

Annual Report 2010

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

SOCIALTRADERS

Social Traders Ltd.
A.B.N. 42 132 665 804
(Social Traders or the Company)

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Social Traders Ltd.
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Chair's Report
for the year ended 30 June 2010

Social Traders Ltd.'s second year of operation has been full of activity, building on the solid foundations established in our first year. Much work continues to go into establishing a clear strategy for Social Traders and a robust implementation plan to roll it out. The Board has taken a key oversight role in setting this strategy. More detail on implementation of the strategy is dealt with in the Managing Director's report.

Our initial investors, the Victorian State Government and the Dara Foundation, have a strong commitment to our strategic direction and we are very appreciative of their continuing financial support to enable Social Traders to meet its mission of supporting and encouraging the development of commercially viable social enterprises.

Angelo De Angelis resigned from our Board in December 2009 due to a work transfer overseas. We were disappointed to lose Angelo's services but wish him well in his new position and thank him for the important contribution he has made to Social Traders in its formative phase. I am pleased to welcome Patricia Toohey who joined the Board from 1 July 2010. The Board is looking to expand its membership over coming months.

During the year the Board developed and implemented a Corporate Governance Charter. Directors acknowledge they have a duty to stakeholders to establish and maintain a high standard of governance for the conduct of the Board and Social Traders' employees. The Charter is appropriate to the current size and complexity of Social Traders and will be reviewed annually to ensure it continues to be appropriate. A summary of our Governance policies and practices are included in this year's Financial Report.

In my report last year I announced that a number of significant projects were planned. These are now either complete or are well underway. Of particular significance during 2010 is Social Traders' invitation for applications to 'The Crunch', a new social enterprise investment and development initiative to be piloted in Victoria in 2010-11. 'The Crunch' will assist new and established social enterprises with finance, training, skills and business development. I am also delighted that a number of companies have indicated that they wish to partner with us to further this initiative.

It has been a very busy year for Social Traders. Many of our key programs and strategies are now in place and our management team has been supplemented by the recruitment during the year of some outstanding people. The challenge for 2011 is to ensure we deliver on the initiatives which have been set in train and to broaden Social Traders' support base with a focus on long term sustainability.

Michael James
Chair

Social Traders Ltd.
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Managing Director's Report
For the year ended 30 June 2010

Significant progress was made during 2009-10 on building on the foundations established in Social Traders Ltd.'s first year of operation. In line with the Social Traders' strategic goals, three core portfolios areas are now established – Learning & Development, Investment & Growth and Policy & Strategy.

New management positions were filled in each of these key activity areas, along with the appointment of a Social Enterprise Navigator to provide direct hands on support and assistance to existing enterprises or individuals interested in establishing a social enterprise.

Social Traders' website www.socialtraders.com.au was launched in September 2009 providing a valuable portal of information and a range of online tools and resources. A monthly e-bulletin on current developments, latest news and opinion pieces from across the social enterprise sector in Australia, is being distributed to around 1,500 stakeholders.

In October 2009, over 600 delegates from 28 countries attended the second Social Enterprise World Forum (SEWF '09) in Melbourne. SEWF '09 was co-hosted by Social Traders and Social Ventures Australia. In April this year, I attended the third Social Enterprise World Forum in San Francisco. While there I participated in meetings of the SEWF Steering Committee during which it was agreed that members would work collaboratively on SE mapping and building a global movement, workforce development, identity and awareness, access to finance, leadership development, opening markets and social franchising.

The Finding Australia's Social Enterprise Sector (FASES) Research Project, a joint initiative of Social Traders and the Australian Centre for Philanthropy and Non-Profit Studies at Queensland University of Technology was completed. Based on this research and the previous findings of the Giving Australia project, we estimate that there are up to 20,000 Australian Social Enterprises. Our research indicates that the Australian social enterprise sector is mature and sustainable and operates in every industry sector of the Australian economy.

Design and development of Social Traders' new social enterprise investment and development initiative, 'The Crunch' is well advanced. 'The Crunch' is based on the Spark Challenge from the UK, and will be run as a competition to turn innovative ideas into sustainable social enterprise. Six information sessions and two workshops were conducted across metropolitan and regional Victoria attended by 140 participants. Social Traders received strong interest from the private and philanthropic sectors in providing both financial and mentoring support to 'The Crunch' which will be publicly launched in October 2010.

A new Minister for Community Development, the Hon Lily D'Ambrosio MP was appointed in January 2010 replacing the Hon Peter Batchelor MP. The ongoing interest in social enterprise from the Victorian Government and its support for Social Traders is greatly appreciated. Social Traders and the Victorian Government have recently agreed to jointly support the Building Social Enterprise Trading Turnover Project, which will work with around 6-8 social enterprises in Victoria to build their trading capabilities and increase sales revenue.

Opening up market opportunities is a key priority. Social Traders has been involved with the Centre for Social Impact (CSI) and Foresters in the development of a best-practice guide on social procurement which will be published by September 2010.

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Managing Director's Report
for the year ended 30 June 2010

Over the last year we saw growing interest in social enterprise by the Federal Government highlighted by their funding of around 100 employments and training social enterprises as part of the Community Jobs Fund and Innovation Fund. Social Traders collaborated with a number of other organisations on a range of policy issues, including a submission to the Productivity Commission on the contribution of the Not-For Profit sector to the Australian economy.

In May 2010 Social Traders established its new office in Melbourne CBD. This provides us with an easily accessible location to engage with our multiple stakeholders.

Work has recently commenced on a number of important projects including a Social Enterprise Finder, (a website based directory of social enterprise around Australia flowing from the FASES project) a map of social enterprise intermediary activities and development of a social enterprise business planning tool.

In 2010-11, I look forward to working with the Social Traders staff team on implementing our range of social enterprise development activities and support services.

David Brookes
Managing Director

Corporate Governance Statement

The Board of Directors of Social Traders Ltd. (Social Traders or the Company) 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.

This Statement outlines the Governance Principles and Policies adopted by the Company.

1. Management & oversight

Governance Principle

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 business 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 plan and budget at an operational level.

Standing Board committees in place are:

- Human Resources & Nominations – Chair: Helen Fenney
- Audit, Risk & Governance - Chair: Frank King
- Finance – Chair: Michael James
- Social Enterprise Development Fund - Chair: Catherine Scarth

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 Plan/Budget, and;
- ii. facilitate corrective action on a timely basis where this is deemed necessary.

Corporate Governance Statement

2. Board adding value

Governance Principle

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 Social Traders.

Board effectiveness will be self assessed annually to determine any weaknesses in Board conduct and procedures. Corrective action will be taken to rectify any perceived shortcomings.

3. Decision making

Governance Principle

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

4. Financial reporting

Governance Principle

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 the assistance of external accountants to assist in the preparation and review of key financial reports. 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 review of the Company's annual financial statements and the Company has appointed auditors who are responsible for an annual audit of the Company's accounts.

5. Disclosures

Governance Principle

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 Company Secretary to ensure that the relevant announcements and Company reports are made within the required timeframes.

6. Stakeholder rights

Governance Principle

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 means.

7. Risk

Governance Principle

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

Corporate Governance Statement

Company Policy

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

8. Remuneration

Governance Principle

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 Social Traders, OH&S policy, Employee Code of Conduct and performance review and professional development. These policies and procedures are reviewed annually 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 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 will be reviewed annually by the Audit, Risk & Governance Committee.

Social Traders Ltd.
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Directors' Report
for the year ended 30 June 2010

The Directors submit the Financial Report for Social Traders Ltd. (Social Traders or the Company) for the year ended 30 June 2010.

Board of Directors

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

		Date of Original Appointment	Date Reappointed	Date Resigned
David Brookes	Managing Director	25/02/2009		
Michael James	Non-executive Director (Chair)	01/11/2008		
Helen Fenney	Non-executive Director	10/09/2008	09/09/2009	
Catherine Scarth	Non-executive Director	10/09/2008	09/09/2009	
Francis King	Non-executive Director	25/02/2009		
Peter Bramwell	Non-executive Director	06/04/2009		
Angelo De Angelis	Non-executive Director	10/09/2008		31/12/2009
Patricia Toohey	Non-executive Director	1/07/2010		

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

Social Traders Ltd. is an independent Company established in 2008 to facilitate, support and advocate for the development of social enterprise in Australia. The Company works with new and established social enterprises and other support organisations to undertake research, provide finance and training and open up markets for social enterprise. The Company will host events and undertake projects to raise the profile and understanding of the sector across government, business, community and philanthropic sectors.

Operating Result

The surplus for the year amounted to \$958,539 (2009: \$664,673).

Review of Operations

2009-10 was Social Traders' first full year of operations. The Company's core activity areas and organisational structure were established during the year. Major achievements included launch of the Social Traders' website, co-hosting of the second Social Enterprise World Forum in Melbourne, design and development of a new social enterprise and investment initiative and launch of the Finding Australia's Social Enterprise Sector (FASES) Research project.

Social Traders Ltd.
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Directors' Report
for the year ended 30 June 2010

Significant Changes

There were no significant changes in the affairs of the Company during the year and up to the date of this report.

Likely Developments

Social Traders will continue to focus on its strategic priorities in 2010-11 to increase the trading capability of social enterprises and raise awareness of the potential benefits arising from social enterprise development. Interest in social enterprise is expected to continue to grow across the Government, private business and philanthropic sectors.

After Balance Date Events

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly effect, 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 and accordingly the Constitution does not permit the payment of dividends; accordingly no dividend payments have been made.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under the laws of the Commonwealth or of a State or Territory.

Options

The Company does not have share capital. Accordingly, no options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Information on Directors

David Brookes Managing Director and Company Secretary

Summary of experience, qualifications and expertise

B. Com., Senior management experience with Rio Tinto, Toyota and Amcor. Local Government, NSW.

Sub-Committee membership

Audit, Risk & Governance
Finance
Human Resources & Nominations
Social Enterprise Development Fund

Current public directorships

Siena Board

Former public directorships in the last 3 years

Buy Recycled Business Alliance

**Social Traders Ltd.
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**Directors' Report
for the year ended 30 June 2010**

Michael James Non-executive Director (Chair)

Summary of experience, qualifications and expertise

B. Com., Chartered Accountant, PriceWaterhouseCoopers

Sub-Committee membership

Audit, Risk & Governance

Finance

Human Resources & Nominations

Current public directorships

Brotherhood of St. Laurence

Goodstart Childcare Limited

Former public directorships in the last 3 years

None

Helen Fenney Non-executive Director

Summary of experience, qualifications and expertise

MBA Melbourne Business School

Grad. Dip. Counselling RMIT

BA (Hons) University of Hull

PBAS (internationally accredited partnership broker)

Sub-Committee membership

Human Resources & Nominations

Social Enterprise Development Fund

Current public directorships

None

Former public directorships in the last 3 years

None

Catherine Scarth Non-executive Director

Summary of experience, qualifications and expertise

BA(Hons) Social Science, Accredited Partnership Broker

Sub-Committee membership

Social Enterprise Development Fund

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 2010

Francis King Non-executive Director

Summary of experience, qualifications and expertise

Former Deputy Secretary, Budget, Department of Treasury and Finance Victoria.
B Com.

Sub-Committee membership

Audit, Risk & Governance

Current public directorships

President, ESSSuper
Chair, CAE Victoria
Board Member, Deputy Chair GAA Vic.

Former public directorships in the last 3 years

Board Member and Audit Committee Chair, Vic Legal Aid

Peter Bramwell Non-executive Director

Summary of experience, qualifications and expertise

Lawyer LLB., BComm.

Sub-Committee membership

Audit, Risk & Governance

Current public directorships

Partner HWL Ebsworth Lawyers

Former public directorships in the last 3 years

None

Angelo De Angelis Non-executive Director

Summary of experience, qualifications, expertise, areas of interest

Senior Executive Transfield Services, Insurance and Shipping Industries

Sub-Committee membership

None

Current public directorships

None

Former public directorships in the last 3 years

None

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Directors' Report
for the year ended 30 June 2010

Patricia Toohey Non-executive Director

Summary of experience, qualifications, expertise, areas of interest

Post Grad Cross Sector Partnership, Cambridge
AICD

Sub-Committee membership

None

Current public directorships

None

Former public directorships in the last 3 years

None

Meetings of Directors

During the year ended 30 June 2010, 11 meetings of directors were held. Attendances by each Director were as follows:

	Attended	Eligible
David Brookes	11	11
Michael James	11	11
Helen Fenney	10	11
Catherine Scarth	10	11
Francis King	11	11
Peter Bramwell	9	11
Angelo De Angelis	5	6
Patricia Toohey* (*Appointed 1 July 2010)	0	0

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 2010 and up to the date of this report.

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Directors' Report
for the year ended 30 June 2010

Indemnified Officers

During or since the end of the year, 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 paid premiums 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.

The amount of the premium during the year was \$1,966.

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.

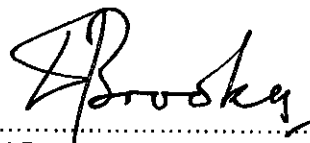
The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The Auditor's Independence Declaration for the year has been received and can be found on page 14 of the Financial Report.

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


.....
Michael James
Non-executive Chair


.....
David Brodkes
Managing Director

28 July 2010

Armstrong Partners

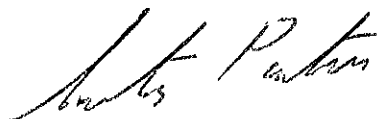
CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SOCIAL TRADERS LTD

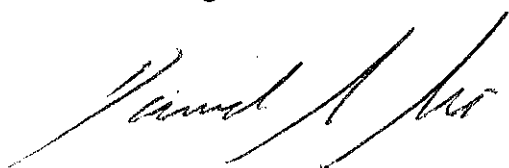
Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2010 there have been:

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



Armstrong Partners



**David Armstrong
Partner**

Melbourne

28 July 2010

Social Traders Ltd.
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Statement of Comprehensive Income
for the year ended 30 June 2010

	Notes	2010 \$	2009 \$
Revenue from ordinary activities	2	2,020,577	1,273,918
Depreciation	3	(7,979)	(2,675)
Employee Expenses		(635,397)	(234,994)
Other expenses from ordinary activities		<u>(418,662)</u>	<u>(371,576)</u>
Net comprehensive surplus for the year / period		<u>958,539</u>	<u>664,673</u>

Social Traders Ltd.
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Statement of Financial Position
as at 30 June 2010

	Notes	2010	2009
		\$	\$
Current Assets			
Cash Assets	5	1,784,123	798,913
Debtors	6	41,845	55,802
Total Current Assets		<u>1,825,968</u>	<u>854,715</u>
Non-Current Assets			
Property, Plant & Equipment	7	77,246	5,350
Total Non-Current Assets		<u>77,246</u>	<u>5,350</u>
Total Assets		<u>1,903,214</u>	<u>860,065</u>
Current Liabilities			
Payables	8	248,368	185,698
Provisions	9	26,634	9,694
Total Current Liabilities		<u>275,002</u>	<u>195,393</u>
Non-Current Liabilities			
Provisions	9	5,000	-
Total Non-Current Liabilities		<u>5,000</u>	<u>-</u>
Total Liabilities		<u>280,002</u>	<u>195,353</u>
Net Assets		<u>1,623,212</u>	<u>664,673</u>
Equity			
Retained Surplus		723,212	664,673
Development Fund Reserve		900,000	-
Total Equity		<u>1,623,212</u>	<u>664,673</u>

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Statement of Changes in Equity
for the year ended 30 June 2010

	Notes	Development Fund Reserve	Retained Surplus	Total Equity
		\$	\$	\$
At 11 August 2008		-	-	-
Surplus for the period		-	664,673	664,673
At 30 June 2009		-	664,673	664,673
Surplus for the period		-	958,539	958,539
Transfer to Development Fund Reserve	4	900,000	(900,000)	-
At 30 June 2010		900,000	723,212	1,623,212

Social Traders Ltd.
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Statement of Cash Flows
for the year ended 30 June 2010

	Notes	2010	2009
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		2,186,592	1,339,928
Payments to trade creditors, other suppliers, creditors and employees		(1,173,982)	(532,990)
Interest received		52,475	-
Net cash inflows from operating activities	11	<u>1,065,085</u>	<u>806,938</u>
Cash flows from financing activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(79,875)	(8,025)
Proceeds from sale of property, plant and equipment		-	-
Net cash (outflows) from investing activities		<u>(79,875)</u>	<u>(8,025)</u>
Net increase/(decrease) in cash held		985,210	798,913
Cash at the beginning of the financial year / period		<u>798,913</u>	<u>-</u>
Cash at the end of the financial year / period		<u>1,784,123</u>	<u>798,913</u>

Social Traders Ltd.
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Summary of Significant Accounting Policies

(a) Adoption of new and revised accounting standards

Social Traders Ltd. (Social Traders or the Company) adopts all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and effective to the current annual reporting period. For the reporting year to 30 June 2010, Social Traders Ltd. adopted the revised accounting standard AASB 101 'Presentation of Financial Statements'. There has been no other adoption of 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 Social Traders Ltd. complies with all Australian equivalents to International Reporting Standards (AIFRS) in their entirety and also 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.

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.

Social Traders Ltd.
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Summary of Significant Accounting Policies (continued)

(d) Development Fund

The Company maintains a Development Fund to invest in 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 Development Fund. Funds transferred to the Development Fund are currently held in Australian bank term deposits.

(e) Property, plant & equipment

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

(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:

<u>Class of Asset</u>	<u>Useful Life</u>
Computer equipment	up to 3 years
Office equipment	up to 5 years
Furniture & Fittings	up to 10 years

(g) Employee Benefits

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

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.

(h) Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(i) Income

Government and philanthropic revenue represents revenue derived from a funding agreement entered into with the Victorian Government through the Department of Planning & Community Development (the Victorian Government) and the Dara Foundation (the Foundation). Other revenue includes 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.

Social Traders Ltd.
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Summary of Significant Accounting Policies (continued)

(j) Economic Dependence

The Company is dependent on the Victorian Government and the Foundation for the majority of its revenue used to operate the business. At the date of this report, the Board of Directors believes this funding will continue until mid 2012 in accordance with the Funding Agreement. The Company is considering its financial sustainability strategy beyond this initial funding period.

(k) 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.

Social Traders Ltd. does not hold any finance leases.

(l) Nature of company

Social Traders is a public company limited by guarantee, incorporated and domiciled in Australia. The Company's registered office and principal place of business is:

Level 4
136 Exhibition Street
Melbourne VIC 3000

(m) Deductible Gift Recipient

Social Traders Ltd. is currently seeking endorsement as a Deductible Gift Recipient (DGR) entity from the Commonwealth Government. Application for endorsement as a DGR entity was made in 2009. The final outcome of the application is expected in the 2010/11 financial year.

(n) Prior period comparatives

The comparatives for 2009 as provided in the Financial Statements are for the period from inception, 11 August 2008 to 30 June 2009.

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

Notes to the Financial Statements
for the year ended 30 June 2010

	2010 \$	2009 \$
2 Revenue		
Government & Philanthropic		
Government Revenue	942,857	700,000
Philanthropic Revenue	1,000,000	570,000
Other Revenue		
Investment Revenue	52,475	3,467
Sundry Revenue	25,245	451
	<u>2,020,577</u>	<u>1,273,918</u>
3 Expenses		
Operating surplus includes the following specific expenses:		
Depreciation of non-current assets		
Computer equipment	6,479	2,675
Office equipment	211	-
Furniture & Fittings	1,289	-
	<u>7,979</u>	<u>2,675</u>
Provision for employee entitlements	16,940	9,694
Auditor's remuneration:		
Auditing the financial accounts	7,500	4,000
4 Transfer of Development Fund		
Transfer to Fund as determined by the Board	<u>900,000</u>	<u>-</u>
5 Cash Assets		
Cash at bank		
Operating funds	803,877	417,913
Development Fund Account	980,152	381,000
Cash on hand	94	-
	<u>1,784,123</u>	<u>798,913</u>
6 Other Debtors		
Trade & other debtors	22,423	55,802
Net GST asset	19,422	-
	<u>41,845</u>	<u>55,802</u>

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

Notes to the Financial Statements
for the year ended 30 June 2010

	2010 \$	2009 \$
7 Property, Plant & Equipment		
Computer equipment at cost	32,594	8,025
<i>less</i> accumulated depreciation	<u>(9,154)</u>	<u>(2,675)</u>
	23,440	5,350
Office equipment at cost	6,329	-
<i>less</i> accumulated depreciation	<u>(211)</u>	<u>-</u>
	6,118	-
Furniture & fittings at cost	48,977	-
<i>less</i> accumulated depreciation	<u>(1,289)</u>	<u>-</u>
	47,688	-
Total Property, Plant & Equipment	<u>77,246</u>	<u>5,350</u>
Reconciliation of computer equipment		
Carrying amount at beginning of year	5,350	-
Additions	24,569	8,025
Disposals	-	-
Depreciation	<u>(6,479)</u>	<u>(2,675)</u>
Carrying amount at end of year	<u>23,440</u>	<u>5,350</u>
Reconciliation of office equipment		
Carrying amount at beginning of year	-	-
Additions	6,329	-
Disposals	-	-
Depreciation	<u>(211)</u>	<u>-</u>
Carrying amount at end of year	<u>6,118</u>	<u>-</u>
Reconciliation of furniture & fittings		
Carrying amount at beginning of year	-	-
Additions	48,977	-
Disposals	-	-
Depreciation	<u>(1,289)</u>	<u>-</u>
Carrying amount at end of year	<u>47,688</u>	<u>-</u>
8 Payables		
Current		
Trade & other creditors	158,207	84,605
Net GST liabilities	-	91,555
Grant received in advance	60,000	-
Payroll liabilities	<u>30,161</u>	<u>9,538</u>
	<u>248,368</u>	<u>185,698</u>

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

Notes to the Financial Statements
for the year ended 30 June 2010

	2010 \$	2009 \$
9 Provisions		
Current		
Employee entitlements	<u>26,634</u>	<u>9,694</u>
Number of employees at year end	10	3
Non-Current		
Property make good	<u>5,000</u>	<u>-</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 Capital and leasing commitments		
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	45,854	-
Later than 1 year but not later than 5 years	203,528	-
Later than 5 years	<u>20,167</u>	<u>-</u>
	<u>269,549</u>	<u>-</u>
11 Notes to the Statement of cash flows		
Reconciliation of net cash inflows from operating activities		
Surplus for the year / period	958,539	664,673
Non cash items		
Depreciation and amortisation	7,979	2,675
Change in assets and liabilities		
Decrease (Increase) in debtors	13,957	(55,802)
Increase (Decrease) in payables	2,670	185,698
Increase (Decrease) in provisions	21,940	9,694
Increase (Decrease) in grants in advance	<u>60,000</u>	<u>-</u>
Net cash inflows from operating activities	<u>1,065,085</u>	<u>806,938</u>

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

Notes to the Financial Statements
for the year ended 30 June 2010

12 Related Party Transactions

(a) Related Parties

The names of the Directors who held office during the year ended 30 June 2010 and as at the date of this report are:

		Date of Original Appointment	Date Reappointed	Date Resigned
David Brookes	Managing Director	25/02/2009		
Michael James	Non-executive Director (Chair)	01/11/2008		
Helen Fenney	Non-executive Director	10/09/2008	09/09/2009	
Catherine Scarth	Non-executive Director	10/09/2008	09/09/2009	
Francis King	Non-executive Director	25/02/2009		
Peter Bramwell	Non-executive Director	06/04/2009		
Angelo De Angelis	Non-executive Director	10/09/2008		31/12/2009
Patricia Toohey	Non-executive Director	1/07/2010		

(b) Key Management Personnel Compensation

	2010 \$	2009 \$
Total short-term benefits payable	378,533	108,623
Total post employment benefits payable	<u>33,860</u>	<u>9,776</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 2010 and up to the date of this report.

(c) Transactions

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

The related party transactions were in relation to legal services & advice provided by HWL Ebsworth Lawyers of which Peter Bramwell is a partner. These fees were paid on ordinary terms and conditions.

	2010 \$	2009 \$
Consultancy fees paid/accrued	<u>11,115</u>	<u>-</u>

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

Notes to the Financial Statements
for the year ended 30 June 2010

13 Contingent Asset/Liability

The Company is dependent on the Victorian Government and the Foundation providing the majority of the revenue used to operate the Company under a Funding Agreement which provides overall funding of \$8 million (net of GST), subject to performance milestones, until 2012.

	2010	2009
	\$	\$
Total Funding	8,000,000	8,000,000
Funding received to date	3,142,857	1,200,000
Future Funding	<u>4,857,143</u>	<u>6,800,000</u>

The Company notes that in the event of a material breach of the Funding Agreement, the Agreement may be terminated by the Victorian Government and the Foundation. In such an event the Company must immediately refund any unused funds provided by them.

14 Member Guarantee

The Company is incorporated under the Corporations Act 2001 (Cth.) as 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 2010 the number of members was six. As at the date of this report, the number of members is seven.

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

Directors' Declaration

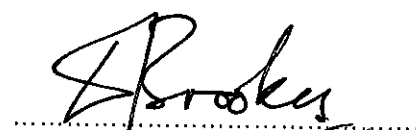
In the opinion of the Directors of Social Traders Ltd. (Social Traders or the Company):

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 2010 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. 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 period ended 30 June 2010, as required by section 295A of the Corporations Act 2001.

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


.....
Michael James
Non-executive Chair


.....
David Brookes
Managing Director

28 July 2010

Armstrong Partners

CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOCIAL TRADERS LTD A.B.N. 42 132 665 804

We have audited the accompanying financial report of Social Traders Ltd (the company), which comprise the statement of financial position as at 30 June 2010, and the statement of 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 these 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.

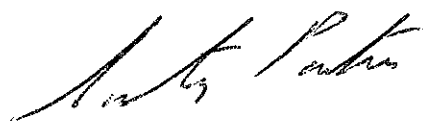
Independence

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

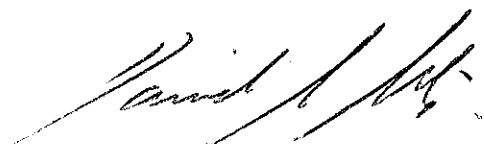
Auditor's Opinion

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 2010 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;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Armstrong Partners



**David Armstrong
Partner**

Melbourne

28 July 2010