MANYRIVERS

Many Rivers Microfinance Limited Annual Financial Report 2020

Contents

Many Rivers Microfinance Limited

Level 2, 233 Castlereagh Street

Sydney, NSW 2000

Tel: 1300 626 974

ABN 58 128 486 788

Directors' Report

The Directors present their report for Many Rivers Microfinance Limited (the Company) for the financial year ended 30 June 2020 and the Auditor's report thereon.

1. Directors

The Directors of Many Rivers Microfinance Limited (the Company) at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Peter Colin Cadwallader, B.Ec, FCA **Chairman, Independent, Non-Executive Director**	Appointed as a Director and Founding Chairman of the Board on 15 November 2007. Peter is the owner and Chief Executive of Intercontinental Shipping and Investment Group. He was a Board member of Opportunity International Australia for a number of years.
Mr John Andrew Burn, B.Sc, EMBA **Managing Director and Chief Executive Officer**	John joined Many Rivers in October 2009. He was appointed as Managing Director and Chief Executive Officer on 11 April 2014. Prior to joining Many Rivers, John worked at Commonwealth Bank for 21 years, including 10 years across a range of senior leadership roles.
Ms Suzanne Maree Hullick **Independent, Non-Executive Director** **Resigned December 2019**	Appointed as a Director on 17 August 2018. Suzi is Westpac's National Head of the Indigenous Business Banking team, leading the national approach to working with Indigenous businesses and consumers around access to financial services.
Mr Langus Shane Phillips **Independent, Non-Executive Director** **Resigned December 2019**	Appointed as a Director on 23 October 2017. Shane is the fulltime CEO of the Tribal Warrior Association, a non-profit organization. Advocate for Aboriginal rights, Shane is a respected member of the Redfern Aboriginal community. He was named Local Hero in the 2013 Australia Day awards.
Mr Sinclair Taylor, LLB **Independent, Non-Executive Director**	Appointed as a Director on 24 August 2012. Sinclair is the former CEO of the Westpac Foundation for Westpac Banking Corporation. During his time at Westpac, Sinclair pioneered and led Westpac's strategic alliance with Many Rivers Microfinance. He is an experienced commercial banker and business owner.
Mr Terence Winters, FAICD **Independent, Non-Executive Director**	Appointed as a Director on 23 September 2010. Terry is the Chairman of Converge International Pty Ltd and TasmaNet Pty Ltd and is a Director of Redflex Holdings Limited (ASX: RDF) and TSPI Development Corporation Inc, a Micro Enterprise Development NGO in the Philippines. He has over 30 years experience in operation and governance of microfinance organisations with Opportunity International Network.

2. Company secretary

Mr Dean Candler-Szabo was appointed to the position of Company Secretary on 4 May 2018.

3. Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of meetings attended	Number of meetings held during the time the Director held office during the year
Mr Peter Colin Cadwallader	7	7
Mr John Andrew Burn	7	7
Ms Suzanne Maree Hullick (resigned December 2019)	2	2
Mr Langus Shane Phillips (resigned December 2019)	0	2
Mr Sinclair Taylor	6	7
Mr Terence Winters	7	7

4. Corporate governance

Many Rivers Microfinance is committed to proper and effective corporate governance arrangements. As a registered charity regulated by Australian Charities and Not-for-profit Commission (ACNC), Many Rivers Microfinance applies the ACNC Governance Standards and is guided by and applies, where practicable and relevant to do so, the Corporate Governance Principles and Recommendations established by the Australian Securities Exchange Corporate Governance Council.

The Company's full corporate Governance Statement is included on pages 30 to 32 of this report.

5. Principal activities and objectives

The Company has, as its dominant purpose, to make provision for the direct relief of poverty, suffering, distress, misfortune, or helplessness of persons in Australia. In achieving its dominant purpose, the Company:

- Assists individuals (clients) and communities in poverty to acquire capital for enterprise and economic development so that they may earn regular income and eliminate dependence on the welfare system;
- Informs, assists and mentors clients and communities in the operations of their enterprises;
- Assists clients and communities to achieve an holistic transformation in their lives by becoming self-supporting, thereby increasing their self-worth and self-respect; and
- Strengthens the wellbeing of families and communities through the promotion of sustainable economic development and employment.

The Company provides relief to Australian communities, groups and individuals, which are poor, underprivileged, or marginalised in their standard of living, and in particular has a special focus on Indigenous Australians.

5. Principal activities and objectives (continued)

The Company has received financial and non-financial support from a number of organisations and private individuals during the year including the following:

Philanthropic and private foundations

CAMYRIS Foundation, Greatorex Foundation, Ian Potter Foundation, Lewin Foundation, Regal Foundation, Youth Business International and other anonymous donors.

Corporate donations and grants

Australia Pacific LNG, Deloitte Foundation, Developing East Arnhem Limited, Google.org, Origin Energy and Westpac Banking Corporation.

Government

Federal Department of Social Services (Community Development Financial Institutions – Microenterprise Development), National Indigenous Australians Agency (Indigenous Advancement Strategy), Torres Strait Regional Authority and Victorian Department of Jobs, Precincts and Regions.

Indigenous corporations

IBN Corporation.

Non-financial support

Valuable non-financial support was also received from Squire Patton Boggs, Gadens, McCullough Robertson and Minter Ellison.

The Directors acknowledge and thank all these supporters.

6. Operating and financial review

6.1 Operating results

The operating surplus of the Company for the year was $2,353,260 (2019: $1,723,747). In 2020, total revenue (including finance income) was $12,426,889 (2019: $9,871,967), in the same period, total expenses were $10,073,629 (2019: $8,148,220).

The Company provides Microenterprise Development support in Australia to assist clients to establish and expand their businesses. During the year, the Company supported 358 new clients to establish or expand their businesses, of which 184 required loans and 174 were able to commence without a loan. 251 loans were advanced to new and existing clients during the year totalled $1,172,490. As at 30 June 2020, the Company was also actively meeting and business planning with 702 prospective clients.

As at March 2020, at the start of the COVID-19 global pandemic impact in Australia, the Company was supporting 1,250 operating businesses. Initially, 46% of clients' businesses were negatively impacted. With the active support of the Company, this has now reduced to 19% negatively impacted. Client interest in starting a business with the Company's support is returning to pre-COVID-19 levels and is expected to grow beyond that level.

The Company also provides Community Economic Development services to Indigenous communities in remote and regional Australia. As at 30 June 2020, the Company was actively working with 27 community organisations (2019: 11). These community organisations represent over 5,000 Indigenous community members.

Since commencement, the Company has provided (itself or facilitated through Westpac) 2,199 business loans totalling $11,065,292. As at 30 June 2020, there were 447 loans outstanding with balances totalling $1,323,094.

6. Operating and financial review (continued)

6.1 Operating results (continued)

In April 2020, Westpac notified the Company that due to changes in its regulatory and compliance obligations it was no longer able to allow the Company to facilitate Westpac business loans. The Company launched its own business loan product in May 2020.

6.2 Review of Operations

in AUD	**2020**	**2019**
Revenue and finance income	12,426,889	9,871,967
Expenditure	10,073,629	8,148,220
Surplus	**2,353,260**	**1,723,747**

Significant impacts on the 2020 results were related to expansion of the Company's national footprint, associated with a Federal Government contract to provide Microenterprise Development and Community Economic Development services.

7. Events subsequent to reporting

As at the date of this report, the future impact of COVID-19 on the domestic economy remains uncertain. The Company continues to monitor and engage.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

8. Likely developments

In the opinion of the Directors, there are no likely changes in the operations of the Company that will adversely affect the results of the Company in subsequent financial years.

9. Directors' interests

John Andrew Burn is engaged as Chief Executive Officer and Managing Director.

The Company utilises the services of Converge International Pty Ltd. Terence Winters is the Chairman of Converge International and has the potential to benefit from the services provided to the Company.

No other Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company with the Director or with a firm of which they are a member, or with a company in which they have substantial financial interest.

10. Indemnification and insurance of officers and Directors

The Company is a company limited by guarantee. Each of the Directors is also a member of the Company and each of those Directors, as a member, is liable to the extent of their undertaking under the Constitution.

To the extent permitted by law, the Company indemnifies every person who is or has been a Director against any liability to any person incurred while acting in that capacity in good faith and against costs and expenses incurred by that person in that capacity in defending legal proceedings and ancillary matters.

10. Indemnification and insurance of officers and Directors (continued)

During the year, the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures for the benefits of the Directors of the Company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director other than conduct involving a wilful breach of duty. Premiums were paid for each of the Directors listed on page 2.

The insurance is in the normal course of business and grants insurance for liabilities permitted to be indemnified by the Company under Section 199 of the *Corporations Act 2001*. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

11. Audit services

The cost of the audit of the Company is $30,000 (2019: $20,000).

12. Performance measurements

The Company monitors its performance against the budget, which is approved by the Board of Directors prior to commencement of the financial year. The Board uses this information for future planning, tracking progress over time and determining whether agreed objectives or standards have been met.

13. Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for financial year ended 30 June 2020.

14. Registered office

The registered office and principal place of business is Level 2, 233 Castlereagh Street, Sydney, New South Wales.

15. Founding purpose

The Company exists to lift underprivileged Indigenous and other Australians out of poverty, and in fulfilling this mission, to be inspired by the person and work of Jesus Christ.

16. Notice of meeting

The Annual General Meeting of the Company will be held on 17 December 2020 at Level 2, 233 Castlereagh Street, Sydney, New South Wales where this report will be presented.

This report is made in accordance with a resolution of the Directors:

P C Cadwallader	**J A Burn**
Chairman	Managing Director
Sydney, 15 October 2020	Sydney, 15 October 2020

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the Directors of Many Rivers Microfinance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Isaac

Partner

Sydney

15 October 2020

For the year ended 30 June 2020

In AUD	Note	2020	2019
Revenue from grants & donations	5	12,030,574	9,299,710
Other income	5	84,606	72,695
Total revenue for the year		**12,115,180**	**9,372,405**
Personnel expenses	6	(7,657,993)	(6,400,545)
Occupancy and accommodation expenses		(7,923)	(146,273)
Transport and equipment hire		(428,092)	(578,460)
Impairment loss on loans and other receivables		(264,052)	(170,057)
IT and Communications		(627,821)	(324,757)
Insurance		(165,059)	(106,151)
Functions and catering		(24,742)	(26,762)
Depreciation	2.6, 11	(504,247)	(147,029)
Other expenses from ordinary activities		(358,201)	(248,186)
Total expenses for the year		**(10,038,130)**	**(8,148,220)**
Results from operating activities		**2,077,050**	**1,224,185**
Finance income	7	311,709	499,562
Finance expenses	7	(35,499)	-
Net finance Income		**276,210**	**499,562**
Net surplus for the year		**2,353,260**	**1,723,747**
Total comprehensive income for the year		**2,353,260**	**1,723,747**
Net surplus attributable to:			
Members of the Company		2,353,260	1,723,747
Net surplus for the year		**2,353,260**	**1,723,747**
Total comprehensive income attributable to:			
Members of the Company		2,353,260	1,723,747
Total comprehensive income for the year		**2,353,260**	**1,723,747**

As at 30 June 2020

in AUD	Note	30-Jun-20	30-Jun-19
Assets			
Cash and cash equivalents	8	6,335,035	2,727,286
Investments	10	4,829,499	12,090,000
Loans and other receivables	9	506,778	601,304
Prepayments		129,090	157,463
Total current assets		**11,800,402**	**15,576,053**
Property, plant and equipment	11	1,622,903	1,327,661
Right-of-use Assets	2.6	761,139	-
Total non-current assets		**2,384,042**	**1,327,661**
Total assets		**14,184,444**	**16,903,714**
Liabilities			
Trade and other payables	12	598,031	463,230
Employee benefits	14	518,255	389,486
Contract liabilities	13	1,308,540	7,479,102
Lease obligation	2.6	171,084	-
Total current liabilities		**2,595,910**	**8,331,818**
Employee benefits	14	158,807	138,025
Lease obligation	2.6	602,653	-
Total non-current liabilities		**761,460**	**138,025**
Total liabilities		**3,357,370**	**8,469,843**
Net assets		**10,827,074**	**8,433,871**
Equity			
Settled sum	15	10	10
Accumulated surplus		10,827,064	8,433,861
Total equity		**10,827,074**	**8,433,871**

Statement of Changes in Equity

For the year ended 30 June 2020

in AUD	Note	Settled Sums	Accumulated Surplus	Total Equity
Balance at 1 July 2018		10	6,710,114	6,710,124
Total comprehensive income for the year				
Surplus for the year		-	1,723,747	1,723,747
Total comprehensive income for the year		-	1,723,747	1,723,747
Balance at 30 June 2019		**10**	**8,433,861**	**8,433,871**
Balance at 1 July 2019		10	8,433,861	8,433,871
Adjustment on adoption of AASB 15, 16 and 1058	2.6	-	39,943	39,943
Adjusted Balance at 1 July 2019		10	8,473,804	8,473,814
Total comprehensive income for the year				
Surplus for the year		-	2,353,260	2,353,260
Total comprehensive income for the year		-	2,353,260	2,353,260
Balance at 30 June 2020		**10**	**10,827,064**	**10,827,074**

For the year ended 30 June 2020

in AUD	Note	2020	2019
Cash flows from operating activities			
Cash receipts from operating activities		6,347,020	5,405,162
Cash paid to suppliers and employees		(9,500,073)	(9,242,917)
Interest received		297,512	513,801
Interest paid**	2.6	(35,499)	-
Net cash used in operating activities		**(2,891,040)**	**(3,323,954)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(560,277)	(1,181,213)
Disposal of term deposits		7,260,501	2,400,000
Net cash from investing activities		**6,700,224**	**1,218,787**
Cash flows from financing activities			
Repayment of leases**	2.6	(201,435)	-
Net cash used in financing activities		**(201,435)**	-
Net increase/(decrease) in cash and cash equivalents		3,607,749	(2,105,167)
Cash and cash equivalents at 1 July		2,727,286	4,832,453
Cash and cash equivalents at 30 June	8	**6,335,035**	**2,727,286**

** The Company has classified:

- Cash payments for the principal portion of lease payments as financing activities.
- Cash payments for the interest portion as operating activities consistent with the presentation of interest payments on bank loans.
- Variable lease payments not included in the measurement of the lease liability within operating activities.

1. Reporting entity

Many Rivers Microfinance Limited (the Company) is a not-for-profit company and is limited by guarantee.

The Company is domiciled in Australia. The address of the Company's registered office is Level 2, 233 Castlereagh Street, Sydney, New South Wales 2000, Australia.

2. Basis of preparation

2.1 Statement of compliance

As a not-for-profit entity, the Company has elected to prepare Tier 2 general purpose financial statements in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*.

This is the first set of the Company's annual financial statements in which AASB 16 Leases, AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities have been applied. Changes to significant accounting policies are described in Note 2.6.

The financial statements were authorised for issue by the Board of Directors on 15 October 2020.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost and going concern basis.

2.3 Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2.5 Impact of COVID-19

Management regularly monitor cash flow forecasts, including the anticipated potential ongoing impacts of COVID-19, to ensure adequate cash is available to meet operational requirements. Taking into consideration cash flow forecasts and available cash on hand, management have determined that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and consider the going concern basis of preparation to be appropriate for the financial statements.

The Company has received the following type of supports and assistance from stakeholders:

- Australian Government first cash flow stimulus payment of $50,000 received from the Australian Taxation Office. Two further payments are expected to be received in FY 20/21 of $25,000 each. This has been recognised as Other Income, refer to Note 5.

2.6 Changes in accounting policies

The Company initially applied AASB 16 Leases, AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities from 1 July 2019.

i. Leases

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The Company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease. Under AASB 16, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Company leases assets including items of property, motor vehicles and office equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the Company. Under AASB 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease obligation' in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate for the portfolio of leases.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

2. Basis of preparation (continued)

2.6 Change in accounting policies (continued)

i. Leases (continued)

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Previously, the Company classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at the carrying amount as if the Standard has been applied since the lease commencement date but using the Company's incremental borrowing rate as at 1 July 2019.

The Company used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

As a lessor

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117.

Impact on financial statements

Impact on transition

On transition to AASB 16, the Company recognised additional right-of-use assets and additional lease liabilities. The impact on the transition is summarised below.

	1 July 2019
Right-of-use assets (carrying value)	920,766
Lease liabilities	894,391
Reversal of Prepaid Property costs at 30 June 2019	(11,202)
Retained earnings	**(15,173)**

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average discount rate applied was 4.25%.

Set out below are the carrying amounts of the Company's right-of-use assets related to leased properties that do not meet the definition of investment property and lease liabilities and the movements during the year.

	Right-of-use asset Land and buildings	Right-of-use asset Motor Vehicles	Right-of-use asset Office equipment	Total	Lease Liability
As at 1 July 2019	826,240	91,276	3,251	**920,767**	894,391
Additions	80,781	-	-	**80,781**	80,781
Depreciation expense	(157,284)	(81,839)	(1,286)	**(240,409)**	-
Interest expense	-	-	-	-	35,499
Payments	-	-	-	-	(236,934)
As at 30 June 2020	**749,737**	**9,437**	**1,965**	**761,139**	**773,737**

2. Basis of preparation (continued)

2.6 Change in accounting policies (continued)

ii. AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities

The Company has adopted AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities for the first time in the current year with a date of initial application of 1 July 2019.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

AASB 1058 establishes a framework for determining income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. It replaced AASB 1004 Contributions and related interpretations.

The Company has adopted AASB 15 and AASB 1058 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2019). Accordingly, the information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and AASB 1004 and related interpretations. Additionally, the disclosure requirements in AASB 15 and AASB 1058 have not generally been applied to comparative information.

Impact on financial statements

Impact on transition

On transition to AASB 15 and 1058, Many Rivers reviewed existing funding agreements against the 5 Step Revenue Recognition process outlined in Section 3.3 (i). As a result of the review, adjustments to revenue previously recognised in relation to three funding agreements were required. The impact is summarised below:

	1 July 2019
Contract liabilities	(60,365)
Accrued Income (Donations)	35,595
Retained earnings	**(24,770)**

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as noted below:

3.1 Financial instruments

The Company classifies non-derivative financial assets into the amortised cost category.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables and debts security issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition (continued)

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the *Statement of Financial Position* when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

ii. Non-derivative financial assets - Measurement

Loans and other receivables are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

iii. Non-derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

iv. Financial guarantees

Financial guarantees are contracts that require the Company to make specified payments to reimburse Westpac for loans funded by Westpac that are more than 90 days in arrears.

Liabilities arising from financial guarantees are initially recognised at fair value and subsequently at the higher of the amount recognised initially and the present value of any expected payment to settle the liability.

3.2 Employee benefits

i. Short-term benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

iii. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

3. Significant accounting policies (continued)

3.3 Revenue recognition

i. Revenue from contracts with customers

To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer,

2 Identifying the performance obligations,

3 Determining the transaction price,

4 Allocating the transaction price to the performance obligations, and

5 Recognising revenue when/ as performance obligation (s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

All revenue is stated net of the goods and service tax (GST).

ii. Donations

Donations are recognised in the income statement as revenue in the year received.

Donations which are not enforceable and do not contain sufficiently specific performance obligations are recognised at their fair value when the asset is received. All donations received are in cash.

No amounts are included in the financial report for services donated by volunteers.

iii. Government grants

Recurrent grants

Recurrent grants are received from State and Federal Governments, Private Sector and various Not-for profit entities to deliver outcome based services on a range of programs. Revenue is recognised over time as performance obligations are met. Funding is usually received in advance with a contract liability recorded for unspent funds.

Non-Recurrent grants

The Company receives several non-recurrent and unconditional grants. Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is recognised over time as the performance obligations to the grant agreement are fulfilled.

All unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable.

3.4 Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of items of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit and loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

iii. Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, using the straight line method over the estimated useful lives, and is recognised in profit or loss.

The estimated useful lives are as follows:

- Plant and equipment 3-5 years
- Right-of-use assets 2-6 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end.

iv. Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

3.5 Leases

As a lessee

The Company assesses whether a contract is or contains a lease at the inception of the contract.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease obligation' in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate for the portfolio of leases.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

3.6 Finance income and expense

The Company's finance income and finance cost includes:

- interest income on loans;
- interest income on funds invested; and
- interest expense on leases.

Interest income or expenses are recognised using the effective interest method.

3. Significant accounting policies (continued)

3.7 Income tax

The Company is appropriately endorsed (as required by the Australian Tax Office) from the date of incorporation, for income tax exemptions.

3.8 Provisions

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.9 New standards and interpretations not yet adopted

At the date of authorisation of the financial report, the following relevant Standard was issued but not yet effective:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* was issued in March 2020 and sets out a new separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 *Application of Tiers of Australian Accounting Standards*. The Standard replaces the Reduced Disclosure Requirements framework, setting out new principles to be used in determining Tier 2 disclosures necessary for meeting user needs. The Standard will be adopted in the Company's 30 June 2022 financial statements.

The impact on the financial statements of the Company on adoption of the above Standard is currently being assessed.

4. Fundraising information

As required by the *Charitable Fundraising Act (NSW) 1991* and regulations (similar but not identical provisions exist in Queensland, Western Australia and South Australia Fundraising Acts).

4.1 Fundraising Appeals conducted during the year

Various fundraising activities were conducted during the year including appeals and events.

	in AUD	2020	2019
(a)	Gross proceeds from fundraising appeals	990,888	500,086
	Less: Direct costs of fundraising appeals	(93,175)	(55,941)
	Net surplus obtained from fundraising appeals	897,713	444,145
(b)	Application of net surplus obtained from fundraising appeals		
	Services provided to clients	897,713	444,145

5. Revenue

in AUD	2020	2019
Government grants	8,242,932	5,968,417
Donations	1,613,810	609,559
Other grants	2,173,832	2,721,734
Other income	84,606	72,695
	12,115,180	**9,372,405**

6. Personnel expenses

in AUD	2020	2019
Wages and salaries	6,620,897	5,371,878
Other associated personnel expenses	440,987	539,468
Contributions to defined contribution plans	596,109	489,199
	7,657,993	**6,400,545**

7. Finance income and finance costs

in AUD	2020	2019
Recognised in profit or loss		
Interest Income	311,709	499,562
Finance income recognised in surplus	**311,709**	**499,562**
Interest expense for leasing arrangements	(35,499)	-
Interest expense recognised in surplus	**(35,499)**	-
Net finance income	**276,210**	**499,562**

8. Cash and cash equivalents

in AUD	2020	2019
Cash at bank	6,335,035	2,727,286
Cash and cash equivalents in the statement of cash flows	**6,335,035**	**2,727,286**

The Company has designated $2,000,000 to a Loan Fund, included in Cash and cash equivalents, in conjunction with a new loan product established in May 2020.

9. Loans and other receivables

in AUD	2020	2019
Current		
Loan receivables	794,826	1,151,215
Other receivables	241,493	92,630
Provision for impairment loss	(529,541)	(642,541)
	506,778	**601,304**

Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from clients.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client. The Company's client base consists of business clients to which it provides microfinance.

9. Loans and other receivables (continued)

Credit risk (continued)

The Company makes use of a simplified approach in accounting for impairment of loan and other receivables and records the loss allowance at an amount equal to the expected lifetime credit loss. In using this practical expedient, the Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using provision matrices.

The Company does not normally require any collateral in respect of loan and other receivables.

Exposure to credit risk

Prior to February 2010, and following May 2020, clients were provided business loans by the Company. From February 2010 to May 2020, clients have been provided access to unsecured business loans through the Company's strategic relationship with Westpac Banking Corporation (Westpac). The agreement with Westpac provides that the Company guarantees all loans provided to clients by Westpac. Where a loan provided by Westpac is more than 90 days in arrears, the Company becomes legally bound to pay this loan to Westpac on request and the legal ownership of the loan is assigned to the Company.

Loan receivables on the Company's *Statement of Financial Position* as at 30 June 2020, include client loans held by the Company and other loans initially provided by Westpac but subsequently transferred to the Company.

Impairment losses on trade receivables are assessed monthly based on client repayment frequency over the previous three months, with consideration given to both the Company's loans and the loans provided through Westpac.

Since commencement, the Company has provided (itself or facilitated through Westpac) 2,199 loans totalling $11,065,292. As at 30 June 2020, there were 447 loans outstanding with balances totalling $1,323,094.

Impairment losses on trade receivables at 30 June 2020 totalled $529,541, of which $443,993 related to provisions against loans held by the Company and $85,548 for financial guarantees in respect of loans held by Westpac. The Company's maximum exposure to credit risk at the reporting date was:

- $1,036,319 (2019: $1,243,845) being loans and other receivables provided by the Company before allowing for impairment losses on trade receivables of $443,993; and
- $528,268 (2019: $729,936) being loans to clients provided by Westpac, before allowing for provisions for financial guarantees of $85,548.

As noted above, if the loan receivable in Westpac's accounting books becomes more than 90 days in arrears, the Company is legally bound to pay this loan to Westpac if and when requested. Hence, disclosing this as a credit exposure provides a true and fair view to all stakeholders.

Impairment losses

The ageing of the Company's loan and other receivables at the reporting date was:

in AUD	**Gross 2020**	**Impairment 2020**	**Gross 2019**	**Impairment 2019**
Not past due	279,315	58,596	330,962	-
Past due 0-30 days	24,269	21,036	-	-
Past due 31+ days	732,735	449,909	912,883	642,541
	1,036,319	**529,541**	**1,243,845**	**642,541**

The credit quality of trade and other receivables is assessed based on a credit policy established by the Company's Board.

10. Investments

in AUD	2020	2019
Current		
Term deposits	4,829,499	12,090,000
	4,829,499	**12,090,000**

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have very high credit ratings.

11. Property, plant and equipment

in AUD	Plant and Equipment	Total
Carrying amount as at 1 July 2018	293,477	293,477
Additions	1,181,213	1,181,313
Depreciation	(147,029)	(147,209)
Balance at 30 June 2019	**1,327,661**	**1,327,661**
Assets cost	1,501,094	1,501,094
Accumulated depreciation	(173,433)	(173,433)
Balance at 30 June 2019	**1,327,661**	**1,327,661**
Carrying amount as at 1 July 2019	1,327,661	1,327,661
Additions	560,277	560,277
Disposals	(1,197)	(1,197)
Depreciation	(263,838)	(263,838)
Balance at 30 June 2020	**1,622,903**	**1,622,903**
Assets cost	2,057,454	2,057,454
Accumulated depreciation	(434,551)	(434,551)
Balance at 30 June 2020	**1,622,903**	**1,622,903**

12. Trade and other payables

in AUD	2020	2019
Current		
Trade payables	560,821	463,230
GST payable	37,210	-
	598,031	**463,230**

13. Contract liabilities

Grants received, relating to services to be provided in 2020, totalled $1,308,540 (2019: $7,479,102). No grants received related to services to be provided beyond 2021.

in AUD	2020	2019
Current		
Corporate and Foundation grants	373,598	167,583
Government grants	934,942	7,311,519
	1,308,540	**7,479,102**

14. Employee benefits provisions

in AUD	2020	2019
Current		
Liability for annual leave	399,310	312,277
Liability for long service leave	43,945	17,209
Other provisions	75,000	60,000
	518,255	**389,486**
Non-Current		
Liability for long service leave	**158,807**	**138,025**

15. Settled Sum

in AUD	2020	2019
	10	**10**

The settled sum represents the initial capital settled by the founders on establishment of the entity.

16. Capital and reserves

16.1 Accumulated surplus

Accumulated surplus comprises an aggregate of the retained earnings, total recognised income and expenses.

17. Contingencies

The Directors are of the opinion that provisions are not required in respect of contingencies, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

18. Related party information

The Directors who held office during the financial year were:

Mr Peter Colin Cadwallader	Ms Suzanne Maree Hullick (resigned December 2019)	Mr Sinclair Taylor
Mr John Andrew Burn	Mr Langus Shane Phillips (resigned December 2019)	Mr Terence Winters

The subscribing Members of Many Rivers Microfinance Limited are:

Mr John Andrew Burn	Mr Ross Granville Hawkey	Mr Terence Winters
Mr David Thomas Bussau	Ms Suzanne Maree Hullick	Mission Australia
Mr Peter Colin Cadwallader	Mr Langus Shane Phillips	
Mr Ronald Leigh Coleman	Mr Sinclair Taylor	

19. Member's guarantee

Many Rivers Microfinance Limited is a company limited by guarantee incorporated and domiciled in Australia. In the event of the Company being wound up, each Member might be liable to contribute an amount not exceeding 10 cents.

20. Auditor's Remuneration

In AUD	2020	2019
Audit and review services		
Auditors of the Company	30,000	20,000
Audit and review of financial statements	**30,000**	**20,000**

Directors' Declaration

In the opinion of the Directors of Many Rivers Microfinance Limited (the Company):

a) the financial statements and notes set out on pages 12 to 24, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

   i. giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Sydney, 15 October 2020.

P C Cadwallader	**J A Burn**
Chairman	Managing Director

Chairman's Declaration

Declaration to be furnished under the *Charitable Fundraising Act 1991*. This declaration is made in accordance with Authority Conditions 7(4) and 7(5) issued by the Minister under Section 19 of the *Charitable Fundraising Act 1991*.

I, Peter C Cadwallader, Chairman of the Board together with John A Burn, Managing Director of Many Rivers Microfinance Limited declare that in our opinion:

a) the financial statements give a true and fair view of all income and expenditure of Many Rivers Microfinance Limited with respect to fundraising appeals;

b) the *Statement of Financial Position* gives a true and fair view of the state of affairs with respect to fundraising appeals;

c) the provisions of the *Charitable Fundraising Act 1991*, the Regulations under the Act and the conditions attached to the fundraising authority have been complied with by Many Rivers Microfinance Limited; and

d) the internal controls exercised by Many Rivers Microfinance Limited are appropriate and effective in accounting for all income received and applied by Many Rivers Microfinance Limited from any of its fundraising appeals.

Signed:

Sydney, 15 October 2020

P C Cadwallader	**J A Burn**
Chairman	Managing Director

Independent Auditor's Report

To the members of Many Rivers Microfinance Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report***, of Many Rivers Microfinance Limited (the Company).

In our opinion, the accompanying ***Financial Report*** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* including:

i. giving a true and fair view of the Company's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

i. Statement of financial position as at 30 June 2020.

ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Directors' declaration of the Company

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Many Rivers Microfinance Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.

ii. Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations and with Section 15(1) and 15(2) of the WA Charitable Collections Act 1946 and Regulations 1947 (the Acts and Regulations).

iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iv. Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Company's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In addition we have:

i. Obtained an understanding of the internal control structure for fundraising appeal activities.

ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

i. the Financial Report gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 30 June 2020;

ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2019 to 30 June 2020, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;

iii. money received as a result of fundraising appeal activities conducted during the period from 1 July 2019 to 30 June 2020 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and

iv. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

In our opinion, the Company has complied, in all material respects, with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* for the year ended 30 June 2020.

KPMG

KPMG

Stephen Isaac

Partner

Sydney

15 October 2020

Corporate governance

The Board endorses the Corporate Governance Principles and Recommendations established by the Australian Securities Exchange (ASX) Corporate Governance Council. The Company is not a listed company and has no obligation to adopt these principles but is nevertheless committed to good corporate governance.

Foundations for management and oversight

The Board is the guardian of the founding purpose for which the Company was established and is accountable to members for the pursuit of that purpose and the performance of the Company.

The role of the Board is established by the Board Governance Charter, which can be viewed at manyrivers.org.au. It includes:

- Providing strategic guidance for the Company and effective oversight of management;
- Establishing the functions reserved to the Board and those delegated to the Chief Executive Officer;
- Appointing the Chief Executive Officer, approving succession plans, monitoring and evaluating the performance of the Chief Executive Officer and determining the goals and objectives for the setting of senior management remuneration policies and practices;
- Monitoring financial results and the effectiveness of risk management systems and overseeing policies governing Company operations including those for social, environmental sustainability as well as ethics and transparency; and
- Evaluating the Board's effectiveness and aspiring to excellence in corporate governance.

The Board oversees and monitors management's performance by:

- Selecting, appointing, guiding and monitoring the performance of the Chief Executive Officer;
- Formulating the Company's strategic plan together with the Chief Executive Officer and senior management;
- Approving the Company's annual budget and financial statements;
- Meeting at least six times during the year to:
  - Monitor progress in achieving the strategic plan and performance against operating and capital budgets;
  - Receive detailed financial and other reports and input from management to verify the Company's financial performance, viability, solvency and short term sustainability; and
  - Assigning responsibility to Board sub-committees to oversee particular aspects of the Company's operations and administration.
- Monitoring internal control, health and safety, risk management, compliance and quality control frameworks and management information systems as well as reviewing delegations, policies and procedures;
- Reporting to stakeholders on a regular basis, including financial reports;
- Overseeing Company compliance with relevant legislation and regulations; and
- Advocating for the Company whenever and wherever appropriate.

Corporate governance (continued)

Foundations for management and oversight (continued)

The Board delegates responsibility for the Company's day-to-day operations and administration to the Chief Executive Officer and executive management. A schedule of delegated authority sets out financial contractual thresholds for appropriate staff levels throughout the company. No delegate is permitted to authorise an expenditure that affects them personally.

An induction process for senior executives provides an understanding of the financial position, strategies, operations, health and safety and risk-management practices as well as the respective rights, duties, responsibilities and roles of the Board and senior executives. Annual performance evaluation of senior executives has taken place during the year.

Board structure

The majority of Board members including the Chair are Independent Directors. The Company Constitution requires no less than 4 and no more than 12 Directors. There were 4 Directors at 30 June 2020:

- Three Independent, Non-Executive Directors; and
- The Chief Executive Officer, who is the Managing Director.

The Board Chairman's role is articulated in the Board Governance Charter. The role includes providing leadership, facilitating effective contribution of all Directors and promoting constructive and respectful relationships between Directors and between the Board and Management.

One third of Directors must retire each Annual General Meeting with those longest in office selected. They are eligible for re-election. No employee of the Company, including the Chief Executive Officer, can be the Chair of the Company Board of Directors.

The Board's knowledge of the Company is maintained by visits to operations, management presentation and through access to continuing education programs.

The Board sets performance criteria for the Chief Executive Officer and annually assesses the outcome.

The skills, experience, and expertise of Directors and Executives are listed at manyrivers.org.au. The Board Governance Charter enables the Directors to seek independent professional advice at the expense of the Company if needed.

Timely and balanced disclosure

The Company is not subject to ASX Listing Rule disclosure requirements but adopts these principles to report to members to ensure that announcements:

- Are made in a timely manner and are factual;
- Do not omit material information whether positive or negative; and
- Are expressed in a clear and objective manner.

Corporate governance (continued)

Respecting rights of members

The Company does not have shareholders but does have members. Open, regular, and timely communication to members is made using electronic and other means. This includes providing the Annual Report to members prior to the Annual General Meeting. The external auditor attends the meeting and is available to answer member questions about the conduct of the audit, the status of internal control and the preparation and content of the Auditor's report.

The Company has many stakeholders, including clients and their families, donors, staff, the broader community, suppliers and government agencies that provide funds and regulate operations. The Company adopts a consultative approach in dealing with stakeholders. The Company is involved in not-for-profit forums, conducts research, receives feedback from forums and regular surveys, ensures government at all levels are aware of concerns and achievements and remains abreast of industry developments.

Recognising and managing risk

The Board is responsible for oversight of material business risk. Oversight includes ensuring the establishment, implementation and review of the Company's risk-management system designed to protect reputation and manage risks that may preclude goals and objectives from being achieved or opportunities to be missed. Management has established and implemented a risk-management system that regularly assesses monitors and manages material operational, financial reporting and compliance risks.

The Company is dedicated to social responsibility in the very nature of its activities and is conscious of its environmental impact. Energy and water saving initiatives and recycling mechanisms are in use and environmentally sustainable practices are continually under review. Environmental risks are included in risk assessments. The Company is not subject to any significant environmental legislation.

A risk management policy and framework has been implemented and is embedded into existing management processes and procedures. There are targets, objectives, milestones, and performance criteria that are assessed regularly. Key risks include securing ongoing funding for our work; credibility and reputational damage potential; retaining high-quality skilled staff; client, staff and contractor safety; fraud or theft exposures; environmental damage to assets; and capacity to respond to change and funding obligations.

Executive management reports to the Board and gives assurance that there is a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Remunerating fairly and responsibly

Directors serve as Board members of the Company on a voluntary basis and receive no Director's fees. The Chief Executive Officer of the Company is remunerated for his work in leading the management team but not for his duties as Director. Reimbursement is made to Directors for reasonable expenses directly related to Board activities such as travel, accommodation, and meals. The Board sets remuneration strategies for the Chief Executive Officer and senior executives.