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**SOCIAL TRADERS**

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# **ANNUAL REPORT 2018**

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Social Traders Ltd  
ABN 42 132 665 804  
Annual Report  
For the year ended  
30 June 2018

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Social Traders Ltd  
ABN 42 132 665 804  
(a company limited by guarantee)  
The Company's registered office and principal place of business is:  
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Melbourne, Vic. 3000  
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E: [info@socialtraders.com.au](mailto:info@socialtraders.com.au)  
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# MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR FOR THE YEAR ENDED 30 JUNE 2018

Social Traders was established on a firm belief that the business model of social enterprise could change the way we seek to solve complex social issues and reduce disadvantage in Australia.

From the outset in 2008, the Board adopted a strategy that sought to raise awareness, build capacity, offer patient capital and open up market opportunities for social enterprise. Since then, we have extended our efforts to advocate on behalf of social enterprise to government, philanthropy, social investors and the private business sector.

Collaboration and partnership has been a hallmark of Social Traders success. Most notably our funding partners, the Victorian State Government and our numerous past and current philanthropic supporters – the Dara Foundation, Ian Potter Foundation, Lord Mayor’s Charitable Foundation, Sidney Myer Fund, Equity Trustees, William Buckland Foundation, English Family Foundation, Helen Macpherson Smith Trust and the Westpac Foundation - have enabled Social Traders to support the development of the social enterprise market in Victoria and Australia.

Social Traders was first to market in many areas including social enterprise research and mapping, start-up acceleration, patient investment, and social enterprise branding through annual conferences and award. More recently, we have been focused on connecting social enterprises to emerging social procurement opportunities. Since 2016, Social Traders has facilitated \$28 million in deals between certified social enterprises and buyers, supporting 350 jobs for disadvantaged people.

In recognition of this work, Social Traders won the Entrepreneurial Supplier of the Year at the 2017 Entrepreneurial Procurement Awards.

In the last 12 months, following a major strategic review of the game changing opportunities for social enterprise through social procurement, we have adopted a new direction. Our strategy will respond to rapidly emerging demand from business and government buyers seeking to incorporate social impact into their procurement of goods and services.

Our new strategy makes Social Traders the leading organisation connecting social enterprises with social procurement opportunities, and supporting social enterprise to successfully deliver on the contracts they win.

We estimate procurement in Australia to be approximately \$600 billion and for every \$100,000 spent on social procurement 1.5 jobs are created for disadvantaged Australians.

Social Traders goal is to generate 1,500 jobs for disadvantaged Australians by 2021. To do this, we will create a network of 95 Social Traders buyer members and 600 Social Traders certified social enterprise suppliers and facilitate \$105 million in social procurement deals.

Over this past year, we have:

- played a leading role in supporting implementation of the Victorian Government’s Social Enterprise Strategy
- launched the first social enterprise certification mark in Australia to enhance social enterprises visibility and access to new market opportunities
- expanded our network of buyer members
- reoriented our social enterprise support to provide tailored business advice to enhance their capability to compete and win contracts
- accelerated our transition to a social enterprise business model

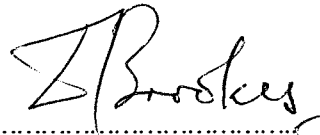
Whilst we continue to receive government funding over the short to medium term, our transition toward financial sustainability is now more important than ever. We are pleased to report that in the first year of implementing our new strategy, all key social impact and financial performance measures were met or exceeded.

Looking ahead to the next financial year, Social Traders is well-positioned to be the key delivery partner and advocate to business and government on the benefits of incorporating social impact into procurement.

The Board and staff are proud of Social Traders contribution to achieving a more visible and stronger Australian social enterprise sector over the past nine years. We are confident that Social Traders new focus and direction will continue to drive further growth of social enterprise, realising its potential to make a greater positive impact in our economy and local communities.



.....  
Michael James  
Chair



.....  
David Brookes  
Managing Director

# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

## DIRECTORS' REPORT

The Directors present the Financial Report on the Company for the year ended 30 June 2018.

### Board of Directors

The Directors of the Company at any time during the financial year or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated.

Director	Experience	Committee* Membership
<p><b>Michael James</b> B.Com, GAICD, FCAANZ, CPA</p> <p>Non-executive (Chair)</p>	<p>A director for 9 years. Originally appointed 1/11/08 and last reappointed 21/6/18.</p> <p>Chartered Accountant, former Partner PricewaterhouseCoopers Director, Brotherhood of St. Laurence Director &amp; Chair, The Barnett Foundation</p>	<p>ARG HRN</p>
<p><b>Patricia Edwards</b> Post Grad Cross Sector Partnership Cambridge, PBAS (internationally accredited partnership broker), GAICD</p> <p>Non-executive (Deputy Chair)</p>	<p>A director for 8 years. Originally appointed 1/7/10 and last reappointed 21/6/18.</p> <p>Director, Patricia Toohey &amp; Partners Pty Ltd</p>	<p>ARG BDM (Chair)</p>
<p><b>Peter Bramwell</b> Lawyer LLB., B.Com., MAICD</p> <p>Non-executive</p>	<p>A director for 9 years. Originally appointed 6/4/09 and last reappointed 21/6/18.</p> <p>Consultant, JRT Partnership Pty Ltd</p>	<p>ARG (Chair)</p>
<p><b>David Brookes</b> B. Com., GAICD</p> <p>Executive - Managing Director</p>	<p>A director for 9 years. Originally appointed 25/2/09 and last reappointed 31/7/13.</p> <p>Director, Social Enterprise World Forum Community Interest Company</p>	<p>ARG BDM HRN</p>
<p><b>Helen Fenney</b> MBA Melbourne Business School, BA (Hons) University of Hull, Grad. Dip. Counselling RMIT, PBAS (internationally accredited partnership broker)</p> <p>Non-executive</p>	<p>A director for 9 years. Originally appointed 10/9/08 and last reappointed 21/6/18.</p> <p>Director, Fenney &amp; Letts Pty Ltd</p>	<p>BDM HRN (Chair)</p>

Director	Experience	Committee* Membership
<b>Simon Gillies</b> B.Sc. (Hons) University of Melbourne, MBA Melbourne Business School  Non-executive	A director for 7 years. Originally appointed 27/10/10 and last reappointed 26/10/17.  Partner, PricewaterhouseCoopers	
<b>Jason Glanville</b>  Non-executive	A director for 1 year. Originally appointed 25/2/16. Ceased to be a director 6/9/17.  Program Director, Atlantic Fellow for Social Equity at the University of Melbourne Chair of the Australian Indigenous Governance Institute Director of National Australia Day Council Member, AFL Indigenous Advisory Group	
<b>Matt Pfahlert</b> B.A. (Rec) Footscray Institute of Technology, Grad. Dip. Family and Systems Therapy Swinburne  Non-executive	A director for 5 years. Originally appointed 31/10/12. Resigned as a director 22/2/18.  Co-founder & CEO Australian Centre for Rural Entrepreneurship Ltd	BDM

**\* Committees of the Board of Directors:**

ARG – Audit, Risk & Governance

BDM – Business Development & Marketing

HRN – Human Resources & Nominations

**Company Secretary**

Mark Hart was appointed Company Secretary in February 2018.

**Meetings of Directors**

During the year ended 30 June 2018, six meetings of Directors were held. Attendances by each Director were as follows:

	Attended	Eligible
Michael James	6	6
Patricia Edwards	6	6
Peter Bramwell	5	6
David Brookes	6	6
Helen Fenney	6	6
Simon Gillies	4	6
Jason Glanville	0	2
Matthew Pfahlert	3	4

## Principal Activities

The Company is a specialist social enterprise development organisation and aims to support the growth of such enterprises across Australia. The Company's mission is to accelerate the importance of social enterprise and social procurement in Australia by demonstrating the potential of social enterprise to create jobs for disadvantaged people.

## Objectives

Social Traders exists to create jobs for disadvantaged Australians by linking business and government to social enterprises.

## Strategies

To fulfil this objective, Social Traders is offering three integrated services:

### Social Enterprise Certification

Certification of business to business social enterprises, including preferential access to intelligence on social procurement contract opportunities with business and government buyers, curated events with buyers and other social enterprise suppliers and access to Social Traders' Growth Advisory & Support Services.

### Growth Advisory Services

Providing support to Social Traders Certified social enterprises to build their capabilities and access social investment loans, if and where required, to win and deliver on social procurement contracts.

### Buyer Services

Providing access to Social Traders' social procurement platform bringing buyers and certified business to business social enterprises together in order to facilitate social procurement deals. Buyers have access to a directory of Social Traders' certified social enterprises, specialist social procurement advice and training services, impact reporting and curated buyer and supplier events.

By 2021, the Company's goal is to create a community of 95 buyer members and 600 certified social enterprise suppliers and facilitate \$105 million in procurement spend, generating 1,500 jobs for disadvantaged Australians.

## Operating and Financial Review

Revenue for the 2018 financial year was \$3.41 million and profit \$443,069. Revenue for the 2017 financial year was \$3.62 million with profit of \$616,600.

The balance sheet remains strong. Cash balances at 30 June 2018 were \$5.00 million (\$4.16 million 2017) and net assets were \$4.31 million compared with \$3.87 million at 30 June 2017.

## Key Performance Measures

The Company measures its performance with reference to:

- The number of Social Traders Certified social enterprises and business and government buyer members
- Number of social enterprises supported with Growth Advisory & Support services
- Level of total social procurement spend by business and government buyer members with Social Traders Certified social enterprises
- Evaluation of the impact of social procurement spend

### After Balance Date Events

No matters or circumstances have arisen since the end of the financial year to the date of this report 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.

### Dividends

Social Traders is a company limited by guarantee whose constitution does not permit the payment of dividends. Accordingly, no dividends have been declared or paid.

### Non-executive Directors Compensation

No fees, salaries, bonuses or other remuneration were paid to the Non-executive Directors in their capacity as Board members during the year ended 30 June 2018 and up to the date of this report.

### Indemnified Officers

During the year and subsequent to the date of this report, the Company has given an indemnity or entered an Agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has insurance in place to cover each Directors against liabilities and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

### Proceedings on behalf of the Company

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### Liability of Members

Social Traders Ltd is a company limited by guarantee. In the event the Company is wound up each member's liability is limited to \$25 while he or she is a member, or within one year afterwards. The total amount members of the company are liable to contribute if the company is wound up is \$200.

### Auditor's Independence Declaration

The Auditor's Independence Declaration for the year has been received and can be found preceding the Independent Auditor's Report.

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



.....  
Michael James  
Chair



.....  
David Brookes  
Managing Director

30th August 2018



## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Social Traders is committed to good governance. Directors acknowledge they have a duty to stakeholders to establish and maintain a framework that will achieve a high standard of governance appropriate to the Company's size and complexity.

The Company has implemented a Corporate Governance Charter which incorporates the Australian Charities and Not-for-profits Commission (ACNC) set of core, minimum standards that deal with how charities are run. The ACNC standards require charities to remain charitable, operate lawfully, and be run in an accountable and responsible way.

In summary, the standards and principles prescribed in Social Traders' Corporate Governance Charter are:

- Purposes and not-for-profit nature - The Company must be not-for-profit and work towards its charitable purpose.
- Accountability - The Company must take reasonable steps to be accountable to members and stakeholders.
- Compliance with Australian laws - The Company must not commit a serious offence and the Board will establish a code of ethical conduct in all areas of responsibility and authority.
- Suitability of Responsible Persons - Directors must be satisfied that Responsible Persons (board or committee members or trustees) are not disqualified from managing a corporation and will remove any Responsible Person who does not meet these requirements.
- Risk - The Company will recognise and manage risk.
- Remuneration - The Company will remunerate staff fairly and responsibly.
- Duties of Responsible Persons - The Company will take reasonable steps to ensure Responsible Persons are subject to, understand and carry out the duties set out in the Governance Charter.

## FINANCIAL STATEMENTS

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	2	3,413,232	3,627,720
Employee benefit expenses		(1,841,873)	(2,142,629)
Operating expenses		(1,123,770)	(962,268)
Depreciation	3	(25,770)	(25,723)
Impairment reversal	1(d), 6	21,250	119,500
		<hr/>	<hr/>
Surplus for the year		443,069	616,600
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		<u>443,069</u>	<u>616,600</u>

The accompanying notes form part of these financial statements

## Statement of Changes in Equity for the financial year ended 30 June 2018

	Note	2018 \$	2017 \$
Retained surplus			
Balance at beginning of year		3,869,276	3,252,676
Total comprehensive income		443,069	616,600
Transfer to Reserves	12	<u>(2,000,000)</u>	-
Balance at end of year		<u>2,312,345</u>	<u>3,869,276</u>
Reserves			
Balance at beginning of year		-	-
Transfer from Retained surplus	12	<u>2,000,000</u>	-
Balance at end of year		<u>2,000,000</u>	-
Total equity		<u>4,312,345</u>	<u>3,869,276</u>

The accompanying notes form part of these financial statements

## Statement of Financial Position as at 30 June 2108

	Note	2018 \$	2017 \$
<b>Current Assets</b>			
Cash assets	4	4,999,904	4,161,122
Debtors	5	715,960	445,979
Prepayments		42,991	76,830
Social investment loans	6	54,000	119,000
		<u>5,812,855</u>	<u>4,802,931</u>
<b>Non-current Assets</b>			
Property, plant & equipment	8	39,716	69,943
Social investment loans	6	260,000	377,000
		<u>299,716</u>	<u>446,943</u>
<b>Total Assets</b>		<u>6,112,571</u>	<u>5,249,874</u>
<b>Current Liabilities</b>			
Payables	9	308,055	320,205
Provisions	10	182,131	218,253
Deferred revenue	11	1,290,040	825,000
		<u>1,780,226</u>	<u>1,363,458</u>
<b>Non-current Liabilities</b>			
Provisions	10	20,000	17,140
<b>Total Liabilities</b>		<u>1,800,226</u>	<u>1,380,598</u>
<b>Net Assets</b>		<u>4,312,345</u>	<u>3,869,276</u>
<b>Equity</b>			
Retained surplus		2,312,345	3,869,276
Reserves	12	2,000,000	-
<b>Total Equity</b>		<u>4,312,345</u>	<u>3,869,276</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows  
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts in the course of operations		3,779,909	2,668,879
Payments to suppliers and employees		(3,196,189)	(3,137,916)
Contributions to Social Investment participants		(4,535)	-
Interest received		80,492	110,656
Net cash inflow/(outflow) from operating activities	13	659,677	(358,381)
Cash flows from investing activities			
Payments for property, plant & equipment		(24,145)	(36,416)
Social investment loans		(14,000)	(207,000)
Social investment loans repaid		217,250	177,500
Net cash inflow/(outflow) from investing activities		179,105	(65,916)
Cash flows from financing activities		-	-
Net increase/(decrease) in cash held		838,782	(424,297)
Cash at beginning of year		4,161,122	4,585,419
Cash at end of year	4	4,999,904	4,161,122

The accompanying notes form part of these financial statements

# Notes to the Financial Statements for the year ended 30 June 2018

## 1. Summary of Significant Accounting Policies

### (a) Basis of preparation

#### Statement of Compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with the requirements of the Australian Charities and Not-for-profits Commission Act 2012, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Financial Report that have been consistently applied unless stated otherwise.

#### Basis of measurement

The Financial Report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Costs are based on the fair values of the consideration given in exchange for assets.

#### Currency

The Financial Report is presented in Australian dollars, which is the functional currency of the Company.

### (b) Income

All income has been recorded as per the requirements specific to not-for-profit entities as set out in Accounting Standard AASB 1004 Contributions. Where income has been invoiced or received in the current period in respect of resources and services to be provided in future periods, the unearned component has been deferred as appropriate.

The Company recognises contributions of Pro Bono services as income and expenses.

### (c) Income Tax

The Company is not liable for Income Tax. The Company is endorsed by the Australian Taxation Office as a Charitable Institution and has an Income Tax exemption under subdivision 50-B of the Income Tax Assessment Act 1997 (ITAA).

During the year the Company has undertaken an annual self-assessment of eligibility for Income Tax Exemption and Directors consider the Company remains eligible for endorsement.

## 1. Summary of Significant Accounting Policies (continued)

### (d) Impairment of assets

All financial assets are assessed at the reporting date to determine whether any may be impaired. This refers principally to loans made to social enterprises.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis.

In assessing individual impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of potential loss incurred. Carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists and where carrying values exceed the recoverable amount, the asset is written down to the recoverable amount. Recoverable amount is fair value less costs of recovery.

### (e) Property, plant & equipment

Property, plant & equipment are recognised and recorded at cost less depreciation and any impairment.

### (f) Depreciation

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Class of Asset	Useful Life
Electronic equipment	up to 3 years
Office equipment	up to 5 years
Leasehold improvements	up to 8 years

All items of property, plant and equipment are reviewed annually to ensure carrying values are not in excess of recoverable amounts. Recoverable amounts are based upon present value of expected future cash flows.

### (g) Employee Benefits

The provision for employee entitlements to annual leave is accrued at nominal amounts calculated on the basis of current wage and salary rates.

The provision for employee entitlements to long service leave is accrued at nominal amounts calculated on the basis of current wage and salary rates for employees with greater than five years of service at balance date.

On-costs for superannuation and workers compensation insurance have been included in the employee entitlement provisions.

Contributions to employee superannuation plans are charged as an expense in the period in which wages & salaries are paid or accrued.

## 1. Summary of Significant Accounting Policies (continued)

### (h) Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities, which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### (i) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the Lessor, are charged as expenses in the periods in which they are incurred.

The Company does not hold any finance leases.

### (j) Comparative Amounts

When current period balances have been reclassified compared with classifications adopted in the prior period report, comparative balances are restated to ensure consistency of presentation between periods.



	2018 \$	2017 \$
<b>2. Revenue</b>		
Monetary		
Revenue from governments	1,825,000	1,483,175
Donations and bequests	1,092,500	1,118,667
Revenue from providing services	376,341	799,467
Interest income	86,601	101,079
	<u>3,380,442</u>	<u>3,502,388</u>
Non-monetary		
Contributions in kind	32,790	125,332
	<u>3,413,232</u>	<u>3,627,720</u>
<b>3. Expenses</b>		
Depreciation		
Office equipment	18,955	18,585
Leasehold improvements	6,815	7,138
	<u>25,770</u>	<u>25,723</u>
Contributions in kind	32,790	125,332
Loss on sale of non-current assets	28,602	24
Auditor's remuneration		
Auditing the financial statements	12,500	11,000
Other services	11,000	6,700
	<u>23,500</u>	<u>17,700</u>
<b>4. Cash Assets</b>		
Cash on hand	134	300
Cash at bank	899,770	3,025,032
Term deposits	4,100,000	1,135,790
	<u>4,999,904</u>	<u>4,161,122</u>
Weighted average interest rate at 30 June	2.25%	2.26%
<b>5. Debtors</b>		
Trade & other debtors	275,960	115,979
Grants receivable	440,000	330,000
	<u>715,960</u>	<u>445,979</u>

	2018 \$	2017 \$
<b>6. Social Investment Portfolio</b>		
Current Assets		
Loans to enterprises	110,250	142,000
Impairment provision	(56,250)	(23,000)
	<u>54,000</u>	<u>119,000</u>
Non-current Assets		
Loans to enterprises	302,500	474,000
Impairment provision	(42,500)	(97,000)
	<u>260,000</u>	<u>377,000</u>
Total social investment loans	<u>314,000</u>	<u>496,000</u>
Movement in social investment loans		
Balance at beginning of year	496,000	347,000
Loans to enterprises	14,000	207,000
Loans repaid	(217,250)	(177,500)
Impairment (provision)/reversal	21,250	119,500
	<u>314,000</u>	<u>496,000</u>

The Company maintains a Social Investment Portfolio of loans (SIP) to invest in, and provide support to, social enterprises in a manner consistent with the purposes and objectives of the Company. The investments are made in two forms:

- (i) Loans, and
- (ii) Non-repayable contributions

During the 2017 financial year, Directors resolved to reduce the SIP balance and to redirect funds to the broader social enterprise support operations of the Company.

## 7. Segment Reporting

In prior financial years, the Company was managed in two main operating segments:

- (i) Operations relating to the Social Investment Portfolio (SIP), and
- (ii) Operations related to all other activities directed at supporting social enterprises (SE Support)

Prior financial reports included a note to the financial statements disclosing separately the segment performance of SIP and SE Support.

In accordance with the Company's new strategy involving a reduced emphasis on SIP activities, Directors consider disclosure of performance by the foregoing segments will no longer be of relevance for users of these financial statements.

	2018	2017
	\$	\$
<b>8. Property, plant &amp; equipment</b>		
Office equipment	85,685	104,987
Accumulated depreciation	(65,781)	(64,254)
	<u>19,904</u>	<u>40,733</u>
Leasehold improvements	24,145	59,727
Accumulated depreciation	(4,333)	(30,517)
	<u>19,812</u>	<u>29,210</u>
Total property, plant & equipment	<u><u>39,716</u></u>	<u><u>69,943</u></u>
Movement in property plant & equipment		
Balance at beginning of year	69,943	59,274
Additions	24,145	36,416
Disposals	(28,602)	(24)
Depreciation	(25,770)	(25,723)
	<u>39,716</u>	<u>69,943</u>
Balance at end of year	<u><u>39,716</u></u>	<u><u>69,943</u></u>
<b>9. Payables</b>		
Trade creditors	74,496	163,415
Other creditors	97,296	103,376
Net GST payable	136,263	53,414
	<u>308,055</u>	<u>320,205</u>
<b>10. Provisions</b>		
Current		
Employee entitlements	167,916	199,503
Non-repayable social investment contributions	14,215	18,750
	<u>182,131</u>	<u>218,253</u>
Non-current		
Employee entitlements	-	7,140
Leasehold property make good	20,000	10,000
	<u>20,000</u>	<u>17,140</u>
Total Provisions	<u><u>202,131</u></u>	<u><u>235,393</u></u>

	2018 \$	2017 \$
<b>11. Deferred revenue</b>		
Current		
Grants received in advance	952,500	805,000
Membership & other income in advance	337,540	20,000
	<u>1,290,040</u>	<u>825,000</u>
<b>12. Reserves</b>		
Financial stability and sustainability reserve	<u>2,000,000</u>	-

Directors resolved to establish a financial stability and sustainability reserve as part of Social Traders' Risk Management planning. The reserve is deemed appropriate to ensure Social Traders is in a position to continue to operate and meet its commitments if a significant or unexpected change of funding was to occur.

<b>13. Reconciliation of net cash inflows from operating activities</b>		
Surplus for the year	443,069	616,600
Non-cash items		
Depreciation	25,770	25,723
Impairment reversal	(21,250)	(119,500)
Loss on disposal of non-current assets	28,602	24
Change in assets and liabilities		
Debtors (increase)/decrease	(269,981)	(286,225)
Prepayments (increase)/decrease	33,839	(59,545)
Payables increase/(decrease)	(12,150)	54,347
Provisions increase/(decrease)	(33,262)	37,379
Deferred revenue increase/(decrease)	465,040	(627,184)
Net cash inflow/(outflow) from operating activities	<u>659,677</u>	<u>(358,381)</u>

#### 14. Related Party Transactions

##### (a) Related Parties

The names of the Directors who held office during the year ended 30 June 2018 and as at the date of this report are:

Michael James, Patricia Edwards, Peter Bramwell, David Brookes, Helen Fenney and Simon Gillies.

	2018	2017
	\$	\$
<b>(b) Key Management Personnel Compensation</b>		
Short-term employee benefits	990,764	1,002,451
Post-employment benefits	82,094	93,534
	<u>1,072,858</u>	<u>1,095,985</u>

No fees, salaries, bonuses or other remuneration were paid to the Non-executive Directors in their capacity as Board members during the year ended 30 June 2018 and up to the date of this report.

##### (c) Transactions

Professional fees paid	-	2,323
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Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### 15. Economic Dependence

Social Traders was dependent on the Victorian Government, under a Victorian Common Funding Agreement with the Department of Economic Development, Jobs, Transport & Resources (DEDJTR), for the majority of its revenue during the year ended 30 June 2018. The agreement provides funding of \$3.88 million, including \$1.74 million during the 2018 financial year, 51% of Social Traders' revenue. The \$2.14 million balance of funding is receivable over the next three years.

#### 16. Contingent Assets

The Company has secured ongoing support from government and philanthropic organisations contingent on meeting agreed outcomes and deliverables.

	2018	2017
	\$	\$
Available for drawdown within 12 months	1,600,000	2,390,000
Available for drawdown after 12 months	1,040,000	2,640,000
	<u>2,640,000</u>	<u>5,030,000</u>

## 17. Commitments

Aggregate loan, lease and operating expenditure contracted for at balance date but not provided for in the financial statements.

	2018	2017
	\$	\$
(a) Social investment loans committed		
Payable within 12 months	-	68,000
Payable after 12 months	-	-
	-	68,000
(b) Operating leases and expenses		
Payable within 12 months	58,086	39,864
Payable after 12 months, less the five years	54,963	-
Payable after five years	-	-
	113,049	39,864

## 18. Deductible Gift Recipient

The Company is endorsed as a Deductible Gift Recipient (DGR), effective from 1 July 2013. The Company has established a Public Fund, to receive Gifts and Deductible Contributions in support of the Company's purpose. All donations are recorded in the Social Traders Public Fund bank account.

During the year the Company has undertaken an annual self-assessment of eligibility for Deductible Gift Recipient and Directors consider the Company remains eligible for endorsement.

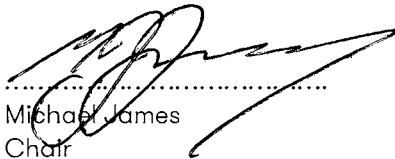
# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and notes set out on pages 10 to 22 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
  - a. giving a true and fair view of the financial position of the Company as at 30 June 2018 and of its performance for the year ended on that date; and
  - b. complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013.
2. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Directors have received a declaration confirming the foregoing from the Managing Director for the year ended 30 June 2018.

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



.....  
Michael James  
Chair



.....  
David Brookes  
Managing Director

30th August 2018



Armstrong Dubois

CHARTERED ACCOUNTANTS

**Auditor's Independence Declaration  
Under Subdivision 60-C of the  
Australian Charities and Not-for-profits Commission Act 2012  
To the Directors of Social Traders Ltd**

**Auditor's Independence Declaration**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Armstrong Dubois

David Armstrong  
Partner

Melbourne  
30 August 2018





Armstrong Dubois

CHARTERED ACCOUNTANTS

## Independent Auditor's Report To the Members of Social Traders Ltd

### Report on the audit of the financial report

#### Our opinion

We have audited the financial report of Social Traders Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Social Traders Ltd is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- (b) complying with the Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

#### Basis for opinion

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

#### Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profit Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Other information

The directors are responsible for other information. The other information comprises message from the chair and managing director, corporate governance statement and the directors' report included in the Company's Annual Report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* 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.

## 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 high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.



Armstrong Dubois



David Armstrong  
Partner

Melbourne  
30 August 2018