National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

ABN: 42 008 596 996

Financial Statements

For the Year Ended 30 June 2020

National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

ABN: 42 008 596 996

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National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

ABN: 42 008 596 996

Directors' Report

For the Year Ended 30 June 2020

The directors present their report on National Accreditation Authority for Translators and Interpreters Ltd (NAATI) for the financial year ended 30 June 2020.

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	Chair
Experience	Voula Messimeri AM was appointed to the NAATI Board on 1 November 2014, bringing significant experience and skills as an executive and non-executive director. She is a past CEO of the Australian Greek Welfare Society (AGWS) and past Chair of the peak multicultural national body, the Federation of Ethnic Communities' Councils of Australia (FECCA). Ms Messimeri has served in leadership positions on several community management bodies and on Boards such as the RMIT University Council and the RMIT Training Board. She served for 15 years as Director on the Victorian Interpreting & Translating Service (VITS) Board and was 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. Ms Messimeri 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 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. Ms Messimeri 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 30 October 2023.
Giuseppe (Pino) Migliorino AM	Deputy Chair
Experience	Pino Migliorino AM was appointed to the NAATI Board on 15 May 2014. He was born in Bari, Italy in 1959 and migrated to Australia in 1964. Mr Migliorino 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, he 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. Mr Migliorino 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 expired on 14 May 2020.

Directors' Report

For the Year Ended 30 June 2020

1. General information

Information on directors

Mr John Williams PSM

Experience	John Williams was appointed to the NAATI Board on 1 September 2014. He 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. Mr Williams 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. He 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 31 August 2020.

Mary Gurgone

Experience	Mary Gurgone was appointed to the NAATI Board on 1 November 2014. She is the Director of the Centre for Capability and Culture with extensive executive experience in Government, private sector and community organisations. She was selected Chair and member of various board and Audit and Finance Committees. She is a founding member, Fellow and former National President of the Australian Institute of Interpreters and Translators (AUSIT). Ms Gurgone has a Master of Business, Bachelor of Arts as well as qualifications in governance, teaching, vocational education and interpreting/translating. In 2016, Ms Gurgone led her organisation to win the WA Government's Multicultural Award. She introduced a range of interpreting and translating programs in the vocational education and training sector and presented at International, National and State conferences on policy, evaluation, diversity and inclusion. Ms Gurgone's personal experience as a migrant has led to her commitment and deep skill development in the cross-linguistic and cross-cultural sectors. She continues to be involved with international organisations such as Zonta International in leadership roles focusing on governance, inclusion, culture and domestic violence. She has significant experience in working with Aboriginal communities including in the Kimberley in Western Australia. Ms Gurgone's term expires on 31 October 2020.

Directors' Report
For the Year Ended 30 June 2020

1. General information

Information on directors

Mitra Khakbaz

Experience	Mitra Khakbaz was appointed to the NAATI Board on 1 December 2016. She is the Deputy CEO of Host International working across the Asia Pacific region. Ms Khakbaz was formerly the Executive Manager with MDA Ltd where she oversaw 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 for improving the economic participation of refugee women at risk. Ms Khakbaz 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. She is currently the co-chair of the Queensland Community Alliance and is also a Director with the Buddies Refugee Support Group. She 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 expired on 30 November 2019.

Dr Michael Cooke

Experience	Dr Michael Cooke was appointed to the NAATI Board on 1 December 2017 and is a Graduate of the AICD. He 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 completed his PhD in linguistics in 1997 becoming a specialist in legal interpreting and forensic linguistics. He is widely known as an expert in his field, researching, presenting, providing expert evidence as a forensic linguist and publishing extensively in language and the law. His long-standing relationship with NAATI began with chairing the Northern Territory Regional Advisory Committee in 1995 and includes previously providing professional assistance to NAATI as a trainer, examiner and consultant. Dr Cooke’s term expires on 30 November 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 2020

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 2020

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 Ltd (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 2020 the collective liability of members was $90 (2019: $90).

Directors' Report

For the Year Ended 30 June 2020

Meetings of directors

During the financial year, 10 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	6	6	-	-
Giuseppe (Pino) Migliorino AM	5	5	4	4
Mr John Williams PSM	6	6	4	4
Mary Gurgone	6	6	4	4
Mitra Khakbaz	2	2	-	-
Dr Michael Cooke	6	6	-	-

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 2020 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 28 August 2020

Hardwickes
more than accounting

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Hardwickes Partners Pty Ltd
ABN 21 008 401 536

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, 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

R Johnson

Robert Johnson FCA
Partner

28 August 2020

Canberra

National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

ABN: 42 008 596 996

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
Revenue and other income	5	**22,212,979**	19,045,261
Administrative expenses		**(7,888,670)**	(6,012,850)
Depreciation and amortisation	9(a)	**(830,871)**	(237,208)
Finance costs		**(136,317)**	-
Other expenses		**(10,233,496)**	(8,997,162)
Profit before income tax		**3,123,625**	3,798,041
Income tax expense		**-**	-
Profit for the year		**3,123,625**	3,798,041
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met			
Fair value movements on investments held at FVOCI		**(345,961)**	266,541
Other comprehensive income for the year		**(345,961)**	266,541
Total comprehensive income for the year		**2,777,664**	4,064,582

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

ABN: 42 008 596 996

Statement of Financial Position

As At 30 June 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**7,764,286**	6,836,394
Trade and other receivables	7	**119,578**	761,061
Other financial assets	8	**9,713,951**	8,791,519
Other assets	10	**108,010**	134,643
TOTAL CURRENT ASSETS		**17,705,825**	16,523,617
NON-CURRENT ASSETS			
Other financial assets	8	**5,692,785**	4,492,257
Property, plant and equipment	9	**4,646,888**	890,363
TOTAL NON-CURRENT ASSETS		**10,339,673**	5,382,620
TOTAL ASSETS		**28,045,498**	21,906,237
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**1,020,687**	922,942
Lease liabilities	12	**515,889**	-
Employee benefits	13	**579,029**	544,404
Contract liabilities	14	**7,062,315**	7,249,649
TOTAL CURRENT LIABILITIES		**9,177,920**	8,716,995
NON-CURRENT LIABILITIES			
Lease liabilities	12	**2,960,514**	-
Employee benefits	13	**132,504**	89,859
TOTAL NON-CURRENT LIABILITIES		**3,093,018**	89,859
TOTAL LIABILITIES		**12,270,938**	8,806,854
NET ASSETS		**15,774,560**	13,099,383
EQUITY			
Reserves		**5,040,033**	3,785,994
Retained earnings		**10,734,527**	9,313,389
TOTAL EQUITY		**15,774,560**	13,099,383

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2020

2020

	Note	Retained Earnings $	General Reserve $	Financial Asset Reserve $	FVOCI reserve $	Total $
Balance at 1 July 2019		**9,313,389**	**3,400,000**	**-**	**385,994**	**13,099,383**
Restatement due to adoption of AASB 16	2	**(102,487)**	**-**	**-**	**-**	**(102,487)**
Balance at 1 July 2019 restated		**9,210,902**	**3,400,000**	**-**	**385,994**	**12,996,896**
Profit for the year		**3,123,625**	**-**	**-**	**-**	**3,123,625**
Transfers from retained earnings to general reserve		**(1,600,000)**	**1,600,000**	**-**	**-**	**-**
Total other comprehensive income for the period		**-**	**-**	**-**	**(345,961)**	**(345,961)**
Balance at 30 June 2020		**10,734,527**	**5,000,000**	**-**	**40,033**	**15,774,560**

2019

	Retained Earnings $	General Reserve $	Financial Asset Reserve $	FVOCI reserve $	Total $
Balance at 1 July 2018	6,939,307	2,000,000	95,494	-	9,034,801
Change in accounting policy to reflect the retrospective adjustments - adoption of AASB 9	(23,959)	-	(95,494)	119,453	-
Balance at 1 July 2018 restated	6,915,348	2,000,000	-	119,453	9,034,801
Profit for the year	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
Balance at 30 June 2019	9,313,389	3,400,000	-	385,994	13,099,383

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**24,345,897**	22,499,806
Payments to suppliers and employees		**(20,047,152)**	(16,922,398)
Interest received		**210,683**	97,039
Net cash provided by operating activities	23	**4,509,428**	5,674,447
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends received		**237,182**	255,899
Purchase of property, plant and equipment		**(881,587)**	(492,535)
Purchase of financial assets		**(2,468,921)**	(7,518,418)
Net cash (used in) investing activities		**(3,113,326)**	(7,755,054)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of finance lease liabilities		**(468,210)**	-
Net cash (used in) financing activities		**(468,210)**	-
Net increase/(decrease) in cash and cash equivalents held		**927,892**	(2,080,607)
Cash and cash equivalents at beginning of year		**6,836,394**	8,917,002
Cash and cash equivalents at end of financial year	6	**7,764,286**	6,836,395

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

The financial report covers National Accreditation Authority for Translators and Interpreters Ltd (NAATI) as an individual entity. National Accreditation Authority for Translators and Interpreters Ltd (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 Ltd (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

Revenue from Contracts with Customers - Adoption of AASB 15

The Company has adopted AASB 15 *Revenue from Contracts* with Customers and AASB 1058 *Income of Not-for-Profit Entities* for the first time in the current year with a date of initial application of 1 July 2019.

The Company has applied AASB 15 and AASB 1058 using the cumulative effect method which means the comparative information has not been restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related interpretations. All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The key changes to the Company's accounting policies and the impact on these financial statements from applying AASB 15 and AASB 1058 are described below.

Changes in presentation

In addition to the above changes in accounting policies, the Company has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- liabilities related to fees received in advance presented as income in advance and are now shown as Contract liabilities.

Leases - Adoption of AASB 16

The Company has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

2 Change in Accounting Policy

Leases - Adoption of AASB 16

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

Company as a lessee

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

AASB 16 includes a number of practical expedients which can be used on transition. The Company has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

2 Change in Accounting Policy

Financial statement impact of adoption of AASB 16

The Company has recognised right-of-use assets of $3,004,432 and lease liabilities of $3,808,296 at 1 July 2019, for leases previously classified as operating leases.

	Carrying amount as at 30 June 2019	Remeasurement	Carrying amount as at 1 July 2019
	$	$	$
Right to use	-	3,004,432	3,004,432
Fitouts - Lease incentive	-	701,377	701,377
Lease liabilities	-	(3,808,296)	(3,808,296)
Impact on opening retained earnings	-	**(102,487)**	**(102,487)**

3 Summary of Significant Accounting Policies

(a) Revenue and other income

For comparative year

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.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

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.

3 Summary of Significant Accounting Policies

(a) Revenue and other income

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.

Revenue from contracts with customers

For current year

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Operating grants

When the Entity receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Entity:

– identifies each performance obligation relating to the grant;

3 Summary of Significant Accounting Policies

(a) Revenue and other income

Specific revenue streams

- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Entity:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (for example AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Entity recognises income in profit or loss when or as it satisfies its obligations under the contract.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

The Entity recognises dividends in profit or loss only when the Entity's right to receive payment of the dividend is established.

(b) Income Tax

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

(c) 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.

3 Summary of Significant Accounting Policies

(d) Plant and equipment

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

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 asset's 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%
Right to use asset	27%

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.

(e) Financial instruments

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).

3 Summary of Significant Accounting Policies

(e) Financial instruments

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.

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 (FVOCI reserve). On disposal any balance in the financial asset reserve is transferred to retained

3 Summary of Significant Accounting Policies

(e) Financial instruments

Financial assets
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 includes 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 asset is more than 90 days past due.

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.

3 Summary of Significant Accounting Policies

(e) Financial instruments

Financial assets

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.

(f) 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.

3 Summary of Significant Accounting Policies

(g) 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.

(h) Leases

For comparative year

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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.

For current year

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

3 Summary of Significant Accounting Policies

(h) Leases

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(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.

(j) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company or refer to Note 2 for details of the changes due to standards adopted.

3 Summary of Significant Accounting Policies

(k) 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 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 July 2020	The amendments refine the definition of material in AASB 101 to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.	Unlikely to be any impact on the reported financial position, performance or cash flows in the financial statements.
AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current	1 July 2022	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	Little impact expected but entities should consider the appropriate classification of liabilities as current or non-current.

Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Critical Accounting Estimates and Judgments

The Company makes 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.

5 Revenue and Other Income

	2020 $	2019 $
Sales revenue		
- Test related revenue	**19,756,123**	16,628,847
- Government grants	**1,272,229**	1,255,903
- Other services revenue	**776,668**	792,389
- Interest received	**170,777**	125,478
- Dividends received	**237,182**	242,644
Total Revenue and Other Income	**22,212,979**	19,045,261

6 Cash and Cash Equivalents

	Note	2020 $	2019 $
Cash at bank and in hand		**7,764,286**	6,836,394
	15	**7,764,286**	6,836,394

Notes to the Financial Statements

For the Year Ended 30 June 2020

7 Trade and other receivables

	Note	2020 $	2019 $
CURRENT			
Trade receivables		**20,006**	733,089
Other receivables		**99,572**	27,972
Total current trade and other receivables	15	**119,578**	761,061

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

8 Other Financial Assets

	Note	2020 $	2019 $
CURRENT			
Term deposits	15	**8,000,000**	7,085,111
Operational capital pool [(a)]	15	**1,713,951**	1,706,408
		9,713,951	8,791,519
NON-CURRENT			
Medium & long term capital pool [(b)]	15	**5,692,785**	4,492,257
		5,692,785	4,492,257
Total		**15,406,736**	13,283,776

(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(e) 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(e)).

(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(e) 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(e)). 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 2020

9 Plant and equipment

	2020	2019
	$	$
PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	**265,037**	265,037
Accumulated depreciation	**(247,892)**	(221,068)
Total furniture, fixtures and fittings	**17,145**	43,969
Office equipment		
At cost	**44,022**	31,322
Accumulated depreciation	**(17,282)**	(14,581)
Total office equipment	**26,740**	16,741
Computer equipment		
At cost	**40,124**	40,124
Accumulated depreciation	**(4,023)**	(11)
Total computer equipment	**36,101**	40,113
Leasehold Improvements		
At cost	**1,585,925**	396,826
Accumulated depreciation	**(506,435)**	(370,139)
Total leasehold improvements	**1,079,490**	26,687
Technology upgrade		
At cost	**1,728,130**	1,528,130
Accumulated depreciation	**(1,078,173)**	(765,277)
Total technology upgrade	**649,957**	762,853
Capital WIP		
At cost	**181,166**	-
Total capital WIP	**181,166**	-
Total plant and equipment	**1,990,599**	890,363
RIGHT-OF-USE		
Right to use asset - Office Premises		
At fair value	**3,004,431**	-
Accumulated depreciation	**(348,142)**	-
Total Right to use asset - Office Premises	**2,656,289**	-
Total right-of-use	**2,656,289**	-
Total property, plant and equipment	**4,646,888**	890,363

Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

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

	Furniture, Fixtures and Fittings	Office Equipment	Computer Equipment	Improvements	Technology upgrade	Right to use asset	Capital WIP	Total
	$	$	$	$	$	$	$	$
Year ended 30 June 2020								
Balance at the beginning of year	**43,969**	**16,741**	**40,113**	**26,687**	**762,853**	**-**	**-**	**890,363**
Additions	**-**	**12,700**	**-**	**1,189,099**	**200,000**	**3,004,431**	**181,166**	**4,587,396**
Depreciation expense	**(26,824)**	**(2,701)**	**(4,012)**	**(136,296)**	**(312,896)**	**(348,142)**	**-**	**(830,871)**
Balance at the end of the year	**17,145**	**26,740**	**36,101**	**1,079,490**	**649,957**	**2,656,289**	**181,166**	**4,646,888**

	Furniture, Fixtures and Fittings	Office Equipment	Computer Equipment	Improvements	Technology upgrade	Right to use asset	Capital WIP	Total
	$	$	$	$	$	$	$	$
Year ended 30 June 2019								
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)
Balance at the end of the year	43,969	16,741	40,113	26,687	762,853	-	-	890,363

Notes to the Financial Statements

For the Year Ended 30 June 2020

10 Other Assets

	2020	2019
	$	$
CURRENT		
Prepayments	**79,030**	65,757
Accrued income	**28,980**	68,886
	108,010	134,643

11 Trade and Other Payables

	2020	2019
	$	$
CURRENT		
Trade payables	**162,238**	178,060
Sundry payables and accrued expenses	**486,662**	384,420
GST payable	**243,655**	234,558
Other payables	**128,132**	125,904
	1,020,687	922,942

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

	Note	2020	2019
		$	$
Trade and other payables:			
- Total current	11	**1,020,687**	922,942
		1,020,687	922,942
Less:			
GST payable	11	**(243,655)**	(234,558)
Other payables	11	**(128,132)**	(125,904)
Financial liabilities as trade and other payables	15	**648,900**	562,480

Notes to the Financial Statements

For the Year Ended 30 June 2020

12 Lease Liabilities

	Note	2020 $	2019 $
CURRENT			
Lease liability		**515,889**	-
Total current lease liabilities	15	**515,889**	-

	Note	2020 $	2019 $
NON-CURRENT			
Lease liability		**2,960,514**	-
Total non-current lease liabilities	15	**2,960,514**	-
Total lease liabilities	15	**3,476,403**	-

Leased Liabilities

Leased liabilities are secured by the underlying leased assets.

13 Employee Benefits

	2020 $	2019 $
CURRENT LIABILITIES		
Long service leave	**216,587**	239,414
Annual leave provision	**362,442**	304,990
	579,029	544,404

	2020 $	2019 $
NON-CURRENT LIABILITIES		
Long service leave	**132,504**	89,859
	132,504	89,859

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Contract Liabilities

	2020	2019
	$	$
CURRENT		
Test fees in advance	**6,854,742**	6,439,596
Grant funding in advance	**207,573**	810,053
Total	**7,062,315**	7,249,649

15 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:

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
- Lease liabilities

15 Financial Risk Management

15 Financial Risk Management

	Note	2020 $	2019 $
Financial assets			
Held at amortised cost			
Cash and cash equivalents	6	**7,764,286**	6,836,394
Trade and other receivables	7	**119,578**	761,061
Term deposits	8	**8,000,000**	7,085,111
Fair value through Other Comprehensive Income (OCI)			
Operational capital pool	8	**1,713,951**	1,706,408
Medium & long term capital pool	8	**5,692,785**	4,492,257
Total financial assets		**23,290,600**	20,881,231
Financial liabilities			
Financial liabilities at fair value			
Trade and other payables	11(a)	**648,900**	562,480
Lease liabilities	12	**3,476,403**	-
Total financial liabilities		**4,125,303**	562,480

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of National Accreditation Authority for Translators and Interpreters Ltd (NAATI)'s financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, liquidity risk and credit risks.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and National Accreditation Authority for Translators and Interpreters Ltd (NAATI) 's activities.

The day-to-day risk management is carried out by National Accreditation Authority for Translators and Interpreters Ltd (NAATI)'s finance function under policies and objectives which have been approved by the Board of Directors. The Chief Executive Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives regular reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit

Notes to the Financial Statements

For the Year Ended 30 June 2020

15 Financial Risk Management

15 Financial Risk Management

Liquidity risk
facilities and the ability to sell long-term financial assets.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 90-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Financial guarantee liabilities are treated as payable on demand since National Accreditation Authority for Translators and Interpreters Ltd (NAATI) has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

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

Financial liability maturity analysis - Non-derivative

	Within 1 Year		1 to 5 Years		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment						
Trade and other payables (excluding estimated annual leave)	**648,900**	562,480	**-**	-	**648,900**	562,480
Lease liabilities	**515,889**	-	**2,960,514**	-	**3,476,403**	-
Total contractual outflows	**1,164,789**	562,480	**2,960,514**	-	**4,125,303**	**562,480**

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

15 Financial Risk Management

15 Financial Risk Management

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, financial instruments 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'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 and country 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.

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 Entity is also exposed to earnings volatility on floating rate instruments.

The financial instruments that expose the Entity to interest rate risk are limited to lease liabilities, listed shares and fixed interest securities, and cash on hand.

The Entity also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms

Notes to the Financial Statements

For the Year Ended 30 June 2020

15 Financial Risk Management

15 Financial Risk Management

Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments.

16 Reserves

(a) General reserve

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

(b) FVOCI 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.

17 Fair Value Measurement

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

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

17 Fair Value Measurement

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:

30 June 2020	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Financial assets					
Fixed Interest Securities	8	**8,000,000**	**-**	**-**	**8,000,000**
Equity Securities at FVOCI	8	**7,406,736**	**-**	**-**	**7,406,736**

30 June 2019	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Financial assets					
Fixed Interest Securities	8	7,085,111	-	-	7,085,111
Equity Securities at FVOCI	8	6,198,665	-	-	6,198,665

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.

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 Ltd (NAATI) during the year are as follows:

	2020	2019
	$	$
Short-term employee benefits	**796,089**	881,538
Long-term benefits	**69,926**	71,028
Directors remuneration	**69,344**	69,706
	935,359	1,022,272

20 Auditors' Remuneration

	2020	2019
	$	$
Remuneration of the auditor of the company, Hardwickes Chartered Accountants, for:		
- auditing or reviewing the financial statements	**20,000**	19,200
Total	**20,000**	19,200

21 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2020 (30 June 2019:None).

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:

	2020	2019
	$	$
Profit for the year	**3,123,625**	3,798,041
Cash flows excluded from profit attributable to operating activities		
Dividend income treated seperately	**(237,182)**	(242,644)
Non-cash flows in profit:		
- depreciation and amortisation	**830,871**	237,208
Finance cost on lease liability	**136,317**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**681,389**	(709,583)
- (increase)/decrease in prepayments	**(13,273)**	(58,283)
- increase/(decrease) in income in advance	**(187,334)**	2,690,762
- increase/(decrease) in trade and other payables	**95,517**	(364,522)
- increase/(decrease) in employee benefits	**79,498**	323,468
Cashflows from operations	**4,509,428**	5,674,447

24 Events after the end of the Reporting Period

The financial report was authorised for issue on 28 August 2020 by the Board of Directors.

COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020. The impact of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors. Whilst this had the potential to seriously disrupt NAATI's operations and related revenue stream, the financial results for FY 2020 have not been materially impacted. This was largely due to the company's ability to enable remote working and the delivery of some of the key business activities online.

NAATI primarily delivers tests for the purpose of certifying people seeking to work in the translating and interpreting profession, as well as a range of testing to assess language competence. The organisation's ability to deliver tests was significantly impacted by COVID-19 social distancing restrictions in the short term but the majority of tests were able to be delivered online in the last quarter and NAATI is continuing to develop this capability to enable the delivery of all test types into the future.

NAATI continues to monitor developments in the COVID-19 pandemic and respond accordingly

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

25 Company Details

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

National Accreditation Authority for Translators and Interpreters Ltd (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 2020 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 28 August 2020

Hardwickes
more than accounting

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Hardwickes
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Hardwickes Partners Pty Ltd
ABN 21 008 401 536

National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of National Accreditation Authority for Translators and Interpreters Ltd (NAATI) (the Company), which comprises the statement of financial position as at 30 June 2020, 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 2020 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.

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National Accreditation Authority for Translators and Interpreters Ltd (NAATI)

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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.

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.

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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.

Hardwickes

Hardwickes
Chartered Accountant

R Johnson

Robert Johnson FCA
Partner

Canberra
28 August 2020