

# **Fairtrade Australia and New Zealand Ltd**

**A.C.N: 114 571 881**

**Annual Financial Report**

**For the Year Ended 30 June 2019**

# **Fairtrade Australia and New Zealand Ltd**

A.C.N: 114 571 881

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**For the Year Ended 30 June 2019**

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## Directors' Report

30 June 2019

The directors present their report together with the financial report of Fairtrade Australia and New Zealand Ltd ("Fairtrade ANZ" or "the Company") for the financial year ended 30 June 2019 and the auditor's report thereon.

### 1. Directors

The names of the director in office at any time during the whole financial year and to the date of this report, unless otherwise stated:

Director	Appointment date	Qualifications, experience and special responsibilities
Katherine Rich	8 September 2017	<p><b>Qualifications:</b> B.Comm B.A</p> <p><b>Experience:</b> Experience across a range the FMCG sector in New Zealand, New Zealand Government Departments and politics, including 9 years as a NZ MP.</p> <p><b>Special Responsibilities:</b></p> <p>Board Chair</p> <p>Member of Business Development Committee</p>
Lisa Barker	11 April 2014	<p><b>Qualifications:</b> B.A, LL.B. and LL.M (International Law)</p> <p><b>Experience:</b> Experience in international law, human rights and trade and development for both government and private sector.</p> <p><b>Special Responsibilities:</b></p> <p>Member of Nominations Committee.</p>
John Buttle	23 November 2018	<p><b>Qualifications:</b> Dip Tech (Commerce), MAICD</p> <p><b>Experience:</b> Over 30 years' experience in audit, due diligence and special work, including strategy, planning and all aspects of risk management including strategic, credit, market and operational risk.</p> <p><b>Special Responsibilities:</b></p> <p>Chair of Finance Committee</p>
Christopher Davis	23 November 2018	<p><b>Qualifications:</b> AssocDip.Bus(Marketing), FAICD</p> <p><b>Experience:</b> Over 35 years' experience in multiple consumer product and service segments, together with over 20 years' of international Board experience.</p> <p><b>Special Responsibilities:</b></p> <p>Chair of Business Development Committee</p> <p>Member of Marketing &amp; Community Engagement Committee</p>
Gareth Edgecombe	11 April 2014 Cease Date: 23 November 2018	<p><b>Qualifications:</b> BMS (Hons)</p> <p><b>Experience:</b> Experience in sales, marketing and strategy roles in FMCG, with 15 years in business leadership roles.</p>
David Head	30 May 2016	<p><b>Qualifications:</b> B.Econ (Monash)</p> <p><b>Experience:</b> Over 30 years' experience as a Chief Executive, Non-Executive Director, and Corporate Advisor in a wide range of Industry sectors in Australia, New Zealand, Asia and Europe, including Publicly Listed, Private Companies and Not for Profit Organisations.</p> <p><b>Special Responsibilities:</b></p> <p>Member of Marketing &amp; Community Engagement Committee</p>

## Directors' Report

30 June 2019

Director	Appointment date	Qualifications, experience and special responsibilities
Terence Jeyaretham	23 November 2018	<b>Qualifications:</b> B.Eng, FIEAust, EngExec <b>Experience:</b> Over 25 years' experience in advising governments and corporations on sustainability issues. <b>Special Responsibilities:</b> Member of Finance Committee Member of Business Development Committee
Karen Mapusua	14 November 2012	<b>Qualifications:</b> BA Arts, Grad Dip Not for profit management <b>Experience:</b> Experience in the Pacific organic and Fairtrade movement, including the development of the Pacific Organic Standard and Guarantee Scheme.
Markerita Poutasi	6 August 2014 Cease Date: 23 November 2018	<b>Qualifications:</b> B.A, LL.B <b>Experience:</b> Experience in promoting trade in the Pacific region, public international law and promoting leadership development for Pacific managers.
John Thwaites	1 February 2019	<b>Qualifications:</b> B.Sc LLB (Hons) <b>Experience:</b> Extensive experience in climate change, water, sustainability and corporate social responsibility, including advising Australian, State and Local governments. Former Minister and Deputy Premier Victoria. <b>Special Responsibilities:</b> Member of Business Development Committee
Valentina Tripp	1 June 2012 Cease Date: 23 November 2018	<b>Qualifications:</b> MBA, B.Comms (Melb), CPA <b>Experience:</b> 20 years commercial experience in corporate strategy, operational restructuring, turnaround, commercial due diligence, supply chain, international trade, manufacturing, sourcing, brand and portfolio management.
Delia Rickard	22 August 2014	<b>Qualifications:</b> B.A, LL.B <b>Experience:</b> Extensive experience in regulation, communications and consumer protection with ACCC, ASIC and working for several Federal Consumer Affairs Ministers. <b>Special Responsibilities:</b> Member of Marketing & Community Engagement Committee
Margaret Zabel	23 November 2018	<b>Qualifications:</b> BMath, MBA, GAICD <b>Experience:</b> Extensive experience in customer centred business transformation, brand and marketing strategy, innovation, customer experience and change leadership <b>Special Responsibilities:</b> Chair of Marketing & Community Engagement Committee

### 2. Principal activities

The principal activity of Fairtrade ANZ during the financial year was to improve economic and community development of rural communities in developing countries through Fairtrade certification and market access. These activities included:

- Fairtrade Fortnight Campaign
- Protest With Your Purchase Campaign
- Trade Shows
- Participation in Industry Forums / Presentations
- PSR Work supporting producers in the Pacific region, particularly in PNG, East Timor, Samoa, Vanuatu and Tonga.

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

## Directors' Report

30 June 2019

### Short term objectives

The Company's short-term objectives are to:

- Expand market access in Australia and New Zealand for Fairtrade certified producers with a particular focus on Indo-Pacific supply chains;
- Build awareness of the Fairtrade Mark and convert awareness of the Fairtrade Mark into regular product purchase;
- Provide assurance to consumers of the Fairtrade Mark via a credible and independent certification program; and
- Improve economic and community development of Pacific rural communities through Fairtrade certification and market access.

### Long term objectives

The Company's long-term objectives are to:

- Improve the livelihoods for small-scale farmers and workers;
- Increase Fairtrade Producer Organisation income; and
- Facilitate community development, driven by use of the Fairtrade Premium

### Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

- Build the market – through customers, commodities and geography, including by strengthening our relationships with key stakeholders, creating commodity plans to establish market access and develop new opportunities for Fairtrade certified products, particularly from the Indo-Pacific region, managing engagement with existing licensees and participating in trade shows;
- Consumer and community marketing and engagement – by carrying out consumer campaigns, advocacy and campaigning for trade justice, community grants, developing networks and alliances/partnerships and media relations and monitoring;
- Conducting scheduled audits of licensees in accordance with the Fairtrade International Assurance Code; and
- Supporting Fairtrade producer organisations among producing communities in the Pacific region, providing market access to Fairtrade producers in the Pacific region and improved regional participation in Fairtrade International.

### How principal activities assisted in achieving the objectives

The principal activities assisted the Company in achieving its objectives by raising public awareness regarding the Fairtrade Mark, expanding market access in Australia and New Zealand of Fairtrade certified product and building the capacity of producers in the Pacific region to obtain Fairtrade certification.

### Performance measures

Fairtrade ANZ measures its performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of Fairtrade ANZ and whether Fairtrade's objectives are being achieved.

### Members guarantee

Fairtrade ANZ is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If Fairtrade ANZ is wound up, the constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the entity. At 30 June 2019, the total amount that members of Fairtrade ANZ are liable to contribute if Fairtrade ANZ is wound up is \$300 (2018: \$300).

### 3. Meetings of directors

During the financial year, four meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Finance Committee		Business Development Committee		Marketing and Community Engagement Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Katherine Rich	5	4	n/a		3	3	n/a	
Lisa Barker	5	5	n/a		n/a		n/a	
John Buttle	2	2	1	1	n/a		n/a	
Christopher Davis	2	1	n/a		1	1	1	-
Gareth Edgecombe	3	1	n/a		2	-	n/a	
David Head	5	4	3	3	n/a		1	1
Terence Jeyaretham	2	2	1	1	1	1	n/a	
Karen Mapusua	5	4	n/a		n/a		n/a	

## Directors' Report

30 June 2019

### 3. Meetings of directors (continued)

Markerita Poutasi	3	-	1	-	n/a	n/a
Delia Rickard	5	3	n/a		n/a	3 3
John Thwaites	1	1	n/a		n/a	n/a
Valentina Tripp	3	3	3	3	n/a	n/a
Margaret Zabel	2	2	n/a		n/a	1 1

### 4. Operating and financial review

The total revenue for the year was \$5,635,883 (2018: \$4,519,957).

The surplus for the year amounted to \$484,536 (2018: \$31,150 surplus). The Company is exempt from income tax.

### 5. Dividends

The Company being a public company limited by guarantee is precluded under its Constitution from payment of dividends to its members.

### 6. Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

### 7. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

### 8. Likely developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

### 9. Indemnification and insurance of officers and auditors

#### Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

#### Insurance premiums

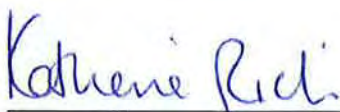
During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2019 and since the financial year, the Company has paid premiums in respect of such insurance contracts for the year ending 30 June 2019. Such insurance contracts insure against certain liabilities (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

### 10. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the financial year ended 30 June 2019.

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



Katherine Rich

Board Chair,

Fairtrade Australia and New Zealand



John Buttle

Chair of Finance & Risk Committee

Fairtrade Australia and New Zealand

Dated this 15th day of November 2019



# Lead Auditor's Independence Declaration under subdivision 60-C section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012

To the Directors of Fairtrade Australia and New Zealand Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Fairtrade Australia and New Zealand Ltd for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Amanda Bond  
Partner

Melbourne  
15 November 2019

**Statement of Surplus or Deficit and Other Comprehensive Income**  
**For the Year Ended 30 June 2019**

	Note	2019 \$	2018 \$
<b>Income</b>			
Grant income	4	2,164,906	1,598,809
License fees		3,326,251	2,609,455
Other income		144,725	311,693
<b>Total income</b>		<b>5,635,882</b>	<b>4,519,957</b>
<b>Expenses</b>			
<b>Australian grants</b>			
International program costs		518,111	179,707
Program support costs		87,284	507,949
Community education costs		696,056	365,413
<b>New Zealand grants</b>			
International program costs		338,393	287,594
Program support costs		26,103	66,784
Community education costs		172,698	109,602
<b>Total grant expenditure</b>	5(b)	<b>1,838,645</b>	<b>1,517,049</b>
Organisation costs		76,761	26,628
Domestic program costs		127,199	111,872
Employment costs		1,241,478	1,337,966
Licensing costs		1,184,002	781,760
Non-monetary costs		32,164	40,748
Occupancy costs		130,349	123,611
Other employment costs		59,848	103,657
Other costs		317,771	334,087
Technology costs		114,372	86,167
<b>Total expenditure</b>		<b>5,122,589</b>	<b>4,463,545</b>
<b>Surplus from operating activities</b>		<b>513,293</b>	<b>56,412</b>
Finance income		6,202	7,090
Finance cost		(34,959)	(32,352)
<b>Surplus for the year</b>		<b>484,536</b>	<b>31,150</b>
<b>Other comprehensive income</b>			
Foreign currency translation gain/(losses)		26,622	(63,420)
<b>Total comprehensive surplus/(deficit) for the year</b>		<b>511,158</b>	<b>(32,270)</b>

The accompanying notes on page 12 to 27 form part of these financial statements.



## **Statement of Financial Position**

**30 June 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	1,597,689	2,049,079
Trade and other receivables	7	1,483,438	877,265
<b>TOTAL CURRENT ASSETS</b>		<b>3,081,127</b>	<b>2,926,344</b>
Property, plant and equipment	8	46,668	50,369
Intangible assets	9	11,186	3,056
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,854</b>	<b>53,425</b>
<b>TOTAL ASSETS</b>		<b>3,138,981</b>	<b>2,979,769</b>
<b>LIABILITIES</b>			
Trade and other payables	10	650,772	571,826
Deferred revenue	11	500,533	993,569
Employee benefits	12	166,410	116,985
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,317,715</b>	<b>1,682,380</b>
Employee benefits	12	25,999	13,280
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>25,999</b>	<b>13,280</b>
<b>TOTAL LIABILITIES</b>		<b>1,343,714</b>	<b>1,695,660</b>
<b>NET ASSETS</b>		<b>1,795,267</b>	<b>1,284,109</b>
<b>EQUITY</b>			
Reserves		913,197	444,269
Retained earnings		882,070	839,840
<b>TOTAL EQUITY</b>		<b>1,795,267</b>	<b>1,284,109</b>

The accompanying notes on page 12 to 27 form part of these financial statements.

## Statement of Changes in Equity

For the Year Ended 30 June 2019

	Retained Earnings \$	Foreign Currency Translation Reserve \$	General Reserves \$	Total \$
<b>Balance at 1 July 2018</b>	<b>839,840</b>	<b>30,907</b>	<b>413,362</b>	<b>1,284,109</b>
<b>Total comprehensive income for the year</b>				
Other comprehensive income:				
Exchange differences on translating foreign operations	-	26,622	-	26,622
Total other comprehensive income	-	26,622	-	26,622
Surplus for the year	484,536	-	-	484,536
<b>Total comprehensive income for the period</b>	<b>484,536</b>	<b>26,622</b>	<b>-</b>	<b>511,158</b>
Net transfers (from) / to retained earnings	(442,306)	-	442,306	-
<b>Balance at 30 June 2019</b>	<b>882,070</b>	<b>57,529</b>	<b>855,668</b>	<b>1,795,267</b>

	Retained Earnings \$	Foreign Currency Translation Reserve \$	General Reserves \$	Total \$
<b>Balance at 1 July 2017</b>	<b>808,690</b>	<b>94,327</b>	<b>413,362</b>	<b>1,316,379</b>
<b>Total comprehensive income for the year</b>				
Other comprehensive loss:				
Exchange differences on translating foreign operations	-	(63,420)	-	(63,420)
Total other comprehensive loss	-	(63,420)	-	(63,420)
Surplus for the year	31,150	-	-	31,150
<b>Total comprehensive income / (loss) for the year</b>	<b>31,150</b>	<b>(63,420)</b>	<b>-</b>	<b>(32,270)</b>
<b>Balance at 30 June 2018</b>	<b>839,840</b>	<b>30,907</b>	<b>413,362</b>	<b>1,284,109</b>

### Foreign currency translation reserve

Exchange differences arising on translation of the foreign branch are recognised in other comprehensive income - foreign currency translation reserve.

### General Reserves

The general reserve records funds set aside to ensure the stability of the programs, activities, employment and on-going operations of the company.

**Statement of Cash Flows**  
**For the Year Ended 30 June 2019**

	<b>Note</b>	<b>2019</b> <b>\$</b>	<b>2018</b> <b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from grants		1,590,578	1,334,751
Receipts from Licensees		3,218,893	2,874,757
Payments to suppliers and employees		(5,473,692)	(4,891,136)
Other income		218,078	246,320
Interest received		6,202	7,090
Net cash used in operating activities	13	<u>(439,941)</u>	<u>(428,218)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	8	(24,919)	(27,194)
Purchase of intangible asset	9	(13,328)	-
Proceeds on disposal of property, plant and equipment		176	-
Net cash used in investing activities		<u>(38,071)</u>	<u>(27,194)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Effects of exchange rate changes on cash and cash equivalents		26,622	(63,420)
Net decrease in cash and cash equivalents held		(451,390)	(518,832)
Cash and cash equivalents at beginning of year		2,049,079	2,567,911
Cash and cash equivalents at end of financial year	13	<u>1,597,689</u>	<u>2,049,079</u>

The accompanying notes on page 12 to 27 form part of these financial statements.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 1 Reporting Entity

Fairtrade Australia and New Zealand Ltd is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia. The financial report covers Fairtrade Australia and New Zealand Ltd as an individual entity. The Company is primarily involved in the economic improvement and community development of rural communities in developing countries through Fairtrade certification and market access.

### 2 Basis of Preparation

#### a) Statement of compliance

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were authorised for issue by the Board of Directors on 15 November 2019.

#### b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

#### d) Use of estimates and judgements

In the preparation of financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have been applied consistently in all periods presented in these financial statements and have been consistently applied by the Company.

#### e) Changes in accounting policies

The Company has initially applied AASB 9 from 1 July 2018.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Company's financial assets and financial liabilities as at 1 July 2018.

<i>In dollars</i>	Original classification under AASB 139	New classification under AASB 9	Carrying amount under AASB 139	Carrying amount under AASB 9
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortised Cost	877,265	877,265
Cash and cash equivalents	Loans and receivables	Amortised Cost	2,049,079	2,049,079
<b>Total financial assets</b>			2,926,344	2,926,344

<i>In dollars</i>	Original classification under AASB 139	New classification under AASB 9	Carrying amount under AASB 139	Carrying amount under AASB 9
<b>Financial liabilities</b>				
Payables	Other financial liabilities	Other financial liabilities	571,826	571,826
<b>Total financial liabilities</b>			571,826	571,826

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 2 Basis of Preparation (continued)

#### e) Changes in accounting policies (continued)

##### *Impairment of financial assets*

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI (Fair Value through Other Comprehensive Income), but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in no material adjustments to trade and other receivables & cash and cash equivalent as at 30 June 2019.

### 3 Significant Accounting Policies

#### a) Income tax

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*.

#### b) Leases

##### i) *Leased assets*

Assets held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and the associated assets are not recognised in the Company's statement of financial position.

##### ii) *Lease payments*

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### iii) *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **3 Significant Accounting Policies (continued)**

#### **c) Revenue**

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

##### *i) Grant revenue*

Non-reciprocal grant revenue is recognised in surplus or deficit when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

##### *ii) License fees*

Under most of our patent license agreements, we receive license fee payments based upon our licensees' net sales of covered products. Generally, under these agreements licensees are required to submit flow of goods reports (sales reports) one quarter in arrears.

We recognise license fee revenues when we can reliably estimate such amounts. As such, we recognise license fee revenues when they are reported by our licensees and they are reliably measurable by the Company.

Under this accounting policy, the license fee revenues are not based upon our estimates and such license fee revenues are typically reported in the same period in which we invoice our licensees.

#### **d) Finance income and finance costs**

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income is recognised as it accrues, using the effective interest method. Interest income is recognised as it accrues in the surplus or deficit, using the effective interest method.

#### **e) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **3 Significant Accounting Policies (continued)**

#### **f) Property, plant and equipment**

##### *i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Capital works in progress are measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

##### *ii) Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

##### *iii) Depreciation*

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in surplus or deficit, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The depreciation rates used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>2019</b>	<b>2018</b>
Office furniture and equipment	20.00%	20.00%
Computer equipment	33.33%	33.33%
Leasehold improvements	20.00%	20.00%

#### **g) Intangible assets**

##### *i) Software*

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and four years.

##### *ii) Amortisation*

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Significant Accounting Policies (continued)

#### h) Financial instruments

##### i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### ii) Classification and subsequent measurement

###### **Financial assets – Policy applicable from 1 July 2018**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; or FVTSD (Fair Value through Surplus or Deficit).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- i. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTSD:

- i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTSD. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTSD if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### **Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 July 2018**

###### *Financial assets at FVTSD*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in surplus or deficit.

###### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses are recognized in surplus or deficit any gain or loss on derecognition is recognised in surplus or deficit.

###### *Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in surplus or deficit. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to surplus or deficit.

###### **Financial assets – Policy applicable before 1 July 2018**

The Company classified its financial assets into one of the following categories:

- i. loans and receivables;
- ii. held to maturity;
- iii. available for sale; and
- iv. at FVTSD, and within this category as:
  - held for trading; or
  - designated as at FVTSD.



## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Significant Accounting Policies (continued)

#### h) Financial instruments (continued)

##### ***Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 July 2018***

###### ***Financial assets as FVTSD***

Measured at fair value and changes therein, including any interest or dividend income, were recognized in surplus or deficit.

###### ***Financial assets amortised cost and Loans and receivables***

Measured at amortised cost using the effective interest method.

###### ***Available –for-sale financial assets***

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to surplus or deficit.

##### ***Financial liabilities – Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTSD. A financial liability is classified as at FVTSD if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTSD are measured at fair value and net gains and losses, including any interest expense, are recognised in surplus or deficit. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus or deficit.

###### ***Derecognition***

###### ***Financial assets***

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

###### ***Financial liabilities***

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in surplus or deficit.

###### ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Significant Accounting Policies (continued)

#### i) Impairment

##### i) *Non-derivative financial assets*

*Policy applicable from 1 July 2018*

##### **Financial instruments and contract assets**

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- i. financial assets measured at amortised cost;
- ii. debt investments measured at FVOCI; and
- iii. contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- i. the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ii. the financial asset is more than 120 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

##### **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- i. significant financial difficulty of the borrower or issuer;
- ii. a breach of contract such as a default or being more than 120 days past due;
- iii. the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- iv. it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- v. the disappearance of an active market for a security because of financial difficulties.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Significant Accounting Policies (continued)

#### i) Impairment (continued)

##### ***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

##### ***Write-off***

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

*Policy applicable before 1 July 2018*

##### ***Non-derivate financial assets***

Financial assets not classified as at FVTSD were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- i. default or delinquency by a debtor;
- ii. restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- iii. indications that a debtor or issuer would enter bankruptcy;
- iv. adverse changes in the payment status of borrowers or issuers;
- v. the disappearance of an active market for a security because of financial difficulties; or
- vi. observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Company considered a decline of 20% to be significant and a period of nine months to be prolonged.

##### ***Financial assets measured at amortised cost***

The Company considers evidence of impairment for financial assets measured at amortised cost (trade and other receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment (e.g. repayment by a debtor) was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **3 Significant Accounting Policies (continued)**

#### **i) Impairment (continued)**

##### ***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its depreciated cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **j) Employee benefits**

##### ***i) Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### ***ii) Defined contribution plans***

Obligations for contributions to defined contribution plans are recognised as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### ***iii) Other long-term employee benefits***

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Expected future benefits are discounted using market yields at reporting date on Australian corporate bonds with terms to maturity and currency that matches, as closely as possible, the estimated future cash outflows. Remeasurements are recognised in surplus or deficit in the period in which they arise.

##### ***iv) Termination benefits***

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are payable more than 12 months of the end of the reporting period, then they are discounted.

#### **k) Provisions**

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

#### **l) Foreign currency transactions and balances**

##### ***i) Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in surplus or deficit. Non-monetary items that are measured based on of historical cost in a foreign currency are not translated.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **3 Significant Accounting Policies (continued)**

#### **i) Foreign currency transactions and balances (continued)**

##### *ii) Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in statement of surplus or deficit and other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to surplus or deficit as part of the gain or loss on disposal.

#### **m) Accounting standards and interpretations issued, not yet effective, and not early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

##### *i) AASB 1058 Income for Not-for-Profits*

AASB 1058 *Income for Not-for-Profits* sets out new requirements for recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed, and instead an assessment of enforceability and performance obligation is required. AASB 1058 is effective for annual reporting periods beginning on or after 1 July 2019, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB1058.

##### *ii) AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Company currently plans to apply AASB 15 initially on 1 July 2019. The Company has completed an initial assessment of the potential impact of the adoption of AASB 15 on its financial statements. The Company earns revenue from cash contributions received from government grants and license fees (refer to note 3 (c)). The Company has performed an initial assessment of these transactions and does not expect that there will be a significant impact on its financial statements from the adoption of the new standard.

##### *iii) AASB 16 Leases*

AASB 16 *Leases* requires entities to bring most operating leases on-balance sheet. Entities with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for annual periods beginning on or after 1 July 2019.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 16.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019 \$	2018 \$
<b>4 Revenue and Other Income</b>		
Grant income		
- MFAT Grants	537,194	463,980
- DFAT Grants	1,551,451	1,053,069
	<u>2,088,645</u>	<u>1,517,049</u>
Grant administration support	76,261	81,760
Total grant income	<u>2,164,906</u>	<u>1,598,809</u>

No income in the form of donations, gifts, bequests or legacies have been received in the current or prior financial period, nor has any income been received in relation to International Political or Religious Adherence Promotion Programs.

	2019 \$	2018 \$
<b>5 Expenses</b>		
<b>a) Auditor's fees</b>		
<i>Audit of annual financial statements</i>		
Audit of financial statements	22,500	20,171
<b>b) Grant expenses</b>		
Grant related activity expenses		
- MFAT activity expense	537,194	463,980
- DFAT activity expense	1,301,451	1,053,069
Total grant related activity expenses	<u>1,838,645</u>	<u>1,517,049</u>
<b>c) Other expenses</b>		
Rental expense on operating leases		
- minimum lease payments	144,321	118,356
Depreciation expense	28,444	26,255
Amortisation expense	5,198	14,493
Bad debts and provision for doubtful debt movement	(5,300)	(36,423)
Employee expenditure	<u>2,013,686</u>	<u>1,820,062</u>
<b>6 Cash and cash equivalents</b>		
Cash at bank and in hand	840,946	1,319,316
Investment and interest-bearing accounts	573,854	548,766
General reserve funds in hand	<u>182,889</u>	<u>180,997</u>
Total cash and cash equivalents	<u>1,597,689</u>	<u>2,049,079</u>

Included in the cash and cash equivalents balance are unexpended grant funds amounting to \$500,533 (2018: \$993,569). Refer to Note 11.



## Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019 \$	2018 \$
<b>7 Trade and other receivables</b>		
Trade receivables	570,410	741,673
Accrued debtors	861,709	86,804
Prepayments	51,319	48,788
<b>Total trade and other receivables</b>	<b>1,483,438</b>	<b>877,265</b>

As at 30 June 2019, trade receivables are shown net of an impairment allowance for doubtful debts of \$7,288 (2018: \$14,587).

## 8 Property, plant and equipment

	Office furniture and equipment \$	Computer equipment \$	Leasehold improvement s \$	Total \$
<b>Cost</b>				
At 1 July 2017	25,178	48,269	20,626	94,073
Additions	4,811	22,383	-	27,194
<b>At 30 June 2018</b>	<b>29,989</b>	<b>70,652</b>	<b>20,626</b>	<b>121,267</b>
Additions	814	24,105	-	24,919
Disposals	(522)	-	-	(522)
<b>At 30 June 2019</b>	<b>30,281</b>	<b>94,757</b>	<b>20,626</b>	<b>145,664</b>
<b>Accumulated depreciation</b>				
At 1 July 2017	9,926	25,999	8,718	44,643
Depreciation for the year	9,006	13,308	3,941	26,255
<b>At 30 June 2018</b>	<b>18,932</b>	<b>39,307</b>	<b>12,659</b>	<b>70,898</b>
Depreciation for the year	4,284	20,218	3,942	28,444
Disposal	(346)	-	-	(346)
<b>At 30 June 2019</b>	<b>22,870</b>	<b>59,525</b>	<b>16,601</b>	<b>98,996</b>
<b>Carrying amounts</b>				
At 1 July 2017	15,252	22,270	11,908	49,430
At 30 June 2018	11,057	31,345	7,967	50,369
<b>At 30 June 2019</b>	<b>7,411</b>	<b>35,232</b>	<b>4,025</b>	<b>46,668</b>

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2019**

#### **9 Intangible assets**

	<b>Total \$</b>
<b>Software</b>	
<b>Cost</b>	
At 1 July 2017	65,720
<b>At 30 June 2018</b>	<b>65,720</b>
Additions	13,328
<b>At 30 June 2019</b>	<b>79,048</b>
<b>Accumulated amortisation</b>	
At 1 July 2017	48,171
Amortisation for the year	14,493
<b>At 30 June 2018</b>	<b>62,664</b>
Amortisation for the year	5,198
<b>At 30 June 2019</b>	<b>67,862</b>
<b>Carrying amounts</b>	
At 1 July 2017	17,549
At 30 June 2018	3,056
<b>At 30 June 2019</b>	<b>11,186</b>

	<b>2019 \$</b>	<b>2018 \$</b>
<b>10 Trade and other payables</b>		
Trade payables – third parties	33,470	110,414
Trade & other payables – related parties (net):		
Fairtrade International	412,543	221,236
FLO-Cert GmbH	26,920	13,307
	<u>439,463</u>	<u>234,543</u>
Accrued expenses	18,348	11,911
Other payables	159,491	214,958
<b>Total trade and other payables</b>	<u><b>650,772</b></u>	<u><b>571,826</b></u>
<b>11 Deferred revenue</b>		
The Ministry of Foreign Affairs and Trade (MFAT) - New Zealand	154,611	8,852
Department of Foreign Affairs and Trade (DFAT)	345,922	984,717
<b>Total deferred revenue</b>	<u><b>500,533</b></u>	<u><b>993,569</b></u>



## Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019 \$	2018 \$
<b>12 Employee Benefits</b>		
<b>Current Liabilities</b>		
Short-term Employee Benefits	166,410	116,985
<b>Non-Current Liabilities</b>		
Long-term Employee Benefits	25,999	13,280
Provision for employee benefits represent amounts accrued for annual leave, long service leave and employee bonuses.		
<b>13 Cash Flow Information</b>		
<b>a) Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	1,597,689	2,049,079
<b>b) Reconciliation of result for the year to cash flows from operating activities</b>		
Reconciliation of net income to net cash provided by operating activities:		
Surplus/(Deficit) for the year	484,536	31,150
Cash flows excluded from surplus attributable to operating activities		
Non-cash flows in surplus:		
- Depreciation and amortisation	33,642	40,748
Changes in assets and liabilities		
- Decrease/ (increase) in trade and other receivables	(606,173)	(99,514)
- (Decrease)/ increase in trade and other payables	78,946	(32,370)
- (Decrease)/ increase in deferred revenue	(493,036)	(391,198)
- Decrease/ (increase) in employee benefits	62,144	22,966
Cash flows from operations	(439,941)	(428,218)
<b>14 Leasing Commitments</b>		
<b>Operating leases</b>		
Minimum lease payments under non-cancellable operating leases:		
- Not later than one year	92,036	122,395
- Between one year and five years	66,926	103,302
Total minimum lease payments	158,962	225,697

The properties leased at Level 3, 838 Collins Street, Melbourne, Victoria are non-cancellable leases with a 60 month term, with rental payable in advance. Contingent rental provisions within the lease agreement impose an annual 4% increase.

The property leased at 84c Hurstmere Road, Takapuna, Auckland is a non-cancellable lease with a 48 month term, with rental payable in advance.

The photocopiers leased from Fuji Xerox are for terms between 48 & 60 months.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2019**

#### **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 \$100 each towards meeting any outstandings and obligations of the Company. At 30 June 2019 the number of members was 3 (2018: 3).

#### **16 Related Parties**

##### **a) The Company's main related parties are as follows:**

##### **i) Key management personnel:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

The totals of remuneration paid to the key management personnel of Fairtrade Australia and New Zealand Ltd during the year are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term and long-term employee benefits	<u>475,387</u>	<u>403,298</u>

##### **ii) Other related parties include close family members of key management personnel and entities that are controlled.**

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

#### **17 Contingencies**

Contingent asset: There may be license fee income for the period up to 30 June 2019 which has not been recorded as revenue due to the balance of this revenue not being able to be reliably measured as at 30 June 2019.

Contingent liabilities: In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018: None).

#### **18 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 15 November 2019 by the Board of Directors.

There has not arisen in the interval between the end of the financial year and the date of the report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

#### **19 Company Details**

The registered office and principle place of business of the company is:

Fairtrade Australia and New Zealand Ltd  
Suite 312  
838 Collins Street  
Melbourne Victoria 3000

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2019**

#### **20 Table of cash movements for designated purpose**

The following table discloses the movements in the following grants:

- Department of Foreign Affairs and Trade (DFAT)
- The Ministry of Foreign Affairs and Trade (MFAT) – New Zealand

	DFAT \$`	MFAT \$	TOTAL \$
<b>Balance at 1 July 2017</b>	<b>1,007,786</b>	<b>291,900</b>	<b>1,299,686</b>
Funding received	1,030,000	180,932	1,210,932
Funding utilised	(1,053,069)	(463,980)	(1,517,049)
<b>Balance at 30 June 2018</b>	<b>984,717</b>	<b>8,852</b>	<b>993,569</b>
Funding received	662,655	682,954	1,345,609
Funding utilised	(1,301,451)	(537,194)	(1,838,645)
<b>Balance at 30 June 2019</b>	<b>345,921</b>	<b>154,612</b>	<b>500,533</b>

## Fairtrade Australia and New Zealand Ltd

A.C.N: 114 571 881

### Directors' Declaration

In the opinion of the directors of Fairtrade Australia and New Zealand Ltd (the Company):

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 8 to 27 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013 ; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 15<sup>th</sup> day of November 2019.



Katherine Rich  
Board Chair,  
Fairtrade Australia and New Zealand



John Buttle  
Chair of Finance & Risk Committee  
Fairtrade Australia and New Zealand

# Independent Auditor's Report

To the members of Fairtrade Australia and New Zealand Pty Ltd

## Opinion

We have audited the **Financial Report**, of the Fairtrade Australia and New Zealand Pty Ltd (the Company).

In our opinion, the accompanying **Financial Report** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, and the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC)* including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises

- i. Statement of financial position as at 30 June 2019.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 auditor independence requirements of the *ACNC Act 2012* 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 fulfilled our other ethical responsibilities in accordance with the Code.

## Other information

Other Information is financial and non-financial information in Fairtrade Australia and New Zealand Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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



override of internal control.

- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Amanda Bond  
*Partner*

Melbourne  
15 November 2019