

Fairtrade Australia and New Zealand Ltd

A.C.N: 114 571 881

Annual Financial Report

For the 12 months ended 31 December 2022

Fairtrade Australia and New Zealand Ltd

A.C.N: 114 571 881

Contents

For the 12 Months Ended 31 December 2022

| Financial Statements | Page |
|--|-------------|
| Directors' report | 3 |
| Lead auditor's independence declaration | 8 |
| Statement of surplus or deficit and other comprehensive loss | 9 |
| Statement of financial position | 10 |
| Statement of changes in equity | 11 |
| Statement of cash flows | 12 |
| Notes to the financial statements | 13 |
| Directors' declaration | 25 |
| Independent auditor's report | 26 |

Directors' Report 31 December 2022

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 2022 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 |
|-------------------------|------------------|--|
| Josie Pagani | 29 April 2020 | <p>Qualifications: BA, GradCertIntLaw</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>Board Chair</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> |
| Joanne Butterworth-Gray | 29 August 2023 | <p>Experience: A professional chair and non-executive director with extensive experience across capital projects, land management and precinct planning, utilities and logistics, agribusiness, tourism and market development and legal.</p> <p>Chair of Southern Rural Water, Campaspe Port Enterprise and Northern Territory Seafood Council, and a Trustee of Caulfield Racecourse Reserve Trust.</p> <p>On her executive career in the Victorian public service, she leads reform within emergency management, delivering culture improvement in HM Prison Barwon, and facilitating economic partnerships across the three tiers of government. Prior to government, she was the first female CEO of Victoria's wine industry.</p> <p>Has a transformational style of leadership focussed on supporting Boards to be future fit across strategy, risk, financial performance, ESG, culture and social licence.</p> |

Directors' Report

31 December 2022

| Director | Appointment date | Qualifications, experience and special responsibilities |
|-------------|--|--|
| John Buttle | 23 November 2018 Resigned 29 May 2023 | Qualifications: Dip Tech (Commerce), MAICD 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. Special Responsibilities: Board Chair Member of the Finance, Audit & Risk Committee |
| Mike Briers | 6 December 2021 Retired 27 July 2022 to act as Interim CEO. | 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 spinouts and 2 major CRCs in digital finance and digital agriculture. Chair of Growth & Innovation Committee Stepped off the Board to take on Interim CEO role – 27 July 2022– 24 April 2023 |
| John Hewson | 16 March 2020 Resigned 22 September 2022 | Qualifications: BEcon, MA, PhD 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. |

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
- Campaigns, including International Women's Day, International Day against Child Labour and International Day for the Abolition of Slavery.
- Increasing the value to existing licensees of the Fairtrade brand, and sourcing new licensees, including 7-Eleven and the launch of 7-Eleven Fairtrade Coffee
- Trade Shows, for example MICE (Melbourne International Coffee Expo)
- 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

Directors' Report

31 December 2022

Strategy for achieving the objectives

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

- Maintain regular engagement with existing licensees to improve the value of the Fairtrade brand and increase awareness of the Fairtrade brand. Build relationships with new and potential licensees. Create commodity plans to establish market access for Fairtrade certified products and to develop new Fairtrade certified products, particularly from the Indo-Pacific region, and participate in trade shows;
- Consumer and community marketing and engagement – by carrying out consumer campaigns, advocacy and campaigning against anti-modern-day slavery, child labour and for women's rights and legislation to stop slavery in supply chains. A focus on developing networks and alliances/partnerships and media relations and monitoring;
- Conducting scheduled audits of licensees in accordance with the Fairtrade International Assurance Code;
- Supporting Fairtrade producer organisations among producing communities in the Pacific region. Support for Fairtrade certification was provided to producer organisations across PNG, Fiji, Timor Leste, Tonga and Solomon Islands. Training was also provided on coffee quality, organic certification, and the Gender School of Leadership was rolled out in PNG and Timor Leste; and
- Research and impact studies provide producers with evidence to adopt best practice, for example to understand the carbon footprint of the sugar industry, and the impact of the coffee industry in PNG.

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 products 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. As at 31 December 2022, the total amount that members of Fairtrade ANZ are liable to contribute if Fairtrade ANZ is wound up is \$300 (2021: \$300).

3. Meetings of directors

During the period, five 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 | 5 | 5 | 4 | 3 | n/a | n/a | n/a | |
| Terence Jeyaretnam | 5 | 5 | 4 | 4 | 4 | 4 | n/a | |
| John Thwaites | 5 | 5 | n/a | | 4 | 4 | n/a | |
| Margaret Zabel | 5 | 5 | n/a | | n/a | | 4 | 4 |
| Josie Pagani | 5 | 5 | n/a | | n/a | | 4 | 4 |
| John Hewson | 3 | 0 | n/a | | n/a | | n/a | |
| Mike Briers | 3 | 3 | n/a | | 3/3 | | n/a | |

Directors' Report

31 December 2022

4. Operating and financial review

The total revenue for the 12-month period was \$3,537,420 (2021: \$4,951,378).

The deficit for the year amounted to \$1,145,486 (2021: \$577,125). The Company is exempt from income tax.

| | 2022 FY | 2021 FY | 2020 FY | 2019 FY | 2018 FY |
|---|------------------------|----------------------|----------------------|--------------------|------------------|
| Grant Income | 2,192,524 | 2,060,951 | 1,365,576 | 2,164,906 | 1,598,809 |
| License Fees and Other Income | 1,344,896 | 2,890,427 | 2,433,693 | 3,471,076 | 2,921,148 |
| Total Revenue | 3,537,420 | 4,951,378 | 3,799,269 | 5,635,982 | 4,519,957 |
| Expenses | 4,682,906 | 3,268,251 | 4,014,645 | 5,122,689 | 4,463,545 |
| Result from Operating Activities | (a) (1,145,486) | (b) (577,125) | (c) (215,376) | (d) 513,293 | 56,412 |

(a) Lower license fees revenues were received during the financial year.

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

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

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

In response to the on-going 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.

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

Since the end of the financial year, the financial situation has declined, and an urgent plan to cut costs and address the situation is being implemented. Taking rapid action, and also putting into place a long-term plan for growth, have reassured the Directors that this situation is being dealt with, and will not ultimately affect the core obligations of the Company, to honour its commitments to donors and producers now and in future financial years.

However, the Directors are monitoring the situation regularly, and while supporting management to address the challenges and set the organisations on track for future growth, have prepared contingency plans for a further decline. To date, the Directors believe the Company's capacity to remain a going concern for the foreseeable future is on track with these changes in place but stand ready to act if there are signs that this is not the case.

The conflict in the Ukraine has created unprecedented economic uncertainty. This has impacted existing and potential licensees, which has created challenges for Fairtrade Australia and New Zealand. 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.

Subsequent to year end, the Company has been advised that the government funding will cease as at 31 December 2023.

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.

Directors' Report 31 December 2022

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

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 2022 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.

10. 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 12 months ended 31 December 2022.

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



Josie Pagani

Board Chair
Fairtrade Australia and New Zealand



Terence Jeyaretnam

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

Dated: 1 October 2023, Melbourne

1 October 2023

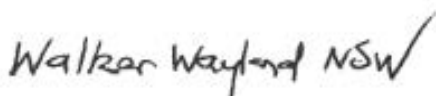
The Directors
Fairtrade Australia and New Zealand Ltd
Level 3 33 Lincoln Square South
Carlton VIC 3053

**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 the best of my knowledge and belief, in relation to the audit of the year ended 31 December 2022 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.



**Walker Wayland NSW
Chartered Accountants**



**Wali Aziz
Partner**

Statement of Surplus or Deficit and Other Comprehensive Loss

For the 12 Months Ended 31 December 2022

| | Note | 12 months ended 31-Dec-22 \$ | 18 months ended 31-Dec-21 \$ |
|--|------|------------------------------------|------------------------------------|
| Income | | | |
| Grant income | 4 | 2,192,524 | 2,060,951 |
| License fees | | 1,326,999 | 2,803,093 |
| Other income | | 17,897 | 87,334 |
| Total income | | 3,537,420 | 4,951,378 |
| Expenses | | | |
| Australian grants | | | |
| International program costs | | 348,257 | 414,892 |
| Program support costs | | 281,767 | 335,680 |
| Community education costs | | 73,636 | 87,726 |
| New Zealand grants | | | |
| International program costs | | 281,362 | 313,046 |
| Program support costs | | 291,299 | 324,103 |
| Community education costs | | 404,585 | 450,146 |
| Other Grants | | | |
| International program costs | | 351,732 | 272,657 |
| Program support costs | | 79,984 | 62,002 |
| Total grant expenditure | 5 | 2,112,622 | 2,260,252 |
| Employment costs | | 1,383,383 | 1,359,450 |
| Licensing costs | | 776,838 | 1,024,874 |
| Technology costs | | 144,808 | 144,808 |
| Non-monetary costs | | 71,948 | 99,245 |
| Occupancy costs | | 65,984 | 140,782 |
| Organisation costs | | 47,785 | 47,137 |
| Domestic program costs | | 45,778 | 99,926 |
| Other costs | | 352,029 | 353,492 |
| Total expenditure | | 4,682,906 | 5,529,966 |
| Deficit before income tax expense | | (1,145,486) | (577,125) |
| Income tax expense | 2(e) | - | - |
| Deficit after income tax expense | | (1,145,486) | (577,125) |
| Other comprehensive loss | | | |
| Foreign currency translation losses | | (12,274) | (5,808) |
| Total comprehensive deficit for the year/period | | (1,157,760) | (582,933) |

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

Statement of Financial Position

31 December 2022

| | Note | 12 months ended 31-Dec-22 \$ | 18 months ended 31-Dec-21 \$ |
|--|------|------------------------------------|------------------------------------|
| Assets | | | |
| Cash and cash equivalents | 6 | 336,419 | 1,153,816 |
| Trade and other receivables | 7 | 789,941 | 1,186,913 |
| Other current assets | | 16,262 | 23,390 |
| Total Current Assets | | 1,142,622 | 2,364,119 |
| Property, plant, and equipment | 8 | 21,525 | 13,989 |
| Intangible assets | 9 | 53,553 | 62,567 |
| Total Non-current Assets | | 75,078 | 76,556 |
| Total Assets | | 1,217,700 | 2,440,675 |
| Liabilities | | | |
| Trade and other payables | 10 | 1,179,606 | 490,627 |
| Contract liabilities | 11 | 152,062 | 774,002 |
| Employee benefits | 12 | 81,375 | 175,136 |
| Total Current Liabilities | | 1,413,043 | 1,439,765 |
| Employee benefits | 12 | 162 | 38,655 |
| Total Non-current Liability | | 162 | 38,655 |
| Total Liabilities | | 1,413,205 | 1,478,420 |
| Net (Liabilities)/Assets | | (195,505) | 962,255 |
| Equity | | | |
| Reserves | | 735,679 | 747,953 |
| (Accumulated deficits)/Retained earnings | | (931,184) | 214,302 |
| Total (Deficit)/Equity | | (195,505) | 962,255 |

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

Fairtrade Australia and New Zealand Ltd

A.C.N: 114 571 881

Statement of Changes in Equity

For the 12 Months Ended 31 December 2022

| 2022 | Retained Earnings (Accumulated deficits) | Foreign Currency Translation Reserve | General Reserves | Total |
|--|---|---|-----------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Balance as at 1 January 2022 | 214,302 | 12,274 | 735,679 | 962,255 |
| Total comprehensive deficit for the year: | | | | |
| Exchange differences on translating foreign operations | - | (12,274) | - | (12,274) |
| Deficit for the period | (1,145,486) | - | - | (1,145,486) |
| Total comprehensive deficit for the year | (1,145,486) | (12,274) | - | (1,157,760) |
| Balance as at 31 December 2022 | (931,184) | - | 735,679 | (195,505) |
| | | | | |
| 2021 | Retained Earnings (Accumulated deficits) | Foreign Currency Translation Reserve | General Reserves | Total |
| | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2020 | 791,427 | 18,082 | 735,679 | 1,545,188 |
| Total comprehensive deficit for the year: | | | | |
| Exchange differences on translating foreign operations | - | (5,808) | - | (5,808) |
| Deficit for the year | (547,500) | - | - | (547,500) |
| Prior period error (note 22) | (29,625) | - | - | (29,625) |
| Total comprehensive deficit for the period | (577,125) | (5,808) | - | (582,933) |
| Balance as at 31 December 2021 | 214,302 | 12,274 | 735,679 | 962,255 |

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.

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

Statement of Cash Flows

For the 12 Months Ended 31 December 2022

| | Note | 12 months ended 31-Dec-22 \$ | 18 months ended 31-Dec-21 \$ |
|--|------|------------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from grants and licensees | | 3,927,262 | 4,567,815 |
| Payments to suppliers and employees | | (4,672,203) | (5,699,138) |
| Interest (paid)/received | | (10,052) | 1,464 |
| Net cash used in operating activities | 13 | (754,993) | (1,129,859) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant, and equipment | 8 | (18,740) | (15,850) |
| Purchase of intangible assets | 9 | (31,390) | - |
| Net cash used in investing activities | | (50,130) | (15,850) |
| Effects of exchange rate changes on cash and cash equivalents | | (12,274) | (5,808) |
| Net decrease in cash and cash equivalents held | | (817,397) | (1,151,517) |
| Cash and cash equivalents at beginning of year/period | | 1,153,816 | 2,305,333 |
| Cash and cash equivalents at end of financial year/period | 6 | 336,419 | 1,153,816 |

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

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

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 12 months ended 31 December 2022 compared with the previous reporting period being 18 months ended 31 December 2021.

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 – Simplified Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012.

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.

The main judgement made by the management is the going concern assumption, as disclosed in Note 2(f).

Licence fees charged to licensees is also considered a critical estimate and judgment as the license charged (based on a percentage of license sales) is dependent on the accuracy of the reported licensee revenue (as disclosed in note 3b(ii)).

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 2022, the Company had a net current liability position of \$270,421 (31 December 2021: net current asset position of \$924,354) and net liability position of \$195,505 (31 December 2021: net asset position of \$962,255). The total comprehensive deficit for the 12-month period ended 31 December 2022 amounted to \$1,157,760 (31 December 2021 deficit: \$582,933). Net cash outflow from above year was \$754,993 (2021: \$1,129,859).

The liabilities of the entity as at 31 December 2022 include an amount payable to Fairtrade International of \$603,973 the payment of which may be deferred over the next 12-18 months. The current agreement with Fairtrade International stipulates that the Company pays 36.2% of its license fee to Fairtrade International.

Management has been advised from the Government bodies that provide the entity with funding that grant funding will most likely cease in December 2023.

The above matters give rise to material uncertainties that cast significant doubt on the ability of the entity to continue as a going concern.

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

Notwithstanding the above matters and 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 31 December 2024 which indicate that the Company will generate sufficient cashflows to enable the Company to pay its debts as and when they fall due;
- Management has carried out a detailed cost reduction restructuring exercise in order to reduce the monthly cash outflows over the next 12 months;
- Management is working with Fairtrade International to arrange a favourable payment plan;
- Management have negotiated a payment plan arrangement with the ATO on 17 April 2023 for \$138,257 owing (to be repaid by April 2025 in \$6,000 monthly instalments). Subsequent to year end from May 2023 to August 2023, management have negotiated an IRD (NZ) payment plan arrangement for debts totalling \$120,950 (NZD\$130,627); and
- As at the date of this report, the Company has approximately \$146,000 in cash assets.

The Company's ability to continue to operate as a going concern is dependent upon the success of new funding and increasing 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. 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.

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. The licence fee is calculated based on a pre-defined percentage of licensee sales on a quarterly and monthly basis.

iii) Other income

Other income is recognised on an accrual basis when the Company is entitled to it.

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

d) 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.

e) Property, plant, and equipment

i) Recognition and measurement

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 are 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 | 2022 | 2021 |
|--------------------------------|-------|-------|
| 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 three 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

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.

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

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.

h) 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 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.

i) 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.

j) Contract liabilities

Contract liabilities consists of deferred grant revenue received for projects that are in progress and have not yet been completed as of yearend.

k) 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.

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

l) New and amended standards not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 31 December 2022. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

4 Revenue and Other Income

| | 2022 (\$) | 2021 (\$) |
|---------------------------------------|------------------|------------------|
| Grant income: | | |
| MFAT grants | 794,336 | 887,995 |
| DFAT grants | 868,388 | 767,388 |
| Others | 529,800 | 405,568 |
| Total | 2,192,524 | 2,060,951 |
| | | |
| License fees | 1,326,999 | 2,803,093 |
| Other income | 17,897 | 87,334 |
| | | |
| Total revenue and other income | 3,537,420 | 4,951,378 |

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.

5 Expenses

| | 2022 (\$) | 2021 (\$) |
|--|------------------|------------------|
| Grant related activity expenses: | | |
| - MFAT activity expense | 977,246 | 1,087,296 |
| - DFAT activity expense | 685,768 | 767,388 |
| - Other grants activity expense | 449,608 | 405,568 |
| Total grant related activity expenses | 2,112,622 | 2,260,252 |

6 Cash and cash equivalents

| | 2022 (\$) | 2021 (\$) |
|--|----------------|------------------|
| Cash at bank | 335,407 | 1,152,804 |
| Cash on hand | 1,012 | 1,012 |
| Total cash and cash equivalents | 336,419 | 1,153,816 |

Included in the cash and cash equivalents balance are unexpended grant funds amounting to \$33,577 (2021: \$744,378). Refer to Note 21.

7 Trade and other receivables

| | 2022 (\$) | 2021 (\$) |
|--|----------------|------------------|
| Trade receivables | 341,272 | 481,458 |
| Accrued debtors | 471,599 | 705,455 |
| Provision for bad debts | (22,930) | - |
| Total trade and other receivables | 789,941 | 1,210,303 |

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

As at 31 December 2022 trade receivables are shown net of an impairment allowance for doubtful debts of \$22,930. (2021: Nil) arising from the inability of debtors to pay.

8 Property, plant, and equipment

| | 2022 (\$) | 2021 (\$) |
|--|----------------------|----------------------|
| Office furniture and equipment – at cost | 34,697 | 30,246 |
| Less: Accumulated depreciation | (31,963) | (30,777) |
| | <u>2,734</u> | <u>(531)</u> |
| Computer equipment – at cost | 125,413 | 111,124 |
| Less: Accumulated depreciation | (106,622) | (96,604) |
| | <u>18,791</u> | <u>14,520</u> |
| Leasehold improvements – at cost | 20,626 | 20,626 |
| Less: Accumulated depreciation | (20,626) | (20,626) |
| | <u>-</u> | <u>-</u> |
| Total | <u>21,525</u> | <u>13,989</u> |

Movement in carrying amounts:

| | Office furniture and equipment | Computer equipment | Leasehold improvements | Total |
|--------------------------------------|--------------------------------------|-----------------------|---------------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Balance at the beginning of the year | (531) | 14,520 | - | 13,989 |
| Additions at costs | 4,451 | 14,289 | - | 18,740 |
| Depreciation expense | (1,186) | (10,018) | - | (11,204) |
| At 31 December 2022 | <u>2,734</u> | <u>18,791</u> | <u>-</u> | <u>21,525</u> |

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

9 Intangible Assets

| | \$ |
|---------------------------------|---------------|
| Cost | |
| At 31 December 2021 | 199,048 |
| Additions | 31,390 |
| At 31 December 2022 | 230,438 |
| Accumulated amortisation | |
| At 31 December 2021 | 136,481 |
| Amortisation for the year | 40,404 |
| At 31 December 2022 | 176,885 |
| Carrying amounts | |
| At 31 December 2021 | <u>62,567</u> |
| At 31 December 2022 | <u>53,553</u> |

10 Trade and other payables

| | 2022 (\$) | 2021 (\$) |
|---------------------------------------|------------------|----------------|
| Trade payables – third parties | 244,170 | 118,181 |
| Trade payables – related parties: | | |
| Fairtrade International | 603,973 | 181,812 |
| Fairtrade Foundation UK | 18,756 | - |
| FLO-Cert GmbH | 33,544 | 26,424 |
| Accrued expenses | 50,730 | 63,352 |
| Other payables | 228,433 | 100,858 |
| Total trade and other payables | <u>1,179,606</u> | <u>490,627</u> |

11 Contract liabilities

| | 2022 (\$) | 2021 (\$) |
|---|----------------|----------------|
| Fairtrade International - Producer support services | - | 50,304 |
| DFAT | (3,090) | 577,738 |
| Other grants | 155,152 | 116,335 |
| Total grant contract liabilities | <u>152,062</u> | <u>744,377</u> |
| Annual licence fees | - | 29,625 |
| Total contract liabilities | <u>152,062</u> | <u>774,002</u> |

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

12 Employee Benefits

| | 2022 (\$) | 2021 (\$) |
|--|---------------|----------------|
| Current liabilities: | | |
| Annual leave | 81,375 | 155,136 |
| Bonus | - | 20,000 |
| Total current liabilities – employee benefits | 81,375 | 175,136 |
| Non-current liability: | | |
| Long service leave | 162 | 38,655 |
| Total non-current liability – employee benefits | 162 | 38,655 |

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(h).

13 Cash Flow Information

| | 2022 (\$) | 2021 (\$) |
|---|------------------|--------------------|
| 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 | 336,419 | 1,153,816 |
| b) Reconciliation of result for the year to cash flows from operating activities | | |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Deficit for the year/period | (1,145,486) | (547,500) |
| Cash flows excluded from surplus attributable to operating activities | | |
| Non-cash flows in surplus: | | |
| - Depreciation and amortisation | 51,608 | 86,592 |
| Changes in assets and liabilities | | |
| - Decrease/(Increase) in trade and other receivables | 396,972 | (208,242) |
| - Decrease in other current assets | 7,128 | 18,633 |
| - Increase/(Decrease) in trade and other payables | 688,979 | (283,576) |
| - Decrease in contract liabilities | (621,940) | (221,501) |
| - (Decrease)/Increase in employee benefits | (132,254) | 25,735 |
| Cash flows from operations | (754,993) | (1,129,859) |

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

14 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 outstanding and obligations of the Company. As at 31 December 2022, the number of members was 312 (2021: 313).

15 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:

| | 2022 (\$) | 2021 (\$) |
|------------------------------|-----------|-----------|
| Short-term employee benefits | 828,083 | 438,872 |

ii) Trade payables:

| | 2022 (\$) | 2021 (\$) |
|------------------------------|----------------|----------------|
| Fairtrade International e.V. | 603,973 | 181,812 |
| Fairtrade Foundation UK | 18,756 | - |
| Flo-Cert GmbH | 33,544 | 26,424 |
| Total | 656,273 | 208,236 |

The above payables are unsecured, non-interest bearing, and repayable on demand.

16 Financial Risk Management

The entity's financial instruments consist mainly of deposits with banks, trade and other receivables and payables, and contract liabilities.

The carrying amounts for each category of financial instruments, measured in accordance with *AASB 9: Financial Instruments*, are as follows:

| | Note | 2022 (\$) | 2021 (\$) |
|--|------|------------------|------------------|
| Financial assets at amortised costs: | | | |
| Cash and cash equivalents | 6 | 336,419 | 1,153,816 |
| Trade and other receivables | 7 | 789,941 | 1,186,913 |
| Total financial assets | | 1,126,360 | 2,340,729 |
| Financial liability at amortised costs: | | | |
| Trade and other payables | 10 | 1,179,606 | 490,627 |
| Total financial liability | | 1,179,606 | 490,627 |

Notes to the Financial Statements

For the 12 Months Ended 31 December 2022

17 Auditor's remuneration

During the financial year, the following fees were paid or payable for services provided by the auditor of the Company:

| | 2022 (\$) | 2021 (\$) |
|--|------------------|------------------|
| Remuneration of the auditor: | | |
| - auditing of the financial statements | 43,000 | 29,365 |

18 Contingencies

Contingent asset: There may be license fee income for the period up to 31 December 2022 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 2022.

Contingent liabilities: In the opinion of the Directors, the Company did not have any contingencies as at 31 December 2022 (31 December 2021: Nil).

19 Events Occurring After the Reporting Date

Subsequent to year end, the Company has been advised that government funding will cease as at 31 December 2023.

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.

20 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 2022

21 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 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) | (62,004) | (169,584) | (2,060,953) |
| Balance as at 31 December 2021 | 577,739 | - | 17,965 | 1,493 | 96,878 | 50,302 | - | 744,377 |
| Balance at 31 December 2021 | 577,739 | - | 17,965 | 1,493 | 96,878 | 50,302 | - | 744,377 |
| Funding received | 641,404 | 1,016,125 | 15,286 | 100,503 | 259,499 | 22,915 | - | 2,055,732 |
| Funding utilised | (1,222,232) | (1,016,125) | (30,573) | (101,996) | (203,904) | (73,217) | - | (2,648,047) |
| Balance as at 31 December 2022 | (3,089) | - | 2,678 | - | 152,473 | - | - | 152,062 |

Notes to the Financial Statements

For the Year Ended 31 December 2022

22 Prior period error correction

The 31 December 2022 balances presented in these financial statements have been amended to correct prior year error. The impact of prior year error was an understatement of opening retained earnings and overstatement of deficit before income tax expense of \$29,625, relates to the licence fees. The table below shows the prior year error and the impact on the financial statements.

| | As previously reported | Adjustment | As adjusted |
|---|------------------------|------------|-------------|
| Statement of financial position | | | |
| <i>Current liabilities</i> | | | |
| Contract liabilities | 744,377 | 29,625 | 774,002 |
| <i>Equity</i> | | | |
| Retained earnings | 243,927 | (29,625) | 214,302 |
| Statement of surplus or deficit and other comprehensive income | | | |
| <i>Income</i> | | | |
| License fees | 2,832,718 | (29,625) | 2,803,093 |
| Deficit before income tax expense | (547,500) | (29,625) | (577,125) |

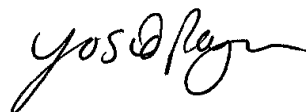
Directors' Declaration

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 9 to 24 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 2022 and of its performance, for the 12 months ended on that date; and
 - (ii) complying with Australian Accounting Standards – Simplified 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 on 1 October 2023, Melbourne



Josie Pagani

Board Chair

Fairtrade Australia and New Zealand



Terence Jeyaretnam

Chair of Finance, Audit & Risk Committee

Fairtrade Australia and New Zealand

**INDEPENDENT AUDIT REPORT TO THE DIRECTORS OF
FAIRTRADE AUSTRALIA AND NEW ZEALAND LTD**

Opinion

We have audited the financial report of Fairtrade Australia and New Zealand Ltd, which comprises the statement of financial position as at 31 December 2022, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Fairtrade Australia and New Zealand Ltd is in accordance with Division 60 of the Australian Charities and Not-for-Profits Commission Act 2012 ("ACNC Act"), including:

- giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note 1, and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(f) "Going Concern" in the financial report which describes the events and/or conditions which give rise to the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern and therefore whether the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

As disclosed in note 2(f), the Company's ability to continue as a going concern is dependent on its ability to generate positive cash flows from operations from maintaining and increasing license fee revenues, renegotiating the repayment terms of the Fairtrade International amounts payable, continually reducing its cost structure, continually honouring the license fee payments to Fairtrade International, accessing additional funding from donors and government bodies and meeting the payment plan obligations in relation to the Australian Taxation Office and New Zealand Taxation Authorities.

Basis for Opinion

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2022 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDIT REPORT TO THE DIRECTORS OF FAIRTRADE AUSTRALIA AND NEW ZEALAND LTD

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary 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. In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

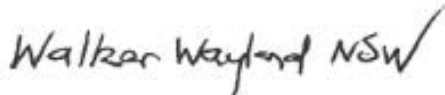
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 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 Company to cease to continue as a going concern.
- 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 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.



Walker Wayland NSW
Chartered Accountants



Wali Aziz
Partner

Dated this 3rd day of October 2023, Sydney