



# FINANCIAL STATEMENTS

*A Connected Community  
without language barriers*

**2018|19**

# **National Accreditation Authority for Translators and Interpreters Limited (NAATI)**

**ABN 42 008 596 996**

## **Financial Statements**

**For the Year Ended 30 June 2019**

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

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For the Year Ended 30 June 2019

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# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

## Directors' Report For the Year Ended 30 June 2019

The directors present their report on National Accreditation Authority for Translators and Interpreters Limited (NAATI) for the financial year ended 30 June 2019.

### 1. General information

#### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Voula Messimeri AM  
Experience

#### Chair

Voula Messimeri AM was appointed to the NAATI Board of Directors on November 1, 2014, bringing to the Board significant experience and skills as an executive and non-executive director. Voula is the immediate past CEO of Australian Greek Welfare Society (AGWS) and a past Chair of the peak multicultural national body, the Federation of Ethnic Communities' Councils of Australia (FECCA). She has served in leadership positions on a number of community management bodies and on Boards such as the RMIT University Council and the RMIT Training Board, a controlled entity of the RMIT University. Voula served for 15 years as Director on the Victorian Interpreting & Translating Service (VITS) Board and occupied the role of Deputy Chairperson twice in that time. She has served on Ministerial State and Federal advisory structures across diverse areas, including health, ageing, income support and media, and was a member of the Australian Multicultural Advisory Council. Voula has occupied the role of Chairperson and, until recently, as Patron of In Touch Inc. (the Multicultural Centre against Family Violence). She is a Fellow of the prestigious Williamson Community Leadership Program and has been awarded Honorary life membership for significant contributions and leadership by FECCA and AGWS. The Greek Government recognised her service to the Australian Greek diaspora in 2009. Voula was inducted into the Victorian Honour Roll of Women and recognised under the Order of Australia for her contribution to refugees, migrants and women. Ms Messimeri's term expires on October 31, 2020.

Giuseppe (Pino) Migliorino AM  
Experience

#### Deputy Chair

Pino Migliorino AM was appointed to the NAATI Board of Directors on May 15, 2014. He was born in Bari, Italy in 1959 and migrated to Australia in 1964. Pino founded Cultural Perspectives Group 24 years ago. This group of companies are sector leaders in consulting, researching and communicating with culturally and linguistically diverse (CaLD) and indigenous communities in Australia. Prior to working in the private sector, Pino held important positions in the third sector and in government, including Executive Officer of the Ethnic Communities Council (ECC) of NSW, NSW Regional Coordinator for the Office of Multicultural Affairs, Senior Conciliator at the Human Rights and Equal Opportunities Commission (HREOC) and Principal Policy Officer at the Ethnic Affairs Commission of NSW. Pino is an acknowledged expert in immigration, multicultural affairs and social policy areas relevant to diversity. In 2017, he was made a member of the Order of Australia. Pino has a BA and Dip. Ed (Secondary), is a Fellow of the Public Relations Institute of Australia (PRIA), a Graduate of the Australian Institute of Company Directors (GAICD) and a Qualified Practicing Market Researcher (QPMR). Mr Migliorino's term expires on May 14, 2020.

## **Directors' Report**

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

#### **1. General information**

##### **Information on directors**

Mr John Williams PSM

Experience

John Williams was appointed to the NAATI Board of Directors on September 1, 2014. John joined the Department of Immigration in Melbourne in 1964 where he gained extensive senior management experience before retiring in December 2008. His extensive overseas appointments include serving in the Australian High Commission London from 1973 to 1975, the Australian Embassy in Belgrade from 1975 to 1977 and 1983 to 1985, the Australian Embassy in Cairo from 1978 to 1979, and the Australian Consulate Cape Town from 1979 to 1982. John was extensively involved with multicultural and consular communities in his assignments both overseas and in Australia. While working in Australia, he built strong working relationships with other government agencies at the Federal and State level. John was awarded a Public Service Medal (PSM) in the Queen's Birthday Honour list in 2008 in recognition of his work with Australia's multicultural communities. Since retiring from the public service, he has established his own consultancy to assist multicultural communities better connect with and access services within society. Mr Williams' term expires on August 31, 2020.

Mary Gurgone

Experience

Mary Gurgone was appointed to the NAATI Board of Directors on November 1, 2014 and has been the National Director for Fortis Consulting since 2009. Fortis is one of the top 30 management consulting firms in Western Australia. Mary migrated to Australia from Italy and has a lifelong commitment to cross-cultural and cross-linguistic communication. She has a Master of Business, teacher training and vocational training qualifications, a Bachelor of Arts, and NAATI accreditation as a professional translator and interpreter. Mary is passionate about quality in translating and interpreting and has worked tirelessly for the translating and interpreting profession. She was a National President of the Australian Institute of Interpreters and Translators Inc (AUSIT), State President of AUSIT WA (1989-2002) and is a Fellow of AUSIT. Mary continues to lead strategic national projects related to Australian multiculturalism as well as supporting the Zonta House Women's Board (which she was formally the Chair) through conducting the Board Skills Audit and being a member of the External Relations Committee. She is focussed on governance, having completed the Australian Institute of Company Directors Course. Ms Gurgone's term expires on October 31, 2020.

## **Directors' Report**

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

#### **1. General information**

##### **Information on directors**

Mitra Khakbaz  
Experience

Mitra Khakbaz was appointed to the NAATI Board of Directors on December 1, 2016. Mitra is the Deputy CEO of Host International working across the Asia Pacific region and the Executive Manager with MDA Ltd where she oversees regional settlement, employment, community wellbeing, youth settlement, case work and intensive support services. She has worked in the multicultural sector since coming to Australia from Iran in 1994. She has a strong commitment to women's and children's rights and in 2013 was awarded a Churchill Fellowship on improving the economic participation of refugee women at risk. Mitra has many years of high level involvement with various community organisations. She was a Board Member of DV Connect for over 10 years until 2012 and has been a management committee member of the Immigrant Women's Support Service and the Churchill Fellowship Association of Queensland. Mitra is currently the co chair of the Queensland Community Alliance and is also a Director with the Buddies Refugee Support Group. Mitra holds a Master's Degree in Applied Linguistics, a Master's Degree in Social Administration and a Postgraduate Diploma in Community Development and Social Policy. Ms Khakbaz's term expires on November 30, 2019.

Dr Michael Cooke  
Experience

Dr Michael Cooke was appointed to the NAATI Board of Directors on December 1, 2017. He is a linguist and principal of Intercultural Communications, which provides training for Indigenous language interpreters and consultancy services for agencies that use them, particularly in health, legal and judicial domains. He completed his PhD in linguistics in 1997 becoming a specialist in legal interpreting and forensic linguistics. Michael is a NAATI - recognised practising interpreter and translator in Djambarrpuyngu, one of the languages spoken by the Yolngu people of North East Arnhem Land. He is widely known as an expert in his field: publishing extensively in language and law. Michael has a long standing professional relationship with NAATI, beginning with chairing the Northern Territory Regional Advisory Committee in 1995. Dr Cooke's term expires on November 30, 2020.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## **Directors' Report**

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

#### **1. General information**

##### **Principal activities**

The core mission of the Company is to set and maintain high national standards for the translating and interpreting sector to enable the existence of a supply of appropriately certified translating and interpreting professionals, responsive to the changing needs and demography of Australia's culturally and linguistically diverse society.

NAATI introduced the new national certification system in January 2018. NAATI is the only organisation to issue certifications to practitioners who wish to work in the translating and interpreting profession in Australia. In November 2018, the NAATI Board approved a new three-year Strategic Plan (2019-2021) that will deliver the objectives of the company.

##### **Objectives**

The broad long term objectives of the company are to:

- Ensure high national standards for the translating and interpreting profession in Australia and promote the profession's reputation, and
- Strengthen access and equity for individuals from culturally and linguistically diverse communities, the Deaf Community and Aboriginal and Torres Strait Islander peoples.

##### **Strategy for achieving the objectives**

- Maintaining and enhancing a nationally recognised Certification scheme that has integrity and is responsive to the changing needs of the Australian community;
- Establishing Certification processes, including re-certification that are accountable and subject to continuous improvement;
- Conferring credentials on translating and interpreting professionals in accordance with the nationally recognised Certification scheme;
- Developing and maintaining a capability to undertake a range of reliable language testing services;
- Engaging with relevant international organisations in the translating and interpreting industry to ensure the Certification scheme maintains currency and recognition in line with international best practice;
- Providing advisory and consultancy services in relation to the translating and interpreting sector;
- Recognising Endorsed Qualifications in translating and interpreting offered by education institutions;
- Providing certified translators and interpreters to support people with limited English proficiency access services and engage with broader community including in government, medical, legal, welfare and private sector settings;
- Working with Member Governments and other stakeholders to identify and address areas of unmet demand for community interpreting services;
- Raising community awareness of the value and effective methods of engaging and working with appropriately credentialed practitioners; and

## **Directors' Report**

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

#### **1. General information**

##### **Strategy for achieving the objectives**

- Advocating for and supporting multiculturalism and multilingualism in Australia.

##### **Performance measures**

The company measures performance through monitoring benchmarks in respect of:

- numbers of credentials awarded according to type;
- trends in numbers of tests administered;
- time taken to process applications and results;
- existing (accreditation) credentials transitioned to certification;
- variations of expenditures against approved budgets;
- maintaining adequate financial resources to meet liabilities;
- number of complaints; and
- recording, managing and reporting on complaints received.

##### **Members' guarantee**

National Accreditation Authority for Translators and Interpreters Limited (NAATI) is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 10 for members, subject to the provisions of the company's constitution.

At 30 June 2019 the collective liability of members was \$90 (2018: \$90).



## Directors' Report

### For the Year Ended 30 June 2019

#### Meetings of directors

During the financial year, 9 meetings of directors (including Audit and Risk committee meetings) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Risk Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Voula Messimeri AM	5	5	-	-
Giuseppe (Pino) Migliorino AM	5	5	4	4
Mr John Williams PSM	5	5	4	4
Mary Gurgone	5	5	4	3
Mitra Khakbaz	5	4	-	-
Dr Michael Cooke	5	5	-	-

#### Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 7 of the financial report.

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

Director: .....  
Voula Messimeri AM

Dated 30 August 2019

## **Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of National Accreditation Authority for Translators and Interpreters Limited (NAATI)**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Hardwickes*

Hardwickes  
Chartered Accountants



Robert Johnson FCA  
Partner

30 August 2019

Canberra



# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

## Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue and other income	5	19,045,261	10,175,874
Administrative expenses		(5,502,876)	(3,602,216)
Depreciation	9(a)	(237,208)	(120,950)
Other expenses		(9,507,136)	(4,949,798)
<b>Profit before income tax</b>		<b>3,798,041</b>	<b>1,502,910</b>
Income tax expense	3(a)	-	-
<b>Profit for the year</b>		<b>3,798,041</b>	<b>1,502,910</b>
<b>Other comprehensive income</b>			
Net fair value movements for available-for-sale financial assets		-	95,494
Fair value movements on investments held at FVOCI		266,541	-
<b>Other comprehensive income for the year</b>		<b>266,541</b>	<b>95,494</b>
<b>Total comprehensive income for the year</b>		<b>4,064,582</b>	<b>1,598,404</b>

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

## Statement of Financial Position

As At 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	6,836,394	8,917,002
Trade and other receivables	7	829,947	120,364
Other financial assets	8	8,791,519	1,695,788
Other assets	10	65,757	20,728
<b>TOTAL CURRENT ASSETS</b>		<b>16,523,617</b>	<b>10,753,882</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	4,492,257	3,803,029
Property, plant and equipment	9	890,363	635,036
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,382,620</b>	<b>4,438,065</b>
<b>TOTAL ASSETS</b>		<b>21,906,237</b>	<b>15,191,947</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	11	922,942	1,043,682
Employee benefits	12	544,404	506,287
Other liabilities	13	7,249,649	4,558,887
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,716,995</b>	<b>6,108,856</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	12	89,859	48,290
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>89,859</b>	<b>48,290</b>
<b>TOTAL LIABILITIES</b>		<b>8,806,854</b>	<b>6,157,146</b>
<b>NET ASSETS</b>		<b>13,099,383</b>	<b>9,034,801</b>
<b>EQUITY</b>			
Reserves		3,785,994	2,095,494
Retained earnings		9,313,389	6,939,307
<b>TOTAL EQUITY</b>		<b>13,099,383</b>	<b>9,034,801</b>

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

## Statement of Changes in Equity

For the Year Ended 30 June 2019

2019

	Retained Earnings	General Reserve	Financial Asset Reserve	FVOCI reserve	Total
Note	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>6,939,307</b>	<b>2,000,000</b>	<b>95,494</b>	<b>-</b>	<b>9,034,801</b>
Restatement due to AASB 9	(23,959)	-	(95,494)	119,453	-
<b>Balance at 1 July 2018 restated</b>	<b>6,915,348</b>	<b>2,000,000</b>	<b>-</b>	<b>119,453</b>	<b>9,034,801</b>
Profit attributable to members of the entity	3,798,041	-	-	-	3,798,041
Transfers from retained earnings to general reserve	(1,400,000)	1,400,000	-	-	-
Total other comprehensive income for the period	-	-	-	266,541	266,541
<b>Balance at 30 June 2019</b>	<b>9,313,389</b>	<b>3,400,000</b>	<b>-</b>	<b>385,994</b>	<b>13,099,383</b>

2018

	Retained Earnings	General Reserve	Financial Asset Reserve	FVOCI reserve	Total
Note	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>5,436,397</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>7,436,397</b>
Profit attributable to members of the entity	1,502,910	-	-	-	1,502,910
Total other comprehensive income for the period	-	-	95,494	-	95,494
<b>Balance at 30 June 2018</b>	<b>6,939,307</b>	<b>2,000,000</b>	<b>95,494</b>	<b>-</b>	<b>9,034,801</b>

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

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

	Note	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		22,499,806	15,482,066
Payments to suppliers and employees		(16,922,398)	(9,563,157)
Interest received		97,039	158,738
Net cash provided by operating activities	23	<u>5,674,447</u>	<u>6,077,647</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Dividends received		255,899	82,188
Purchase of property, plant and equipment	9(a)	(492,535)	(429,341)
Purchase of financial assets		<u>(7,518,418)</u>	<u>(5,427,281)</u>
Net cash (used in) investing activities		<u>(7,755,054)</u>	<u>(5,774,434)</u>
Net increase in cash and cash equivalents held		(2,080,607)	303,213
Cash and cash equivalents at beginning of year		<u>8,917,002</u>	<u>8,613,789</u>
Cash and cash equivalents at end of financial year	6	<u><u>6,836,395</u></u>	<u><u>8,917,002</u></u>

The accompanying notes form part of these financial statements.

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

The financial report covers National Accreditation Authority for Translators and Interpreters Limited (NAATI) as an individual entity. National Accreditation Authority for Translators and Interpreters Limited (NAATI) is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of National Accreditation Authority for Translators and Interpreters Limited (NAATI) is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

#### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

#### 2 Change in Accounting Policy

##### Financial Instruments - Adoption of AASB 9

The Company has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2018.

As part of the adoption of AASB 9, the Company adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year.

The key changes to the Company's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Company has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 July 2018.

##### Classification of financial assets

The financial assets of the Company have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 2 Change in Accounting Policy

##### Financial Instruments - Adoption of AASB 9

##### Classification of financial assets

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity).

##### Measurement of equity instruments

All equity instruments of the Company are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 which allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) in the reporting period which includes the date of application.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments classified as fair value through other comprehensive income are taken to the relevant reserve.

##### Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in the earlier recognition of credit loss (bad debt provisions).

##### Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

	<b>Financial asset reserve</b>	<b>FVOCI reserve</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Reclassify investments from Available for Sale to FVOCI - equity	(95,494)	95,494	-



## Notes to the Financial Statements

For the Year Ended 30 June 2019

## 2 Change in Accounting Policy

## Financial Instruments - Adoption of AASB 9

## Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at the date of initial application.

	Note	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139 \$	Carrying amount under AASB 9 \$
<b>Financial assets</b>					
Medium & long term capital pool (i)	8	Available for sale	FVOCI - equity	3,803,029	3,803,029
Operational capital pool (ii)	8	Designated as at FVTPL	FVOCI - equity	1,695,788	1,695,788
Trade and other receivables	7	Loans and receivables	Amortised cost	120,364	120,364
Cash and cash equivalents	6	Loans and receivables	Amortised cost	8,917,002	8,917,002
<b>Total financial assets</b>				<b>14,536,183</b>	<b>14,536,183</b>
<b>Financial liabilities</b>					
Trade payables	11(a)	Other financial liabilities	Other financial liabilities	444,343	444,343
<b>Total financial liabilities</b>				<b>444,343</b>	<b>444,343</b>

Notes to the table:

(i) Reclassify investments from Available for Sale to FVOCI - equity

The Company previously classified investments as available for sale with changes in value being taken through a financial asset reserve. On adoption of AASB 9, investments with a fair value of \$95,494 were reclassified from the financial asset reserve to the financial asset at fair value through OCI reserve since they are not held for trading.

(ii) Reclassification from FVTPL to FVOCI - equity

Certain equity instruments which were previously measured at FVTPL have been designated at FVOCI - equity since on initial application of AASB 9, these instruments are not held for trading. Related fair value movements of \$23,959 were transferred from retained earnings to fair value through OCI reserve on adoption of AASB 9. The fair value movement that would have been recognised in profit or loss for the current year if the assets had not been reclassified is \$(1,035).

(iii) Reclassification from Held to Maturity to Amortised Cost

Term deposits that would previously have been classified as held to maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Summary of Significant Accounting Policies

##### (a) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

##### (b) Leases

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

##### (c) Revenue and other income

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.

##### Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the Company obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

##### Donations

Donations and bequests are recognised as revenue when received.

##### Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

##### Other income

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

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Summary of Significant Accounting Policies

#### (c) Revenue and other income

##### Interest & dividend revenue

Interest is recognised using the effective interest method.

Dividends are recognised when the entity's right to receive payment is established.

#### (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 Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

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

#### (e) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

##### Leasehold improvements

Leasehold improvements are measured using the cost model.

##### Plant and equipment

Plant and equipment are measured using the cost model.

##### Depreciation

Plant and equipment is depreciated on a reducing balance basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

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

Fixed asset class	Depreciation rate
Office Equipment	10% - 33.33%
Technology Upgrade	27%

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Summary of Significant Accounting Policies

##### (e) Plant and equipment

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

##### (f) Financial instruments

###### For current year

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

###### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

###### *Classification*

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

###### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Summary of Significant Accounting Policies

##### (f) Financial instruments

###### Financial assets

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

###### *Fair value through other comprehensive income*

###### Equity instruments

The Company has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. The Company has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

###### Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

The Company does not hold any assets that fall into this category.

###### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

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

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Summary of Significant Accounting Policies

#### (f) Financial instruments

##### Financial assets

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

##### *Trade receivables*

Impairment of trade receivables has been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

##### *Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

##### Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and finance lease liabilities.

##### For comparative year

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Summary of Significant Accounting Policies

##### (f) Financial instruments

###### Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

###### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the Company to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Summary of Significant Accounting Policies

##### (f) Financial instruments

###### Financial assets

Any gain or loss arising from financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

###### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

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

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Company's available-for-sale financial assets comprise listed securities.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

###### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Company's financial liabilities include borrowings and trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

###### Impairment of Financial Assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.



## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Summary of Significant Accounting Policies

##### (f) Financial instruments

###### Impairment of Financial Assets

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

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

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

##### (g) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is any evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

##### (h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, on call deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **3 Summary of Significant Accounting Policies**

#### **(i) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Changes in the measurement of the liability are recognised in profit or loss.

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 3 Summary of Significant Accounting Policies

#### (j) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 16 : Leases	1 January 2019	<p>When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 : Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.</p> <p>The main changes introduced by the new Standard are as follows:</p> <ul style="list-style-type: none"> <li>-recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);</li> <li>-depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;</li> <li>-inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;</li> <li>-application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and</li> <li>-inclusion of additional disclosure requirements.</li> </ul> <p>The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 : Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.</p>	<p>The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:</p> <ul style="list-style-type: none"> <li>- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet</li> <li>- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities</li> <li>- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses</li> <li>- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating</li> </ul>

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

##### Key estimates - impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

##### Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

##### Key judgments - Employee benefits

For the purpose of measurement, AASB 119 : Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. The company expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

#### 5 Revenue and Other Income

	2019	2018
	\$	\$
Sales revenue		
- Test related revenue	16,628,847	7,919,953
- Government grants	1,255,903	1,239,785
- Other services revenue	792,389	783,684
- Interest received	125,478	160,968
- Dividends received	242,644	71,484
<b>Total Revenue and Other Income</b>	<b>19,045,261</b>	<b>10,175,874</b>

#### 6 Cash and Cash Equivalents

	2019	2018
Note	\$	\$
Cash at bank and in hand	6,836,394	6,820,046
Short-term deposits	-	2,096,956
16	<b>6,836,394</b>	<b>8,917,002</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 7 Trade and Other Receivables

	2019 \$	2018 \$
CURRENT		
Trade receivables	733,089	47,468
Other receivables	96,858	72,896
<b>Total current trade and other receivables</b>	<b>829,947</b>	<b>120,364</b>

#### 8 Other Financial Assets

	Note	2019 \$	2018 \$
CURRENT			
Term deposits	16	7,085,111	-
Operational capital pool <sup>(a)</sup>	16	1,706,408	1,695,788
		<b>8,791,519</b>	<b>1,695,788</b>
NON-CURRENT			
Medium & long term capital pool <sup>(b)</sup>	16	4,492,257	3,803,029
		<b>4,492,257</b>	<b>3,803,029</b>
<b>Total</b>		<b>13,283,776</b>	<b>5,498,817</b>

(a) The Board in assessing NAATI's risk and investment return objectives (documented in NAATI's Investment Policy Statement paragraph 3) have determined that NAATI needs to maintain an operational capital pool of approximately \$2m to ensure it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. In assessing the adequacy of this balance, the cash accounts listed in Note 6 also need to be considered. In accordance with the Financial Instruments Note 3(f) in the financial statements, funds invested with this short-term time frame are included in financial assets under the current assets heading. These assets are carried at fair value in the balance sheet with changes in this fair value recognised in other comprehensive income (Refer Note 3(f)).

(b) The non-current balance of NAATI's capital pool is disclosed as financial assets under the non-current assets heading. These investments are made in accordance with NAATI's Investment Policy Statement over the medium to long term. The classification is in accordance with note 3(f) of the financial statements as "available for sale financial assets" measured at fair value with subsequent changes in this fair value being recognised in other comprehensive income (Refer Note 3(f)). The medium to long term pool of funds is invested with a return objective of CPI plus 2% - 2.5% over a rolling five-year period. The purpose of the non-current capital pools is to ensure NAATI has available funds to meet specific strategic initiatives in the medium term and long-term commitments in the event of the company being wound up.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 9 Plant and equipment

	2019 \$	2018 \$
PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	265,037	265,037
Accumulated depreciation	(221,068)	(194,019)
Total furniture, fixtures and fittings	43,969	71,018
Office equipment		
At cost	31,322	31,322
Accumulated depreciation	(14,581)	(12,431)
Total office equipment	16,741	18,891
IT equipment		
At cost	40,124	-
Accumulated depreciation	(11)	-
Total IT equipment	40,113	-
Office fit-outs		
At cost	396,826	369,138
Accumulated depreciation	(370,139)	(369,138)
Total office fit-outs	26,687	-
Technology Upgrade		
At cost	1,528,130	1,103,408
Accumulated depreciation	(765,277)	(558,281)
Total Technology upgrade	762,853	545,127
<b>Total plant and equipment</b>	<b>890,363</b>	<b>635,036</b>

## National Accreditation Authority for Translators and Interpreters Limited (NAATI)

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### Notes to the Financial Statements

For the Year Ended 30 June 2019

#### 9 Plant and equipment

##### (a) Movements in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings	Office Equipment	IT Equipment	Office Fit-outs	Technology Upgrade	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>						
Balance at the beginning of year	71,018	18,891	-	-	545,127	635,036
Additions	-	-	40,124	27,688	424,723	492,535
Depreciation expense	(27,049)	(2,150)	(11)	(1,001)	(206,997)	(237,208)
<b>Balance at the end of the year</b>	<b>43,969</b>	<b>16,741</b>	<b>40,113</b>	<b>26,687</b>	<b>762,853</b>	<b>890,363</b>

	Furniture, Fixtures and Fittings	Office Equipment	IT Equipment	Office Fit-outs	Technology Upgrade	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2018</b>						
Balance at the beginning of year	98,320	12,165	-	-	216,160	326,645
Additions	-	8,599	-	-	420,742	429,341
Depreciation expense	(27,302)	(1,873)	-	-	(91,775)	(120,950)
<b>Balance at the end of the year</b>	<b>71,018</b>	<b>18,891</b>	<b>-</b>	<b>-</b>	<b>545,127</b>	<b>635,036</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 10 Other Assets

	2019	2018
	\$	\$
CURRENT		
Prepayments	65,757	7,474
Accrued income	-	13,254
	<u>65,757</u>	<u>20,728</u>

### 11 Trade and Other Payables

	2019	2018
	\$	\$
CURRENT		
Trade payables	34,251	-
Sundry payables and accrued expenses	322,015	444,343
GST payable	234,558	511,003
Other payables	332,118	88,336
	<u>922,942</u>	<u>1,043,682</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

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

	2019	2018
	\$	\$
Trade and other payables:		
- Total current	<u>922,942</u>	<u>1,043,682</u>
	<u>922,942</u>	<u>1,043,682</u>
Less:		
GST payable	(234,558)	(511,003)
Other payables	(332,118)	(88,336)
Financial liabilities as trade and other payables	<u>356,266</u>	<u>444,343</u>

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### 12 Employee Benefits

	2019	2018
	\$	\$
CURRENT LIABILITIES		
Long service leave	239,414	286,976
Annual leave provision	304,990	219,311
	<u>544,404</u>	<u>506,287</u>



## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 12 Employee Benefits

	2019 \$	2018 \$
NON-CURRENT LIABILITIES		
Long service leave	89,859	48,290
	<u>89,859</u>	<u>48,290</u>

### 13 Other Liabilities

	2019 \$	2018 \$
CURRENT		
Test fees in advance	6,439,596	4,397,140
Revenue in advance	810,053	161,747
<b>Total</b>	<u><b>7,249,649</b></u>	<u><b>4,558,887</b></u>

### 14 Reserves

#### (a) General reserve

The general reserve records funds set aside for the future expansion of National Accreditation Authority for Translators and Interpreters Limited (NAATI).

#### (b) Financial asset reserve

Change in the fair value of available for sale investments are recognised in other comprehensive income - financial asset reserve. Amounts are reclassified to profit or loss on disposal of the investment or when an impairment arises.

### 15 Capital and Leasing Commitments

#### (a) Operating Leases

Operating leases are in place for Property and IT equipment and normally have a term between 2 and 10 years for Property and 18 months and 4 years for IT equipment. Lease payments are increased on an annual basis to reflect market rentals.

### 16 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 16 Financial Risk Management

##### Specific risks

- Liquidity risk
- Credit risk
- Market risk - interest rate risk and price risk

##### Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Investments in listed shares
- Trade and other payables

	Note	2019 \$	2018 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	-	8,917,002
Trade and other receivables	7	-	120,364
Operational capital pool	8	-	1,695,788
Medium & long term capital pool	8	-	3,803,029
Held at amortised cost			
Cash and cash equivalents	6	6,836,394	-
Trade and other receivables	7	829,947	-
Term Deposits	8	7,085,111	-
Fair value through Other Comprehensive Income (OCI)			
Medium & long term capital pool	8	4,492,257	-
Operational capital pool	8	1,706,408	-
<b>Total financial assets</b>		<b>20,950,117</b>	14,536,183
<b>Financial liabilities</b>			
Trade and other payables	11(a)	-	444,343
Financial liabilities at fair value			
- Total current	11(a)	356,266	-
<b>Total financial liabilities</b>		<b>356,266</b>	444,343

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **16 Financial Risk Management**

#### **Specific financial risk exposures and management**

The main risks National Accreditation Authority for Translators and Interpreters Limited (NAATI) is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### *Trade receivables*

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Company's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

## **Notes to the Financial Statements**

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

#### **16 Financial Risk Management**

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

##### *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

##### **Liquidity risk**

Liquidity risk arises from the possibility that National Accreditation Authority for Translators and Interpreters Limited (NAATI) might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets.

Typically, National Accreditation Authority for Translators and Interpreters Limited (NAATI) ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days.

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

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## Notes to the Financial Statements

For the Year Ended 30 June 2019

### 16 Financial Risk Management

The table/s below reflect maturity analysis for financial assets.

	Floating Interest Rate		Within 1 Year		1 to 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets - cash flows realisable</b>								
Cash and cash equivalents	6,836,394	6,817,703	7,085,111	2,099,298	-	-	13,921,505	8,917,001
Trade, term and loans receivables	-	-	829,947	120,364	-	-	829,947	120,364
Other financial assets	-	-	1,706,408	1,695,788	4,492,257	3,803,029	6,198,665	5,498,817
Total anticipated outflows	<u>6,836,394</u>	<u>6,817,703</u>	<u>9,621,466</u>	<u>3,915,450</u>	<u>4,492,257</u>	<u>3,803,029</u>	<u>20,950,117</u>	<u>14,536,182</u>

The table below reflects the undiscounted contractual maturity analysis for financial liabilities.

#### *Financial liability maturity analysis - Non-derivative*

	Within 1 Year		Total	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>				
Trade and other payables (excluding estimated annual leave)	356,266	444,343	356,266	444,343
<b>Total contractual outflows</b>	<u>356,266</u>	<u>444,343</u>	<u>356,266</u>	<u>444,343</u>

The timing of expected outflows is not expected to be materially different from contracted cashflows.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 17 Fair Value Measurement

The Company measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets
  - Fixed Interest Securities
  - Other Financial Assets
  - Equity Securities at FVOCI

#### Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the company:

	Level 1	Level 2	Level 3	Total
30 June 2019	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Equity Securities at FVOCI	6,198,665	-	-	6,198,665
	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Available-for-sale financial assets	1,695,788	-	-	1,695,788
Financial assets at fair value through profit or loss	3,803,029	-	-	3,803,029

#### Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

#### Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

# National Accreditation Authority for Translators and Interpreters Limited (NAATI)

ABN 42 008 596 996

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 18 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 \$10 each towards meeting any outstandings and obligations of the Company.

### 19 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of National Accreditation Authority for Translators and Interpreters Limited (NAATI) during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	881,538	499,596
Long-term benefits	71,028	45,875
Directors remuneration	69,706	69,601
	<u>1,022,272</u>	<u>615,072</u>

### 20 Auditors' Remuneration

	2019	2018
	\$	\$
Remuneration of the auditor of the company, Hardwicks Chartered Accountants, for:		
- auditing or reviewing the financial statements	19,200	19,200
- other services	-	4,865
<b>Total</b>	<u>19,200</u>	<u>24,065</u>

### 21 Contingencies

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

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 22 Related Parties

##### (a) 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.

Key management personnel - refer to Note 19.

There were no other transactions with KMP and their related entities

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

##### (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### 23 Cash Flow Information

##### (a) Reconciliation of result for the year to cashflows from operating activities

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

	2019	2018
	\$	\$
Profit for the year	3,798,041	1,502,910
Non-cash flows in profit:		
- depreciation	237,208	120,950
- fair value movements on investments	(242,644)	(71,484)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(709,583)	(65,391)
- (increase)/decrease in prepayments	(58,283)	(754)
- increase/(decrease) in income in advance	2,690,762	3,793,873
- increase/(decrease) in trade and other payables	(364,522)	686,733
- increase/(decrease) in employee benefits	323,468	110,810
Cashflows from operations	<u>5,674,447</u>	<u>6,077,647</u>

#### 24 Events after the end of the Reporting Period

The financial report was authorised for issue on 30 August 2019 by the Board of Directors.

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.



# **National Accreditation Authority for Translators and Interpreters Limited (NAATI)**

ABN 42 008 596 996

## **Notes to the Financial Statements** **For the Year Ended 30 June 2019**

### **25 Company Details**

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

National Accreditation Authority for Translators and Interpreters  
Limited (NAATI)  
16/2 King Street  
Deakin ACT 2600

## **Directors' Declaration**

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 8 to 38, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director .....

Voula Messimeri AM

Dated 30 August 2019

## National Accreditation Authority for Translators and Interpreters Limited (NAATI)

# Independent Audit Report to the members of National Accreditation Authority for Translators and Interpreters Limited (NAATI)

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of National Accreditation Authority for Translators and Interpreters Limited (NAATI) (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

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

#### Responsibilities of Directors for the Financial Report

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

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

## National Accreditation Authority for Translators and Interpreters Limited (NAATI)

### Independent Audit Report to the members of National Accreditation Authority for Translators and Interpreters Limited (NAATI)

#### 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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.

**National Accreditation Authority for Translators and Interpreters Limited (NAATI)**

**Independent Audit Report to the members of National Accreditation  
Authority for Translators and Interpreters Limited (NAATI)**

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Hardwicks*

**Hardwicks**  
**Chartered Accountant**



Robert Johnson FCA  
Partner

Canberra  
30 August 2019



## Contact us

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