



MANY RIVERS MICROFINANCE LIMITED

ABN 58 128 486 788

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

30 June 2012

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Many Rivers Microfinance Limited

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Tel: (02) 9217 1089

ABN 58 128 486 788

Directors' Report

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

The Directors present their report for Many Rivers Microfinance Limited (the Company) for the financial year ended 30 June 2012 and the auditor's report thereon.

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Directors' Report (continued)

Many Rivers Microfinance Limited
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1. Directors

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

<i>Name, qualifications and independence status</i>	<i>Experience, special responsibilities and other Directorships</i>
MR PETER COLIN CADWALLADER, B.Ec, FCA Chairman, Independent, Non-Executive Director	Appointed as a Director and 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 DAVID THOMAS BUSSAU, AM Independent, Non-Executive Director	Appointed as a Director on 15 November 2007. David is a pioneer of microfinance, having founded Opportunity International and has been working in microenterprise development for more than 30 years. He has been recognised for his work in international development being awarded the Order of Australia; named the Ernst & Young Entrepreneur in 2003 and awarded Senior Australian of the Year in 2008.
MR RONALD LEIGH COLEMAN Chief Executive Officer and Managing Director	Appointed as a Director on 15 November 2007. Leigh has over 30 years experience in microfinance, heading up the majority of Opportunity International's program work as their Asia Pacific Regional Director for 20 years.
MR ROSS GRANVILLE HAWKEY, BBS, CA Independent, Non-Executive Director	Appointed as a Director on 15 November 2007. Ross was previously Executive Leader, Corporate Services at Mission Australia. He is currently a business executive with a successful corporate career.
MR TERENCE WINTERS, FAICD Independent, Non-Executive Director	Appointed as a Director on 23 September 2010. Terry is the Chairman of Australian Home Care Services Pty Ltd, Converge International Ltd, Intelledox Pty Ltd and Seeing Machines Ltd. He has more than 17 years experience in operation and governance of microfinance organisations with Opportunity International Network.
MR SINCLAIR TAYLOR, LLB Independent, Non-Executive Director	Appointed as a Director on 24 August 2012. Sinclair is the Head of Self Managed Superannuation Funds for Westpac Banking Corporation. He pioneered and continues to lead Westpac's strategic alliance with Many Rivers Microfinance. He is an experienced commercial banker and was the founding CEO of Westpac's Davidson Institute.
MR LINCOLN HOPPER, Grad Cert Comm Independent, Non-Executive Director	Appointed as a Director on 23 September 2010. Lincoln resigned as a Director in September 2011. He departed his role as Executive Leader, Community Services at Mission Australia in October 2011.

Directors' Report (continued)

Many Rivers Microfinance Limited
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2. Company Secretary

Mr Timothy Morris-Smith ACA, was appointed to the position of Company Secretary in June 2012. He is also the Chief Financial Officer of Mission Australia.

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:

Directors

	A	B
Mr P C Cadwallader	6	6
Mr D T Bussau	3	6
Mr R L Coleman	6	6
Mr R G Hawkey	5	6
Mr T Winters	6	6
Mr L Hopper	1	1

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during the year

4. Parent entity

Many Rivers Microfinance Limited is a not-for-profit Company limited by guarantee with no tradeable securities. The Company is classified as a Public Benevolent Institution and is an endorsed Deductible Gift Recipient (DGR). The Company's constitution supports its benevolent purpose.

The Company has 7 subscribing members as listed below:

Mission Australia	Mr D T Bussau	Mr S Taylor
Mr P C Cadwallader	Mr R L Coleman	
Mr R G Hawkey	Mr T Winters	

The Company's governance is overseen by an independent Board of Directors. The Board Charter is published on the Company's website and it requires compliance with ASX best practice Code of Corporate Governance. In establishing the Company, an agreement was reached with Mission Australia whereby Mission Australia has certain rights and obligations arising from its provision of infrastructure and support services to the Company. This agreement documents Mission Australia's right to recognise Many Rivers Microfinance Limited as a controlled entity for the purposes of its (Mission Australia) consolidated financial statements.

5. Corporate governance

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

Directors' Report (continued)

Many Rivers Microfinance Limited
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5. Corporate governance (continued)

5.1 Foundations for management and oversight

The Board is the guardian of the founding purpose for which Many Rivers Microfinance Limited 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.

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.

Directors' Report (continued)

Many Rivers Microfinance Limited
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5. Corporate governance (continued)

5.1 Foundations for management and oversight (continued)

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.

5.2 Board Structure

Board members including the Chair are Independent Directors except for one, the Chief Executive Officer, who is a managing director. The Company Constitution requires no less than 4 and no more than 12 Directors. There were 5 Directors at 30 June 2012. 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 Many Rivers Microfinance Limited, including the Chief Executive Officer, can be the Chair of the Company Board of Directors.

The Board's knowledge of Many Rivers Microfinance Limited 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.

5.3 Timely and balanced disclosure

Many Rivers Microfinance Limited 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.

5.4 Respecting rights of members

Many Rivers Microfinance Limited 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.

Many Rivers Microfinance Limited has many stakeholders, including our clients and their families, our donors, our staff, the broader community, our suppliers and the government agencies that provide us with funds and regulate our operations. We adopt a consultative approach in dealing with our stakeholders. We are involved in not-for-profit forums, conduct research, receive feedback from forums and regular surveys, ensure government at all levels are aware of our main concerns and achievements and remain abreast of industry developments that affect us.

Directors' Report (continued)

Many Rivers Microfinance Limited
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5. Corporate governance (continued)

5.5 Recognising and managing risk

The Board is responsible for oversight of material business risk. Oversight includes ensuring the establishment, implementation and annual review of Many Rivers Microfinance Limited'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.

Many Rivers Microfinance Limited 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 conducted during the year. 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. A risk appetite framework that also addresses the opportunity side of risk was developed during the year and is expected to be formally implemented in 2013. Annual review of the strategic risk register is deferred pending that implementation.

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. A declaration attesting to this is signed by the Chief Executive Officer and provided to the Board.

5.6 Remunerating fairly and responsibly

Directors serve as Board members of Many Rivers Microfinance Limited on a voluntary basis and receive no Director's fees. The Chief Executive Officer of Many Rivers Microfinance Limited 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.

Directors' Report (continued)

Many Rivers Microfinance Limited
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6. Principal activities and objectives

Many Rivers Microfinance Limited 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, Many Rivers Microfinance Limited:

- ▶ assist individuals (clients) in poverty to acquire capital for a small enterprise so that they may earn a regular income and eliminate their dependence on the welfare system;
- ▶ inform, assist and mentor clients in the operations of their enterprises;
- ▶ assist clients to achieve an holistic transformation in their lives by becoming self-supporting, thereby increasing their self-worth and self-respect; and
- ▶ strengthen the wellbeing of families and communities of clients through the promotion of sustainable self-employment.

Many Rivers Microfinance Limited will provide relief to Australian communities and groups which are poor, underprivileged or marginalised in their standard of living, and in particular will concentrate on Indigenous Australians.

Many River Microfinance Limited has received financial support from a number of organisations and private individuals during the year including the following:

- ▶ **Philanthropic and private foundations** Armstrong Trust, CAMYRIS Foundation, Eureka Benevolent Foundation, Greatorex Foundation, Jacques Stanmore Foundation, James N Kirby Foundation, Leslie Foundation, McKinnon Family Foundation, Pickles Foundation, Portland House Foundation, Regal Foundation, Tim Fairfax Family Foundation, Transfield Foundation, and Vincent Fairfax Family Foundation.
- ▶ **Corporate donations and grants** Allens, Atlas Iron, Australia Religious Film Society, BHP Billiton Iron Ore, Braemar Seascope, BT Financial Group, Chevron Australia, Citic Pacific Mining, Coal and Allied Aboriginal Development Consultative Committee, Coal and Allied Community Development Fund, Count Charitable Foundation, Edmonds Property Services, Intercontinental Shipping and Investment Group, Lotterywest, Port Hedland Port Authority, Rio Tinto Iron Ore, Shaw River Resources, Stantons International, The Chevron Operated Gorgon Project, Westpac Banking Corporation, Wiluna Regional Partnership Agreement (Industry Partners), Woodside Energy and Xstrata Coal.
- ▶ **Government** Australian Government Department of Families, Department of Education, Department of Indigenous Affairs (Western Australia), Employment and Workplace Relations (DEEWR) through the Indigenous Employment Program in New South Wales and Western Australia, Housing & Community Services and Indigenous Affairs (FaHCSIA) through the Community Development Financial Institutions pilot program and Small Business Development Corporation (Western Australia).
- ▶ **Indigenous corporations** IBN Group, MG Corporation and MG Ord Enhancement Scheme (ORS).

Valuable non-financial support was also received from Mission Australia, Protein One and Squire Sanders.

The Directors acknowledge and thank all these supporters.

Directors' Report (continued)

Many Rivers Microfinance Limited
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7. Operating and financial review

Operating results

The operating surplus of the Company for the year was \$613,654 (2011: \$315,183).

In 2012, total revenue was \$2,964,018 (2011: \$1,844,176), in the same period, total expenses were \$2,350,364 (2011: \$1,528,993).

Many Rivers Microfinance provides microenterprise development support to assist clients to establish and expand their businesses. During the year, the Company assisted 89 new clients to establish or expand their businesses, of which 70 required loans and 19 were able to commence without a loan. In addition, 19 loans were provided to existing clients to expand their businesses. Loans advanced during the year totalled \$576,200. As at June 2012, the Company was also actively meeting and business planning with more than 220 prospective clients.

Since commencement, the Company has provided (itself or facilitated through Westpac) 217 loans totalling \$1,109,045. As at 30 June 2012, there were 141 loans outstanding with balances totalling \$598,482, of which \$343,120 resided on the Company's *Statement of Financial Position* and \$255,362 resided on Westpac's *Statement of Financial Position*.

Review of operations

in AUD

	2012	2011
Revenue	2,964,018	1,844,176
Expenditure	2,350,364	1,528,993
Surplus	613,654	315,183

Significant impact on the 2012 results were:

- ▶ Operating offices have increased from 8 to 10; and
- ▶ Decreased number of staff from 18 to 17.

8. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any 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.

9. 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.

Directors' Report (continued)

Many Rivers Microfinance Limited
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10. Directors' interests

Ronald Leigh Coleman, through his company, Looking Glass Trust, has entered into a contract with Many Rivers Microfinance Limited to manage the establishment and operations of the Company's head office and field offices in the role of Chief Executive Officer. From July 2012, he has been engaged as Chief Executive Officer directly via an employment contract through the parent entity. 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.

11. Indemnification and insurance of officers and Directors

Many Rivers Microfinance Limited is a company limited by guarantee. None of the Directors hold an interest but each, as a member, is liable to the extent of their undertaking under the Constitution.

Many Rivers Microfinance Limited insures the Directors 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 3 as disclosed in the Directors' Report through Mission Australia. Mission Australia charges a fee to cover these costs.

To the extent permitted by law, Many Rivers Microfinance Limited indemnifies every person who is or has been a Director or Officer 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 and operates to the extent that the loss or liability is not covered by a valid and current insurance policy.

Many Rivers Microfinance Limited has, during the financial year, been covered in respect of an insurance policy for the benefit of the Directors and Officers of Many Rivers Microfinance Limited. The insurance is in the normal course of business and grants indemnity for liabilities permitted to be indemnified by Many Rivers Microfinance Limited 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.

12. Audit services

The cost of the audit of the Company is borne by Mission Australia. Mission Australia charges a fee to cover these costs.

13. Performance measurements

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

14. Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 12 and forms part of the Directors' Report for financial year ended 30 June 2012.

15. Registered office

The registered office and principal place of business is Level 7, 580 George Street, Sydney, New South Wales.

Directors' Report (continued)

Many Rivers Microfinance Limited
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16. Founding purpose

Many Rivers Microfinance Limited 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.

17. Notice of Meeting

The Annual General Meeting of Many Rivers Microfinance Limited will be held on 13 December 2012 at Level 7, 580 George Street, Sydney, New South Wales where this report will be presented.

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



P C Cadwallader
Chairman
Sydney, 30 October 2012.



R L Coleman
Managing Director
Sydney, 30 October 2012.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2012 there have been:

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

KPMG

KPMG

Anthony Travers

Partner

Sydney

30 October 2012

Statement of comprehensive income

Many Rivers Microfinance Limited
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For the year ended 30 June 2012

In AUD

	Note	2012	2011
Revenue from grants & donations	7	2,885,090	1,784,023
Other income	7	-	5,306
Total revenue for the year		2,885,090	1,789,329
Personnel expenses	8	(1,570,167)	(1,003,840)
Occupancy and accommodation expenses		(176,888)	(100,981)
Transport and equipment hire		(288,249)	(211,740)
Doubtful debts expense		(47,552)	(55,694)
Communications		(87,895)	(67,598)
Insurance		(10,143)	(10,209)
Functions and catering		(10,868)	(6,254)
Other expenses from ordinary activities		(158,602)	(72,499)
Total expenses for the year		(2,350,364)	(1,528,815)
Results from operating activities		534,726	260,514
Finance income		78,928	54,847
Finance costs		-	(178)
Net finance Income	9	78,928	54,669
Net surplus for the year		613,654	315,183
Total comprehensive income for the year		613,654	315,183
Net surplus attributable to:			
Members of the Company		613,654	315,183
Net surplus for the year		613,654	315,183
Total comprehensive income attributable to:			
Members of the Company		613,654	315,183
Total comprehensive income for the year		613,654	315,183

The notes on pages 17 to 29 are an integral part of these financial statements.

Statement of financial position

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

As at 30 June 2012

in AUD

	Note	2012	2011
Assets			
Cash and cash equivalents	10a	1,861,374	1,608,599
Loan and other receivables	11	188,357	87,232
Total current assets		2,049,731	1,695,831
Total assets		2,049,731	1,695,831
Liabilities			
Trade and other payables	12	183,456	170,526
Employee benefits	14	56,143	27,354
Deferred income	13	683,133	988,970
Total current liabilities		922,732	1,186,850
Employee benefits	14	6,903	2,539
Total non-current liabilities		6,903	2,539
Total liabilities		929,635	1,189,389
Net assets		1,120,096	506,442
Equity			
Settled sum	15	10	10
Accumulated surplus		1,120,086	506,432
Total equity		1,120,096	506,442

The notes on pages 17 to 29 are an integral part of these financial statements.

Statement of changes in equity

Many Rivers Microfinance Limited
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For the year ended 30 June 2012

<i>in AUD</i>	Settled Sums	Accumulated surplus	Total equity
Balance at 1 July 2010	10	191,249	191,259
<i>Total comprehensive income for the period</i>			
Surplus for the year	-	315,183	315,183
Total comprehensive income for the period	-	315,183	315,183
Balance at 30 June 2011	10	506,432	506,442
Balance at 1 July 2011	10	506,432	506,442
<i>Total comprehensive income for the period</i>			
Surplus for the year	-	613,654	613,654
Total comprehensive income for the period	-	613,654	613,654
Balance at 30 June 2012	10	1,120,086	1,120,096

The notes on pages 17 to 29 are an integral part of these financial statements.

Statement of cash flows

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

For the year ended 30 June 2012

in AUD

	Note	2012	2011
Cash flows from operating activities			
Cash receipts from operating activities		2,673,635	2,659,553
Cash paid to suppliers and employees		(2,569,013)	(1,684,617)
Cash generated from operations		104,622	974,936
Interest received		78,928	54,847
Interest paid		-	(178)
Net cash from operating activities	10b	183,550	1,029,605
Cash flows from financing activities			
Repayment of borrowings		-	(49,851)
Proceeds from borrowings - parent		69,225	-
Net cash from (used in) financing activities		69,225	(49,851)
Net increase in cash and cash equivalents		252,775	979,754
Cash and cash equivalents at 1 July		1,608,599	628,845
Cash and cash equivalents at 30 June	10a	1,861,374	1,608,599

The notes on pages 17 to 29 are an integral part of these financial statements.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

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 7, 580 George Street, Sydney, New South Wales 2000 Australia.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 30 October 2012.

(b) Basis of measurement

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

The financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AAS requires management to make judgements, estimates and assumptions that affect the application of 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 in the period in which the estimates are revised and in any future periods affected.

(e) Reclassification

We have reclassified some comparative figures in relation to expense classification to make the trading performance comparable in both financial periods disclosed.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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.

The Company has the following non-derivative financial assets: financial assets at fair value through profit & loss, trade and other receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. 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.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially 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.

Notes to the financial statements

Many Rivers Microfinance Limited
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3. Significant accounting policies (continued)

(b) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Company's statements of financial position. Investment property held under an operating lease is recognised on the Company's statements of financial position at its fair value.

(c) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss event had a negative effect on the estimated future cash flow of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(d) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

3. Significant accounting policies (continued)

(d) Employee benefits (continued)

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(e) Revenue recognition

(i) Revenue from rendering services

Revenue from the rendering of a service is recognised upon the delivery of the service to the 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.

(iii) Government grants

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

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

3. Significant accounting policies (continued)

(f) Leases

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(g) Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(h) Income tax

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

(i) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

(j) Cash & cash equivalent

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

3. Significant accounting policies (continued)

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. Provisions are made for make good costs on leased property.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing this financial statement. None of these is expected to have a significant effect on the financial statement of the Company, except for AASB 9 *Financial instrument*, which becomes mandatory for the Company's 2016 financial statement and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

Trade debtors are carried at fair value, which is estimated as the present value of future cash flows. The ability to collect debts is assessed at balance date and specific provisions are made for any doubtful accounts.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout the financial statements.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

5. Financial risk management (continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk-management framework. The Board is responsible for developing and monitoring risk-management policies.

Risk-management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk-management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's customer base primarily consists of individual clients.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectable. The Company does not normally require any collateral in respect of loan and other receivables.

Investments

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash or cash equivalents on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Company maintains an inter-company loan account facility with Mission Australia.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

5. Financial risk management (continued)

Currency risk

The Company is not exposed to significant currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest-bearing financial assets and liabilities that the Company utilises. Interest-bearing financial assets are generally short-term liquid assets.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- ▶ requirements for the reconciliation and monitoring of transactions;
- ▶ compliance with regulatory and other legal requirements;
- ▶ documents of control and procedures;
- ▶ requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ▶ requirements for the reporting of operational losses and proposed remedial action;
- ▶ development of contingency plans;
- ▶ training and professional development;
- ▶ ethical and business standards; and
- ▶ risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a program of periodic reviews undertaken by the parent's internal audit. The results of internal audit reviews are discussed with management with summaries submitted to the Board.

Exposure to credit risk

Prior to February 2010, clients were provided business loans by the Company. Since February 2010, clients have been provided access to unsecured business loans through the Company's strategic alliance 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 60 days in arrears, the Company becomes legally bound to pay this loan to Westpac on request. The legal ownership of the loan is assigned to the Company and the loan balance is reflected as a loan receivable on the Company's *Statement of Financial Position*.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

5. Financial risk management (continued)

Exposure to credit risk (continued)

Loan receivables on the Company's *Statement of Financial Position* as at 30 June 2012, includes client loans provided by the Company and other loans initially provided by Westpac but subsequently transferred to the Company as per above agreement.

Provision for doubtful debts is assessed monthly based on client repayment frequency over the previous quarter, 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) 217 loans totalling \$1,109,045. As at 30 June 2012, there were 141 loans outstanding with balances totalling \$598,482, of which \$343,120 resided on the Company's *Statement of Financial Position* and \$255,362 resided on Westpac's *Statement of Financial Position*.

The provisions for bad debts at 30 June 2012 totalled \$182,389 (refer Note 11), of which \$167,073 related to loans held by the Company and \$15,316 for loans held by Westpac. The Company's maximum exposure to credit risk at the reporting date was:

- ▶ \$370,746 being loans and other receivables on the Company's Balance Sheet before allowing for provision for doubtful debts of \$182,389, and
- ▶ \$255,362 being loans to clients provided by Westpac currently recorded as receivable in Westpac's accounting books.

As noted above, if the loan receivable in Westpac's books become more than 60 days in arrears, Many Rivers Microfinance Limited 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 receivables at the reporting date was:

<i>in AUD</i>	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	70,647	-	8,463	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	300,099	182,389	213,607	134,838
	370,746	182,389	222,070	134,838

The credit quality of trade and other receivables is assessed based on a credit policy established by the Risk Management Committee. The Company has monitored client credit risk, by grouping trade and other receivables based on their characteristics. An analysis of the credit quality of trade and other receivables not impaired is as follows:

<i>in AUD</i>	2012	2011
Less than four years of trading history with the Company (low category risk)	27,626	8,463
Higher risk	160,731	78,769
	188,357	87,232

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

5. Financial risk management (continued)

Based on the Company's monitoring of client credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments. Contractual amounts are expected payments that have not been discounted.

<i>in AUD</i> 2012	Carrying amount	Contractual cash flows	Six months or less	Six to 12 months	More than 12 months
Financial liabilities*					
Trade and other payables	183,456	183,456	183,456	-	-
	183,456	183,456	183,456	-	-
2011					
Financial liabilities*					
Trade and other payables	170,526	170,526	170,526	-	-
	170,526	170,526	170,526	-	-

* Deferred income and some accruals (i.e. straight-lining of interest expense) are not financial liabilities and therefore are excluded in the analysis.

6. 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).

Fundraising Appeals conducted during the year

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

Results of Fundraising Appeals

<i>in AUD</i>	2012	2011
(a) Gross proceeds from fundraising appeals	706,160	378,990
Less: Direct costs of fundraising appeals	(87,384)	(55,134)
Net surplus obtained from fundraising appeals	618,776	323,856
(b) Application of net surplus obtained from fundraising		
Services provided to clients	618,776	323,856
(c) Comparisons of certain monetary figures and percentages		
Total direct costs of fundraising/	87,384	55,134
Gross income from fundraising	706,160	378,990
	12.37%	14.55%
Net surplus from fundraising/	618,776	323,856
Gross income from fundraising	706,160	378,990
	87.63%	85.45%
Total costs of services/	291,279	183,780
Total expenditure	2,350,364	1,528,993
	12.39%	12.02%
Total costs of services/	291,279	183,780
Total income received	2,964,018	1,844,176
	9.83%	9.97%

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

7. Revenue

<i>in AUD</i>	2012	2011
Government grants	942,812	414,826
Donations	706,160	378,990
Other grants	1,236,118	990,207
Other income	-	5,306
	2,885,090	1,789,329

8. Personnel expenses

<i>in AUD</i>	2012	2011
Wages and salaries	1,117,805	458,369
Other associated personnel expenses	354,966	506,924
Contributions to defined contribution plans	97,396	38,547
	1,570,167	1,003,840

9. Finance income and finance costs

<i>in AUD</i>	2012	2011
Recognised in profit or loss		
Interest Income	78,928	54,847
Finance income	78,928	54,847
Interest expense	-	(178)
Finance costs	-	(178)
Net finance income recognised in surplus	78,928	54,669
The above finance income and costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	78,928	54,847
Total interest expense on financial liabilities	-	(178)

10a. Cash and cash equivalents

<i>in AUD</i>	2012	2011
Cash on hand	-	750
Cash at bank	1,861,374	1,607,849
Cash and cash equivalents in the statement of cash flows	1,861,374	1,608,599

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

10b. Reconciliation of cash flows from operating activities

<i>in AUD</i>	Note	2012	2011
Cash flows from operating activities			
Surplus for the period		613,654	315,183
Adjustments for:			
Doubtful debts expense		47,552	55,694
Add /(less) movement in assets and liabilities:			
Change in loans and other receivables	11	(148,677)	(81,814)
Change in trade and other payables (excluding payable to parent)	12	(56,295)	51,268
Change in employee benefit provisions	14	33,153	17,480
Change in prepayments		-	6,157
Change in deferred income	13	(305,837)	665,637
Net cash inflow from operating activities		183,550	1,029,605

11. Loans and other receivables

<i>in AUD</i>	2012	2011
Current		
Loan receivables	343,120	213,607
Other receivables	27,626	8,463
Provision for doubtful debts	(182,389)	(134,838)
	188,357	87,232

12. Trade and other payables

<i>in AUD</i>	2012	2011
Current		
Trade payables	8,791	65,086
Payable to Mission Australia	174,665	105,440
	183,456	170,526

The company's exposure to liquidity risk related to trade and other payables is disclosed in Note 5.

No security is held against related entity balances.

13. Deferred income

A portion of grant received during the year, totalling \$683,133 (2011: \$988,970) (as detailed below) related to services to be provided in 2013.

Notes to the financial statements

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

13. Deferred income (continued)

in AUD

	2012	2011
Corporate grants	683,133	290,220
Government grants	-	698,750
	683,133	988,970

14. Employee benefits provisions

in AUD

	2012	2011
Current		
Liability for annual leave	56,143	27,354
Non-Current		
Liability for long service leave	6,903	2,539

15. Settled Sum

in AUD

	2012	2011
	10	10

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

16. Capital and reserves

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 P C Cadwallader	Mr R L Coleman
Mr D T Bussau	Mr R G Hawkey
Mr T Winters	Mr L Hopper - Resigned as Director in September 2011

The subscribing Members of Many Rivers Microfinance Limited are:

Mission Australia	Mr R L Coleman	Mr S Taylor
Mr P C Cadwallader	Mr R G Hawkey	
Mr D T Bussau	Mr T Winters	

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

The cost of the audit of the Company is borne by Mission Australia.

Directors' Declarations

Many Rivers Microfinance Limited
30 June 2012 Annual Financial Report

Directors' declaration

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

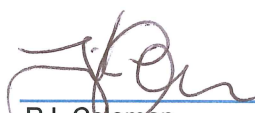
- (a) the financial statements and notes set out on pages 13 to 29, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (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 made pursuant to Section 298 (2) of the Corporations Act 2001:

Sydney, 30 October 2012.



P C Cadwallader
Chairman



R L Coleman
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 of Many Rivers Microfinance Limited declare that in my 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, 30 October 2012.



P C Cadwallader
Chairman



R L Coleman
Managing Director



Independent auditor's report to the members of Many Rivers Microfinance Limited

Report on the financial report

We have audited the accompanying financial report of Many Rivers Microfinance Limited (the Company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, Notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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 Many Rivers Microfinance Limited 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Audit opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In our opinion:

(a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2012;

(b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2011 to 30 June 2012, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;

(c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2011 to 30 June 2012 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and

(d) there are reasonable grounds to believe that Many Rivers Microfinance Limited will be able to pay its debts as and when they fall due.

KPMG

KPMG

Anthony Travers
Partner

Sydney

30 October 2012