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**SOCIAL TRADERS**

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# **ANNUAL REPORT 2019**

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Social Traders Ltd  
ABN 42 132 665 804  
Annual Report  
For the year ended  
30 June 2019

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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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# MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR FOR THE YEAR ENDED 30 JUNE 2019

This financial year coincides with Social Traders tenth year since the Company's incorporation and commencement of operation in 2008-09. It has been one of the most exciting and challenging years for a relatively new organisation that holds great ambition and aspiration for Australia's social enterprise sector.

In last year's Annual Report, we outlined a change in our strategic focus taken in late 2017 with the potential to transform the growth and development of social enterprise. Our strategy set out to confirm Social Traders as the innovator and leader focused on connecting social enterprises with commercial social procurement opportunities.

We believe this will catalyse and facilitate new social procurement opportunities, support training and job creation and deliver sustainable social impact.

We developed this strategy after a decade of working with social enterprise, government and business across Australia that identified the procurement of goods and services across the public and private sectors as being the 'game-changer' for social enterprise. In monetary terms, the opportunity for social enterprise to participate and compete in the \$600 billion per annum procurement economy led to our redefined mission – to support employment and training for those marginalised.

Almost two years down the track in implementing our new Strategy, we are proud to share our progress. We have established the foundation for a vibrant social enterprise procurement marketplace, where business and government buyers connect with and procure a range of products and services from social enterprises.

At the end of June 2019, Social Traders has

- Certified 290 social enterprises, across Australia
- Established a buyer network comprising 53 business and government members
- Facilitated an estimated \$105 million in procurement deals
- Quantified this spend as generating 700 jobs for people facing disadvantage

This dynamic and new social enterprise marketplace has been ignited by a more favourable government policy environment, particularly in Victoria. It reflects our efforts to be a leading advocate for social procurement with the government and private sectors for the last decade.

Following on from the launch of Australia's first state-wide Social Enterprise Strategy in 2017, the Victorian Government consolidated its policy commitment to social enterprise and other for-benefit suppliers, with the introduction of Victoria's Social Procurement Framework (SPF) in 2018. Since its introduction, Social Traders has worked in partnership with the Victorian Government's Department of Treasury & Finance in its implementation.

We are seeing policy development in other states and across the private sector. Queensland has recently launched its own Social Enterprise Strategy. In New South Wales, we have continued positive engagement that we hope translates the same policy and funding commitment that is needed for measurable social return.

Social Traders has built and will continue to cultivate its engagement with the private sector in supporting their understanding of, and connection with, our growing community of ST certified enterprises. Two-thirds of Social Traders current buyer members are private sector companies with the remaining membership comprising a mix of large State Government Departments, universities and local councils. The level of private sector engagement in social enterprise procurement here in Australia is growing strongly and, while there is still so much growth potential, we are ahead of progress in other parts of the world.

Part of our Company's Strategy is focusing Social Traders engagement and influence in the three eastern seaboard Australian States of Victoria, Queensland and New South Wales. While our Head Office will remain in Melbourne, Social Traders expanded its geographic footprint over the 2018-19 period, with new on-the-ground staff resources in Brisbane and Sydney.

Another key priority over the last 12 months has been refining and strengthening Social Traders certification framework and process. Certification is a key part of the of Social Traders suite of services. Launched in early 2018 as Australia's first social enterprise mark, ST Certification aims to enhance social enterprises' visibility and access to emerging procurement opportunities. Critically, it provides buyers with certainty and confidence that they are buying from genuine social enterprises that meet Social Traders criteria and standards.

As the social procurement marketplace evolves and grows, new and diverse social enterprises will enter the marketplace. A range of improvements and enhancements to Social Traders Certification framework were developed and introduced in 2019, with expert input from Minter Ellison and EY, in response to, and ahead of, the exciting opportunities emerging for social enterprise in Australia.


Social Traders ongoing success would not be possible without the significant support from our long term government and philanthropic funding partners. Social Traders acknowledges and thanks the Victorian State Government along with our strategic philanthropic partners – Ian Potter Foundation, Sidney Myer Fund, William Buckland Foundation, English Family Foundation, Helen Macpherson Smith Trust, Lord Mayor's Charitable Foundation and Equity Trustees.

We also take the opportunity of acknowledging the retirement of two of our long-standing Directors, Peter Bramwell and Simon Gillies, after 10 and 8 years' service respectively. Both Peter and Simon made a significant contribution towards Social Traders' strategy development and governance, with Peter having chaired the Board's Audit, Risk & Governance Committee since 2012. On behalf of the Board and staff, we thank them for their commitment, wise counsel and friendship.

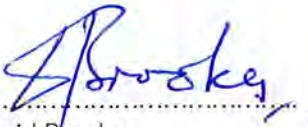
Notwithstanding the significant and pleasing progress to date, some challenges are being experienced in aligning the supply of social enterprise goods and services to the growing buyer demand.

As part of our ongoing focus on continuous operational improvement, we will identify opportunities and refinements to Social Traders business model to ensure our certified social enterprises along with our business and government buyers continue to engage in the emerging social procurement marketplace.

As we move into our next decade of operation, we remain committed and focused on our role as being at the centre of a social enterprise marketplace that will bring positive and sustainable social value to our economy.



.....  
Michael James  
Chair



.....  
David Brookes  
Managing Director

# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

## DIRECTORS' REPORT

The Directors present the Financial Report on the Company for the year ended 30 June 2019.

### Board of Directors

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

Director	Experience	Committee* Membership
<b>Michael James</b> B.Com, GAICD, FCAANZ, CPA  Non-executive (Chair)	A director for 10 years. Originally appointed 1/11/08 and last reappointed 21/6/18.  Chartered Accountant, former Partner PricewaterhouseCoopers Director & Chair, The Barnett Foundation	ARG HRN
<b>Patricia Edwards</b> Post Grad Cross Sector Partnership Cambridge, PBAS (internationally accredited partnership broker), GAICD  Non-executive (Deputy Chair)	A director for 9 years. Originally appointed 1/7/10 and last reappointed 21/6/18.  Director, Patricia Toohey & Partners Pty Ltd	BDM (Chair)
<b>Peter Bramwell</b> Lawyer LLB., B.Com., MAICD  Non-executive	A director for 10 years. Originally appointed 6/4/09 and last reappointed 21/6/18. Resigned as a Director 27/6/19  Consultant, JRT Partnership Pty Ltd	ARG (Chair) resigned 27/6/19
<b>David Brookes</b> B. Com., GAICD  Executive - Managing Director	A director for 10 years. Originally appointed 25/2/09 and last reappointed 31/7/13.  Director, Social Enterprise World Forum Community Interest Company	ARG BDM HRN
<b>Helen Fenney</b> MBA Melbourne Business School, BA (Hons) University of Hull, Grad. Dip. Counselling RMIT, PBAS (internationally accredited partnership broker)  Non-executive	A director for 10 years. Originally appointed 10/9/08 and last reappointed 21/6/18.  Director, Fenney & Letts Pty Ltd	BDM HRN (Chair)

Director	Experience	Committee* Membership
<p><b>Simon Gillies</b> B.Sc. (Hons) University of Melbourne, MBA Melbourne Business School</p> <p>Non-executive</p>	<p>A director for 8 years. Originally appointed 27/10/10. Resigned as a director 28/2/19.</p> <p>Partner, PricewaterhouseCoopers</p>	
<p><b>Wendy Lewis</b> MBA Mt Eliza Business School/Queensland University, M.Ed. University of Melbourne, B.Bus (Acc) Caulfield Institute of Technology, CPA, GAICD, FIML</p> <p>Non-executive</p>	<p>Appointed 22/5/19.</p> <p>Executive Officer, Collier Charitable Fund Director &amp; Chair, The Knox School Director &amp; Chair, The Invergowrie Foundation</p>	<p>ARG, Appointed Chair 27/6/19</p>
<p><b>Justin Meade</b> BA Monash University - Economics and German</p> <p>Non-executive</p>	<p>Appointed 6/12/18.</p> <p>Director at PwC Australia Former General Manager Procurement, Treasury Wine Estates</p>	<p>ARG</p>
<p><b>Christopher Newton</b> MBA Melbourne Business School, Grad. Dip. Applied Finance, FiNSIA, B.Com Murdoch University</p> <p>Non-executive</p>	<p>Appointed 23/10/18.</p> <p>Executive Director - Responsible Investment, IFM Investors Adviser to Trustees, Sisters of Good Shepherd Director, Westernport Water</p>	<p>BDM</p>
<p><b>Sally Powell</b> Grad. Dip. HRM University of Southern Queensland, B.Arts (Psych) Finders University of South Australia, GAICD, CAHRI</p> <p>Non-executive</p>	<p>Appointed 23/10/18.</p> <p>State Operations Manager, Bunnings Group Limited Former CEO, Bedford Group Limited</p>	<p>HRN</p>
<p><b>Fran Thorn</b> PhD (Hon), Monash University MBA, Melbourne Business School MA, University of Melbourne Grad Dip, Librarianship, RMIT BA (Hons), Monash University FIPAA</p> <p>Non-executive</p>	<p>Appointed 27/6/19.</p> <p>Former Partner, Deloitte Australia Director, Melbourne Chamber Orchestra</p>	

**\* 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 2019, 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	3	4
Wendy Lewis	1	1
Justin Meade	3	3
Christopher Newton	3	5
Sally Powell	4	5

## 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 2019 financial year was \$3.66 million and profit \$343,991. Revenue for the 2018 financial year was \$3.41 million with profit of \$443,069.

The balance sheet remains strong. Cash balances at 30 June 2019 were \$4.91 million (\$5.00 million 2018) and net assets were \$4.66 million compared with \$4.31 million at 30 June 2018.

### **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 2019 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 Director 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 \$275.

### 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

29th August 2019

## 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 2019

	Note	2019 \$	2018 \$
Revenue	2	3,663,609	3,413,232
Employee benefit expenses		(2,134,384)	(1,841,873)
Operating expenses		(1,182,637)	(1,123,770)
Depreciation	3	(22,847)	(25,770)
Impairment reversal	1(d), 6	20,250	21,250
Surplus for the year		<u>343,991</u>	<u>443,069</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>343,991</u></u>	<u><u>443,069</u></u>

The accompanying notes form part of these financial statements

## Statement of Changes in Equity for the financial year ended 30 June 2019

	Note	2019 \$	2018 \$
Retained surplus			
Balance at beginning of year		2,312,345	3,869,276
Total comprehensive income		343,991	443,069
Transfer to Reserves	11	-	(2,000,000)
		<u>2,656,336</u>	<u>2,312,345</u>
Reserves			
Balance at beginning of year		2,000,000	-
Transfer from Retained surplus	11	-	2,000,000
		<u>2,000,000</u>	<u>2,000,000</u>
Total equity		<u><u>4,656,336</u></u>	<u><u>4,312,345</u></u>

The accompanying notes form part of these financial statements

## Statement of Financial Position as at 30 June 2019

	Note	2019 \$	2018 \$
<b>Current Assets</b>			
Cash assets	4	4,914,648	4,999,904
Debtors	5	373,243	715,960
Prepayments		36,563	42,991
Social investment loans	6	79,000	54,000
		<u>5,403,454</u>	<u>5,812,855</u>
<b>Non-current Assets</b>			
Property, plant & equipment	7	42,211	39,716
Social investment loans	6	235,000	260,000
		<u>277,211</u>	<u>299,716</u>
<b>Total Assets</b>			
		<u>5,680,665</u>	<u>6,112,571</u>
<b>Current Liabilities</b>			
Payables	8	183,821	308,055
Provisions	9	191,808	182,131
Deferred revenue	10	609,431	1,290,040
		<u>985,060</u>	<u>1,780,226</u>
<b>Non-current Liabilities</b>			
Provisions	9	39,269	20,000
<b>Total Liabilities</b>			
		<u>1,024,329</u>	<u>1,800,226</u>
<b>Net Assets</b>			
		<u>4,656,336</u>	<u>4,312,345</u>
<b>Equity</b>			
Retained surplus		2,656,336	2,312,345
Reserves	11	2,000,000	2,000,000
<b>Total Equity</b>			
		<u>4,656,336</u>	<u>4,312,345</u>

The accompanying notes form part of these financial statements

## Statement of Cash Flows

### For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts in the course of operations		3,228,403	3,779,909
Payments to suppliers and employees		(3,414,498)	(3,196,189)
Contributions to Social investment participants		(14,215)	(4,535)
Interest received		120,146	80,492
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	12	(80,164)	659,677
Cash flows from investing activities			
Payments for property, plant & equipment		(25,342)	(24,145)
Social investment loans		(54,000)	(14,000)
Social investment loans repaid		74,250	217,250
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		(5,092)	179,105
Cash flows from financing activities			
		-	-
Net increase/(decrease) in cash held		(85,256)	838,782
Cash at beginning of year		4,999,904	4,161,122
		<hr/>	<hr/>
Cash at end of year	4	4,914,648	4,999,904
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements for the year ended 30 June 2019

## 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

Grant income is recognised in profit or loss when the Company obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Company and the amount can be measured reliably. If conditions are attached to the grant which must be satisfied before the Company is eligible to receive the contribution, the recognition of the grant as income will be deferred until those conditions are satisfied.

Where services 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 is recorded as deferred as appropriate. In all other cases services income is recognised when it is probable that the economic benefits gained from the fee will flow to the Company and the amount can be measured reliably.

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

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

### (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.

### (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.



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

### (g) Employee Benefits

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to the reporting date. Employee entitlements have been measured at the amounts expected to be paid when the liability is settled plus on costs

Long Services Leave has been measured as the present value of expected future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable

### (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) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30<sup>th</sup> June 2019 reporting period and have not been early adopted by Social Traders Ltd.

The Company's assessment of the impact of these new standards and interpretations, relevant to Social Traders Ltd presentation of its financial statements is set out as follows:

**AASB 15 Revenue from Contracts with Customers** establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard requires the identification of distinct performance obligations in a contract and an allocation of the transaction price to these performance obligations. Per the standard, revenue should only be recognised when the performance obligation is satisfied, and the control of the goods or services is transferred to customers.

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

Currently the Company recognises grant income when it obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Company and the amount can be measured reliably. If conditions are attached to the grant which must be satisfied before the Company is eligible to receive the contribution, the recognition of the grant as income will be deferred until those conditions are satisfied.

Where services 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 is recorded as deferred as appropriate. Based on an assessment of the Company's revenue streams, contracts with customers and existing revenue recognition policies against the requirements of AASB 15, the impact of the new standard on the recognition and reporting of the Company's revenue is not considered material. The first application date for the Company is the financial year ending 30 June 2020.

**AASB 16 Leases** specifies how to recognise, measure and disclose leases. Under the new standard, the present value of lease commitments will be shown as a liability on the Statement of Financial Position together with an asset representing the right of use. Operating lease expenses will be replaced by a depreciation charge on the right of use asset and interest expense on the lease liabilities. The Company's operating lease commitments which will be affected by the new standard are included in note 16 disclosure. The Company does not currently intend to bring short term leases (12 months or less) or low value assets on to the Statement of Financial Position. The first application date for the Company is the financial year ending 30 June 2020. Based on an assessment of the Company's existing lease contracts against the requirements of AASB 16, the impact of the new standard on the recognition and reporting of the Company's lease obligations is not considered material.

### (k) 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.

	2019 \$	2018 \$
<b>2. Revenue</b>		
Monetary		
Revenue from governments	1,385,000	1,825,000
Donations and bequests	802,638	1,092,500
Revenue from providing services	1,119,322	376,341
Interest income	131,253	86,601
	<u>3,438,213</u>	<u>3,380,442</u>
Non-monetary		
Contributions in kind	225,396	32,790
	<u>3,663,609</u>	<u>3,413,232</u>
<b>3. Expenses</b>		
Depreciation		
Office equipment	16,811	18,955
Leasehold improvements	6,036	6,815
	<u>22,847</u>	<u>25,770</u>
Contributions in kind	225,396	32,790
Loss on sale of non-current assets	-	28,602
Auditor's remuneration		
Auditing the financial statements	11,800	12,500
Other services	3,500	11,000
	<u>15,300</u>	<u>23,500</u>
<b>4. Cash Assets</b>		
Cash at bank and on hand	214,648	899,904
Term deposits	4,700,000	4,100,000
	<u>4,914,648</u>	<u>4,999,904</u>
Weighted average interest rate at 30 June	2.24%	2.25%
<b>5. Debtors</b>		
Trade & other debtors	373,243	275,960
Grants receivable	-	440,000
	<u>373,243</u>	<u>715,960</u>

	2019 \$	2018 \$
<b>6. Social Investment Portfolio</b>		
Current Assets		
Loans to enterprises	109,250	110,250
Impairment provision	(30,250)	(56,250)
	<u>79,000</u>	<u>54,000</u>
Non-current Assets		
Loans to enterprises	256,250	302,500
Impairment provision	(21,250)	(42,500)
	<u>235,000</u>	<u>260,000</u>
Total social investment loans	<u>314,000</u>	<u>314,000</u>
Movement in social investment loans		
Balance at beginning of year	314,000	496,000
Loans to enterprises	54,000	14,000
Loans repaid	(74,250)	(217,250)
Impairment reversal	20,250	21,250
	<u>314,000</u>	<u>314,000</u>

The Company's Social Investment Portfolio of loans is invested in, and provides support to, social enterprises in a manner consistent with the purposes and objectives of the Company.

<b>7. Property, plant &amp; equipment</b>		
Office equipment	111,028	85,685
Accumulated depreciation	(82,593)	(65,781)
	<u>28,435</u>	<u>19,904</u>
Leasehold improvements	24,145	24,145
Accumulated depreciation	(10,369)	(4,333)
	<u>13,776</u>	<u>19,812</u>
Total property, plant & equipment	<u>42,211</u>	<u>39,716</u>
Movement in property plant & equipment		
Balance at beginning of year	39,716	69,943
Additions	25,342	24,145
Disposals	-	(28,602)
Depreciation	(22,847)	(25,770)
	<u>42,211</u>	<u>39,716</u>

	2019 \$	2018 \$
<b>8. Payables</b>		
Trade creditors	64,885	74,496
Other creditors	99,982	97,296
Net GST payable	18,954	136,263
	<u>183,821</u>	<u>308,055</u>
<b>9. Provisions</b>		
Current		
Employee entitlements	191,808	167,916
Non-repayable social investment contributions	-	14,215
	<u>191,808</u>	<u>182,131</u>
Non-current		
Employee entitlements	19,269	-
Leasehold property make good	20,000	20,000
	<u>39,269</u>	<u>20,000</u>
Total Provisions	<u>231,077</u>	<u>202,131</u>
<b>10. Deferred revenue</b>		
Current		
Grants received in advance	165,000	952,500
Membership & other income in advance	444,431	337,540
	<u>609,431</u>	<u>1,290,040</u>
<b>11. Reserves</b>		
Financial stability and sustainability reserve	<u>2,000,000</u>	<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.

	2019 \$	2018 \$
<b>12. Reconciliation of net cash inflow/(outflow) from operating activities</b>		
Surplus for the year	343,991	443,069
Non-cash items		
Depreciation	22,847	25,770
Impairment reversal	(20,250)	(21,250)
Loss on disposal of non-current assets	-	28,602
Change in assets and liabilities		
Debtors (increase)/decrease	342,717	(269,981)
Prepayments (increase)/decrease	6,428	33,839
Payables increase/(decrease)	(124,234)	(12,150)
Provisions increase/(decrease)	28,946	(33,262)
Deferred revenue increase/(decrease)	(680,609)	465,040
Net cash inflow/(outflow) from operating activities	<u>(80,164)</u>	<u>659,677</u>

### 13. Related Party Transactions

#### (a) Related Parties

The names of the Directors who held office during the year ended 30 June 2019 and as at the date of this report are:

Michael James, Patricia Edwards, David Brookes, Helen Fenney, Wendy Lewis, Justin Meade, Chris Newton, Sally Powell and Fran Thorn.

#### (b) Key Management Personnel Compensation

Short-term employee benefits	896,455	895,126
Post-employment benefits	84,335	82,094
	<u>980,790</u>	<u>977,220</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 2019 and up to the date of this report.

#### (c) Transactions

Professional fees paid	<u>9,450</u>	-
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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.

2019	2018
\$	\$

#### 14. Economic Dependence

Social Traders was dependent on funding from the Victorian Government, under a Victorian Common Funding Agreement with the Department of Jobs, Precincts & Regions (DJPR), during the 2019 and 2018 financial years. The agreement provides funding of \$3.98 million, including \$1.45 million during 2019, 40% of Social Traders' revenue during the year (2018 \$1.74m, 51%). The \$0.79 million balance of funding is receivable over the next two years.

#### 15. Contingent Assets

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

Available for drawdown within 12 months	700,000	1,600,000
Available for drawdown after 12 months	340,000	1,040,000
	1,040,000	2,640,000

#### 16. Commitments

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

Payable within 12 months	60,236	58,086
Payable after 12 months, less the five years	15,513	54,963
Payable after five years	-	-
	75,749	113,049

#### 17. 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 11 to 23 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 2019 and of its performance for the year ended on that date; and
  - b. complying with the Australian Accounting Standards, the Australian Charities and Not-for-profits Commission Regulation 2013 and other mandatory reporting requirements; and
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 2019.

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



Michael James  
Chair



David Brookes  
Managing Director

29th August 2019





**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 2019 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  
29 August 2019



## 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 2019, 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 2019 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 the information included in the financial report for the year ended 30 June 2019, but does not include the financial statements 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

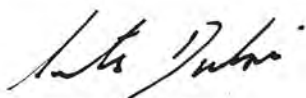
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is 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  
29 August 2019