

Fairtrade Australia and New Zealand Ltd

A.C.N: 114 571 881

Annual Financial Report

For the 18 months ended 31 December 2021

Fairtrade Australia and New Zealand Ltd

A.C.N: 114 571 881

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For the 18 Months Ended 31 December 2021

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Directors' Report 31 December 2021

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 31 December 2021 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
John Buttle	23 November 2018	<p>Qualifications: Dip Tech (Commerce), MAICD</p> <p>Experience: Over 30 -40 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>Special Responsibilities:</p> <p>Board Chair</p> <p>Member of the Finance, Audit & Risk Committee</p>
Christopher Davis	23 November 2018 Resigned 6 December 21	<p>Qualifications: Assoc Dip.Bus (Marketing), FAICD</p> <p>Experience: Over 35 years' experience in multiple consumer product and service segments, together with over 20 years of international Board experience.</p> <p>Special Responsibilities:</p> <p>Chair of Growth & Innovation Committee</p> <p>Member of Advocacy and Citizen Engagement Committee</p>
Terence Jeyaretnam	23 November 2018	<p>Qualifications: B.Eng, FIEAust, EngExec</p> <p>Experience: Over 25 years' experience in advising governments and corporations on sustainability issues.</p> <p>Special Responsibilities:</p> <p>Chair of Finance, Audit & Risk Committee</p> <p>Member of Growth & Innovation Committee</p>
John Thwaites	23 November 2018	<p>Qualifications: BSc LLB (Hons), FAICD</p> <p>Experience: Extensive experience in climate change, water, sustainability and corporate social responsibility, including advising Australian, State and Local governments. Also, former Deputy Premier Victoria.</p> <p>Special Responsibilities:</p> <p>Chair of Nominations & Remuneration Committee</p> <p>Member of Growth & Innovation Committee</p>
Margaret Zabel	23 November 2018	<p>Qualifications: BMath, MBA, GAICD</p> <p>Experience: Extensive experience in customer centred business strategy and transformation, brand and marketing strategy, innovation, customer experience, culture and change leadership, corporate sustainability.</p> <p>Special Responsibilities:</p> <p>Chair of Advocacy and Citizen Engagement Committee</p>

Directors' Report

31 December 2021

Director	Appointment date	Qualifications, experience and special responsibilities
Josie Pagani	April 2020	<p>Qualifications:</p> <p>Experience: Extensive experience in dealing with global issues and international development as the Director of the Council for International Development, and before that with the OECD Development Assistance Committee. A regular media commentator on current affairs in New Zealand, and has been a political advisor to ministers in government.</p> <p>Special Responsibilities:</p> <p>Member of Advocacy and Citizen Engagement Committee</p>
John Hewson	16 March 2020	<p>Qualifications:</p> <p>Experience: Widely known for his careers in academia, media, politics and business: as leader of the Liberal Party, and the Federal Coalition in Opposition, a founder of Macquarie Bank, Chairman of ABN Amro Australia, and Chair/Director of a host of public and private companies and not-for-profits.</p>
Mike Briers	6 December 2021	<p>Qualifications:</p> <p>Experience: An active venture builder and conviction investor who has fostered new models for public-private partnerships to solve some of the world's most pressing challenges including food security, modern slavery, and climate change. Mike has founded and co-founded 13 companies including a world-leading big data tech company with several spin-outs and 2 major CRCs in digital finance and digital agriculture.</p> <p>Chair of Growth & Innovation Committee</p>

2. Principal activities

The principal activity of Fairtrade ANZ during the financial period 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
- International Women's Day Campaign
- Trade Shows
- Participation in Industry Forums / Presentations
- Work supporting producers in the Pacific region, particularly in PNG, East Timor, Samoa, Vanuatu, Timor Leste and Tonga.

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

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 in developing countries;
- 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:

- Building the market through customers, commodities and geography, including the strengthening of relationships with key stakeholders and creating commodity plans to establish market access for Fairtrade certified products and to develop new Fairtrade certified products, particularly from the Indo-Pacific region, as

Directors' Report 31 December 2021

- well as maintaining regular 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 improving 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 31 December 2021, the total amount that members of Fairtrade ANZ are liable to contribute if Fairtrade ANZ is wound up is \$300 (2020: \$300).

3. Meetings of directors

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

	Directors' Meetings		Finance, Audit & Risk Committee		Growth & Innovation Committee		Advocacy & Citizen 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
John Buttle	7	7	6	5	n/a	n/a	n/a	
Christopher Davis	7	7	n/a		5	5	5	5
Terence Jeyaretnam	7	6	6	6	5	4	n/a	
John Thwaites	7	7	n/a		5	5	n/a	
Margaret Zabel	7	7	n/a		n/a		5	5
Josie Pagani	7	6	n/a		n/a		5	4
John Hewson	7	5	n/a		n/a		n/a	
Mike Briers	1	1	n/a		n/a		n/a	

Directors' Report

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2. Operating and financial review

The total revenue for the 18 month period was \$4,981,003 (2020 year: \$3,799,269).

The deficit for the year amounted to \$547,500 (2020: \$210,632). The Company is exempt from income tax.

	2021 FY	2020 FY	2019 FY	2018 FY	2017 FY
Grant Income	2,060,951	1,365,576	2,164,906	1,598,809	2,012,071
License Fees and Other Income	2,920,052	2,433,693	3,471,076	2,921,148	2,873,126
Total Revenue	4,981,003	3,799,269	5,635,982	4,519,957	4,885,197
Expenses	5,498,498	4,014,645	5,122,689	4,463,545	4,625,332
Result from Operating Activities	(a) (517,495)	(b) (215,376)	(c) 513,293	56,412	259,865

(a) Involves an 18 month period (July 20 to Dec 21) , includes the loss of major licensees and COVID 19 impacts.

(b) Reflects the impact of COVID-19 (including contribution to Fairtrade International Relief Fund - \$122,634)

(c) Includes an adjustment relating to recognition of license fee income – Profit: \$613,662

In response to the challenges presented by the COVID-19 pandemic, Fairtrade ANZ introduced a number of changes to operations of the Company including but not limited to reduction of employee working hours for a period and where appropriate introduced working from home arrangements.

3. Dividends

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

4. 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.

5. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

The COVID-19 pandemic and the conflict in the Ukraine has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by Fairtrade Australia and New Zealand Ltd at the reporting date.

As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with a reasonable degree of certainty the potential impact of these events after the reporting date on Fairtrade Australia and New Zealand Ltd, its operations, its future results and financial position.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of Fairtrade Australia and New Zealand Ltd, the results of the operations or the state of affairs of the Fairtrade Australia and New Zealand Ltd in the future financial years. The directors do not believe it will affect the Company's capacity to remain a going concern for the foreseeable future.

6. 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.

7. 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 of any person who is or has been an officer or auditor of the Company.

Directors' Report

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Insurance premiums

During the financial period the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the period ended 31 December 2021 and since the financial year. 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.

8. Lead auditor's independence declaration


The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the 18 months ended 31 December 2021.

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



John Buttle

Board Chair
Fairtrade Australia and New Zealand



Terence Jeyaretnam

Chair of Finance, Audit & Risk Committee
Fairtrade Australia and New Zealand

Dated: 11 August 2022



Lead Auditor's Independence Declaration under subdivision 60-C section 60-40 of 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 for the 18 months ended 31 December 2021 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'A Bond'.

Amanda Bond
Partner

Melbourne
11 August 2022

Statement of Surplus or Deficit and Other Comprehensive Income

For the 18 Months Ended 31 December 2021

	Note	18 months ended 31 Dec 2021 \$	12 months ended 30 June 2020 \$
Income			
Grant income	3	2,060,951	1,365,576
License fees		2,832,718	2,371,193
Other income		87,334	62,500
Total income		4,981,003	3,799,269
Expenses			
Australian grants			
International program costs		414,892	519,994
Program support costs		335,680	46,818
Community education costs		87,726	66,823
New Zealand grants			
International program costs		313,046	414,081
Program support costs		324,103	107,242
Community education costs		450,146	210,781
Other Grants			
International program costs		272,657	-
Program support costs		62,002	-
Community education costs		-	-
Total grant expenditure	4	2,260,252	1,365,739
Organisation costs		47,137	64,912
Domestic program costs		99,926	92,333
Employment costs		1,281,337	1,011,199
Licensing costs		1,024,874	903,580
Non-monetary costs		99,245	36,592
Occupancy costs		140,782	119,487
Other employment costs		78,113	23,531
Other costs		321,965	283,253
Technology costs		144,808	114,019
Total expenditure		5,498,498	4,014,645
Surplus/ (Deficit) from operating activities		(517,495)	(215,376)
Finance income/(loss)		(30,004)	5,554
Finance cost		(1)	(810)
Surplus/ (Deficit) for the year		(547,500)	(210,632)
Other comprehensive income			
Foreign currency translation (losses)/ gains		(5,808)	(39,448)
Total comprehensive surplus/(deficit) for the year		(553,307)	(250,080)

The accompanying notes on page 13 to 24 form part of these financial statements.

Statement of Financial Position

31 December 2021

	Note	18 months ended 31 Dec 2021 \$	12 months ended 30 June 2020 \$
ASSETS			
Cash and cash equivalents	5	1,153,816	2,305,333
Trade and other receivables	6	1,210,303	1,020,693
TOTAL CURRENT ASSETS		2,364,119	3,081,127
Property, plant and equipment	7	13,989	21,134
Intangible assets	7	62,567	126,166
Right of Use Assets	7	-	10,060
TOTAL NON-CURRENT ASSETS		76,556	157,360
TOTAL ASSETS		2,440,675	3,483,386
LIABILITIES			
Trade and other payables	8	490,626	775,200
Contract liabilities	9	744,378	965,879
Employee benefits	10	175,136	153,652
Lease Liability		-	9,064
TOTAL CURRENT LIABILITIES		1,410,140	1,903,795
Employee benefits	10	38,655	34,404
TOTAL NON-CURRENT LIABILITIES		38,655	34,404
TOTAL LIABILITIES		1,448,795	1,938,199
NET ASSETS		991,880	1,545,187
EQUITY			
Reserves		747,953	753,760
Retained earnings		243,927	791,427
TOTAL EQUITY		991,880	1,545,187

The accompanying notes on page 13 to 24 form part of these financial statements.

Statement of Changes in Equity

For the 18 Months Ended 31 December 2021

	Retained Earnings \$	Foreign Currency Translation Reserve \$	General Reserves \$	Total \$
Balance at 1 July 2020	791,427	18,081	735,679	1,545,187
Total comprehensive income for the year				
Exchange differences on translating foreign operations	-	(5,808)	-	(5,808)
	-	(5,808)	-	(5,808)
Deficit for the year	(547,500)	-	-	(547,500)
Total comprehensive income / (loss) for the year	(547,500)	(5,808)	-	(553,307)
Balance at 31 December 2021	243,927	12,274	735,679	991,880
Balance at 1 July 2019	882,070	57,529	855,668	1,795,267
Total comprehensive income for the year				
Exchange differences on translating foreign operations	-	(39,448)	-	(39,448)
	-	(39,448)	-	(39,448)
Deficit for the year	(210,632)	-	-	(210,632)
Total comprehensive income / (loss) for the year	(210,632)	(39,448)	-	(250,080)
Net transfers (from) / to retained earnings	119,989	-	(119,989)	-
Balance at 30 June 2020	791,427	18,081	735,679	1,545,187

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 represents funds set aside for future expansion of the company.

Statement of Cash Flows
For the 18 Months Ended 31 December 2021

	18 months ended 31 Dec 2021 \$	12 months ended 30 June 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from grants	2,116,5005	2,024,912
Receipts from Licensees	2,535,028	3,110,883
Payments to suppliers and employees	(5,699,139)	(4,286,675)
Other income	(82,250)	26,000
Interest received	(30,004)	5,553
Net cash used in operating activities	11 (1,129,860)	880,673
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	7 (15,850)	(3,762)
Purchase of Intangible Assets	-	(120,000)
Proceeds on disposal of property, plant and equipment	-	-
Net cash used in investing activities	(15,850)	(123,762)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Lease Payments	-	(9,819)
Effects of exchange rate changes on cash and cash equivalents	(5,807)	(39,448)
Net cash used in financing activities	(5,807)	(49,267)
Net decrease in cash and cash equivalents held	(1,151,517)	707,644
Cash and cash equivalents at beginning of year	2,305,333	1,597,689
Cash and cash equivalents at end of financial year	5 1,153,816	2,305,333

The accompanying notes on page 13 to 24 form part of these financial statements.

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

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. There is a change in the reporting period from 30 June to 31 December. The current reporting period is for the 18 months ended 31 December 2021 compared with the previous reporting period being the 12 months ended in 30 June 2020.

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.

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.

e) 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.

f) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 31 December 2021, the Company had net current asset position of \$953,979 (30 June 2020: \$1,177,332) and net asset position of \$991,880 (30 June 2020: \$1,545,187). The total comprehensive deficit for the 18 month period ended 31 December 2021 amounted to \$553,307 (30 June 2020 deficit: \$250,080).

Notwithstanding the history of operating losses, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis based on the following mitigating factors:

- Management has prepared cash flow forecasts up until 30 June 2023 which indicate that the Company will generate sufficient cashflows to enable the Company to pay its debts as and when they fall due.
- The Company has not entered into any long-term contractual commitments.

The Company's ability to continue to operate as a going concern is dependent upon the success of obtaining sufficient grant and license fee revenue, some of which is not yet contractually confirmed and is consequently uncertain at the date of approval of these annual financial statements. This gives rise to a material uncertainty as to whether the Company will be able to continue as a going concern. Should the Company be unable to continue as a going concern it may be required to realise assets at an amount different to that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise.

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

3 Significant Accounting Policies

a) Leases

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b) Revenue

Revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. 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

Grant revenue is recognised under AASB 15 *Revenue from Contracts with Customers*. Generally, grant revenue is recognition based on either cost or time incurred which best reflects the transfer of control. Where specifically designated grant revenue and the designated expenditure for such grants during the year has not occurred or is incomplete and there is likely to be an obligation to repay, the resulting amount is carried forward and recognised in contract liability and will be brought to account in future years as the funds are expended. Income from grants is recognised where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, and when the performance obligations are satisfied.

ii) License fees

Revenue for license fees is recognised under AASB 15 *Revenue from Contracts with Customers*. Under the licence agreement with customers, the licence provides a right to use the Company's intellectual property as it exists throughout the licence period. Revenue for related performance obligation is recognised over time, as the customers are using intellectual property during licence period. Revenue is recognised to the extent it can be reliably measured.

d) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;

Interest income and interest expense are recognised in the surplus or deficit on an accrual basis, 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.

f) Property, plant and equipment

i) Recognition and measurement

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

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

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.

iii) *Depreciation*

Items of property, plant and equipment are depreciated from the date that they are installed and are 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 recognised surplus or deficit.

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

Fixed asset class	2021	2020
Office furniture and equipment	20.0%	20.0%
Computer equipment	33.3%	33.3%
Leasehold improvements	20.0%	20.0%

f) 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, 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.

g) Financial instruments

Financial assets

i)

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 FVTSD (Fair Value through Surplus or Deficit), 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.

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.

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

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 match, 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 historical cost in a foreign currency are not translated.

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 (Foreign Currency Translation Reserve) in equity.

m) New and amended standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards; and
- Definition of Material (Amendments to IAS 1 to IAS 18).

Notes to the Financial Statements
For the 18 Months Ended 31 December 2021

	2021	2020
	\$	\$
4 Revenue and Other Income		
Grant income		
- MFAT Grants	887,995	732,104
- DFAT Grants	767,388	604,302
- Other Grants	405,568	-
	<u>2,060,951</u>	<u>1,336,406</u>
Grant administration support	-	29,170
Total grant income	<u>2,060,951</u>	<u>1,365,576</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.

4 Expenses

a) Auditor's fees

Audit of financial statements	<u>29,365</u>	<u>29,182</u>
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b) Other expenses

Grant related activity expenses		
- MFAT activity expense	1,087,296	732,104
- DFAT activity expense	767,388	633,635
- Other Grants activity expense	405,568	-
Total grant related activity expenses	<u>2,260,252</u>	<u>1,365,739</u>

Lease expense	140,782	108,155
Depreciation expense	99,926	38,119
Amortisation expense	63,598	5,020
Bad debts expense	13,816	27,516
Employee expenditure	<u>2,230,589</u>	<u>1,775,736</u>

5 Cash and cash equivalents

Cash at bank and in hand	988,051	1,559,665
Investment and interest-bearing accounts	165,765	562,102
General reserve funds in hand	-	183,656
Total cash and cash equivalents	<u>1,153,816</u>	<u>2,305,333</u>

Included in the cash and cash equivalents balance are unexpended grant funds amounting to \$774,378 (2020: \$965,879). Refer to Note 16.

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

6 Trade and other receivables

Trade receivables	482,840	85,086
Accrued debtors	704,073	893,584
Prepayments	23,390	42,023
Total trade and other receivables	1,210,303	1,020,693

As at 31 December 2021 trade receivables are shown net of an impairment allowance for doubtful debts of nil (2020: \$34,803) arising from the inability of debtors to pay.

7 Property, plant and equipment

	Office furniture and equipment \$	Computer equipment \$	Leasehold improvements \$	Right of use Assets \$	Total \$
Cost					
At 30 June 2020	31,502	97,297	20,626	18,884	168,309
Additions	1,370	13,827	-	-	15,197
Disposals	-	-	-	(18,884)	(18,884)
At 31 December 2021	32,872	111,124	20,626	-	164,622
Accumulated depreciation					
At 30 June 2020	27,142	80,608	20,542	8,823	137,115
Depreciation for the year	4,195	18,063	84	-	22,342
Disposals - depreciation	-	-	-	(8,823)	(8,823)
At 31 December 2021	31,337	98,671	20,626	-	150,633
Carrying amounts					
At 30 June 2019	7,411	45,837	4,025	-	57,273
At 30 June 2020	4,361	16,689	84	10,060	31,194
At 31 December 2021	1,535	12,453	-	-	13,989

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

Intangible assets

	Total \$
Software	
Cost	
At 30 June 2020	199,048
Additions	0
At 31 December 2021	199,048
Accumulated amortisation	
At 30 June 2020	72,882
Amortisation for the year	63,599
At 31 December 2021	136,481

Carrying amounts

At 30 June 2020	126,166
At 31 December 2021	62,567

	2021 \$	2020 \$
8 Trade and other payables		
Trade payables – third parties	118,181	119,099
Payables – related parties		
Fairtrade International	181,812	431,274
FLO-Cert GmbH	26,424	62,576
	<u>208,236</u>	<u>493,850</u>
Accrued expenses	63,352	34,898
Other payables	100,857	127,353
Total trade and other payables	<u>490,626</u>	<u>775,200</u>
9 Contract liabilities		
Fairtrade International - Producer support services	50,304	-
The Ministry of Foreign Affairs and Trade (MFAT) - New Zealand	-	171,123
Department of Foreign Affairs and Trade (DFAT)	577,738	794,756
Other Grants	116,336	-
Total contract liabilities	<u>744,378</u>	<u>965,879</u>

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

	2021 \$	2020 \$
10 Employee Benefits		
Current Liabilities		
Annual leave	175,136	153,652
Total Current Liabilities – Employee Benefits	175,136	153,652
Non-Current Liabilities		
Long service leave	38,655	34,404

Provision for employee benefits represent amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amount accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave to be vested.

The non-current portion for this provision includes amounts accrued for long services leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been discussed in Note 3(j).

11 Cash Flow Information

a) Reconciliation of cash

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	1,153,816	2,305,333
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b) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Surplus/(Deficit) for the year	(547,500)	(210,633)
Cash flows excluded from surplus attributable to operating activities		
Non-cash flows in surplus:		
- Depreciation and amortisation	86,592	43,139
Changes in assets and liabilities		
- Decrease/ (increase) in trade and other receivables	(189,609)	462,746
- Increase/(Decrease) in trade and other payables	(283,577)	124,428
- Increase/(Decrease) in contract liabilities	(221,501)	465,346
- Increase/(Decrease) in employee benefits	25,735	(4,353)
Cash flows from operations	(1,129,860)	880,673

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 31 December 2021 the number of members was 3 (2020: 3).

Notes to the Financial Statements

For the 18 Months Ended 31 December 2021

12 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:

	2020	2020
	\$	\$
Short-term employee benefits	438,872	452,695

13 Contingencies

Contingent asset: There may be license fee income for the period up to 31 December 2021 which has not been recorded as revenue due to the balance of this revenue not being able to be reliably measured as at 31 December 2021.

Contingent liabilities: In the opinion of the Directors, the Company did not have any contingencies at 31 December 2021 (30 June 2020: None).

14 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of Fairtrade Australia and New Zealand Ltd, the results of the operations or the state of affairs of the Fairtrade Australia and New Zealand Ltd in the future financial years. The directors do not believe it will affect the Company's capacity to remain a going concern for the foreseeable future.

15 Company Details

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

Fairtrade Australia and New Zealand Ltd
Level 3 33 Lincoln Square South
Carlton VIC 3053

Notes to the Financial Statements

For the Year Ended 31 December 2021

16 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
- United Nations Office for Project Services (EIF)
- Market Development Facility
- Australian National University
- Fairtrade International – Producer support services (FLO)
- Nestle Funds for Fijian Farmers (NFF)

	DFAT \$	MFAT \$	ANU \$	MDF \$	EIF \$	FLO \$	NFF \$	TOTAL \$
Balance at 30 June 2019	345,921	154,612	-	-	-	-	-	500,533
Funding received	1,082,469	748,616	-	-	-	-	-	1,831,085
Funding utilised	(633,634)	(732,105)	-	-	-	-	-	(1,365,739)
Balance at 30 June 2020	794,756	171,123	-	-	-	-	-	965,879
Funding received	550,371	716,872	52,500	37,867	199,951	112,306	169,584	1,839,451
Funding utilised	(767,388)	(887,995)	(34,535)	(36,374)	(103,073)	(62,002)	(169,584)	(2,060,951)
Balance at 31 December 2021	577,738	-	17,965	1,493	96,878	50,304	-	744,378

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 13 to 22 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 31 December 2021 and of its performance, for the 18 months 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 11 August 2022.



John Buttle

Board Chair
Fairtrade Australia and New Zealand



Terence Jeyaretnam

Chair of Finance, Audit & 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 31 December 2021, and of its financial performance and its cash flows for the 18 month period ended; 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 31 December 2021.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the 18 month period ended 31 December 2021.
- 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.



We confirm that the independence declaration required by Australian Charities and Not-for-profits Commission Act 2012, which has been given to the Directors of Fairtrade Australia and New Zealand Ltd, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Material uncertainty related to going concern

We draw attention to Note 2(f), "Going concern" in the Financial Report. The conditions disclosed in Note 2(f), indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

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.

A handwritten signature of 'KPMG' in black ink, written in a stylized, cursive-like font.

KPMG

A handwritten signature in black ink that reads 'Amanda Bond'.

Amanda Bond
Partner

Melbourne
16 August 2022