



Social Traders Ltd
ABN 42 132 665 804

Annual Report

for the year ended
30 June 2013

SOCIALTRADERS

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Chair and Managing Director's Report
for the year ended 30 June 2013

This has been a standout year for Social Traders. We have continued our strong support for social enterprise in Australia launching new sector initiatives and helping numerous new social enterprises get the support they need to launch their ideas and bring their visions to reality. In addition, our ability to continue this work has been secured by a further four year funding commitment from the Victorian Government and the Dara Foundation.

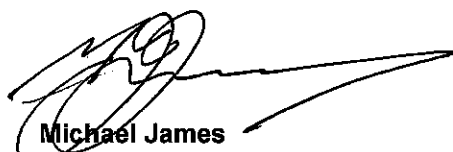
This is a very pleasing demonstration of continued support from our foundation partners and enables us to build on the solid reputation of social enterprise development that we have worked hard to achieve in our first four years of operation.

A successful Good Gift campaign, attracting more than 20,000 website visits on the Social Enterprise Finder in the lead-up to Christmas, will be further enhanced in the coming year. Hosting of the inaugural Australian Social Enterprise Awards Program was also a major achievement in 2013. Over 100 applications received from all States around Australia across five Award categories provided an excellent platform to showcase successful social enterprises operating across a broad range of industry sectors, delivering positive social and environmental impacts in local communities.

We had the pleasure of welcoming Matt Pfahlert to our Board in October last year. Matt is a renowned social enterprise practitioner and community leader in Australia. He was the founder of social enterprise Typo Station (now Evolve) and brings great practical insight and passion to his role as a non-executive Director of Social Traders.

In March this year, Social Traders registered with the Australian Charities and Not-for-profits Commission (ACNC). The Board has reviewed the ACNC's five governance standards, which took effect from 1 July 2013. The Board considers that Social Traders meets these standards under its existing corporate governance policies.

In June this year, after a lengthy application process, Social Traders' request for special Deductible Gift Recipient (DGR) status was passed into law. DGR listing is an important aspect of Social Traders' plans to build on its strategic partnerships with leading philanthropic trusts and foundations.



Michael James
Chair



David Brookes
Managing Director

**Social Traders Ltd
A.B.N. 42 132 665 804**

Highlights of the Year

Social Traders Ltd (Social Traders or the Company) continued to pursue a broad range of social enterprise support and market development activities over the 2012-13 period. Major highlights during the year in each of Social Traders' key strategic focus areas are summarised here.

Enterprise Investment Readiness

- Round 3 of Social Traders' capacity building program for start-up social enterprises, The Crunch, kicked off in September 2012. Eight of the 11 starters completed the intensive six-month business planning process with valuable mentoring support from our partners – Australia Post, Westpac, Accenture, Transfield Services and the Melbourne Business School.
- The next round of The Crunch program will be expanded to four States outside Victoria, with a 50% increase in program places, to 16.

Enterprise Support & Investment

- Social Traders made investment offers of just over \$1 million to all six participants in Round 2 of The Crunch. At the end of June, five of the six had secured required co-funding from other sources and begun operations.
- 14 social enterprises are currently in Social Traders' social investment portfolio with access to 1:1 business coaching support during their establishment phase.
- As at end June 2013, Social Traders has made a direct investment of \$1.2 million in eight start-up enterprises.
- Further investment offers of just under \$0.5 million were made to another five social enterprises participating in Round 3 of The Crunch, all of which are subject to co-investment from other sources.
- During the year, Social Traders conducted information workshops and due diligence on applications in relation to Western Australia's Social Enterprise Fund.

Enterprise Market Development

- A successful Good Gift Christmas catalogue generated significant interest with over 20,000 website visits on the Social Enterprise FINDER and national media coverage over the seven week campaign.
- Social Traders played a proactive role in engaging local councils from around Australia in social procurement initiatives. Several councils in Queensland, NSW and Victoria have integrated social procurement into their policy guidelines, as well as opened up major, in some cases multi-million dollar, supply contracts to social enterprise. Social Traders partnered with The Faculty to conduct a series of roundtable discussions with leading business on social procurement. A research report on best practice social procurement case studies is well advanced for publication in the first quarter of 2013-14.

Highlights of the Year

Sector development activities

- The Green Social Enterprise Case Study Series was published in July profiling five Victorian based enterprises addressing a broad range of environmental challenges.
- Social Traders was represented at the fifth Social Enterprise World Forum (SEWF) held in Rio de Janeiro, Brazil, with 600 in attendance from around the world. As part of the conference theme on impact investment, Social Traders shared the tailored patient capital approach it takes to investing in start-up enterprises.
- Social Traders was a partner in the Global Shifts conference hosted by RMIT University in December 2012. The three-day event, which featured a social enterprise market expo for 15 social enterprises organised by Social Traders, attracted 400 delegates.
- The inaugural Social Enterprise Awards Program was launched at the conference by Jan Owen AM. The Awards attracted over 100 applicants across five categories. Award finalists participated in a Masterclass conducted by Peter Holbrook and an Awards event to announce winners was held in Melbourne on 28 May. The Awards attracted state and national media, providing an excellent platform to raise the profile and showcase diversity of social enterprise around Australia.
- Over 900 people were directly engaged as part of Peter Holbrook's visit to Australia in May in conjunction with the 2013 Australian Social Enterprise Awards. In his role as CEO of Social Enterprise UK, Peter spoke at business breakfasts, roundtable forums and 1:1 meetings with government, business, philanthropic, community and academic leaders in Sydney, Brisbane, Canberra and Melbourne, providing valuable perspectives and lessons to inform the emerging social enterprise movement in Australia.
- A Social Enterprise Manifesto, setting out a vision to enable the growth of the social enterprise sector in Australia was developed as an initiative of the Social Innovation, Entrepreneurship & Enterprise Alliance (SIEEA). The Manifesto provides a good platform to develop a more conducive policy environment with Government, philanthropy, business and social investment stakeholders in 2013-14.

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 which will achieve a high standard of governance appropriate to the Company's size and complexity.

The Company is not obliged to comply with ASX Corporate Governance Principles; however the Board of Directors has resolved to adopt the ASX Corporate Governance Principles and Recommendations where appropriate.

In March this year, the Company registered with the Australian Charities and Not-for-profits Commission (ACNC). The Board has reviewed the ACNC's five governance standards, which took effect from 1 July 2013. The Board considers that the Company meets these standards under its existing corporate governance policies.

For the year ended 30 June 2013 the Company adopted the following policies to align with Principles 1 – 8 of the ASX Corporate Governance Principles and Recommendations 2010 (2nd Edition).

Principle 1: Lay solid foundations for management and oversight

The Board has a primary responsibility to establish an overarching vision and strategic direction for the Company. The Board also has a responsibility to allow management to carry out its responsibilities within broadly defined parameters without day to day intervention of the Board.

Company Policy

The Board will ensure that the majority of its time and effort is dedicated to setting the strategic direction of the Company. Where necessary, Board committees will be formed to assist in the conduct of the more detailed aspects of Board functions.

The Board will also ensure the Company's strategic direction is clearly documented as a set of objectives which are communicated to relevant stakeholders.

The Board acknowledges that it has a responsibility to create a business operating environment where management has the delegated authority to develop operating plans & procedures designed to achieve the Company's objectives.

The Managing Director is required to prepare an annual project plan and financial budget, to be approved by the Board, which are aimed at achieving the Company's objectives.

The Managing Director also has the responsibility to see that operating procedures and an organisational structure are in place, which is capable of implementing the annual project plan and financial budget at an operational level.

Standing Board committees in place, at the date of this report:

- Human Resources & Nominations – Chair: Helen Fenney
- Audit, Risk & Governance - Chair: Peter Bramwell
- Finance – Chair: Michael James

Corporate Governance Statement

The Board requires management & committees to report in a manner which is adequate to:

- i. monitor the conduct of the Company and Management against the annual project plan and financial budget, and;
- ii. facilitate corrective action on a timely basis where this is deemed necessary.

Principle 2: Structure the Board to add value

The Board will be constituted in a way that adds value and is relevant to setting and achieving the Company's objectives.

Company Policy

The Board will consist of individuals who have skills and experience that are relevant to assisting the Company in setting its strategic direction and achieving its objectives. The Board has identified a set of skills which it considers are appropriate for the Board of Directors of the Company.

The independence of the Directors is monitored by the Audit, Risk & Governance Committee throughout the year. All non-executive Directors have maintained their independence during the year ended 30 June 2013 and up to the date of this report.

Board effectiveness is self assessed periodically to determine any weaknesses in Board conduct and procedures. Corrective action is taken, where considered appropriate to rectify any perceived shortcomings. An external review of the board is currently taking place.

Principle 3: Promote ethical and responsible decision making

The Board will establish a code of ethical conduct in all areas of responsibility and authority.

Company Policy

Board members and Company employees shall:

- a. act honestly and in good faith at all times
- b. be impartial and treat people fairly
- c. act in the best interests of the Company
- d. declare all interests, real and perceived, pecuniary and non-pecuniary, that could result in a conflict between personal and organisational priorities
- e. be diligent, attend meetings and devote sufficient time to preparation for meetings to allow for full and appropriate participation in decision making
- f. be diligent in decision making
- g. avoid conduct un-becoming
- h. maintain confidentiality
- i. not make improper use of information obtained in the course of their duties
- j. abide by decisions
- k. recognise and act in accordance with the fiduciary nature of their duties
- l. not harass anyone or discriminate on the grounds of sex, sexual preference, age, marital status, pregnancy, the state of being a parent, childless or de facto spouse, race, colour, lawful religious or political belief or activity, and impairment.

Corporate Governance Statement

Principle 4: Safeguard integrity in financial reporting

The Board will ensure policies, procedures and safeguards are in place which ensure the integrity of the preparation, review and reporting of financial results.

Company Policy

The Company employs external accountants as required to assist in the preparation and review of key financial reports, including an annual report and annual financial statements. The Board's Finance Committee meets monthly to review financial performance and prepare reports for the Board.

The Board's Audit, Risk & Governance Committee is responsible for the review of the Company's annual financial statements. The Company has appointed auditors who are responsible for an annual audit of the Company's accounts.

Principle 5: Make timely and balanced disclosure

The Company will disclose relevant information to statutory authorities and funding partners on a timely basis.

Company Policy

A reporting framework is in place and it is the responsibility of the Managing Director to ensure that the relevant announcements and Company reports are made within the required timeframes.

Principle 6: Respect the rights of stakeholders

Stakeholders have the right to be informed about the Company's activities in a timely and transparent manner.

Company Policy

As well as providing corporate and financial information to statutory authorities, the Company ensures it consults and communicates regularly with its broad range of stakeholders. Information dissemination takes place through a variety of channels.

Principle 7: Recognise and manage risk

Risks that may impact negatively on the Company are identified and appropriate risk mitigation procedures are put in place.

Company Policy

The Board's Audit, Risk & Governance Committee is responsible for the identification of risks which may have a significant negative impact on the Company. This Committee also has the responsibility to recommend the adoption of appropriate risk mitigation procedures to the Board.

Corporate Governance Statement

Principle 8: Remunerate fairly and responsibly

That Company staff are remunerated fairly and responsibly.

Company Policy

The Company has established an Employee Policies and Procedures manual which provides information for employees about working at the Company, OH&S policy, Employee Code of Conduct and performance review and professional development. These policies and procedures are reviewed periodically by the Board's Human Resources & Nominations Committee which advises on any adaptations and/or recommendations for the Board's determination.

The Board's Human Resources & Nominations Committee is responsible for the assessment of performance and review of the remuneration of the Company's Managing Director and provides its recommendations to the Board for determination.

Review of Governance

Corporate Governance policies and procedures are reviewed periodically by the Audit, Risk & Governance Committee.

Social Traders Ltd
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Financial Report
for the year ended
30 June 2013

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2013

The Directors present the Financial Report on the Company for the year ended 30 June 2013.

Board of Directors

The names of Directors who have held office at any time during or since the end of the financial year are:

Director	Director Type	Date of Original Appointment	Date Reappointed	Committee Membership
David Brookes	Managing Director	25/02/2009	25/08/2010	Finance Audit, Risk & Governance Human Resources & Nominations
Michael James	Non-executive (Chair)	01/11/2008	25/08/2010	Finance Audit, Risk & Governance Human Resources & Nominations
Helen Fenney	Non-executive	10/09/2008	29/08/2012	Human Resources & Nominations
Catherine Scarth	Non-executive	10/09/2008	29/08/2012	
Peter Bramwell	Non-executive	06/04/2009	24/08/2011	Audit Risk & Governance
Patricia Edwards	Non-executive	1/07/2010	24/08/2011	
Simon Gillies	Non-executive	27/10/2010		
Matt Pfahlert	Non-executive	31/10/2012		

Company Secretary

David Brookes held the position of Company Secretary for the whole of the year and up to the date of this report.

Principal Activities

The Company is a Melbourne based specialist social enterprise development organisation and aims to support the growth of such enterprises in Australia. Key strategic objectives involve increasing awareness and understanding of social enterprise, building the trading capability and investment-readiness of start-up and early stage enterprises, along with growing the market for social enterprise products and services.

The Company runs social enterprise tours and workshops, conducts capacity building programs and offers a range of tailored tools and resources to support development of commercially viable social enterprises.

The Company receives its core funding from the Victorian State Government and the Dara Foundation (the Foundation). This funding is on a matched basis and is provided under the

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2013

terms of separate funding agreements with the Victorian State Government and the Foundation. Both agreements require Social Traders to submit a Strategic Plan to the funding partners with proposed deliverables and outcomes for each year, and six monthly reports of progress against the plan basis.

Objectives

The Company's key objectives include:

- Expand the Company's capacity building and development support activities in partnership with industry sector, government and philanthropic partners
- Actively contribute to and influence the establishment of a conducive policy environment for social enterprise, particularly in relation to promoting social procurement across the government, corporate and community sectors
- Progressively increase the number of enterprise participants involved in 'The Crunch' in and outside Victoria
- Implement a tailored business coaching and development support program for existing early stage social enterprises to support their long-term sustainability
- Further develop the SEFinder, including establishment of an online marketplace for social enterprise products and services.

Strategies

The Company's key business strategies include:

- Increasing the investment readiness of start-up and emerging social enterprises to improve their access to finance
- Building the capacity of social enterprises to trade successfully through a range of tailored business development and coaching initiatives and services
- Increasing awareness of social enterprise and its benefits across the business, government, community and philanthropic sectors via information resources, social media, discussion forums and events
- Opening up market opportunities for social enterprise products and services as part of promoting responsible procurement policies and practices by government, corporate and community organisations

The Company measures its performance (including any key performance indicators) by:

- Preparing an annual project plan approved by the Board setting out proposed deliverables and milestones in relation to each of the Company's strategic objectives
- Monthly reporting to the Board on the Company's activities and progress in relation to agreed deliverables and milestones
- Half yearly reports to the Company's funders on the Company's activities and progress in relation to agreed deliverables and milestones

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 dividend payments have been made.

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2013

Information on Directors

David Brookes GAICD Managing Director and Company Secretary

Summary of experience, qualifications and expertise

Managing Director, Social Traders
B. Com., Diploma Company Directors Course
Senior management experience with Rio Tinto, Toyota and Amcor
Local Government, NSW.

Current public directorships

None

Former public directorships in the last 3 years

None

Michael James Non-executive Director (Chair)

Summary of experience, qualifications and expertise

B. Com., Chartered Accountant, former Partner PricewaterhouseCoopers

Current public directorships

Brotherhood of St. Laurence

Former public directorships in the last 3 years

Goodstart Early Learning Limited

Helen Fenney Non-executive Director

Summary of experience, qualifications and expertise

Director, Fenney & Letts Pty Ltd
MBA Melbourne Business School
Grad. Dip. Counselling RMIT
BA (Hons) University of Hull
PBAS (internationally accredited partnership broker)

Current public directorships

None

Former public directorships in the last 3 years

None

Catherine Scarth Non-executive Director

Summary of experience, qualifications and expertise

Chief Executive Officer, AMES
BA (Hons) Social Science, Accredited Partnership Broker

Current public directorships

None

Former public directorships in the last 3 years

None

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2013

Peter Bramwell Non-executive Director

Summary of experience, qualifications and expertise

Consultant, JRT Partnership Pty Ltd
Lawyer LLB., BCom.

Current public directorships

None

Former public directorships in the last 3 years

None

Patricia Edwards Non-executive Director

Summary of experience, qualifications, expertise, areas of interest

Director, Patricia Toohey & Partners Pty Ltd
Senior Associate, Allen Consulting Group
Post Grad Cross Sector Partnership, Cambridge
AICD

Current public directorships

None

Former public directorships in the last 3 years

None

Simon Gillies Non-executive Director

Summary of experience, qualifications, expertise, areas of interest

Senior Partner, PricewaterhouseCoopers
B.Sc. (HONS) University of Melbourne
MBA Melbourne Business School

Current public directorships

None

Former public directorships in the last 3 years

None

Matt Pfahlert Non-executive Director

Summary of experience, qualifications and expertise

Founder of Social Enterprise Unlimited
Co-founder of Mt Buffalo Community Enterprise
Post graduate qualification in Family and Systems Therapy

Current public directorships

Telstra Foundation

Former public directorships in the last 3 years

Mt Buffalo Community Enterprise

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2013

Meetings of Directors

During the year ended 30 June 2013, ten meetings of directors were held. Attendances by each Director were as follows:

	Attended	Eligible
David Brookes	10	10
Michael James	9	10
Helen Fenney	8	10
Catherine Scarth	9	10
Peter Bramwell	9	10
Patricia Edwards	8	10
Simon Gillies	7	10
Matt Pfahlert	7	7

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 2013 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 cover in place to insure each of the above 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.

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Directors' Report
for the year ended 30 June 2013

Limited Liability

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. The Constitution of the Company provides that the liability of Members is limited. Every Member undertakes to contribute \$25 to the assets of the Company if it is wound up while he or she is a Member, or within one year afterwards. At 30 June 2013 the collective liability of members was \$200 (2012:\$175).

Auditor's Independence Declaration

The Auditor's Independence Declaration for the year has been received and can be found on page 16 of the Annual Report.

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

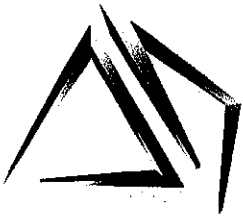


.....
Michael James
Non-executive Chair



.....
David Brookes
Managing Director

31st July 2013



Armstrong Dubois

CHARTERED ACCOUNTANTS

**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001
To the Directors of Social Traders Ltd**

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2013 there have been no contravention of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Armstrong Dubois

David Armstrong
Partner

Melbourne
31 July 2013

Social Traders Ltd
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Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Revenue from ordinary activities	2	2,411,381	3,373,023
Depreciation	3	(19,326)	(21,408)
Employee Expenses	2	(1,115,077)	(1,253,040)
Contributions	2	(99,980)	(245,711)
Impairment	2	(150,285)	(21,163)
Other expenses from ordinary activities		(762,200)	(968,053)
Surplus for the year		<u>264,513</u>	<u>863,648</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>264,513</u>	<u>863,648</u>

The accompanying notes form part of these financial statements

Social Traders Ltd
A.B.N. 42 132 665 804

Statement of Financial Position
as at 30 June 2013

	Notes	2013	2012
		\$	\$
Current Assets			
Cash Assets	4	2,823,128	3,122,154
Debtors	5	1,019,786	1,127,757
Social Enterprise Development Fund (SEDF)	6.1	7,000	-
Total Current Assets		<u>3,849,914</u>	<u>4,249,911</u>
Non-Current Assets			
Property, Plant & Equipment	7	59,534	44,814
Social Enterprise Development Fund (SEDF)	6.1	607,318	131,463
Total Non-Current Assets		<u>666,852</u>	<u>176,277</u>
Total Assets		<u>4,516,766</u>	<u>4,426,188</u>
Current Liabilities			
Payables	8	234,943	209,991
Provisions	9	956,954	1,160,841
Total Current Liabilities		<u>1,191,897</u>	<u>1,370,832</u>
Non-Current Liabilities			
Provisions	9	10,000	5,000
Total Non-Current Liabilities		<u>10,000</u>	<u>5,000</u>
Total Liabilities		<u>1,201,897</u>	<u>1,375,832</u>
Net Assets		<u>3,314,869</u>	<u>3,050,356</u>
Equity			
Current year Surplus		264,513	863,648
Retained Surplus		3,050,356	2,186,708
Total Equity		<u>3,314,869</u>	<u>3,050,356</u>

The accompanying notes form part of these financial statements

Social Traders Ltd
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Statement of Changes in Equity
for the year ended 30 June 2013

	Retained Surplus
	\$
Balance at 30 June 2011	<u>2,186,708</u>
Total comprehensive income for the year	<u>863,648</u>
Balance at 30 June 2012	<u>3,050,356</u>
Total comprehensive income for the year	<u>264,513</u>
Balance at 30 June 2013	<u>3,314,869</u>

The accompanying notes form part of these financial statements

Social Traders Ltd
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Statement of Cash Flows
for the year ended 30 June 2013

	Notes	2013	2012
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		2,544,549	3,421,847
Payments to trade creditors, other suppliers, creditors and employees		(2,060,927)	(2,368,522)
Contributions to SEDF* participants		(214,373)	(202,000)
Interest received		117,085	143,627
Net cash inflow from operating activities	11	<u>386,334</u>	<u>994,952</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(53,720)	(7,686)
Proceeds from sales of non-current assets		1,500	300
Loans to SEDF* participants		(689,607)	(136,000)
Loan repaid by SEDF* participants		50,000	53,374
Investment repaid by SEDF* participants		6,467	-
Net cash (outflow) from investing activities		<u>(685,360)</u>	<u>(90,012)</u>
Net increase/(decrease) in cash held		(299,026)	904,940
Cash at the beginning of the financial year		<u>3,122,154</u>	<u>2,217,214</u>
Cash at the end of the financial year		<u>2,823,128</u>	<u>3,122,154</u>

* Social Enterprise Development Fund (SEDF)

The accompanying notes form part of these financial statements

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

1. Summary of Significant Accounting Policies

(a) Adoption of new and revised accounting standards

The Company adopts all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and are effective for the current annual reporting period. For the reporting year to 30 June 2013, there were no new or revised accounting standards issued which would impact the reported financial position, financial performance and cash flows of the Company or accompanying notes.

(b) Basis of preparation

Statement of Compliance

The Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Financial Report of the Company complies with all Australian equivalents to International Reporting Standards (AIFRS) in their entirety including AASB 1004 "Contributions" dealing specifically with not-for-profit entities.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Financial Report which 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.

(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 considers the Company still eligible for endorsement.

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Notes to the Financial Statements
for the year ended 30 June 2013

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 and investments in 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) Social Enterprise Development Fund (SEDF)

The Company maintains a Social Enterprise Development Fund (SEDF) to invest in start up social enterprises in a manner consistent with the purposes and objects of the Company. The Board determines from time to time the amount to be transferred into the SEDF. Funds transferred to the SEDF are currently held in Australian bank deposits.

The income and expenses of the SEDF are separately disclosed in Note 2 – Segment Reporting. Assets and the current position of the SEDF are disclosed in Note 6.

The investments are made in three forms:

- (i) non-repayable contributions;
- (ii) loans; and
- (iii) direct equity investments.

(f) Property, plant & equipment

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

(g) 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:

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

Social Traders Ltd
A.B.N. 42 132 665 804
Notes to the Financial Statements
for the year ended 30 June 2013

1. Summary of Significant Accounting Policies (continued)

(h) 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.

On-costs for superannuation and workcover insurance have been included in the employee entitlement provision.

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

(i) 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.

(j) Income

Revenue is largely from Government and philanthropic sources derived from funding agreements entered into with the Victorian Government and the Foundation. Other revenue includes sponsorship revenue, investment revenue and sundry income. All income has been appropriately recorded as per the requirements specific to not-for-profit entities as per Accounting Standard AASB 1004 Contributions. Where income has been invoiced or received in the current period in respect of future financial years, the unearned component has been deferred as appropriate.

(k) Economic Dependence

The Company is dependent on the Victorian Government and the Foundation for the majority of its revenue used to operate the Company. The Government and the Foundation have agreed to provide additional funding to the Company of \$6.5 million (exclusive of GST) for a four year period commencing 1 January 2013. Agreements setting out the details and requirements of the funding have been executed by the Company with both funding partners.

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

1. Summary of Significant Accounting Policies (continued)

(l) 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.

(m) Nature of company

The Company is a company limited by guarantee, incorporated on 11 August 2008, and domiciled in Australia. The Company's registered office and principal place of business is:

Level 2
136 Exhibition Street
Melbourne VIC 3000

(n) Deductible Gift Recipient

The Company's request to the Australian Government for Special Listing as a Deductible Gift Recipient (DGR) entity under the Income Tax Assessment Act 1997 was passed into law in June 2013. The Company's DGR status is effective from 1 July 2013. The Constitution provides for the establishment of a Public Fund, to be known as Social Traders Public Fund, to receive Gifts and Deductible Contributions in support of the Company's purpose.

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

Note 2 - Segment Reporting

2.1 Segment Information

The Company is managed in two main operating segments:

- (i) Operations relating to the Social Enterprise Development Fund (SEDF) from which the Company offers financial support to and makes financial investments in, start up social enterprises; and
- (ii) Operations relating to all other activities directed at supporting social enterprises and the sector (SE support).

These two activities have inherently different risk profiles and performance assessment criteria and as a result are considered by the Board of Directors to be best managed and reported separately.

Internal reports on the activity of each sector are received by the Board monthly and are used in assessing the best allocation of Company resources.

2.2 Segment Performance

	2013			2012		
	SEDF	SE support	Total	SEDF	SE support	Total
Revenue						
Government & Philanthropic	966,761	1,072,443	2,039,204	1,228,571	721,086	1,949,657
Program partner contributions	50,000	73,591	123,591	82,727	10,001	92,728
Interest on funds invested	84,138	31,476	115,614	107,225	39,553	146,778
Trading activity	-	132,972	132,972	1,373	183,806	185,179
Other sources*	-	-	-	-	998,681	998,681
Total Segment Revenue	1,100,899	1,310,482	2,411,381	1,419,896	1,953,127	3,373,023
Operating Expenses						
Employment expenses*	432,014	683,063	1,115,077	190,933	1,062,107	1,253,040
Contributions to 'Crunch participants	99,980	-	99,980	245,711	-	245,711
Direct project expenses*	84,715	386,691	471,406	86,835	713,541	800,376
Administration & other expenses	102,822	207,298	310,120	24,237	164,848	189,085
Impairment of loans and investments	150,285	-	150,285	21,163	-	21,163
Total operating expenses	869,816	1,277,052	2,146,868	568,879	1,940,496	2,509,375
Segment net surplus	231,083	33,430	264,513	851,017	12,631	863,648

*During the 2012 year the Company engaged in a National Social Enterprise Sustainability Project (SES Project) funded by the Federal Department of Education, Employment & Workplace Relations (DEEWR). Total SES Project revenue of \$998,681, was fully expended. The SES Project concluded at 30 June 2012.

2.3 Crunch contributions and commitments

In 2010/11 the Crunch initiative (Crunch 1) was launched. Following on from the success of Crunch 1, a second round of the Crunch initiative (Crunch 2) commenced in the 2011/12 period. Crunch 3 commenced in 2012/13. The Crunch program will continue in 2014.

Contributions

During the year the Company made financial contributions totaling \$99,980 to social enterprises that participated in the 'Crunch' program.

These financial contributions were either paid to recipients during the year or were payable by the Company at year end without the recipient being required to meet any further conditions.

These contributions are not repayable by the recipients and have been expensed by the SEDF in the year ended 30 June 2013.

Commitments

Commitments have been made by the Company to contribute an additional \$225,000 to 'Crunch' participants.

These additional contributions are at 30 June 2013, either subject to the relevant recipient entering into a binding agreement with the Company and / or meeting additional conditions after 30 June 2013.

It is expected that these additional contributions will be paid by the Company in the year ending 30 June 2014 and expensed by the Company in that year.

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
3 Expenses			
Operating surplus includes the following specific expenses:			
Depreciation of non-current assets			
Electronic equipment	7	7,469	11,176
Office equipment	7	4,892	1,486
Leasehold improvements	7	6,965	8,746
		<u>19,326</u>	<u>21,408</u>
Loss on disposal of non-current assets	11	18,174	512
Provision for employee entitlements		(2,695)	14,526
Auditor's remuneration:			
Auditing the financial statements		9,500	7,800
Other services provided		2,900	2,900
4 Cash Assets			
Cash at bank			
Operating account		345,610	158,334
Social Enterprise Development Fund (SEDF) account	6	2,477,518	2,963,820
		<u>2,823,128</u>	<u>3,122,154</u>
Weighted average effective interest rate		3.89%	5.50%
5 Debtors			
Trade & other debtors		48,293	59,185
Grants Receivable		971,493	1,068,572
		<u>1,019,786</u>	<u>1,127,757</u>

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

	Notes	2013	2012
6 Social Enterprise Development Fund (SEDF)			
6.1 Financial Position of SEDF			
Current assets			
Loans to 'Crunch' participants		30,000	-
Less provision for Loan Impairment		(23,000)	-
		<u>7,000</u>	<u>-</u>
Non current assets			
Loans to 'The Crunch' participants		745,607	136,000
Less provision for Loan Impairment		(138,289)	(11,000)
Investments		-	10,000
Less provision for Investment Impairment		-	(3,537)
		<u>607,318</u>	<u>131,463</u>
Total SEDF loans and investments		<u>614,318</u>	<u>131,463</u>
Plus			
SEDF cash on hand	4	2,477,518	2,963,820
Total SEDF balance at year end:		<u>3,091,836</u>	<u>3,095,283</u>
Less			
Current committed advances			
Non-repayable contributions	9	(14,318)	(128,711)
Loans	9	(71,405)	(601,012)
Future Commitments			
Non-repayable contributions	10	(225,000)	(182,000)
Loans	10	(447,000)	(338,000)
Total uncommitted funds at year end available for future SEDF initiatives		<u>2,334,113</u>	<u>1,845,560</u>

The above Future Commitments, subject to the conditions mentioned in Note 2.3 and Note 6.2, are to be paid out of the SEDF balance in future years. These amounts are by nature future commitments and accordingly are not recognised for accounting purposes at balance date.

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Notes to the Financial Statements
for the year ended 30 June 2013

6.2 Social Enterprise Development Fund (SEDF)

Loans made during year and loan commitments at year end

Loans made during the year

During the year the Company made net loans totalling \$639,607 to social enterprises including participants in 'The Crunch'.

These loans were either advanced to participants during the year or were payable by the Company at year end without the recipient being required to meet any further conditions.

These loans form part of the SEDF assets and committed balances at 30 June 2013 (Note 6.1).

At 30 June 2013 a total provision for impairment of \$161,289 has been recognised.

Loan commitments at year end

Future commitments have been made by the Company to grant an additional \$447,000 to 'The Crunch' participants by way of loan.

These additional loans are at 30 June 2013, either subject to the relevant recipient entering into a binding agreement with the Company and/or meeting additional conditions after 30 June 2013.

It is expected that these additional loans will be advanced by the Company in the year ending 30 June 2014.

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
7 Property, Plant & Equipment			
Electronic equipment at cost		29,271	42,289
less accumulated depreciation		<u>(25,875)</u>	<u>(31,958)</u>
		3,396	10,331
Office equipment at cost		30,371	7,433
less accumulated depreciation		<u>(11,880)</u>	<u>(3,146)</u>
		18,491	4,287
Leasehold improvements at cost		42,430	48,977
less accumulated depreciation		<u>(4,783)</u>	<u>(18,781)</u>
		37,647	30,196
Total Property, Plant & Equipment		<u><u>59,534</u></u>	<u><u>44,814</u></u>
Reconciliation of electronic equipment			
Carrying amount at beginning of year		10,331	14,633
Additions		2,200	7,686
Disposals		(1,666)	(812)
Depreciation	3	<u>(7,469)</u>	<u>(11,176)</u>
Carrying amount at end of year		<u><u>3,396</u></u>	<u><u>10,331</u></u>
Reconciliation of office equipment			
Carrying amount at beginning of year		4,287	5,773
Additions		13,635	-
Reclassification of assets		5,461	-
Depreciation	3	<u>(4,892)</u>	<u>(1,486)</u>
Carrying amount at end of year		<u><u>18,491</u></u>	<u><u>4,287</u></u>
Reconciliation of leasehold improvements			
Carrying amount at beginning of year		30,196	38,942
Additions		37,885	-
Reclassification of assets		(5,461)	-
Disposals		(18,008)	-
Depreciation	3	<u>(6,965)</u>	<u>(8,746)</u>
Carrying amount at end of year		<u><u>37,647</u></u>	<u><u>30,196</u></u>
8 Payables			
Current			
Trade & other creditors		39,344	29,530
Payroll liabilities		63,016	78,840
Net GST payable		<u>132,583</u>	<u>101,621</u>
		<u><u>234,943</u></u>	<u><u>209,991</u></u>

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
9 Provisions			
Current			
Employee entitlements		53,461	56,156
Deferred Income		889,175	975,974
Non-repayable contributions		14,318	128,711
Loan disbursements		71,405	601,012
Undrawn loan balance		<u>(71,405)</u>	<u>(601,012)</u>
		<u>956,954</u>	<u>1,160,841</u>
Non-Current			
Property make good		<u>10,000</u>	<u>5,000</u>
<p>As part of the lease conditions of the Melbourne premises, at the end of the lease there is the requirement to remove all fixtures & fittings and return the premises to the condition as at the commencement of the lease. The property make good provision represents the present value of the estimated expense to fulfil this lease condition.</p>			
10 Commitments			
SEDF Non-repayable contributions			
Commitments for contributions at the reporting date which have not been recognised in the financial statements	2.3 & 6.1	<u>(225,000)</u>	<u>(182,000)</u>
SEDF Loans			
Commitments for SEDF loans at the reporting date which have not been recognised in the financial statements	6.1 & 6.2	<u>(447,000)</u>	<u>(338,000)</u>
Capital and leasing			
Commitments for the acquisition of property, plant & equipment contracted for at the reporting date but not recognised as liabilities		<u>-</u>	<u>-</u>
Operating leases			
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Not later than 1 year		138,309	52,773
Later than 1 year but not later than 5 years		286,882	119,887
Later than 5 years		-	-
		<u>425,191</u>	<u>172,660</u>

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
11 Reconciliation of net cash inflow from operating activities			
Surplus for the year		264,513	863,648
Non cash items			
Depreciation	3 & 7	19,326	21,408
Impairment of loan & investment	2.2	150,285	21,163
Loss on sales on non-current assets		18,174	512
Change in assets and liabilities			
Decrease (Increase) in debtors		107,971	(1,089,179)
Increase (Decrease) in payables		24,952	143,189
Increase (Decrease) in provisions		<u>(198,887)</u>	<u>1,034,211</u>
Net cash inflow from operating activities		<u>386,334</u>	<u>994,952</u>

12 Related Party Transactions

(a) Related Parties

The names of the Directors who held office during the year ended 30 June 2013 and as at the date of this report are:

		Date of Original Appointment	Date Reappointed
David Brookes	Managing Director	25/02/2009	25/08/2010
Michael James	Non-executive Director (Chair)	01/11/2008	25/08/2010
Helen Fenney	Non-executive Director	10/09/2008	29/08/2012
Catherine Scarth	Non-executive Director	10/09/2008	29/08/2012
Peter Bramwell	Non-executive Director	06/04/2009	24/08/2011
Patricia Edwards	Non-executive Director	1/07/2010	24/08/2011
Simon Gillies	Non-executive Director	27/10/2010	-
Matt Pfahlert	Non-executive Director	31/10/2012	-

Social Traders Ltd
A.B.N. 42 132 665 804
Notes to the Financial Statements
for the year ended 30 June 2013

12 Related Party Transactions (continued)

(b) Key Management Personnel Compensation

	2013 \$	2012 \$
Total short-term benefits payable	465,907	567,810
Total post employment benefits payable	41,932	49,973

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 2013 and up to the date of this report.

(c) Transactions

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

13 Contingent Asset/Liability

The Victorian Government and the Foundation provide the majority of revenue used to operate the Company under separate funding agreements, which provide overall funding of \$6.5 million (net of GST), subject to achievement of key deliverables, until 31 December 2016.

	2013 \$	2012 \$
Funding brought forward	971,429	-
Funding secured	6,500,000	8,000,000
Total Funding	<u>7,471,429</u>	<u>8,000,000</u>
Funding received to date	2,039,204	7,028,571
Future Funding	<u>5,432,225</u>	<u>971,429</u>
Within 12 months	1,766,350	971,429
Later than 12 months	3,665,875	-
Future Funding	<u>5,432,225</u>	<u>971,429</u>

The funding agreement(s) may be terminated by the Victorian Government and/or the Foundation in the event of a material breach by the Company. In the event of termination, the Company is required to refund any unused funds.

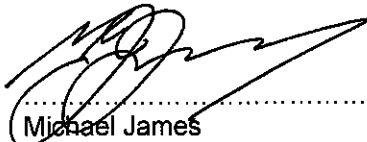
Social Traders Ltd
A.B.N. 42 132 665 804
Directors' Declaration

The Directors of the Company declare that:

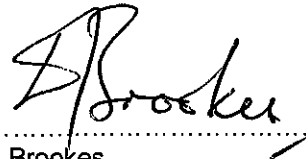
1. The Financial Statements and notes are in accordance with the Corporations Act 2001, including:
 - a. giving a true and fair view of the financial position of the Company as at 30 June 2013 and of its performance for the year ended on that date; and
 - b. complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
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 the declaration confirming the above from the Managing Director for the year ended 30 June 2013, as required by section 295A of the Corporations Act 2001.

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



Michael James
Non-executive Chair

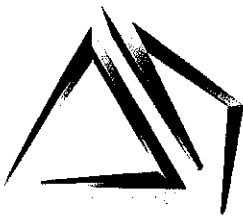


David Brookes
Managing Director

31st July 2013

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

Provided by Armstrong Partners



Armstrong Dubois

CHARTERED ACCOUNTANTS

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

Report on financial report

We have audited the accompanying financial report of Social Traders Ltd (the company), which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that give 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 presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with the Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a. the financial report of Social Traders Ltd 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 2013 and of its performance for the year ended on that date; and
 - ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Armstrong Dubois

David Armstrong
Partner

Melbourne
31 July 2013