SEDI First Nations Grants

Trading Revenue - Detailed Commentary and Examples

For use alongside the SEDI First Nations Grants FAQ

What is trading revenue?

Trading revenue is income earned through the sale of goods or services to customers in a repeatable way. The key elements of this definition are:

- **"Sale of goods or services"** means there is a transaction – something is exchanged for payment. This distinguishes trading revenue from receiving money as a gift or grant.
- **"Different customers"** means the enterprise is not wholly dependent on a single buyer. The income reflects genuine market activity.
- **"In a repeatable way"** means the income is generated through an ongoing business model, not a one-off transaction. It signals that the enterprise has a sustainable commercial offering.

Examples of trading revenue:

- A First Nations catering business that sells meals to corporate clients, government departments and community events
- A First Nations art enterprise that sells artworks to galleries, online customers and at markets
- A First Nations land management enterprise contracted by multiple councils and mining companies to deliver environmental services
- A First Nations clothing label selling garments through its website and retail stockists

What is NOT trading revenue:

The following do not count as trading revenue, regardless of their size or regularity:

- **Donations** – money given without expectation of a product or service in return (e.g. a community member donating to support the organisation's work)
- **Philanthropic grants** – funding from foundations or trusts given to support the organisation's mission (e.g. a grant from a charitable foundation to run a cultural programme)
- **Gifts** – in-kind or cash contributions given freely (e.g. a business donating equipment or supplies)
- **Short-term government grants** – one-off or time-limited government funding not tied to the delivery of a defined, contracted service (e.g. a COVID recovery grant or a one-off community infrastructure grant)

Government contracts awarded through competitive tender or procurement

Government contracts won through a competitive process – where the enterprise tendered or responded to a procurement request and was selected on merit – can be counted as trading revenue. This is because the enterprise is being paid to deliver a defined service and the income has been earned in a competitive market.

Examples:

- A First Nations construction company that wins a government tender to build community housing
- A First Nations employment services provider that successfully responds to a Request for Proposal (RFP) to deliver job readiness programs
- A First Nations cleaning company awarded a facilities management contract through a government procurement panel

The distinction here is important: the enterprise competed for the work and was selected on the basis of its capability and price. This is fundamentally different from receiving a discretionary government grant, which is funding provided by the government at its discretion to support specific activities or outcomes. Grants are usually awarded through an application and assessment process, rather than through a competitive process to purchase goods or services.

Government-funded service delivery contracts

Where an enterprise is engaged through a formal contract to deliver a defined service in exchange for payment, this may be treated as trading income. However, because this type of revenue can blur the line between commercial trading and government-funded service delivery, there is an additional requirement:

The Capability Plan must explain how the grant will enable the enterprise to deliver significant additional impact into the community.

In other words, the enterprise needs to demonstrate that the SEDI First Nations Grant will help it do more – reach more people, deliver better outcomes or expand its service – not simply maintain what it already does.

Example:

A First Nations health and wellness enterprise has a contract with a state government to deliver social and/or emotional wellbeing programs in remote communities. This contract was not competitively tendered but was awarded directly based on the organisation's community relationships and cultural authority.

This income may be counted as trading revenue. However, in its Capability Plan, the enterprise must explain how the SEDI First Nations Grant will unlock something new. For example:

- Developing an Impact Measurement Framework to demonstrate outcomes to funders
- Improving financial systems to manage multiple contracts
- Building operational capacity to expand the program to additional communities

> **Note:** What the Capability Plan cannot say is simply: "We will use the grant to continue delivering our existing contract." The grant must unlock something new or additional.

Where trading revenue makes up less than 50% of total revenue

If more than half of an enterprise's income comes from non-trading sources (e.g. grants, donations, government funding), the Capability Plan must include activities specifically aimed at growing the commercial/trading revenue of the enterprise over time.

Importantly, this growth cannot simply mean winning more government contracts. The intent of this requirement is to push enterprises toward more diversified, market-based income streams.

Example:

A First Nations textile enterprise has a total annual revenue of $200,000:

- $120,000 from a state government grant to run a training program with no defined services or outcomes in the grant agreement (60% of revenue – not trading)
- $80,000 from selling textiles to retailers and online customers (40% of revenue – trading)

Because trading revenue is below 50%, the Capability Plan must include steps to grow the commercial textile sales. This might include:

- Developing a marketing strategy to reach new retail stockists
- Building an e-commerce platform to grow direct-to-consumer sales
- Engaging a business advisor to develop new product lines or explore export opportunities
- Developing relationships with corporate buyers through social procurement channels

> **Note:** Simply applying for more government contracts does not satisfy this requirement. The Capability Plan must target genuine commercial diversification.

Where a high proportion of trading revenue comes from a single customer

If an enterprise relies heavily on one customer for the bulk of its trading income, this represents a significant business risk – if that customer reduces or ends their engagement, the enterprise's revenue decline significantly. In this situation, the Capability Plan must either:

- **Include concrete steps to diversify the income base** (i.e. bring in new customers) or
- **Clearly demonstrate how the SEDI First Nations Grant will strengthen the enterprise's overall resilience** even without immediate diversification.

Example 1 – Diversification plan:

A First Nations landscaping enterprise earns 100% of its trading revenue from a single local government council. Its Capability Plan includes:

- Engaging a business development consultant to identify and pitch to five new potential clients in the private sector
- Developing a social procurement strategy and company profile to attract corporate clients
- Building a website and marketing materials to raise its profile beyond its current geography

This directly addresses the concentration risk.

Example 2 – Demonstrating resilience:

A First Nations aged care enterprise earns 90% of its trading revenue from a single long-term contract with a large residential aged care provider. The contract has eight years remaining and is embedded in the provider's operations, meaning the risk of sudden loss in trading income is low.

Rather than diversifying (which may not be feasible or appropriate at this stage), the enterprise's Capability Plan demonstrates resilience by:

- Developing a robust financial management system to better track and manage cash flow
- Building governance structures that would make the enterprise attractive to other funders if circumstances change
- Developing an Impact Measurement Framework that demonstrates value delivered, positioning it well for contract renewal and future tenders

Both approaches are valid. What matters is that the Capability Plan directly addresses the concentration risk in a credible way.

Putting it all together

These areas of guidance are not independent checklists – they interact.

Example:

An enterprise has government service delivery contracts that represent both its main source of trading income AND a high concentration with a single customer. In that case, the Capability Plan needs to address both dimensions: demonstrating additional community impact AND steps toward income resilience.

The SEDI First Nations Grants Assessment Panel will consider the Capability Plan as a whole and whether it presents a credible path toward a more sustainable and impactful enterprise.

Questions

If you have questions, contact the SEDI Grants Team at **SEDIGrants@impactinvestingaustralia.com** or visit **impactinvestingaustralia.com**