Diabetes WA Ltd

ABN 77 867 587 369 | ACN 610 729 612

Annual Financial Report

For the Year Ended

30 June 2018

Contents

Directors Report

The Directors of Diabetes WA Ltd present their report together with the financial statements of the entity, being Diabetes WA Ltd (the Company) for the year ended 30 June 2018 and the Independent Audit Report thereon.

Director details

The following persons were Directors Diabetes WA during or since the end of the financial year.

NAME	ROLE	QUALIFICATIONS
DR MOIRA WATSON (PHD)	President	Moira holds qualifications in management and education. She also currently sits on the Board of Diabetes Australia Limited and is a delegate to the International Diabetes Federation (Western Pacific Region).
PAUL VIVIAN	Vice President	Paul is currently General Manager (Products and Pricing) for Bankwest. He has more than 20 years of experience in financial services management roles both in Australia and internationally.
GARY WALTON	Treasurer	Gary is a chartered accountant and consultant and previously was the CEO of the WA Football Commission. Gary has had type 1 diabetes since he was 12 and has personally experienced the many challenges of diabetes management.
ANDREW BURNETT	Secretary	Andrew is counsel at Squire Patton Boggs and has more than 30 years' experience in workplace law.
TONY LESTER	Director	Tony is a Founding Partner of the WA Executive Search and Selection firm, Lester Blades. With more than 25 years in executive level recruitment
DR ALAN WRIGHT	Director	Alan is a general practitioner with extensive experience in the management of diabetes.
MARY ANNE STEPHENS	Director	Mary Anne has more than 25 years' experience in the financial services sector in Australia and the United States. Much of her recent experience has been in senior leadership roles within both insurance and not- for- profit organisations.
JIM DODDS	Director	Jim has more than 30 years' experience in the area of environment and health, working for both state and federal governments in this field.

Principal activities

During the year, the principal activities of the Company were to support those living with diabetes or at risk of diabetes and suffering from related chronic conditions.

Short-term objectives

- Promoting, providing and coordinating services to those living with diabetes and/or related chronic conditions as well as those identified as at risk of diabetes.
- Providing information, education and interaction about prevention in people with diabetes related conditions, or people who are at risk of diabetes.
- Collaborating in, engaging in and funding research related to services that prevent or reduce the impact of diabetes and/or its related chronic conditions.

- Advocating on matters relevant to those whose health is affected by diabetes, those with a related chronic condition or those who are at risk of diabetes.

Long-term objectives

- Supporting the development of capacity within the health system to maximize the quality and availability of service options to those with diabetes and/or related conditions as well as those at risk of diabetes.

Performance Measurement

Diabetes WA measures it's progress towards these strategic goals via;

- The successful completion of government grant and service contract objectives.
- The increasing outreach and contact with people in WA with (or at risk of) Diabetes, particularly identified target groups.
- The evaluation of our programs and services through feedback measures from program participants.
- Our increasing involvement in research projects to refine our service offering, in order to maximise outcomes for the community.
- Improved collaboration with other components of the WA health system.

Directors' meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	BOARD	FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE	GOVERNANCE COMMITTEE	TOTAL	POSSIBLE
DR MOIRA WATSON	8	2	6	16	20
PAUL VIVIAN	8			8	8
GARY WALTON	8	5		13	13
DR ALAN WRIGHT	7	4		11	13
MARY ANNE STEPHENS	7	4		11	13
ANDREW BURNETT	7		6	13	14
TONY LESTER	7		5	12	14
JIM DODDS	8		2	10	14

Contribution in winding up

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 $10 each towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the company are liable to contribute if the Company wound up is $85,980 (2017: $90,570).

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.307C of the Corporations Act 2001 is included in this financial report and form part of the Directors' Report.

Signed in accordance with a resolution of the Directors.

M Watson

Dr Moira Watson
President

4 September 2018

Auditor's Independence Declaration

BDO

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF DIABETES WA LTD

As lead auditor of Diabetes WA Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Diabetes WA Ltd.

JPrue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 4 September 2018

Statement of Profit or Loss and Other Comprehensive Income

	Note	2018	2017
		$	$
Revenue from continuing operations	4	7,632,761	7,377,024
Other income	4	156,939	112,550
Employee benefits expense	12	(4,227,776)	(3,985,622)
Depreciation and amortisation expense	9,10	(105,573)	(226,056)
Fundraising expenses		(154,877)	(28,140)
Lease expenses		(53,278)	(19,000)
Other expenses	17	(2,971,722)	(2,769,948)
Profit for the year		**276,474**	**460,808**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

	Note	2018	2017
		$	$
ASSETS			
Current assets			
Cash and Cash Equivalents	5	2,241,073	2,171,787
Trade and Other Receivables	6	5,418,770	5,501,995
Inventories	7	76,559	57,742
Other Assets	8	92,618	111,739
Total current assets		**7,829,020**	**7,843,263**
Non-current assets			
Property, Plant and Equipment	9	1,298,281	1,364,398
Intangible Assets	10	7,468	7,769
Total non-current assets		**1,305,749**	**1,372,167**
Total assets		**9,134,769**	**9,215,430**
LIABILITIES			
Current liabilities			
Trade and Other Payables	11	1,222,236	1,784,439
Employee Benefits	12	442,503	407,698
Provisions	13	27,032	27,032
Lease Liabilities	14	7,680	0
Other liabilities	15	501,875	347,441
Total current liabilities		**2,201,326**	**2,566,610**
Non-current liabilities			
Trade and Other Payables NC	11	39,522	43,987
Employee Benefits NC	12	56,030	60,058
Lease Liabilities NC	14	16,640	0
Total non-current liabilities		**112,192**	**104,045**
Total liabilities		**2,313,518**	**2,670,655**
Net assets		**6,821,251**	**6,544,775**
EQUITY			
Retained earnings		6,821,251	6,544,775
Total equity		**6,821,251**	**6,544,775**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

	Retained Earnings	Total
	$	$
Balance at 30 June 2016	**6,083,969**	**6,083,969**
Surplus/(deficit) for the year	460,808	460,808
Other comprehensive income		0
Balance at 30 June 2017	**6,544,777**	**6,544,777**
Surplus/(deficit) for the year	276,474	276,474
Other comprehensive income		0
Balance at 30 June 2018	**6,821,251**	**6,821,251**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

	Note	2018 $	2017 $
Cash flows from operating activities			
Cash receipts from customers		8,529,996	8,595,400
Cash paid to suppliers and employees		(8,412,160)	(7,992,609)
Interest received		15,865	35,456
Net cash inflow/(outflow) from operating activities		**133,701**	**638,247**
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,809)	-
Proceeds from sale of property, plant and equipment		9,000	-
Net cash inflow/(outflow) from investing activities		**(5,809)**	**-**
Cash flows from financing activities			
Payment of lease liabilities		(58,605)	-
Net cash inflow/(outflow) from financing activities		**(58,605)**	**-**
Net increase in cash and cash equivalents		69,286	638,247
Cash and cash equivalents at beginning of period		2,171,787	1,533,540
Cash and cash equivalents at end of period		**2,241,073**	**2,171,787**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1. Nature of Operations

Diabetes WA Ltd.'s principal activities were to support those living with diabetes or at risk of diabetes and suffering from related chronic conditions.

2. General Information & Statement of Compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. A statement of compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) cannot be made due to the Company applying not-for-profit specific requirements contained in the Australian Accounting Standards.

Diabetes WA Ltd is a Public Company limited by guarantee incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 3, 322 Hay Street, Subiaco WA Australia. The financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 4 September 2018.

3. Summary of Accounting Policies

3.1. Overall Considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3.2. Changes in Accounting Policies

The company has adopted all of the new, revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current period, including AASB 9 Financial Instruments, AASB 16 Leases, and AASB 15 Revenue from Contracts with Customers. The company can confirm that there is no material impact to the financial statements on adoption of these standards.

3.3. Operating Expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

3.4. Financial Instruments

Recognition, Initial Measurement & Derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Company, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Company.

Classification & Subsequent Measurement of Financial Liabilities

The Company's financial liabilities include borrowings and trade and other payable. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss (FVTPL), that are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or
loss are included within finance costs or finance income.

3.5. Income Taxes

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

3.6. Provisions, Contingent Liabilities & Contingent Assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

3.7. Deferred Income

The liability for deferred income 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 twelve (12) months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve (12) months after the reporting date or the conditions will only be satisfied more than twelve (12) months after the reporting date, the liability is discounted and presented as noncurrent.

3.8. 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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

3.9. Economic Dependence

The Company is dependent upon the ongoing receipt of Federal and State Government grants and community and corporate donations to ensure the ongoing continuance of its programs. At the date of this report, management has no reason to believe that this financial support will not continue.

3.10. Significant Management Judgement in Applying Accounting Policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units, based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful Lives of Depreciable Assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Long Service Leave

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

4. Revenue

Revenue comprises revenue from the sale of goods, government grants, fundraising activities and client contributions. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities have been met. Details of the activity-specific recognition criteria are described below.

4.1. Changes in Accounting Policies

As indicated in note 3 above, the company has adopted AASB 15 as issued in December 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. There is no material change in revenue as a result of this change.

Sale of goods

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

Government grants

A number of the Company's programs are supported by grants received from the federal, state and local governments. If conditions are attached to a grant which must be satisfied before the Company is eligible to receive the contribution, recognition of the grant as revenue is deferred until those conditions are satisfied. Where a grant is received on the condition that specified services are delivered to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year end a liability is recognised until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Company obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied. Where the Company receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

Client Contributions

Fees charged for care or services provided to clients are recognised when the service is provided.

Donations and Bequests

Donations collected, including cash and goods for resale, are recognised as revenue when the Company gains control, economic benefits are probable and the amount of the donation can be measured reliably. Bequests are recognised when the legacy is received. Revenue from legacies comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date the Company becomes legally entitled to the shares or property.

Interest & Dividend Income

Interest income is recognised on an accrual basis using the effective interest method. Dividend income are recognised at the time the right to receive payment is established.

The Company's revenue may be analysed as follows for each major product and service category:

	2018 $	2017 $
Membership Subscriptions	252,215	278,767
Grants:		
Government	6,056,828	5,652,054
Other	139,227	210,524
Participant Contributions	25,867	5,126
Fundraising:		
Donations	174,200	140,050
Bequests	123,145	304,230
Events	44,864	82,215
Raffles	200,172	153,170
Other	5,396	-
Investment Income:		
Interest	143,412	140,901
Product Sales	357,724	240,892
Fee for Service Training	109,711	169,095
Other Income:		
Net gain on disposal of property, plant and equipment	8,182	-
Rental Income	75,012	88,927
Miscellaneous Income	73,745	23,623
	7,789,700	**7,489,574**

5. Cash & Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents consist the following:

	2018 $	2017 $
Cash on Hand	800	800
Cash at Bank	2,240,273	2,170,987
	2,241,073	**2,171,787**

6. Trade & Other Receivables

	2018	2017
	$	$
Term Deposits	5,321,881	5,219,791
Trade Debtors	96,153	282,154
Sundry Debtors	736	50
	5,418,770	**5,501,995**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Receivables don't contain past due or impaired assets as at 30 June 2018.

7. Inventories

Inventories comprises goods for resale and goods for distribution at no or nominal consideration as part of the Company's charitable activities. Inventories may be purchased or received by way of donation.

Goods for Resale

Inventories of goods for resale are valued at the lower of cost and net realisable value. No value is ascribed to goods for resale that have been donated to the Company where fair value cannot be reliably determined. Net realisable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses.

Goods Held for Distribution

Donated goods and goods purchased for nominal consideration held for distribution are initially recognised at their current replacement cost at date of acquisition. Inventories of goods purchased and held for distribution are initially recognised at cost. The cost of bringing each product to its present location and condition is determined on a first-in, first-out basis.

Inventories consist of the following:

	2018	2017
	$	$
Stock on Hand	76,559	57,742
	76,559	**57,742**

8. Other Assets

Other assets consist the following:

	2018	2017
	$	$
Accrued Income	41,412	52,620
Prepaid Expenses	45,546	54,049
Deposits & Bonds	5,660	5,070
	92,618	**111,740**

9. Property, Plant and Equipment

Land

Land held for use is stated at cost amounts. Any revalued amounts to fair market values are based on appraisals prepared by external professional valuers. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decreases or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income.

Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings, Plant & Other Equipment

Buildings, plant and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. Buildings, plant and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and other equipment. The following useful lives are applied:

- Buildings: 25-50 years
- Plant and equipment: 3-10 years
- Leasehold improvements: life of lease
- Computer hardware: 3-7 years
- Motor vehicles: 4-10 years
- Office equipment: 3-13 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Impairment Testing of Intangible Assets & Property, Plant & Equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash generating unit's recoverable amount exceeds its carrying amount.

Details of the Company's property, plant and equipment and their carrying amount are as follows:

	Land & Buildings	Furniture & Fittings	Office Equipment	Motor Vehicles	Right of Use Assets	Total
	$	$	$	$	$	$
Gross Value						
Opening Balance	1,733,539	743,375	34,459	118,960	-	2,630,333
Additions	-	2,523	10,095	-	30,720	43,337
Disposals	(4,685)	(90,589)	(2,399)	(28,169)	-	(125,842)
Transfers	49,901	(47,644)	(2,256)	-	-	-
Closing Balance	**1,778,755**	**607,664**	**39,898**	**90,791**	**30,720**	**2,547,828**
Accumulated Depreciation						
Opening Balance	(498,653)	(650,107)	(23,164)	(94,012)	-	(1,265,935)
Depreciation/Amortisation	(38,045)	(52,006)	(7,168)	(5,467)	(6,018)	(108,703)
Disposals	3,923	90,600	2,399	28,169	-	125,091
Transfers	(17,178)	16,548	630	-	-	-
Closing Balance	**(549,954)**	**(594,964)**	**(27,302)**	**(71,309)**	**(6,018)**	**(1,249,547)**
Summary						
At Cost	1,778,755	607,664	39,898	90,791	30,720	2,547,828
Accumulated Depreciation	(549,954)	(594,964)	(27,302)	(71,309)	(6,018)	(1,249,547)
Written Down Value	**1,228,801**	**12,700**	**12,596**	**19,481**	**24,702**	**1,298,281**

10. Intangible Assets

Recognition of Other Intangible Assets

Acquired Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent Measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.

In addition, they are subject to impairment testing. The following useful lives are applied:

- Software: 3-5 years
- Intellectual property: 3-5 years

Amortisation has been included within depreciation and amortisation. Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

Details of the Company's intangible assets and their carrying amounts are as follows:

	Intellectual Property	Computer Software	Total
	$	$	$
Gross Value			
Opening Balance	34,194	21,253	55,447
Additions	-	1,835	1,835
Disposals	-	(923)	(923)
Transfers	-	-	-
Closing Balance	**34,194**	**22,166**	**56,360**
Accumulated Depreciation			
Opening Balance	(34,194)	(13,484)	(47,678)
Depreciation/Amortisation	-	(2,136)	(2,136)
Disposals	-	923	923
Transfers	-	-	-
Closing Balance	**(34,194)**	**(14,697)**	**(48,891)**
Summary			
At Cost	34,194	22,166	56,360
Accumulated Depreciation	(34,194)	(14,697)	(48,891)
Written Down Value	**-**	**7,469**	**7,469**

11. Trade & Other Payables

Trade and other payables recognised consist of the following:

Current	2018	2017
	$	$
Trade Creditors	216,098	399,410
Prepaid Grant Funds	668,964	1,080,667
Prepaid Memberships	168,325	165,773
GST Payable	55,416	69,860
PAYG Withholding Payable	48,910	46,486
Sundry Creditors	64,523	22,243
	1,222,237	**1,784,439**

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. Trade and other payables are unsecured and usually paid within 60 days of recognition.

Non-Current	2018	2017
	$	$
Prepaid Memberships	39,522	43,987
	39,522	**43,987**

Deferred income (government grants) are received in advance for services to be rendered by the Company. Deferred income is amortised over the life of the contract.

12. Employee Remuneration

12.1. Employee Benefits Expense

Expenses recognised for employee benefits are analysed below:

	2018	2017
	$	$
Wages & Salaries	3,837,986	3,615,841
Superannuation	358,998	334,658
Employee Benefit Provisions	30,792	35,123
	4,227,776	**3,985,622**

12.2. Employee benefits

Short-Term Employee Benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other Long-Term Employee Benefits

The Company's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees.

The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Defined Contribution Plans

The Company pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Post-Employment Benefits Plans

The Company provides post-employment benefits through defined contribution plans. The liabilities recognised for employee benefits consist of the following amounts:

Current	**2018**	**2017**
	$	**$**
Annual Leave Provision	259,434	234,833
Long Service Leave Provision	150,904	140,685
Superannuation Payable	32,165	32,180
	442,503	**407,698**

Non-Current	**2018**	**2017**
	$	**$**
Long Service Leave Provision	56,030	60,058
	56,030	**60,058**

13. Provisions

Provisions can be summarized as follows:

	2018	**2017**
	$	**$**
Maintenance Provision	27,032	27,032
	27,032	**27,032**

14. Leases

As indicated in note 3.2, the Company has adopted AASB 16 Leases retrospectively from 1 July 2017, as permitted under the specific transition provisions in the standard. Comparatives for the 2017 financial year have therefore not been restated. On adoption of AASB 16, the Company recognised the lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at their present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 July 2017.

	2018 $
Operating lease commitments disclosed at 1 July 2017	73,282
Add: finance lease liabilities recognised as at 30 June 2018	24,320
Less: short-term leases recognised on a straight-line basis as an expense	(42,562)
Add/(less): adjustments as a result of different treatment of extension and termination options	(30,720)
Lease liability recognised as at 30 June 2018	**24,320**

The associated right of use assets was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2017.

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard;

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2017 as short-term leases
- The exclusion of initial direct costs for the measurement of the right to use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

15. Other Liabilities

Other liabilities can be summarised as follows:

	2018 $	2017 $
Prepaid Income	349,077	134,564
Accrued Expenses	31,712	48,247
Restricted Donations	-	5,000
Accrued Wages & On Costs	121,086	159,630
	501,875	**347,441**

16. Auditor Remuneration

	2018 $	2017 $
Audit and review of financial statements	21,710	32,709
	21,710	**32,709**

17. Other Expenses

The company's other expenses include;

	2018 $	2017 $
Program Costs	921,256	752,308
Stock Purchases	225,184	133,862
Postage & Handling Expense	201,495	147,637
Consultants- Management	198,700	30,591
Property Costs	198,499	22,398
Other Expenses	1,226,589	1,683,152
	2,971,722	**2,769,948**

18. Financial Instrument Risk

18.1. Risk Management Objectives & Policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

18.2. Market Risk Analysis

The Company is exposed to market risk through to interest rate risk and certain other price risks, which result from both its operating and investing activities. The Company's investments in short and long-term deposits all pay fixed interest rates.

18.3. Credit Risk Analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. the reporting date, as summarised below:

	2018 $	2017 $
Cash and cash equivalents	2,241,073	2,171,787
Trade and other receivables	5,418,770	5,501,995
	7,659,844	**7,673,782**

The Company continuously monitors defaults of customers and other counterparties; identified either individually or by Company and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and / or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. Some of the unimpaired trade and other receivables are past due as at the reporting date. Information on financial assets past due but not impaired are as follows:

	2017	2017
	$	$
Less than 30 days	456	3,177
30 to 60 days	465	7,088
More than 60 days	-	683
	921	**10,948**

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents and long-term deposits is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.

18.4. Liquidity Risk Analysis

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring its forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The Company's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements.

19. Fair Value Measurement

Fair value of the Company's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers, when it is believed the carrying value of the asset has changed materially. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

20. Capital Management Policies & Procedures

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

The Company's capital consists of financial liabilities, supported by financial assets. Management effectively manages the Company's capital by assessing the Company's financial risk 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 capital of the Company since the previous year.

21. Related party transactions

The Group's related parties include its key management personnel and related entities as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

21.1. Transactions with key management personnel

The Company used the consulting services of one Director and the entity over which he exercises significant influence. The amounts billed were based on normal market rates and amounted to $6,000 (2017: $Nil). There were no outstanding balances at the reporting dates under review.

22. Post-Reporting Date Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Directors' Declaration

In the opinion of the Directors of Diabetes WA Ltd:

1) The financial statements and notes of Diabetes WA Ltd are in accordance with the Corporations Act 2001, including:
   a) Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
   b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   c) Complying with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
2) There are reasonable grounds to believe that Diabetes WA Ltd will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

M Watson

Dr Moira Watson

President

4 September 2018

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the members of Diabetes WA Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Diabetes WA Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Diabetes WA Ltd, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 4 September 2018