**

12. Reserve

	$
As at 1 July 2015	**-**
As at 30 June 2016	**-**
Revaluation of land and buildings	8,942,107
As at 30 June 2017	**8,942,107**

Refer to Note 9 for further details of revaluation during the year ended 30 June 2017.

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:

	2017	2016
	$	$
Within one year	78,144	108,355
After one year but not more than five years	186,416	178,428
Total minimum lease payments	**264,560**	**286,783**

Notes to the financial statements (continued)

For the year ended 30 June 2017

13. Commitments (continued)

Operating lease commitments - Company as lessor

The Company has entered into operating leases on certain properties. These leases have terms of between 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2017 are:

	2017	2016
	$	$
Within one year	674,771	-
After one year but not more than five years	2,538,557	-
	3,213,328	**-**

14. Contingencies

As at 30 June 2017, the Company had no contingent liabilities (2016: none).

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 Dentons Australia Pty Ltd, previously Gadens Lawyers Australia, in which Arthur Koumoukelis is a Partner. Total fees were $35,378 (2016: $47,079) for the year including probono services to the value of $25,000 (2016: $25,000).

No consulting fees were paid to William Buck NSW, in which Leo Tutt is an equity director (2016: $42,240) 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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

15. Related party disclosures (continued)

a *Directors (continued)*

The directors are remunerated pursuant to an arrangement approved by the NSW Government. The total amount paid to directors in 2017 was $78,500 (2016: $73,000). Under the terms of Leo Tutt's and Arthur Koumoukelis' contractual arrangements with their respective employers, William Buck NSW and Dentons Australia Pty Ltd, previously Gadens Lawyers Australia, 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 (resigned 30 September 2016)
Patricia Egan
Linda Farrugia
Ian Peters

	2017	2016
	$	$
Total compensation (2017: 6, 2016: 6)	1,125,252	998,708

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.

The Company provided services in the nature of accounting and administration to the Trust. The Company received a fee of $21,009 (2016: $24,984) for the financial year and $21,009 (2016: $24,984) remained receivable at year end.

Other transactions
During the year, the Company loaned $20,000 to Diabetes Qualified Pty Ltd.

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.

Following the merger with Diabetes ACT, Diabetes NSW received a net cash contribution during the year of $132,709.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2017

17. Events after the reporting period

There have been no 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 2017 was 44,622 (2016: 44,302). The total maximum liability of members is $2,231,100 (2016: $2,215,100).

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*

	2017	2016
	$	$
Gross proceeds from fundraising appeals		
Appeals	459,638	299,954
Bequests	999,476	2,351,072
Other General Donations	402,777	554,973
Live Your Life Events	294,100	318,483
	2,155,991	**3,524,482**
Less total direct cost of fundraising appeals		
Appeals	183,677	145,143
Bequests	40,939	34,853
Other General Donations	57,606	25,002
Live Your Life Events	201,744	190,620
	483,966	**395,618**

b *Statement showing how funds received were applied to charitable purposes*

	2017	2016
	$	$
Net surplus from fundraising appeals	**1,672,025**	**3,128,864**

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.

Bequests vary each year and have a significant impact on the proceeds of the fundraising.

Notes to the financial statements (continued)

For the year ended 30 June 2017

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

d *Comparison by monetary figures and percentages*

Comparisons	2017	2017	2016	2016
	$	%	$	%
Total cost of fundraising	483,967		395,618	
Gross income from fundraising	2,155,992	22	3,524,482	11
Net surplus from fundraising	1,672,025		3,128,864	
Gross income from fundraising	2,155,992	78	3,524,482	89
Total costs of services	6,502,081		6,818,457	
Total expenditure	15,828,156	41	19,383,598	35
Total expenditure	6,502,081		6,818,457	
Total income received	16,367,425	40	20,745,122	33

20. Restatement

Membership revenue had previously been recognised over the period of the membership. Following a review of membership including a planned transition to align memberships to the financial year, the Company has restated membership revenue to recognition on receipt to better reflect underlying arrangements and align with operational practice. Membership fees are non-refundable and the company has determined it has satisfied all performance obligations when the membership is issued. The restatement has been applied retrospectively resulting in:

- a reduction in membership revenue in 2016 by $142,002
- a reduction in the 2016 surplus previously reported by $142,002,
- an increase in the retained surplus at 1 July 2015 of $824,257, and
- an increase in the retained surplus of $682,255 at 30 June 2016.

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 2017 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 trading as Diabetes NSW & ACT are appropriate and effective in accounting for all income received.

On behalf of the Board

Leo Tutt

Mr LE Tutt
Sydney
27 October 2017

Mr K Boorman
Sydney
27 October 2017

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working world

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Independent Auditor's Report to the Members of Diabetes NSW

Report on the Financial Report

Opinion

We have audited the financial report of Diabetes NSW (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance 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*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 2017, 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 company during the financial year ended 30 June 2017 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act and Regulations.

Ernst & Young

Ernst & Young

Loretta Di Mento

Loretta Di Mento
Partner
Sydney
27 October 2017