

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

ABN 47 008 528 461

Financial Report
For the Year Ended
30 June 2008

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Diabetes Australia Limited

ABN 47 008 528 461

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2008.

Directors

The names of directors in office at any time during or since the end of the year are:

N W Cheung	N Howard
W Coleman	R Jackson
A Conte	M Kamp
S Cornelius	R Kelso
R N Decker	C Thomas
G Deed	S Twigg
M Fox	A Sheehan
J Giles	E Smyth
T Hogg	E Stockdale
	A Stocks

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

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

Matthew O'Brien

B.Com (Accounting & Economics), CPA

Mr O'Brien has extensive experience in senior management roles within the not-for-profit and public sectors covering financial management, strategic planning, governance and business development.

Mr O'Brien was appointed as Company Secretary on May 9, 2006.

Beth Fiedler

Master of Business and Technology

Ms Fiedler has extensive experience in senior management roles within the private and public sectors covering financial management, strategic planning, governance and business development.

Ms Fiedler was appointed as Company Secretary on March 2, 2008.

Principal Activities

The principal activities of the company during the financial year were to:

- act as national advisor to Member Organisations and other stakeholders;
- provide national advocacy and research support;
- contract manage the National Diabetes Services Scheme (NDSS); and
- provide consultative and co-ordinating support to the Diabetes Movement in Australia.

There were no significant changes in the nature of these activities during the financial year.

Operating Results

The profit of the company amounted to \$643,716.

Dividends Paid or Recommended

The company is a company limited by guarantee and does not pay dividends.

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DIRECTORS' REPORT (CON'T)

Review of Operations

The overall operations for Diabetes Australia Limited remained consistent with the 2006-07 financial year. In February 2006 the Board approved a new Strategic Plan for Diabetes Australia Limited for the 2007-2010 period. The updated Strategic Plan places people affected by diabetes at the centre of all activities undertaken by Diabetes Australia Limited. The vision for Diabetes Australia Limited – A world free of diabetes - remains consistent with the previous Strategic Plan and the mission for the organisation – Turning diabetes around – and has been updated to reflect the new branding for the organisation which was launched in March 2006.

There are five focus areas which Diabetes Australia Limited is working on to turn diabetes around. These are awareness, prevention, detection, management and ultimately a cure for all types of diabetes. The objectives Diabetes Australia Limited is pursuing in each of these focus areas is listed in the table below:

Focus Area	Objective
Awareness	To raise awareness of the seriousness of all types of diabetes
Prevention	To reduce the incidence of all types of diabetes
Detection	To increase early diagnosis of all types of diabetes
Management	To maximise capacity to manage and care for all types of diabetes
Cure	To support and promote research for a cure for all types of diabetes

In pursuing these objectives, Diabetes Australia Limited is focusing on three key strategies:

- To lead and deliver national activities;
- To cooperate with federation members and other organisations to share knowledge and resources to add value for people with diabetes; and
- To assess and improve our performance to be a leading national not-for-profit health organisation.

Significant Changes in State of Affairs

No significant change in the affairs of the company has occurred during the financial year.

After Balance Date Events

On 25 June 2008, Diabetes Australia Limited received correspondence from the Department of Health and Ageing requesting that they close the Macquarie Bank Portfolio account as they did not believe that it met the requirements of a bank account as is set out in the agreement between the Commonwealth of Australia (Department of Health and Ageing) and Diabetes Australia for the National Diabetes Services Scheme. As a result of this request Diabetes Australia Limited closed this account on 18 July 2008. Diabetes Australia has accounted for this at market value as at 30 June 2008. The movement in market value between 30 June 2008 and 18 July 2008 will be reflected in the Income Statement in the 2009 Financial Statements.

On the 15 October, Diabetes Australia Victoria, Diabetes Australia NSW, Healthy Living NT and Diabetes South Australia advised of their resignation from the Federation. Under the constitution of Diabetes Australia, membership of Diabetes Australia will cease six month after the date of notice.

The potential effect of the above is currently being assessed by Diabetes Australia Limited Board of Directors and Management.

Future Developments

Diabetes Australia will continue to monitor and maintain as appropriate its level of operations, to ensure delivery of the Strategic Plan.

Environmental Issues

The company's operations are not subject to significant environmental regulation under the law of the Commonwealth or of a state or territory.

DIRECTORS' REPORT (CON'T)

Information on Directors

N W Cheung

- Qualifications — Medical Practitioner
MBBS, FRACP, PhD
- Experience — Board member since 2006

W Coleman

- Qualifications — Retired Chief Commissioner WAIRC
B SocSc (Dist), B Jur, LLB, AM
- Experience — Board member since 2002
- Special Responsibilities — Vice President, Member of Research Council, Member of Board Executive, Member of Finance, Audit and Risk Committee

A Conte

- Qualifications — Registered Nurse
- Experience — Board Member since 30/10/2007

S Cornelius

- Qualifications — Registered Nurse, Diabetes Educator, Grad Dip Human Nutrition,
Adv Dip Management
- Experience — Board member since 2006
- Special Responsibilities — Vice President, Member of Board Executive

R N Decker

- Qualifications — Retired Pharmacist
PhC, MPS, MAIPM, AA
- Experience — Board member since 1986 (Resigned 25/8/2007)
- Special Responsibilities — Member of Research Council

G Deed

- Qualifications — Medical Practitioner
MBBS, Dip Herbal Medicine, FACNEM
- Experience — Board member since 2000
- Special Responsibilities — President, Chair of Board Executive, Chair of International Diabetes Committee

M Fox

- Qualifications — Cert of Teaching
- Experience — Board member since 2006
- Special Responsibilities — Member Finance, Audit & Risk Committee (Resigned 21/4/ 2008)

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DIRECTORS' REPORT (CON'T)

J Giles

- Qualifications — B Ed, Master of Nursing, Registered Nurse
- Experience — Board members since 2007
- Special Responsibilities — Member of Medical, Education and Scientific Committee

T Hogg

- Qualifications — Economics and Management Consultant
B Com, Cert Bus Admin, Company Director's Dip, FAICD, FIPAA, FAIM
- Experience — Board member since 2003 (Resigned 4/4/2008)

N Howard

- Qualifications — Senior Physician in Diabetes, Senior Staff specialist in Endocrinology, MB, BS, FRCP, CRCP
- Experience — Board member since 2007

R Jackson

- Qualifications — Finance Consultant
CA, MAICD, B Fin Admin
- Experience — Board member since 2006
- Special Responsibilities — Board Executive, Chair of Finance, Audit and Risk Management Committee

M Kamp

- Qualifications — Medical Practitioner
MBBS, FRACP, MHA
- Experience — Board member since 2002
- Special Responsibilities — Chair of Medical, Education and Scientific Committee, Member of Board Executive

R Kelso

- Qualifications — B Physiotherapy, FAICD, MBA
- Experience — Board member since 2006
- Special Responsibilities — Member of Finance, Audit and Risk Committee

A Sheehan

- Qualification — B Ed, Grad Cert of Management, Cert IV Life Coaching
- Experience — Board Member since 2007

E Smyth

- Qualifications — B Sc (Hons), MSc (Applied), FAICD
- Experience — Board Member since 2006

DIRECTORS' REPORT (CON'T)

E Stockdale

- Qualifications — BB, FAICD, FCPA, FCSA
Experience — Board member since 1/5/2008

A Stocks

- Qualifications — AM, MBBS, FRCPEd, FRACP
Experience — Board members since 1992

C Thomas

- Qualifications — MBA, Grad Cert in Bus, Grad Cert in HR
Experience — Board member since 2007

S Twigg

- Qualifications — Staff Specialist in Endocrinology, MBBS (Hons1), FRACP, PhD
Experience — Board member since 2002
Special Responsibilities — Member of Medical Education and Scientific Committee

DIRECTORS' REPORT (CON'T)

Meetings of Directors

During the financial year, 7 Board of Directors meetings were held. Attendees by each director were as follows:

Board of Directors' Meetings

Director	Alternate Director	Number eligible to attend	Number attended
N W Cheung		7	4
W Coleman		7	7
A Conte	G Valiotis	6	6
S Cornelius		7	6
R N Decker		1	1
G Deed		7	7
M Fox	P Gooding	7	7
J Giles	E Wright	7	7
T Hogg		3	3
N Howard	B Guthrie	7	7
	K Boorman		
	A Koumoukelis		
R Jackson		7	7
M Kamp		7	6
R Kelso	M Andrew	7	7
A Sheehan		7	6
E Smyth		7	7
E Stockdale		2	2
A Stocks		6	5
C Thomas		7	6
S Twigg		7	5

DIRECTORS' REPORT (CON'T)

Indemnifying Officers or Auditor

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

- i. The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$4,000 for all directors.

Options

The company is a company limited by guarantee and does not grant options.

Proceedings on Behalf of Company

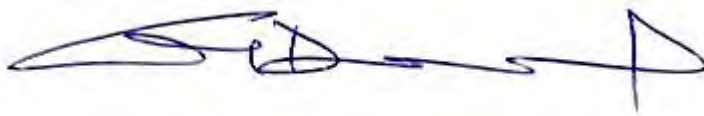
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

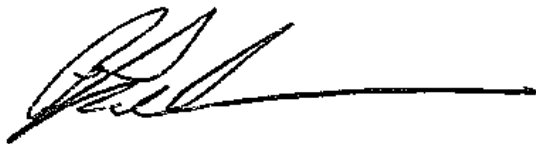
Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 8 of the directors' report.

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



Gary Deed, Director and President



Roslyn Jackson, Director and Chair of the Finance, Audit and Risk Management Committee

Dated this 31st day of October 2008



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DIABETES AUSTRALIA LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Steven Baker
WalterTurnbull
Registered Company Auditor
Canberra, ACT

Dated: 31 October 2008

WalterTurnbull Building
44 Sydney Avenue
Barton ACT 2600
GPO Box 1955
Canberra ACT 2601
Tel 02 6247 6200
Fax 02 6257 6655
www.walturn.com.au
walterturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 97 099 740 879

BUSINESS ADVISORY SERVICES

ASSURANCE SERVICES

MANAGEMENT CONSULTING

FINANCIAL PLANNING

FRAUD & FORENSIC SERVICES

ACCOUNTING SOLUTIONS



Diabetes Australia Limited

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		\$	\$
Revenue	3	149,619,817	128,695,459
Other income	3	1,059,419	472,508
Employee benefits expense		(2,107,227)	(1,404,095)
Depreciation expense		(67,368)	(103,578)
NDSS product supplies		(114,441,432)	(102,167,288)
Agents' remuneration		(22,589,901)	(20,142,041)
Other expenses		(10,829,592)	(5,274,137)
Profit	4	<u>643,716</u>	<u>76,828</u>

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BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008	2007
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	14,122,451	27,158,609
Trade and other receivables	7	13,991,062	589,813
Other current assets	9	57,379	89,609
Financial assets	10	8,553,107	-
TOTAL CURRENT ASSETS		36,723,999	27,838,031
NON-CURRENT ASSETS			
Property, plant and equipment	8	390,099	180,679
TOTAL NON-CURRENT ASSETS		390,099	180,679
TOTAL ASSETS		37,114,098	28,018,710
CURRENT LIABILITIES			
Trade and other payables	11	36,772,960	26,685,441
Financial liabilities	14	8,980	-
TOTAL CURRENT LIABILITIES		36,781,940	26,685,441
NON-CURRENT LIABILITIES			
Long-term provisions	12	7,024	3,803
Financial liabilities	14	25,690	-
TOTAL NON-CURRENT LIABILITIES		32,714	3,803
TOTAL LIABILITIES		36,814,654	26,689,244
NET ASSETS		299,444	1,329,466
EQUITY			
Reserves	13	(1,673,538)	360,200
Retained earnings		1,972,982	969,266
TOTAL EQUITY		299,444	1,329,466

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Asset Held for Sale Revaluation Reserve	IT Reserves	Retained Earnings	Total
			\$	\$
Balance at 30 June 2006	-	360,200	892,438	1,252,638
Profit attributable to the company	-	-	76,828	76,828
Balance at 30 June 2007	-	360,200	969,266	1,329,466
Profit attributable to the company		-	643,716	643,716
Transfer to and from Reserves		(360,000)	360,000	-
Transfer to and from Asset Revaluation Reserves	(1,673,738)			(1,673,738)
Balance at 30 June 2008	(1,673,738)	200	1,972,982	299,444

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Grants received		146,482,113	128,336,236
Receipts from operating activities		13,920,506	13,968,142
Payments to suppliers and employees		(153,484,287)	(130,412,788)
Interest received		1,074,010	956,825
GST (paid)		(10,751,711)	(9,094,411)
Net cash generated by operating activities	17	<u>(2,759,369)</u>	<u>3,754,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	38,091
Purchase of property, plant and equipment		(276,789)	(85,023)
Purchase of Investment		(10,000,000)	-
Net cash (used in) investing activities		<u>(10,276,789)</u>	<u>(46,932)</u>
Net increase in cash held		(13,036,158)	3,707,072
Cash at beginning of financial year		<u>27,158,609</u>	<u>23,451,537</u>
Cash at end of financial year	6	<u><u>14,122,451</u></u>	<u><u>27,158,609</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is for Diabetes Australia as an individual entity. Diabetes Australia Limited is a public company limited by guarantee, incorporated and domiciled in Australia.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions which they apply. Material accounting policies adopted in the preparation of this financial report are presented below.

They have been consistently applied unless otherwise stated.

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

Accounting Policies

a. Income Tax

The company is exempt from income tax in accordance with Section 50-5 of the *Income Tax Assessment Act 1997*.

b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line or diminishing value basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment (straight-line)	20% – 50%
Plant and equipment (diminishing value)	22.5%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership that is transferred to entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

d. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

Classification and Subsequent Measurement

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of the financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) *Loans and receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise of investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Fair value

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

e. Impairment of Assets

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

f. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year together have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using the market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

g. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

h. Revenue

Interest revenue is recognised using the effective rate method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from affiliation fees are recognised upon the due date in accordance with the Constitution.

Revenue from publications is recognised upon delivery of the goods to the customer or rendering of the service to the customer.

Donations and bequests are recognised as revenue received unless they are designated for a specific purpose, where they are carried forward as prepaid income on the balance sheet.

All revenue is stated net of the amount of goods and services tax (GST).

i. Goods and Services Tax (GST)

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

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j. Government Grants

Government Grants monies are received to fund project either for contracted periods of time or for specific projects irrespective of the period of time required to complete those projects. It is the policy of Diabetes Australia to treat grants monies as unexpended grants in the balance sheet where the company is contractually obliged to provide the services in a subsequent financial period as to when the grant is received.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

k. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Contributions

Diabetes Australia receives non-reciprocal contributions from the government and other parties for no or a nominal value. These contributions are recognised at the fair values on the date of acquisition upon which time as asset is taken up in the balance sheet and revenue in the income statement.

m. Comparative Figures

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

n. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates – Impairment

Diabetes Australia assesses impairment at each reporting date by evaluation conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair values less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgements – Provision for Impairment

No provision for impairment has been made at 30 June 2008.

The financial report was authorised for issue on 29 October 2008 by the Board of Directors.

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2: MEMBERS' GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the company. At 30 June 2008 the number of members was 12 (2007:12).

NOTE 3: REVENUE

	Note	2008	2007
		\$	\$
Revenue			
— government grants		146,482,113	125,711,928
— affiliation fees		1,740,568	1,739,600
— interest received	3a	1,074,010	964,569
— publications and Conquest		300,062	266,287
— other revenue		23,064	13,075
Total Revenue		149,619,817	128,695,459
Other Income			
— gain (loss) on disposal of property, plant and equipment		(10,804)	-
— Sponsorship		140,180	366,500
— donations and bequests		98,367	62,994
— other income		831,676	43,014
Total Other Income		1,059,419	472,508
a. Interest revenue from:			
— other persons		1,074,010	964,569
Total interest revenue		1,074,010	964,569

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4: PROFIT

	Note	2008	2007
Expenses		\$	\$
Bad and doubtful debts:			
— trade receivables		(16,345)	41,762
Total bad and doubtful debts		<u>(16,345)</u>	<u>41,762</u>
Rental expense on operating leases			
— minimum lease payments		180,383	113,091
Impairment of non-current assets to recoverable amount		-	-
Depreciation and Amortisation			
— Office furniture and equipment		20,482	54,402
— Motor vehicles		9,885	23,361
— Computer Equipment		6,997	-
— NDSS network		25,815	25,815
— Fixtures, furniture and fittings		4,189	-
Total depreciation and amortisation		<u>67,368</u>	<u>103,578</u>

NOTE 5: AUDITOR'S REMUNERATION

	Note	2008	2007
		\$	\$
Remuneration of the auditor of the company for:			
— auditing or reviewing the financial report		46,500	48,500
— consultancy services provided by related practice of auditor			
Remuneration of other auditors of associates for:			
— auditing or reviewing the financial report of associates		9,100	8,800

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 6: CASH AND CASH EQUIVALENTS

	Note	2008	2007
		\$	\$
Cash at bank and on hand		13,928,162	26,975,252
Short-term bank deposits		194,289	183,357
		14,122,451	27,158,609

The effective interest rate on short-term bank deposits was 4.02% (2007: 5.5%); these deposits have an average maturity of 90 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		14,122,451	27,158,609
---------------------------	--	------------	------------

NOTE 7: TRADE AND OTHER RECEIVABLES

	Note	2008	2007
		\$	\$
CURRENT			
Trade receivables		13,950,998	469,062
Provision for impairment of trade receivables		-	(44,310)
		13,950,998	424,752
Other receivables		40,064	165,061
		13,991,062	589,813

(i) Provision for Impairment of Receivables

Current trade receivables are generally on 30 day terms. These receivable are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

	Opening Balance	Charge for the year	Amounts written off	Closing balance
Current trade receivables	-	-	44,310	-
Balance at 30 June 2008	-	-	-	-
Current trade receivables	-	44,310	-	44,310
Balance at 30 June 2007	-	-	-	-

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Note	2008	2007
		\$	\$
PLANT AND EQUIPMENT			
Office furniture and equipment:			
At cost		34,329	376,269
Accumulated depreciation		(1,442)	(347,568)
Accumulated impairment losses		-	-
		<u>32,887</u>	<u>28,701</u>
Computer Equipment:			
At cost		11,243	16,416
Accumulated depreciation		(7,570)	(16,416)
Accumulated impairment losses		-	-
		<u>3,673</u>	<u>-</u>
Computer Equipment Leased:			
At cost		35,937	-
Accumulated depreciation		(6,858)	-
Accumulated impairment losses		-	-
		<u>29,079</u>	<u>-</u>
Fixture, Fittings and Furniture:			
At cost		319,696	-
Accumulated depreciation		(4,189)	-
Accumulated impairment losses		-	-
		<u>315,507</u>	<u>-</u>
Motor Vehicles:			
At cost		-	142,604
Accumulated depreciation		-	(25,394)
Accumulated impairment losses		-	-
		<u>-</u>	<u>117,210</u>

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	2008	2007
	\$	\$
Website:		
At cost	-	16,416
Accumulated depreciation	-	(16,416)
Accumulated impairment losses	-	-
	<hr/>	<hr/>
	-	-
NDSS Network:		
At cost	1,984,740	1,984,740
Accumulated depreciation	(1,922,408)	(1,896,593)
Accumulated impairment losses	(53,379)	(53,379)
	<hr/>	<hr/>
	8,953	34,768
Total Property, Plant and Equipment	<hr/> <hr/>	<hr/> <hr/>
	390,099	180,679

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONT'D)

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	NDSS Network	Motor Vehicles	Furniture and Equipment	Leased Computer Equipment	Computer Equipment	Fixtures & Fittings	Total
	\$	\$	\$	\$	\$	\$	\$
2007							
Balance at the beginning of year	55,356	110,394	75,908	-	-	-	241,658
Additions	5,227	72,602	7,195	-	-	-	85,024
Disposals	-	(42,425)	-	-	-	-	(42,425)
Depreciation expense	(25,815)	(23,361)	(54,402)	-	-	-	(103,578)
Impairment loss	-	-	-	-	-	-	-
Carrying amount at the end of year	<u>34,768</u>	<u>117,210</u>	<u>28,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,679</u>
2008							
Balance at the beginning of year	34,768	117,210	28,701	-	-	-	180,679
Additions	-	-	34,329	35,937	11,243	319,696	401,205
Disposals	-	(107,325)	(9,661)	-	-	-	(116,986)
Depreciation expense	(25,815)	(9,885)	(20,482)	(6,858)	(139)	(4,189)	(67,368)
Impairment loss	-	-	-	-	-	-	-
Carrying amount at the end of year	<u>8,953</u>	<u>-</u>	<u>32,887</u>	<u>29,079</u>	<u>3,673</u>	<u>315,507</u>	<u>390,099</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 9: OTHER ASSETS

	Note	2008	2007
		\$	\$
CURRENT			
Prepayments		56,993	48,300
Sundry		386	41,309
		<u>57,379</u>	<u>89,609</u>

NOTE 10: FINANCIAL ASSETS

	Note	2008	2007
		\$	\$
Available-for-sale financial assets		<u>8,553,107</u>	<u>-</u>

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

NOTE 11: TRADE AND OTHER PAYABLES

	Note	2008	2007
		\$	\$
CURRENT			
Trade payables			
Sundry payables and accrued expenses		2,101,303	643,864
Grants and funds received in advance		23,146,605	15,348,573
Employee benefits		116,107	59,161
		<u>36,772,960</u>	<u>26,685,441</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 12: PROVISIONS

	Note	2008	2007
		\$	\$
NON-CURRENT			
Opening balance at 1 July		3,803	9,536
Additional provisions raised during the year		4,774	3,676
Amounts used		-	(23,955)
Unused amounts reversed		1,553	14,546
Balance at 30 June		7,024	3,803

Provision for Long-term Employee Benefits

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

NOTE 13: RESERVES

IT Reserve

During the year the IT reserve was redesignated to a general reserve which was taken up for office relocation and fit out purposes.

Assets Available for Sale Reserve

This revaluation reserve records the change in market value of available for sale financial assets.

NOTE 14: CAPITAL AND LEASING COMMITMENTS

	Note	2008	2007
		\$	\$
a. Finance Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable — minimum lease payments			
— not later than 12 months		8,980	-
— between 12 months and 5 years		25,690	-
— greater than 5 years		-	-
Minimum Lease payments		34,670	-
Less future finance charges		26,623	-
Present value of minimum lease payments		8,047	-

The finance lease on computer equipment which commenced in the 2008 financial year is for 4 years with the lease payments payable quarterly in advance. The equipment is being lease through Capital Easy Finance & Leasing.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 14: CAPITAL AND LEASING COMMITMENTS (CONT'D)

	2008	2007
	\$	\$
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	217,935	77,656
— between 12 months and 5 years	830,938	-
— greater than 5 years		
	1,048,873	77,656

The operating lease commitments consist of two distinct leases. The first, the property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 3% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years.

The second relates to leased computer equipment with the rent payable quarterly in advance.

NOTE 15: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 30 June 2008.

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short Term Benefits	Long Term Benefits	Post Employment Benefits	Total
	\$	\$	\$	\$
2008				
Total Compensation	660,913	18,206	44,910	724,029
2007				
Total Compensation	549,620	-	-	549,620

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

NOTE 17: CASH FLOW INFORMATION

	2008	2007
	\$	\$
a. Reconciliation of Cash Flow from Operations with Profit		
Profit	643,716	76,828
Cash flows excluded from profit attributable to operating activities		
Non-cash flows		
Depreciation	67,368	103,578
Net loss on disposal of property, plant and equipment	-	4,333
Unrealised gain on Investments	(226,844)	-
Changes in assets and liabilities		
(Increase) in trade and term receivables	(13,401,248)	(159,801)
Decrease/(increase) in other assets	32,230	(31,797)
Increase in trade payables and accruals	10,087,519	3,766,596
Increase/(decrease) in provisions	37,890	(5,733)
Cashflow provided by operating activities	<u>(2,759,369)</u>	<u>3,754,004</u>

b. Security Deposit

The cash balance includes a rental guarantee of \$50,735 in relation to the current office lease.

NOTE 18: EVENTS AFTER THE BALANCE SHEET DATE

On 25 June 2008, Diabetes Australia Limited received correspondence from the Department of Health and Ageing requesting that they close the Macquarie Bank Portfolio account as they did not believe that it met the requirements of a bank account as is set out in the agreement between the Commonwealth of Australia (Department of Health and Ageing) and Diabetes Australia for the National Diabetes Services Scheme. As a result of this request Diabetes Australia Limited closed this account on 18 July 2008. Diabetes Australia has accounted for this at market value as at 30 June 2008. The movement in market value between 30 June 2008 and 18 July 2008 will be reflected in the Income Statement in the 2009 Financial Statements.

On the 15 October, Diabetes Australia Victoria, Diabetes Australia NSW, Healthy Living NT and Diabetes South Australia advised of their resignation from the Federation. Under the constitution of Diabetes Australia, membership of Diabetes Australia will cease six month after the date of notice.

The potential effect of the above is currently being assessed by Diabetes Australia Limited Board of Directors and Management.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

NOTE 19: RELATED PARTY TRANSACTIONS

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

Transactions with related parties:

a. Associated Companies

The company manages and provides administrative support for Diabetes Australia Research Limited which acts as trustee for the Diabetes Australia Research Trust. The Trust activities include the collection and disbursement of funds donated for research into diabetes. These activities are not part of the operations of Diabetes Australia Limited. Diabetes Australia Limited provides a donation towards the administration costs of Diabetes Australia Research Trust. During the year this support totalled \$78,076. The annual financial statements for the Trust and the trustee company have been prepared separately.

Until May 2008, Glycaemic Index Limited was partially owned by Diabetes Australia Limited in conjunction with the University of Sydney and Juvenile Diabetes Research Foundation.

b. Other Related Parties

No other related party transactions occurred during the financial year.

NOTE 20: FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and leases.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

i. Treasury Risk Management

The FARM (Finance and Risk Management) committee consisting of senior executives of the company, established a risk profile for the group and evaluated treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to ensure maximum return on funds held, whilst minimising potential adverse effects on financial performance.

ii. Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Diabetes Australia is exposed to interest rate risk, due to the fluctuations on interest rates on the financial assets.

Liquidity risk

Diabetes Australia manages liquidity risk by monitoring forecast cashflow.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2008.

Diabetes Australia does not maintain a formal credit risk policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT'D)

b. Financial instrument composition and maturity analysis:

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

	Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2008 %	2007 %	2008 \$000	2007 \$000
Financial Assets:				
Cash and cash equivalents	4.02	5.50	14,122	27,158
Receivables	-	-	-	-
Investments	-	-	-	-
Total Financial Assets			14,122	27,158
Financial Liabilities:				
Trade and sundry payables	-	-	-	-
Lease liabilities	16.42	-	-	-
Total Financial Liabilities	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT'D)

	Within 1 Year		1 to 5 years		Over 5 years		Non Interest Bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets:										
Cash and cash equivalents			-	-	-	-	-	-	14,122	27,158
Receivables	-	-	-	-	13,991	589	13,991	589	13,991	589
Investments	-	-	-	-	8,553	-	8,553	-	8,553	-
Total Financial Assets	-	-	-	-	22,544	589	22,544	589	36,666	27,747
Financial Liabilities:										
Trade and sundry payables	-	-	-	-	36,621	26,626	36,621	26,626	36,621	26,626
Lease liabilities	9	-	26	-	35	-	35	-	35	-
Total Financial Liabilities	9	-	26	-	36,656	26,626	36,656	26,626	36,656	26,626

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT'D)

Trade and sundry payables are expected to be paid as followed:

	2008	2007
	\$000	\$000
Less than 6 months	36,656	26,626
6 months to 1 year	-	-
1 - 5 years	-	-
Over 5 years	-	-
	36,656	26,626
	36,656	26,626

c. Net Fair Values

The net fair values of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

d. Sensitivity Analysis

Diabetes Australia Limited does not undertake sensitivity analysis of its exposure to interest rate risk, as the risk is limited to fixed leasing liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: CAPITAL MANAGEMENT

Management control the capital of the entity to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The FARM committee ensures that the overall risk management strategy is in line with this objective.

The FARM committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the board on a regular basis.

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

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

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

The gearing ratios for the years ended 30 June 2008 and 30 June 2007 are as follows:

	2008	2007
	\$	\$
Financial liabilities	34,670	-
Trade and other payables	36,772,960	26,685,441
Total	36,807,630	26,685,441
Less cash and cash equivalents	(14,122,451)	(27,158,609)
Net debt	22,685,179	(473,168)
Total equity (reserves + retained earnings)	299,444	1,329,466
Total capital	22,984,623	1,282,098
Gearing ratio	99%	(36%)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: ACCOUNTING POLICIES

The following Accounting Standards issued or amended and are applicable to the entity but not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group	
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007.	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral	These amendments will involve changes to segment reporting disclosures within the financial report.		
	AASB 102	Inventories	However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report		
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			

Diabetes Australia Limited

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NOTE 22: ACCOUNTING POLICIES

	AASB 138 Intangible Assets	However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.		
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above	1.1.2009	1.7.2009

NOTE 23: ECONOMIC DEPENDENCE

A significant portion of the company's income is from Australian Federal Government grants. The company is dependent on these grants to operate at its current capacity.

NOTE 24: COMPANY DETAILS

The registered office of the company is:

Level 2, 103-105 Northbourne Avenue
Turner ACT 2600

The principal place of business is:

Level 2, 103-105 Northbourne Avenue
Turner ACT 2600

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 33 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Gary Deed, Director and President



Roslyn Jackson, Director and Chair of the Finance, Audit & Risk Management Committee

Dated this 31st day of October 2008



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DIABETES AUSTRALIA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Diabetes Australia Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

WalterTurnbull Building
44 Sydney Avenue
Barton ACT 2600
GPO Box 1955
Canberra ACT 2601
Tel 02 6247 6200
Fax 02 6257 6655
www.walturn.com.au
walterturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 97 099 740 879

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. The independence declaration required by the *Corporations Act 2001* has been provided to the Directors of the Diabetes Australia Limited on 31 October 2008 and can be found on page 8.

Auditor's Opinion

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

- (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Steven Baker
Registered Company Auditor
WalterTurnbull

Canberra, ACT
31 October 2008