

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

ABN 47 008 528 461

Financial Report
For the Year Ended
30 June 2011

Diabetes Australia Limited

ABN 47 008 528 461

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CORPORATE INFORMATION

Directors

T Ayles
N Cheung
P De
M D'Emden
J Gunton
H Hart
D Healy
C Jose
C Mackey
P McKenzie
G Melsom
A Sheehan
J Townend
S Twigg
M Watson
P Williams

Company secretary

P Southcott

Registered office

Level 1, 101 Northbourne Avenue
Turner ACT 2612

Principal place of business

Level 1, 101 Northbourne Avenue
Turner ACT 2612

Bankers

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

National Australia Bank Limited
179 London Circuit,
Canberra ACT 2600

Auditors

Ernst & Young
Australia

DIRECTORS' REPORT

Your directors present this report on the Group for the financial year ended 30 June 2011.

Directors

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

Names, qualifications, experience and special responsibilities

T Aylen

Qualifications - Registered Nurse (Credentialed Diabetes Educator)
- Bachelor of Health Science - Nursing, Grad Cert of Diabetes Education,
Grad Cert of Health Service Management

Experience - Board member since 17/06/10 (resigned 26/06/10, joined on the 29/04/11)

N W Cheung

Qualifications - Medical Practitioner
- MBBS, FRACP, PhD

Experience - Board member since 2006 (resigned 22/07/08, joined 15/11/10)

Special Responsibilities - Chair and member of the Medical, Educational and Scientific Council

P De

Qualifications - Public Servant
- BE, MSC, PhD

Experience - Board member since 02/12/09 (resigned 15/11/10)

M D'Emden

Qualifications - Endocrinologist
- MBBS, FRACP, PhD

Experience - Board member since 21/02/11

Special Responsibilities - Member of the Health Care Education Committee

J Gunton

Qualifications - MBBS, FRACP, PhD

Experience - Board member since 25/11/08 (resigned 11/10/09, joined 21/01/10,
resigned 28/01/11)

H Hart

Qualifications - Registered Nurse, Registered Midwife
- Cardiac Care Certificate (CCC), Bachelor of Nursing (BN)

Experience - Board member since 11/03/10 (resigned 26/07/10)

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DIRECTORS' REPORT (CONT'D)

D Healy

Qualifications - B Com (Melb)
Experience - Board member since 01/07/10 (resigned 31/03/11)

C Jose

Qualifications - Solicitor
- Diploma of Law, MBA
Experience - Board member since 10/05/11

C Mackey

Qualifications - Manager
- BEc, CTch, Dip AICD
Experience - Board member since 31/05/10
Special Responsibilities - Member of the International Affairs Committee

P McKenzie

Qualifications - LLB
Experience - Board member since 08/06/10
Special Responsibilities - Independent president
- Member of the Finance, Audit, and Risk Management Committee

G Melsom

Qualifications - Post Grad Dip MGT, MBA
Experience - Board member since 22/02/10 (alternative director for A Sheehan,
became director when Anne officially resigned 12/05/11)

A Sheehan

Qualifications - B Ed, Grad Cert of Management, Cert IV Life Coaching
Experience - Board member since 2007 (extended leave of absence since 18/02/10,
G Melsom appointed alternative director in absence,
resigned 12/05/11)

J Townend

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

DIRECTORS' REPORT (CONT'D)

S Twigg

Qualifications	- Staff Specialist in Endocrinology, MBBS (Hons1), FRACP, PhD
Experience	- Board member since 2002 (resigned 11/10/09, joined 19/01/10, resigned 15/11/10)
Special Responsibilities	- Member of Medical Education and Scientific Committee

M Watson

Qualifications	- DipTch, BEd, Grad Dip Dist Ed, DipMan
Experience	- Board member since 03/12/09
Special Responsibilities	- Chair and member of Finance, Audit, and Risk Management Committee - Member of International Affairs Committee

P Williams

Qualifications	- Hospital Scientist - BSC (Hons), MSC, PhD
Experience	- Board member since 22/12/08 (resigned 11/10/09, joined 19/01/10)
Special Responsibilities	- Executive Officer, International Diabetes Federation Western Pacific Region - Member of International Affairs Committee - Director of Diabetes Australia Research Limited

Company Secretary

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

Mr Paul Southcott

B. Economics, CPA

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

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

Dividends

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

Short- and long-term objectives and strategy

The short- and long-term objectives of Diabetes Australia Limited are:

- To minimise the impact of diabetes in the Australian community through:
 - > Promoting research into all aspects of diabetes including its cause(s), treatment, management and complications and social impact of diabetes;
 - > Encouraging and advancing the prevention and early detection of diabetes; and
 - > Advocating for and facilitating equitable access to appropriate and effective treatment and management for all people with diabetes.
 - To provide a national voice on diabetes on behalf of Member organisations and people with diabetes, health professionals, educators and research organisations with an interest in diabetes.
 - To liaise with the International Diabetes Federation (IDF), World Health Organisation and other countries diabetes associations to advance the causes of people with diabetes in both the Western Pacific Region and throughout the world.
-

DIRECTORS' REPORT (CONT'D)

- To support and work in partnership with Member Organisations and other organisations to share knowledge and resources to add value for people with diabetes.
- Through the National Diabetes Service Scheme, the Commonwealth and Diabetes Australia aim to enhance the capacity of people with diabetes to understand and manage their life with diabetes, and in this way to assist them to live a life which the impact of diabetes is minimised and in which their overall health outcomes are improved.

The Group's strategy for achieving these objectives includes:

- Prosecuting policy priorities with Member Organisations and other organisations.
- Lobbying and advocating for Member Organisations, the Federal and State governments and influencing other stakeholders.
- Raising awareness through the dissemination of Consumer and Health Professional publications and the provision of information through other media.
- Working with the International Diabetes Federation (IDF) and the Australian Government to advocate for greater funding for Non-Communicable Diseases and the building of capacity in the Western Pacific region.
- Providing of funding for diabetes research.
- Efficient and effective administrating of the National Diabetes Services Scheme.

Principal activities

Diabetes Australia Limited is the national peak body for diabetes in Australia providing a single, powerful, collective voice for people living with diabetes, their families and carers. A non-profit organisation, Diabetes Australia Limited works in partnership with diabetes consumer organisations, health professionals, educators and researchers to minimise the impact of diabetes in the Australian community. Diabetes Australia Limited is committed to turning diabetes around through awareness, prevention, detection, management and the search for a cure.

Diabetes Australia Limited has one controlled entity being Diabetes Australia Research Limited who is the trustee for the Diabetes Australia Research Trust. The Diabetes Australia research activities are reported exclusively in two segments being research and the associated fundraising activities. Diabetes Australia has two further reporting segments being the National Diabetes Service Scheme (NDSS) and Diabetes Australia Limited activities which include policy and advocacy, global affairs and disseminations.

Some of the key activities include:

- Produce a revised and enhanced suite of National Policy Priorities.
- The National Policy Forum brings together its Member Organisations (Consumer and Health Professional Organisations), policy and opinion leaders and health service delivery experts to identify and help shape the National Policy Priorities.
- Working collectively with alliances, allied health organisations and our Member Organisations to target policy priorities and respond to emerging issues through lobbying and advocacy.
- The Diabetes Australia Research Trust (DART) supports and develops the field of diabetes research through providing funding (from Member organisation, corporate partners and the Community) towards the prevention, management and cure of diabetes, as well as enabling and fostering young researchers. Each year DART calls for applications for three types of grants and they are assessed and granted on a merit basis.
- Production of two publications, issued quarterly, tailored to consumers and health professionals
- As Australia's members of the International Diabetes Federation (IDF) we continue to play a significant management role in the IDF and IDF Western Pacific Region Committees and have many representatives on other IDF committees.
- Through the administration of the NDSS, Diabetes Australia Limited and its Agents provide practical assistance, information and subsidised products to 1,000,000 Australians diagnosed with diabetes.

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

DIRECTORS' REPORT (CONT'D)

Performance measures

The Group measures its performance through:

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

Operating results

The surplus of the Group amounted to \$3,138,549 (2010: \$247,508).

Significant changes in the state of affairs

The Commonwealth Government on 30 June 2011 formally renewed the National Diabetes Services Scheme with Diabetes Australia Limited. The Agreement is for five years and estimated commitment of Government is in excess of \$1 billion. Diabetes Australia Limited and the NDSS agents will operate the scheme in a manner consistent with the prior Agreement.

Diabetes Australia Limited appointed Mr Lewis Kaplan as Chief Executive Officer effective 31 January 2011 and Mr Greg Johnson ceased his acting role on that date. Lewis has 35 years' experience in healthcare with leadership and management expertise across a range of sectors including ageing, aged and community care, public health, health promotion, community development, overseas aid, primary health care and mother and child health. His previous role was Executive Director of Red Cross NSW.

Without binding the Commonwealth, it is the intention of Diabetes Australia Limited to seek the Commonwealth's approval to transfer the NDSS to a new sole purpose company to be established by Diabetes Australia Limited and the State and Territory Agents within 12 months after commencement of the new agreement. To avoid doubt, if the Commonwealth does not agree to the transfer, Diabetes Australia Limited must continue to deliver the NDSS in accordance with the agreement.

After balance date events

Diabetes Australia Limited continues and intends to operate the NDSS with all Agents from the previous Agreement. Agreement has been reached with all previous NDSS Agents for a further five year agreement.

Environmental regulations and performance

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

Share options

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

DIRECTORS' REPORT (CONT'D)

Directors' meetings

During the financial year, 8 meetings of directors were held. Attendees by each director were as follows:

		Director's Meetings	
Director	Alternative Director	Eligible Meetings	Number Attended
T Aylen		2	2
N W Cheung		5	5
P De	T Dimarhos	3	2
M D'Emden	A Jenkins	3	2
J Gunton	N W Cheung	5	5
H Hart	T Aylen	1	1
D Healy	K Arndt	6	6
C Jose	K Arndt	2	2
C Mackey	R Kelso	8	8
P McKenzie		8	8
G Melsom		2	1
A Sheehan		6	6
J Townend		8	5
S Twigg		3	3
M Watson		8	7
P Williams		8	6

Finance, Audit, and Risk Management Committee

The Board is responsible for the finance, audit and risk management of the Group. On the 20 November 2010 the Board agreed that a Finance, Audit and Risk Management (FARM) committee should be established to advise the Board. The committee has held one meeting as at 30 June 2011.

Other Committees

Other committees of the board are the:

- Medical, Education and Scientific Council (MESC)
- International Affairs Committee (IAC)

The MESC provides the board expert opinions on medical, education and scientific matters.

The IAC will advise the Board on International Affairs. This may include policy, advocacy, relationship management, and strategic planning matters.

DIRECTORS' REPORT (CONT'D)

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 \$3,250 for all directors.

Proceedings on behalf of the 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.

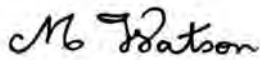
Auditors' independence declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 11 of the directors' report.

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



Patricia McKenzie, Director and President

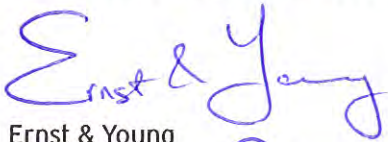


Moira Watson , Director

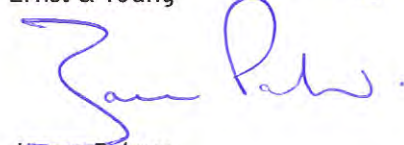
Dated this 21st day of October 2011.

Auditor's Independence Declaration to the Directors of Diabetes Australia Limited

In relation to our audit of the financial report of Diabetes Australia Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



James Palmer
Partner
Canberra

21 October 2011

Diabetes Australia Limited**ABN 47 008 528 461**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011	2010
		\$	\$
Revenue	2 (a)	191,110,748	168,700,726
Other income	2 (b)	4,919,417	2,411,262
Employee benefits expense	3 (a)	(1,798,544)	(1,626,315)
Depreciation and amortisation	3 (b)	(1,829,372)	(591,746)
NDSS product supplies		(149,067,791)	(134,085,677)
Agents' remuneration		(32,504,848)	(29,912,859)
Research grants		(1,145,963)	(1,330,200)
Other expenses	3 (c)	(6,545,098)	(3,317,683)
Surplus/(deficit) for the period		<u>3,138,549</u>	<u>247,508</u>
Other comprehensive income		-	-
Total comprehensive surplus/(deficit) for the period		<u>3,138,549</u>	<u>247,508</u>

Diabetes Australia Limited

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated	
		2011	2010
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	24,361,904	20,796,816
Trade and other receivables	6	1,438,721	15,647,393
Other assets	9	486,065	84,233
TOTAL CURRENT ASSETS		26,286,690	36,528,442
NON-CURRENT ASSETS			
Property, plant and equipment	7	12,038	721,060
Intangible assets	8	-	631,543
TOTAL NON-CURRENT ASSETS		12,038	1,352,603
TOTAL ASSETS		26,298,728	37,881,045
CURRENT LIABILITIES			
Trade and other payables	10	13,777,850	14,394,330
Borrowings	11	3,405	12,341
Government grants	13	7,557,475	21,536,361
TOTAL CURRENT LIABILITIES		21,338,730	35,943,032
NON-CURRENT LIABILITIES			
Provisions	12	16,096	129,252
Borrowings	11	-	3,408
TOTAL NON-CURRENT LIABILITIES		16,096	132,660
TOTAL LIABILITIES		21,354,826	36,075,692
NET ASSETS		4,943,902	1,805,353
EQUITY			
Reserves		100	100
Retained earnings		4,943,802	1,805,253
TOTAL EQUITY		4,943,902	1,805,353

Diabetes Australia Limited

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		
	Settlement capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2009	100	1,557,745	1,557,845
Surplus/(deficit) attributable to the company	-	247,508	247,508
Balance at 30 June 2010	100	1,805,253	1,805,353
Surplus/(deficit) attributable to the company	-	3,138,549	3,138,549
Balance at 30 June 2011	100	4,943,802	4,943,902

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of grants		188,947,006	178,088,769
Other receipts		21,102,354	20,021,462
Payments to suppliers and employees		(194,622,618)	(171,890,726)
Interest received		1,533,984	333,739
GST received/(paid)		(12,826,347)	(12,657,662)
Net cash flows from/(used in) operating activities	14 (b)	4,134,379	13,895,582
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		15,000	-
Payment for property, plant and equipment		(580,883)	(447,877)
Net cash flows from/(used in) investing activities		(565,883)	(447,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(3,408)	(12,339)
Net cash flows from/(used in) financing activities		(3,408)	(12,339)
Net increase in cash		3,565,088	13,435,366
Cash at beginning of the financial year		20,796,816	7,361,450
Cash at end of the financial year	5	24,361,904	20,796,816

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Diabetes Australia Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 21 October 2011.

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 the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

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

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

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

Accounting policies

a. New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, no new Australian Accounting Standards or AASB Interpretations have been adopted.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of Diabetes Australia Limited and its subsidiaries and special purpose entities (as outlined in note 16) as at and for the period ended 30 June 2011.

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

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

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

c. Cash and cash equivalents

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

d. Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

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

e. Investments and other financial assets

Initial recognition and measurement

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

Derecognition

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- i. the amount at which the financial asset or financial liability is measured at initial recognition;
- ii. less principal repayments;
- iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method, and
- iv. less any reduction for impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

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

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

(ii) *Loans and receivables*

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

(iii) *Held-to-maturity investments*

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

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

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

(v) *Financial liabilities*

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

Fair value

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

Impairment

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

f. Intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****g. Property, plant and equipment**

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

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

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

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

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

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

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

h. Leases

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

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

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

i. Impairment of assets

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

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

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

j. Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

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

k. Grants received in advance

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

l. Provisions and employee benefits

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

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

Wages, salaries, superannuation, annual leave and sick leave

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

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

Long service leave

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

m. Taxation

Income tax

The Group is exempt from income tax in accordance with Section 50-5 of the *Income Tax Assessment Act 1997*. The Group holds deductible gift recipient status.

Goods and services tax (GST)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

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

n. Revenue recognition

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

Government grants

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

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

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

Other grants

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

Affiliation fees

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

Interest revenue

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

Donations and bequests

Donations and bequests are recognised as revenue when received unless they are designated for a specific purpose, where they are carried forward as a liability on the statement of financial position.

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

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

Rendering of services

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

Sale of goods

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

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

o. Research grants

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

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

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

p. Fundraising appeals and associated costs

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

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

q. Comparative figures

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

r. Significant accounting judgements, estimates and assumptions

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumption are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

Make good provision

Diabetes Australia Limited relocated to a new leased premises in January 2011. It is anticipated that the new lease agreement requires minimal costs associated to the future restoration of the leased premises and will not include the dismantling of the existing fit out. Previous make good obligations, were distinguished when the previous lease was surrendered and therefore the present value of anticipated costs of future restoration of the leased premises including the dismantling of the fit out has been reduced to zero. As such changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense or asset and provision. The related carrying amounts are disclosed in note 12.

Onerous contract

Diabetes Australia Limited relocated to a new leased premises in January 2011. The new leased premise is fully utilised and extinguishes the onerous contract associated with the previous lease due to underutilisation. As such the provision which reflects the present value of the future obligation under the contract where the obligation under the agreement exceeds the economic benefits expected to be received has been reduced to zero. Such changes in the onerous contract costs are recognised in the statement of financial position by adjusting both the expense and provision. The related carrying amounts are disclosed in note 12.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**s. New accounting standards for applications in future periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2011, are outlined in the table below. Prior to the signing of the financial statements they are not expected to have a material financial impact on the Group.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations.	1-Jan-13	1-Jan-13
AASB 13	Fair Value Measurement	AASB 13 provides a single source of guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets, as well as additional disclosure requirements for assets or liabilities carried at fair value.	1-Jan-13	1-Oct-13
AASB 12	Disclosure of Interests in Other Entities	AASB 12 introduces new disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1-Jan-13	1-Oct-13
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1-Jan-13	1-Oct-13
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	1-Jul-13	1-Oct-13

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**s. New accounting standards for applications in future periods (cont'd)**

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).	1-Jul-12	1-Oct-12
AASB 2011-5	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	This Standard extends the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.	1-Jul-11	1-Oct-11
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.	1-Jan-11	1-Oct-11
AASB 1054	Australian Additional Disclosures	This standard, with AASB 2011-1 relocates and revises all Australian specific disclosures from other standards to one place.	1-Jul-11	1-Oct-11
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.	1-Jan-11	1-Oct-11

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated	
	2011	2010
	\$	\$
(a) Revenue		
<i>Revenue from government grants and other grants</i>		
— Federal government grants	188,617,718	166,904,513
— Other grants	60,000	171,588
<i>Other revenue</i>		
— Affiliation fees	333,789	643,473
— Interest received	1,555,624	385,520
— Publications	135,953	129,525
— Royalties	385,004	410,718
— Other revenue	22,660	55,389
Total Revenue	191,110,748	168,700,726
(b) Other income		
— Sponsorship	30,000	57,592
— Fundraising	166,220	182,574
— Donations and bequests	3,539,791	1,133,291
— NDSS stock sales	808,489	586,146
— NDSS on costing	372,375	392,360
— Other income	2,542	59,299
Total Other Income	4,919,417	2,411,262
Total Revenue and Other Income	196,030,165	171,111,988

Diabetes Australia Limited**ABN 47 008 528 461****NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)****NOTE 3: EXPENSES**

	Consolidated	
	2011	2010
	\$	\$
(a) Employee benefits expense		
— Wages and salaries	1,440,682	1,280,855
— Superannuation expense	118,773	120,404
— Other employee benefits expense	239,089	225,056
	<u>1,798,544</u>	<u>1,626,315</u>
(b) Depreciation and amortisation		
— Office equipment	7,683	9,767
— Computer equipment	2,647	15,835
— NDSS network	1,755,493	406,984
— Fixtures, furniture and fittings and leasehold improvement	63,549	159,160
	<u>1,829,372</u>	<u>591,746</u>
(c) Other expenses		
— Bad and doubtful debts expense	6 (a) 4,477	3,091
— Rental expense on operating leases	246,026	241,461
— Consultants and contractors	2,086,504	997,044
— Fundraising activities	22,566	22,652
— Office and equipment	887,399	774,279
— Administrative expenses	3,003,037	1,045,903
— Loss on disposal of property, plant and equipment	10,799	-
— Other expenses	284,290	233,253
	<u>6,545,098</u>	<u>3,317,683</u>

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 4: SEGMENT REPORTING

(a) Operating segments

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

(i) Fundraising

Fundraising involves the collection of regular donations through the appeal 'Cure Club' which involves no face-to-face canvassing activities. All funds raised go to Australian research projects, to prevent the disease and consequences of the disease and to find easier and better management techniques.

(ii) Research

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

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

(iii) National Diabetes Services Scheme (NDSS)

The National Diabetes Services Scheme (NDSS) is an initiative of the Australian Government administered by Diabetes Australia Limited. The NDSS provides practical assistance, information and subsidised products to nearly 1,000,000 Australian diagnosed with diabetes.

(iv) Policy, Advocacy and Other

Policy and advocacy involves lobbying the Australian Government on behalf of all those affected by diabetes, for better standards of care and on other issues of national concern such as insurance inequities, better access to pharmaceuticals, driver's licence standards, and discrimination in the workplace or in everyday life. During the current year, the National Diabetes Policy Forum invited leaders, policy influencers and decision makers from the health system and government to address national priorities for diabetes in the coming decade.

Funding is sourced by specific grants for policy and advocacy events.

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

Information regarding the Groups reportable segments follows.

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 4: SEGMENT REPORTING (CONT'D)

(b) Segment revenue and results

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

	Fundraising	Research	NDSS	Policy, Advocacy and Other	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2011					
Revenue					
— Grants	-	-	188,617,717	60,000	188,677,717
— Donations and bequests	166,220	3,150,224	-	223,347	3,539,791
— Affiliation fees	-	-	-	333,789	333,789
— Interest	-	462,156	1,068,243	25,225	1,555,624
— Royalties	-	385,004	-	-	385,004
— Other	-	166,221	1,180,962	191,057	1,538,240
Total segment revenue	166,220	4,163,605	190,866,922	833,418	196,030,165
Total revenue	166,220	4,163,605	190,866,922	833,418	196,030,165
Net surplus/(deficit) for the year	143,654	2,906,756	-	88,139	3,138,549
Year ended 30 June 2010					
Revenue					
— Grants	-	-	166,904,513	171,588	167,076,101
— Donations and bequests	182,574	636,835	-	313,882	1,133,291
— Affiliation fees	-	-	-	643,473	643,473
— Interest	-	28,427	340,329	16,764	385,520
— Royalties	-	410,718	-	-	410,718
— Other	-	186,137	982,350	294,398	1,462,885
Total segment revenue	182,574	1,262,117	168,227,192	1,440,105	171,111,988
Total revenue	182,574	1,262,117	168,227,192	1,440,105	171,111,988
Net surplus/(deficit) for the year	159,922	(181,386)	-	268,972	247,508

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 4: SEGMENT REPORTING (CONT'D)

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

(c) Segment assets and liabilities

	Fundraising	Research	NDSS	Policy, Advocacy and Other	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2011					
Segment assets	-	4,189,014	21,139,060	941,788	26,269,862
Capital expenditure	-	-	20,865	8,001	28,866
Segment liabilities	-	25,891	21,159,925	169,010	21,354,826
Year ended 30 June 2010					
Segment assets	-	1,127,571	35,616,928	917,093	37,661,592
Capital expenditure	-	-	163,948	55,505	219,453
Segment liabilities	-	17,177	35,780,876	277,639	36,075,692

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

- All assets are allocated to reportable segments.
- All liabilities are allocated to reportable segments.

(d) Other segment information

	Fundraising	Research	NDSS	Policy, Advocacy and Other	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2011					
— Interest expense	-	1	4,664	4,165	8,830
— Depreciation and amortisation	-	-	1,755,493	73,879	1,829,372
— Other non cash expenses	-	-	-	(56,794)	(56,794)
Year ended 30 June 2010					
— Interest expense	-	26	-	10,765	10,791
— Depreciation and amortisation	-	-	406,983	184,763	591,746
— Other non cash expenses	-	-	-	62,894	62,894

(e) Geographical information

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 4: SEGMENT REPORTING (CONT'D)**(f) Information about major customers**

Included in revenue (see Note 2(a)) are revenues of \$188,617,718 (2010: \$166,904,513) which were grants from the Federal Government.

(g) Performance analysis

	Fundraising %	Research %	NDSS %	Policy, Advocacy and Other %
Year ended 30 June 2011				
Costs as a % of segment revenue	13.58%	30.19%	100.00%	89.42%
Surplus as a % of segment revenue	86.42%	69.81%	0.00%	10.58%
Funds applied to activities as a % of total expenditure	0.01%	0.61%	97.54%	0.23%
Funds applied to investment and administration costs as a % of total expenditure	0.00%	0.06%	1.41%	0.14%
Funds applied to activities as a % of total income	0.01%	0.59%	95.98%	0.23%
Year ended 30 June 2010				
Costs as a % of segment revenue	12.41%	114.37%	100.00%	81.32%
Surplus as a % of segment revenue	87.59%	-14.37%	0.00%	18.68%
Funds applied to activities as a % of total expenditure	0.01%	0.79%	98.03%	0.50%
Funds applied to investment and administration costs as a % of total expenditure	0.00%	0.07%	0.42%	0.19%
Funds applied to activities as a % of total income	0.01%	0.78%	97.89%	0.50%

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 5: CASH AND CASH EQUIVALENTS

		Consolidated	
	Note	2011	2010
		\$	\$
CURRENT			
Cash at bank and on hand		20,761,904	20,796,816
Bank deposits		3,600,000	-
	21	24,361,904	20,796,816
		24,361,904	20,796,816

Reconciliation to statement of cash flows

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

Cash at bank and on hand		20,761,904	20,796,816
Bank deposits		3,600,000	-
	14	24,361,904	20,796,816
		24,361,904	20,796,816

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

Included in cash and cash equivalents is \$27,208 held by the Commonwealth Bank as a security for a guarantee provide by them to Filmwing Pty Ltd. This guarantee is for Diabetes Australia Limited obligations for rental bond under its tenancy agreement for the registered office.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 6: TRADE AND OTHER RECEIVABLES

	Note	Consolidated	
		2011	2010
		\$	\$
CURRENT			
Trade receivables		1,162,889	15,479,349
Provision for impairment of receivables		(4,925)	(41,718)
		<u>1,157,964</u>	<u>15,437,631</u>
Other receivables		280,757	209,762
Total current trade and other receivables	21	<u><u>1,438,721</u></u>	<u><u>15,647,393</u></u>

(a) Provision for impairment of receivables

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

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

	\$
Provision for impairment as at 30 June 2009	112,033
— Charge for year	(67,224)
— Written off	<u>(3,091)</u>
Provision for impairment as at 30 June 2010	41,718
— Charge for year	(32,316)
— Written off	<u>(4,477)</u>
Provision for impairment as at 30 June 2011	<u><u>4,925</u></u>

(b) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

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

	Consolidated					Considered Impaired \$
	Total	0-30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$
2011						
Trade receivables	1,162,889	1,106,602	-	51,362	-	4,925
Other receivables	280,757	280,757	-	-	-	-
Total	1,443,646	1,387,359	-	51,362	-	4,925
2010						
Trade receivables	15,479,349	15,430,775	5,940	391	525	41,718
Other receivables	209,762	209,762	-	-	-	-
Total	15,689,111	15,640,537	5,940	391	525	41,718

Receivables past due but not considered impaired are \$51,362 (2010: \$6,856). Payment terms on these amounts have not been renegotiated. The Group has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

Diabetes Australia Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

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

	Consolidated						Total
	NDSS network	Office equipment	Leased computer equipment	Computer equipment	Fixtures, fittings and furniture	Work in progress	
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2011							
Carrying amount at beginning of year	551,068	13,337	1,388	1,172	154,095	-	721,060
Additions	20,865	-	-	1,310	6,691	-	28,866
Disposals	-	(1,440)	-	-	(90,636)	-	(92,076)
Depreciation	(571,933)	(7,683)	(1,388)	(1,259)	(63,549)	-	(645,812)
Carrying amount at the end of year	-	4,214	-	1,223	6,601	-	12,038

At 30 June 2011

Cost	2,845,702	31,229	35,937	15,039	11,990	-	2,939,897
Accumulated depreciation and impairment	(2,845,702)	(27,015)	(35,937)	(13,816)	(5,389)	-	(2,927,859)
Net carrying amount	-	4,214	-	1,223	6,601	-	12,038

Year ended 30 June 2010

Carrying amount at beginning of year	15,495	23,104	14,704	3,691	257,751	655,812	970,557
Additions	1,553	-	-	-	55,505	162,395	219,453
Transfers In/(Out)	818,207	-	-	-	-	(818,207)	-
Disposals	-	-	-	-	-	-	-
Depreciation expense	(284,187)	(9,767)	(13,316)	(2,519)	(159,161)	-	(468,950)
Carrying amount at the end of year	551,068	13,337	1,388	1,172	154,095	-	721,060

At 30 June 2010

Cost	2,824,836	34,329	35,936	13,730	381,983	-	3,290,814
Accumulated depreciation and impairment	(2,273,768)	(20,992)	(34,548)	(12,558)	(227,888)	-	(2,569,754)
Net carrying amount	551,068	13,337	1,388	1,172	154,095	-	721,060

Diabetes Australia Limited

ABN 47 008 528 461

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 8: INTANGIBLE ASSETS

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

	Consolidated		
	Developed software	Work in progress	Total
	\$	\$	\$
Year ended 30 June 2011			
Carrying amount at beginning of year	151,893	479,650	631,543
Additions	88,875	463,142	552,017
Transfers In/(Out)	942,792	(942,792)	-
Amortisation	(1,183,560)	-	(1,183,560)
Carrying amount at the end of year	-	-	-
At 30 June 2011			
Cost (gross carrying amount)	1,343,175	-	1,343,175
Accumulated amortisation and impairment	(1,343,175)	-	(1,343,175)
Net carrying amount	-	-	-
Year ended 30 June 2010			
Carrying amount at beginning of year	187,399	338,516	525,915
Additions	-	228,424	228,424
Transfers In/(Out)	87,290	(87,290)	-
Amortisation	(122,796)	-	(122,796)
Carrying amount at the end of year	151,893	479,650	631,543
At 30 June 2010			
Cost (gross carrying amount)	311,508	479,650	791,158
Accumulated amortisation and impairment	(159,615)	-	(159,615)
Net carrying amount	151,893	479,650	631,543

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 8: INTANGIBLE ASSETS (CONT'D)

(b) Description of intangible assets

(i) Developed software

Software developed by a third party on the entities behalf and is operational as intended. Developed software costs are carried as cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and is amortised using the straight line method for the remaining life of the current NDSS contract, which expired on the 30 June 2011.

(ii) Work in progress

Software developed by a third party on the entities behalf, being the new inventory and sales package for NDSS. As expected the software became fully operational on 1 November 2010.

NOTE 9: OTHER ASSETS

	Consolidated	
	2011	2010
	\$	\$
Prepayments	128,468	84,233
Tax assets	357,597	-
	<u>486,065</u>	<u>84,233</u>

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 10: TRADE AND OTHER PAYABLES

	Note	Consolidated	
		2011	2010
		\$	\$
CURRENT			
Trade payables		13,247,455	11,914,302
Sundry payables and accrued expenses		371,443	1,240,132
Taxation liabilities		-	1,123,447
Grants received in advance		21,998	21,998
Employee benefits		117,924	94,451
Other current liabilities		19,030	-
	10 (a)	<u>13,777,850</u>	<u>14,394,330</u>

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

Trade and other payables			
— Total current		13,777,850	14,394,330
— Total non-current		-	-
		<u>13,777,850</u>	<u>14,394,330</u>
Less grants received in advance		(21,998)	(21,998)
Less taxation liabilities		-	(1,123,447)
Less annual leave entitlement		(65,940)	(54,263)
Financial liabilities as trade and other payables	21	<u>13,689,912</u>	<u>13,194,622</u>

NOTE 11: BORROWINGS

	Note	Consolidated	
		2011	2010
		\$	\$
CURRENT			
Finance lease liabilities	18	3,405	12,341
		<u>3,405</u>	<u>12,341</u>
NON-CURRENT			
Finance lease liabilities	18	-	3,408
		<u>-</u>	<u>3,408</u>
Total Borrowings		<u>3,405</u>	<u>15,749</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 12: PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
NON CURRENT		
— Long service leave	16,096	6,182
— Make good provision	-	63,942
— Onerous contract	-	59,128
	16,096	129,252
	16,096	129,252

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

(a) Movements in provisions

	Consolidated			
	Long service leave	Make good provision	Onerous contract	Total
	\$	\$	\$	\$
Opening balance at 1 July 2010	6,182	63,942	59,128	129,252
Arising during the year	10,885	-	-	10,885
Utilised	-	-	-	-
Unused amounts reversed	(971)	(66,277)	(59,128)	(126,376)
Unwinding and discount rate adjustment	-	2,335	-	2,335
Closing balance at 30 June 2011	16,096	-	-	16,096
	16,096	-	-	16,096

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 12: PROVISIONS (CONT'D)

(b) Nature and timing of provisions

(i) Long service leave

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

(ii) Make good provision

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

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

A provision of \$60,177 was raised during the year ended 30 June 2010 in respect of the obligation to remove leasehold improvements in accordance with the previous lease agreement with Hamib Pty Ltd. Such make good obligations were extinguished when the previous lease was surrendered.

As such changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense or asset and provision.

(iii) Onerous contract

Diabetes Australia Limited relocated to a new premises in January 2011, which is fully utilised and extinguished any onerous contract that was associated with the previous lease agreement held with Hamib Pty Limited.

As a result the provision of \$59,128 raised in the year ended 30 June 2010 in respect of the future obligation which exceeded the economic benefit expected to be received from the previous premises was reversed.

Such changes in the provision are recognised in the statement of financial position by adjusting both the expense and provision.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 13: GOVERNMENT GRANTS

	Consolidated	
	2011	2010
	\$	\$
CURRENT		
— Federal government grants (NDSS)	7,557,475	21,536,361
	<hr/>	<hr/>
Total government grants deferred	7,557,475	21,536,361
	<hr/> <hr/>	<hr/> <hr/>

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

(a) Movement in government grants

	Consolidated	
	2011	2010
	\$	\$
Government grants as at beginning of year	21,536,361	9,003,162
— Received during the year	174,638,832	179,437,712
— Released to the statement of comprehensive income	(188,617,718)	(166,904,513)
	<hr/>	<hr/>
Government grants as at end of year	7,557,475	21,536,361
	<hr/> <hr/>	<hr/> <hr/>

The National Diabetes Services Scheme (NDSS) is an initiative of the Australian Government administered by Diabetes Australia Limited. The agreement provides that any surplus under the contract may need to be refunded to the Government at the end of the contract term (30 June 2011).

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 14: CASH FLOW STATEMENT RECONCILIATION

	Note	Consolidated	
		2011	2010
		\$	\$
(a) Reconciliation of cash			
Cash at bank		20,761,904	20,796,816
Bank deposits		3,600,000	-
	5	<u>24,361,904</u>	<u>20,796,816</u>
(b) Reconciliation of cash flow from operations with surplus			
Net Surplus/(Deficit)		3,138,549	247,508
Cash flows excluded from profit attributable operating activities			
<i>Adjustments for</i>			
Depreciation and amortisation		1,829,372	591,746
Bad debts and doubtful debts		4,477	3,091
Registrant contributions		(22,482,020)	(19,574,209)
Net (surplus)/deficit on disposal of property, plant and equipment		10,799	-
<i>Changes in assets and liabilities</i>			
(Increase)/decrease in trade and other receivables		14,204,195	(1,243,883)
(Increase)/decrease in other assets		(401,832)	637,499
(Decrease)/increase in trade and other payables		7,886,654	33,728,524
(Decrease)/increase in long-term provisions		(46,879)	125,661
(Decrease)/increase in financial liabilities		(8,936)	(620,355)
Net cash from/(used in) operating activities		<u>4,134,379</u>	<u>13,895,582</u>

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 15: MEMBERS' GUARANTEE

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

The Diabetes Australia ACT, ceased in 2011 to be a member of Diabetes Australia Limited.

At 30 June 2011 the number of members was 7 (2010:8).

NOTE 16: RELATED PARTY TRANSACTIONS

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

- Diabetes Research Australia Trust
- Diabetes Research Australia Limited

Diabetes Australia Limited as parent company, manages and provides administrative support for Diabetes Australia Research Limited which acts as trustee for the Diabetes Australia Research Trust. The trust activities include the collection and disbursement of funds donated for research into diabetes.

(b) Other related parties

No other related party transactions occurred during the financial year.

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors' compensation

The Independent President, Patricia McKenzie received a total remuneration of \$30,000 during the year to perform the necessary duties to fulfil the role.

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

(b) Other key management personnel

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

Executive	Position
Lewis Kaplan	Chief Executive Officer
Greg Johnson	NDSS Executive Officer
Paul Southcott	General Manager, Corporate Services
Susan Davidson	General Manager, NDSS

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

	2011	2010
	\$	\$
Short - term employee benefits	482,216	353,802
Post - employment benefits	31,719	34,235
Other long - term benefits	-	-
Termination benefits	-	27,897
TOTAL COMPENSATION	513,935	415,934

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 18: COMMITMENTS

	Consolidated	
	2011	2010
	\$	\$
(a) Finance lease commitments		
Payable — minimum lease payments		
— Within one year	3,543	12,341
— After one year but not more than five years	-	3,408
— After more than five years	-	-
	<hr/>	<hr/>
Minimum lease payments	3,543	15,749
Less future finance charges	(138)	(1,970)
	<hr/>	<hr/>
Present value of minimum lease payments	<u>3,405</u>	<u>13,779</u>

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

(b) Operating lease commitments

Payable — minimum lease payments		
— Within one year	91,930	252,055
— After one year but not more than five years	263,507	350,007
— After more than five years	-	-
	<hr/>	<hr/>
Minimum lease payments	<u>355,437</u>	<u>602,062</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 18: COMMITMENTS (CONT'D)

	Consolidated	
	2011	2010
	\$	\$
(c) Research grants		
Payable - General research grants		
— Within one year	197,765	369,637
— After one year but not more than five years	-	-
	<u>197,765</u>	<u>369,637</u>
Payable - Millennium research grants		
— Within one year	186,000	111,000
— After one year but not more than five years	75,000	72,000
	<u>261,000</u>	<u>183,000</u>
Payable - Viertel research grants		
— Within one year	224,735	150,000
— After one year but not more than five years	74,867	150,000
	<u>299,602</u>	<u>300,000</u>
Payable - National Health Medical Research Council (NHMRC) research grants		
— Within one year	-	-
— After one year but not more than five years	-	30,000
	<u>-</u>	<u>30,000</u>
	<u>-</u>	<u>30,000</u>
	<u>-</u>	<u>30,000</u>
Total research grant commitments	<u><u>758,367</u></u>	<u><u>882,637</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 30 June 2011.

NOTE 20: EVENTS AFTER THE BALANCE DATE

Diabetes Australia Limited continues and intends to operate the NDSS with all Agents from the previous Agreement. The majority of previous NDSS Agents have agreed to a further five year agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 21: FINANCIAL RISK MANAGEMENT

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

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

		Consolidated	
	Note	2011	2010
		\$	\$
Financial Assets			
Cash and cash equivalents	5	24,361,904	20,796,816
Loans and receivables	6	1,438,721	15,647,393
		25,800,625	36,444,209
Financial Liabilities			
Trade and other payables	10 (a)	13,689,912	13,194,622
Lease liabilities	18 (a)	3,543	15,749
		13,693,455	13,210,371

Risk exposures and responses

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

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

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

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only given in respect of banks that hold AA ratings from Standard & Poor's or an equivalent rating from another reputable ratings agency.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 21: FINANCIAL RISK MANAGEMENT (CONT'D)*(ii) Liquidity risk*

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

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing surplus cash only with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.
- Directors are in receipt of monthly management reports

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

	Note	Consolidated			Total
		Within 1 year	1 - 5 years	> 5 years	
		\$	\$	\$	\$
Year ended 30 June 2011					
Liquid financial assets					
— Cash and cash equivalents	5	24,361,904	-	-	24,361,904
— Loan and receivables	6	1,438,721	-	-	1,438,721
Total anticipated inflows		25,800,625	-	-	25,800,625
Financial liabilities					
— Lease liabilities	18	(3,543)	-	-	(3,543)
— Trade and other payables	10	(13,689,912)	-	-	(13,689,912)
Total expected outflows		(13,693,455)	-	-	(13,693,455)
Net inflow/(outflow)		12,107,170	-	-	12,107,170
Year ended 30 June 2010					
Liquid financial assets					
— Cash and cash equivalents	5	20,796,816	-	-	20,796,816
— Loan and receivables	6	15,647,393	-	-	15,647,393
Total anticipated inflows		36,444,209	-	-	36,444,209
Financial liabilities					
— Lease liabilities	18	(12,341)	(3,408)	-	(15,749)
— Trade and other payables	10	(13,194,622)	-	-	(13,194,622)
Total expected outflows		(13,206,963)	(3,408)	-	(13,210,371)
Net inflow/(outflow)		23,237,246	(3,408)	-	23,233,838

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 21: FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Credit risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 21: FINANCIAL RISK MANAGEMENT (CONT'D)*(iv) Fair value*

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

		Consolidated				
		2011		2010		
		Net carrying value	Net fair value	Net carrying value	Net fair value	
Footnote		\$	\$	\$	\$	
Financial assets						
—	Cash and cash equivalents	*	24,361,904	24,361,904	20,796,816	20,796,816
—	Trade and other receivables	*	1,438,721	1,438,721	15,647,393	15,647,393
Total financial assets			25,800,625	25,800,625	36,444,209	36,444,209
Financial liabilities						
—	Trade and other payables	*	13,689,912	13,689,912	13,194,622	13,194,622
—	Lease liability	#	3,405	3,405	15,749	15,749
Total financial liabilities			13,693,317	13,693,317	13,210,371	13,210,371

The fair values disclosed in the above table have been determined based on the following methodologies:

* Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave, taxation liabilities and grants received in advance, which are not considered financial instruments.

For listed available-for-sale financial assets, closing quoted bid prices at reporting date are used.

Diabetes Australia Limited and its controlled entities do not undertake sensitivity analysis of their exposure to interest rate risk, as the risk is limited to fixed leasing liabilities. The Group's trade and other payables are non-interest bearing. The Group's cash and cash equivalents are invested in major financial institutions with a AA credit rating (S&P).

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)
NOTE 22: CAPITAL MANAGEMENT

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

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

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

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

The gearing ratios for the years ended 30 June 2011 and 30 June 2010 are as follows:

		Consolidated	
	Note	2011	2010
		\$	\$
Total financial liabilities	21	13,693,455	13,210,371
Less cash and cash equivalents	5	<u>(24,361,904)</u>	<u>(20,796,816)</u>
Net debt		(10,668,449)	(7,586,445)
Total equity (reserves + retained earnings)		<u>4,943,902</u>	<u>1,805,353</u>
Total capital		<u>(5,724,547)</u>	<u>(5,781,092)</u>
Gearing ratio		186.4%	131.2%

NOTE 23: ECONOMIC DEPENDENCE

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

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

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

NOTE 24: PARENT ENTITY

	2011	2010
	\$	\$
Information relating to Diabetes Australia Limited		
Current assets	22,143,831	35,405,752
Total assets	22,155,868	36,758,356
Current liabilities	21,358,533	35,923,100
Total liabilities	<u>21,361,938</u>	<u>36,058,512</u>
Issued capital	-	-
Retained earnings	793,930	699,844
Total shareholders' equity	<u>793,930</u>	<u>699,844</u>
Profit or loss of the parent entity	94,086	263,025
Total comprehensive income of the parent entity	<u>94,086</u>	<u>263,025</u>

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011 (CONT'D)

NOTE 25: AUDITORS' REMUNERATION

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

	Consolidated	
	2011	2010
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
— auditing or reviewing the financial report of the entity and any other entity in the consolidated group	45,750	44,500
— Other services in relations to the entity and any other entity in the consolidated group		
— Assurance related	15,500	-
 <i>Amounts received or due and receivable by non Ernst & Young (Australia) audit firms:</i>		
— auditing or reviewing the financial report of the entity and any other entity in the consolidated group	-	-

DIRECTORS' DECLARATION

1. In the opinion of the directors:
 - (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date.
 - (ii) Complying with the Accounting Standards and *Corporations Regulations 2001*.
 - (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of the Board of Directors.



Patricia McKenzie, Director and President



Moira Watson , Director

Dated this 21st day of October 2011.

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

Report on the Financial Report

We have audited the accompanying financial report of Diabetes Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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

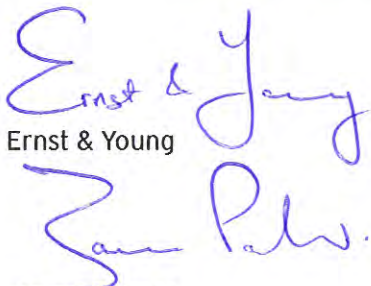
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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 consolidated entity's financial position at 30 June 2011 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*.



Ernst & Young
James Palmer

James Palmer
Partner
Canberra
21 October 2011