



## Many Rivers Microfinance Limited Annual Financial Report 2018

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Many Rivers Microfinance Limited

Level 21, 233 Castlereagh Street

Sydney, NSW 2000

Tel: 1300 626 974

ABN 58 128 486 788

# Directors' Report

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

The Directors present their report for Many Rivers Microfinance Limited (the Company) for the financial year ended 30 June 2018 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
<b>Mr Peter Colin Cadwallader, B.Ec, FCA</b> <b>Chairman, Independent, Non-Executive Director</b>	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.
<b>Mr John Andrew Burn, B.Sc, EMBA</b> <b>Managing Director and Chief Executive Officer</b>	Appointed as Managing Director and Chief Executive Officer on 11 April 2014. John joined Many Rivers in October 2009. He has more than 20 years commercial banking experience, including 10 years across a range of senior leadership roles.
<b>Mr David Thomas Bussau AM</b> <b>Independent, Non-Executive Director</b>	Appointed as a Director on 15 November 2007. David resigned as Director in October 2017.
<b>Mr Ronald Leigh Coleman</b> <b>Independent, Non-Executive Director</b>	Appointed as a Director on 15 November 2007. Leigh resigned as Director in October 2017.
<b>Mr Ross Granville Hawkey, BBS, CA</b> <b>Independent, Non-Executive Director</b>	Appointed as a Director on 15 November 2007 at which time Ross was Executive Leader, Corporate Services at Mission Australia. Ross resigned as Director in October 2017.
<b>Ms Suzanne Maree Hullick</b> <b>Independent, Non-Executive Director</b>	Appointed as a Director on 17 August 2018. Suzi is the Westpac Head of Indigenous Business Banking, leading the national approach to working with Indigenous business customers and she also established the Indigenous Employment Program within the company. Suzi also holds the position of Westpac State General Manager, Commercial Banking SA/NT and possesses extensive experience in both Commercial and Retail Banking, having held numerous leadership positions which have enabled her to work extensively with Indigenous communities throughout Australia.
<b>Mr Langus Shane Phillips</b> <b>Independent, Non-Executive Director</b>	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 and is regarded as their voice on a range of youth issues, juvenile justice and Aboriginal deaths in custody. He was named Local Hero in the 2013 Australia Day awards.

# Directors' Report

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## 1. Directors (continued)

<b>Mr Sinclair Taylor, LLB</b> <b>Independent, Non-Executive Director</b>	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 was the founding CEO of Westpac's Davidson Institute.
<b>Mr Terence Winters, FAICD</b> <b>Independent, Non-Executive Director</b>	Appointed as a Director on 23 September 2010. Terry is the Chairman of Converge International Pty Ltd, Intellex 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 20 years' experience in operation and governance of microfinance organisations with Opportunity International Network.
<b>Ms Catherine Yeomans, LLB, GAICD</b> <b>Independent, Non-Executive Director</b>	Appointed as a Director on 21 February 2013. Catherine resigned as Director in November 2017.

## 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	6	6
Mr John Andrew Burn	6	6
Mr David Thomas Bussau	0	2
Mr Ronald Leigh Coleman	1	2
Mr Ross Granville Hawkey	2	2
Ms Suzanne Maree Hullick	0	0
Mr Langus Shane Phillips	2	4
Mr Sinclair Taylor	5	6
Mr Terence Winters	5	6
Ms Catherine Yeomans	2	2

# Directors' Report

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## 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) 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;
- Informs, assists and mentors clients in the operations of their enterprises;
- Assists clients 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 of clients through the promotion of sustainable self-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.

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, Enspira Foundation, Eureka Benevolent Foundation, Greatorex Foundation, Ian Potter Foundation, Lewin Foundation, Pinnacle Foundation, Regal Foundation, The Pickles Foundation, Utting Libke Foundation and Yulgilbar Foundation.

### *Corporate donations and grants*

Accenture Foundation, Australia Pacific LNG, Chevron Australia, Developing East Arnhem Limited, Evolution Mining, MACH Energy, Newcastle Coal Infrastructure Group, Origin Energy, Port Waratah Coal Services, Rio Tinto Argyle, Telstra Corporation, Westpac Banking Corporation, Wilson Advisory Foundation and Woodside Energy.

### *Government*

Department of Social Services (Community Development Financial Institutions – Microenterprise Development), Department of Prime Minister and Cabinet Indigenous Affairs Group (Indigenous Advancement Strategy) and the Australian Small Business Advisory Services Programme.

### *Indigenous corporations*

Buurabalayji Thalanyji Aboriginal Corporation, Ely Bauxite Mine Beneficiaries Corporation and IBN Corporation.

### *Non-financial support*

Valuable non-financial support was also received from Accenture, Gadens, Mission Australia, Squire Patton Boggs and McCullough Robertson.

The Directors acknowledge and thank all these supporters.

# Directors' Report

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## 6. Operating and financial review

### 6.1 Operating results

The operating surplus of the Company for the year was \$763,359 (2017: \$1,519,462). In 2018, total revenue (including finance income) was \$6,819,057 (2017: \$7,253,169), in the same period, total expenses were \$6,055,698 (2017: \$5,733,707).

The Company provides microenterprise development support to assist clients to establish and expand their businesses. During the year, the Company assisted 314 new clients to establish or expand their businesses, of which 210 required loans and 104 were able to commence without a loan. 279 loans were advanced to new and existing clients during the year totalled \$1,340,006. As at 30 June 2018, the Company was also actively meeting and business planning with 543 prospective clients.

Since commencement, the Company has provided (itself or facilitated through Westpac) 1,615 loans totalling \$8,411,389. As at 30 June 2018, there were 489 loans outstanding with balances totalling \$1,724,316.

### 6.2 Review of Operations

*in AUD*

	2018	2017
Revenue and finance income	6,819,057	7,253,169
Expenditure	6,055,698	5,733,707
Surplus	<b>763,359</b>	<b>1,519,462</b>

Significant impacts on the 2018 results were related to finalisation of the establishment of support function services previously provided by Mission Australia. Separation was completed on 31 March 2017 with the exception of IT services, which were transferred during 2018.

## 7. Events subsequent to reporting

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 service of Intelledox Pty Ltd. These services are provided by Intelledox on a discounted price basis. Terence Winters is the chairman of Intelledox 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.

# Directors' Report

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## 10. Indemnification and insurance of officers and Directors

The Company is a company limited by guarantee. Each of the Directors, other than Catherine Yeomans, 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.

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 and page 3.

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 \$18,500 (2017: \$18,000).

## 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 8 and forms part of the Directors' Report for financial year ended 30 June 2018.

## 14. Registered office

The registered office and principal place of business is Level 21, 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.

## Directors' Report

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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### 16. Notice of meeting

The Annual General Meeting of the Company will be held on 20 December 2018 at Level 21, 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:



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**P C Cadwallader**  
Chairman

Sydney, 18 October 2018



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**J A Burn**  
Managing Director

Sydney, 18 October 2018





# 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 2018 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

18 October 2018

# Statement of Profit or Loss and Other Comprehensive Income

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## For the year ended 30 June 2018

<i>In AUD</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Revenue from grants & donations	7	6,494,040	6,891,827
Other income	7	85,230	90,845
<b>Total revenue for the year</b>		<b>6,579,270</b>	<b>6,982,672</b>
Personnel expenses	8	(4,509,124)	(4,206,298)
Occupancy and accommodation expenses		(138,084)	(187,660)
Transport and equipment hire		(553,713)	(582,191)
Doubtful debts expense		(121,903)	(157,745)
Communications		(387,647)	(251,265)
Insurance		(62,871)	(66,736)
Functions and catering		(22,659)	(21,077)
Depreciation	13	(26,404)	-
Other expenses from ordinary activities		(233,293)	(260,735)
<b>Total expenses for the year</b>		<b>(6,055,698)</b>	<b>(5,733,707)</b>
<b>Results from operating activities</b>		<b>523,572</b>	<b>1,248,965</b>
Finance income	9	239,787	270,497
<b>Net finance Income</b>		<b>239,787</b>	<b>270,497</b>
<b>Net surplus for the year</b>		<b>763,359</b>	<b>1,519,462</b>
<b>Total comprehensive income for the year</b>		<b>763,359</b>	<b>1,519,462</b>
<b>Net surplus attributable to:</b>			
Members of the Company		763,359	1,519,462
<b>Net surplus for the year</b>		<b>763,359</b>	<b>1,519,462</b>
<b>Total comprehensive income attributable to:</b>			
Members of the Company		763,359	1,519,462
<b>Total comprehensive income for the year</b>		<b>763,359</b>	<b>1,519,462</b>

# Statement of Financial Position

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## As at 30 June 2018

in AUD

	Note	30-Jun-18	30-Jun-17
<b>Assets</b>			
Cash and cash equivalents	10	4,832,453	7,607,895
Investments	12	13,500,000	-
Loans and other receivables	11	952,563	641,572
Prepayments		117,558	113,917
<b>Total current assets</b>		<b>19,402,574</b>	<b>8,363,384</b>
Investments	12	990,000	990,000
Property, plant and equipment	13	293,477	-
<b>Total non-current assets</b>		<b>1,283,477</b>	<b>990,000</b>
<b>Total assets</b>		<b>20,686,051</b>	<b>9,353,384</b>
<b>Liabilities</b>			
Trade and other payables	14	1,464,336	266,054
Employee benefits	16	303,788	283,619
Deferred income	15	5,114,284	2,605,574
<b>Total current liabilities</b>		<b>6,882,408</b>	<b>3,155,247</b>
Deferred income	15	6,811,519	-
Employee benefits	16	79,780	49,152
<b>Total non-current liabilities</b>		<b>6,891,299</b>	<b>49,152</b>
<b>Total liabilities</b>		<b>13,773,707</b>	<b>3,204,399</b>
<b>Net assets</b>		<b>6,912,344</b>	<b>6,148,985</b>
<b>Equity</b>			
Settled sum	17	10	10
Accumulated surplus		6,912,334	6,148,975
<b>Total equity</b>		<b>6,912,344</b>	<b>6,148,985</b>

## Statement of Changes in Equity

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

### For the year ended 30 June 2018

<i>in AUD</i>	Settled Sums	Accumulated Surplus	Total Equity
Balance at 1 July 2016	10	4,629,513	4,629,523
<b><i>Total comprehensive income for the year</i></b>			
Surplus for the year	-	1,519,462	1,519,462
Total comprehensive income for the year	-	1,519,462	1,519,462
<b>Balance at 30 June 2017</b>	<b>10</b>	<b>6,148,975</b>	<b>6,148,985</b>
Balance at 1 July 2017	10	6,148,975	6,148,985
<b><i>Total comprehensive income for the year</i></b>			
Surplus for the year	-	763,359	763,359
Total comprehensive income for the year	-	763,359	763,359
<b>Balance at 30 June 2018</b>	<b>10</b>	<b>6,912,334</b>	<b>6,912,344</b>

## Statement of Cash Flows

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

For the year ended 30 June 2018

in AUD

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Cash receipts from operating activities		17,026,471	5,446,621
Cash paid to suppliers and employees		(6,221,819)	(5,981,000)
Interest received		239,787	270,497
<b>Net cash from/(used in) operating activities</b>	10	<b>11,044,439</b>	<b>(263,882)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(319,881)	-
Investment in term deposits		(13,500,000)	(990,000)
<b>Net cash used in investing activities</b>		<b>(13,819,881)</b>	<b>(990,000)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings - Mission Australia		-	(389,404)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(389,404)</b>
Net decrease in cash and cash equivalents		(2,775,442)	(1,643,286)
Cash and cash equivalents at 1 July		7,607,895	9,251,181
<b>Cash and cash equivalents at 30 June</b>	10	<b>4,832,453</b>	<b>7,607,895</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 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 21, 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*.

The financial statements were authorised for issue by the Board of Directors on 18 October 2018.

### 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 Change in accounting policies

In the current year, the Company has adopted all of the following and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period:

- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets for Not-for-Profit Entities*

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Company.

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 3. Significant accounting policies

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

### 3.1 Financial instruments

The Company classifies non-derivative financial assets into the following categories: loans and receivables.

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.

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 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.

#### 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 required the Company to make specified payments to reimburse Westpac for losses incurred on loans they have funded.

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.

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 3. Significant accounting policies (continued)

### 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.

### 3.3 Revenue recognition

#### i. Revenue from rendering services

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

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.

### 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.



# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## 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

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

#### i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contain a lease, 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, then 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 cost on the liability is recognised using the Company's incremental borrowing rate.

#### ii. Leased payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

### 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 expenses.

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

### 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.

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## 3. Significant accounting policies (continued)

### 3.9 New standards and interpretations not yet adopted

At the date of authorisation of the financial report, the following relevant Standards and Interpretations were issued but not yet effective:

- AASB 9 *Financial Instruments* was issued in December 2014 and addresses recognition and measurement requirements for financial assets and financial liabilities and impairment requirements that introduce an expected credit loss impairment model. This standard becomes mandatory for the Company's 30 June 2019 financial statements.
- AASB 15 *Revenue from Contracts with Customers* was issued in December 2014 and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures about revenue. It replaces AASB 118 *Revenue and related interpretations*. This standard will become mandatory for the Company's 30 June 2020 financial statements.
- AASB 1058 *Income of Not-for-Profit Entities* was issued in December 2016. The standard clarifies and simplifies income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15 above. It replaces AASB 1004 *Contributions*. This standard will become mandatory for the Company's 30 June 2020 financial statements.
- AASB 16 *Leases* was issued in February 2016 and introduced changes to lessee accounting. It requires a lessee to recognise a right-of-use asset representing its rights to use the underlying lease asset and a lease liability representing its obligations to make lease payments other than short-term leases or leases of low-value assets on statement of financial position. This will replace the operating/finance lease distinction and accounting requirements prescribed in AASB 117 *Leases*. This standard will become mandatory for the Company's 30 June 2020 financial statements.

AASB 9, AASB 15, AASB 1058 and AASB 16 are available for early adoption but have not been applied by the Company in this financial report.

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

## 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.

### 4.1 Trade and other receivables

Trade debtors are carried at amortised cost, 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.

### 4.2 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.

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 5. Financial risk management

### 5.1 Overview

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Interest rate 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.

### 5.2 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.

### 5.3 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.

#### i. Loan and other receivables

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.

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.

#### ***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 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 2018, include client loans held by the Company and other loans initially provided by Westpac but subsequently transferred to the Company.

Provision for doubtful debts is 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.

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## 5. Financial risk management (continued)

### 5.3 Credit risk (continued)

#### i. Loan and other receivables (continued)

##### *Exposure to credit risk (continued)*

Since commencement, the Company has provided (itself or facilitated through Westpac) 1,615 loans totalling \$8,411,389. As at 30 June 2018, there were 489 loans outstanding with balances totalling \$1,724,316.

The provision for bad debts at 30 June 2018 totalled \$441,389 (refer Note 11), of which \$396,797 related to provisions against loans held by the Company and \$44,592 for financial guarantees in respect of loans held by Westpac. The Company's maximum exposure to credit risk at the reporting date was:

- \$1,393,952 (2017: \$1,191,681) being loans and other receivables provided by the Company before allowing for provision for doubtful debts of \$396,797; and
- \$828,000 (2017: \$758,525) being loans to clients provided by Westpac, before allowing for provisions for financial guarantees of \$44,592.

As noted above, if the loan receivable in Westpac's accounting books becomes more than 90 days in arrears, Many Rivers Microfinance 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:

<i>in AUD</i>	<b>Gross 2018</b>	<b>Impairment 2018</b>	<b>Gross 2017</b>	<b>Impairment 2017</b>
Not past due	497,636	-	215,538	-
Past due 0-30 days	-	-	-	-
Past due 31+ days	896,316	441,389	976,143	550,109
	<b>1,393,952</b>	<b>441,389</b>	<b>1,191,681</b>	<b>550,109</b>

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

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

#### ii. 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.

### 5.4 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 90 days, including the servicing of financial obligations.

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## 5. Financial risk management (continued)

### 5.4 Liquidity risk (continued)

#### 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> <b>2018</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Six months or less</b>	<b>Six to 12 months</b>	<b>More than 12 months</b>
<b>Financial liabilities*</b>					
Trade and other payables	1,464,336	1,464,336	1,464,336	-	-
	<b>1,464,336</b>	<b>1,464,336</b>	<b>1,464,336</b>	<b>-</b>	<b>-</b>
<b>2017</b>					
<b>Financial liabilities*</b>					
Trade and other payables	266,054	266,054	266,054	-	-
	<b>266,054</b>	<b>266,054</b>	<b>266,054</b>	<b>-</b>	<b>-</b>

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

### 5.5 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.

### 5.6 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. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, while optimising the return.

## 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).

### 6.1 Fundraising Appeals conducted during the year

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

<i>in AUD</i>	<b>2018</b>	<b>2017</b>
(a) Gross proceeds from fundraising appeals	897,094	787,748
Less: Direct costs of fundraising appeals	(106,338)	(88,925)
Net surplus obtained from fundraising appeals	<b>790,756</b>	<b>698,823</b>
(b) Application of net surplus obtained from fundraising appeals		
Services provided to clients	<b>790,756</b>	<b>698,823</b>

# Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

## 7. Revenue

<i>in AUD</i>	2018	2017
Government grants	3,247,879	3,224,879
Donations	897,094	787,748
Other grants	2,349,067	2,879,200
Other income	85,230	90,845
	<b>6,579,270</b>	<b>6,982,672</b>

## 8. Personnel expenses

<i>in AUD</i>	2018	2017
Wages and salaries	3,882,239	3,609,953
Other associated personnel expenses	272,768	268,032
Contributions to defined contribution plans	354,117	328,313
	<b>4,509,124</b>	<b>4,206,298</b>

## 9. Finance income and finance costs

<i>in AUD</i>	2018	2017
Recognised in profit or loss		
Interest Income	239,787	270,497
<b>Finance income recognised in surplus</b>	<b>239,787</b>	<b>270,497</b>
The above finance income include the following interest income in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	239,787	270,497

## 10. Cash and cash equivalents

<i>in AUD</i>	2018	2017
Cash at bank	4,832,453	7,607,895
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>4,832,453</b>	<b>7,607,895</b>

<i>in AUD</i>	Note	2018	2017
Cash flows from operating activities			
Surplus for the period		763,359	1,519,462
Adjustments for:			
Doubtful debt provision		121,903	31,631
Depreciation of property, plant and equipment	13	26,404	-
Add /(less) movement in assets and liabilities:			
Change in loans and other receivables	11	(432,894)	(144,160)
Change in trade and other payables	14	1,198,282	144,971
Change in employee benefits	16	50,797	67,859
Change in prepayments		(3,641)	(86,273)
Change in deferred income	15	9,320,229	(1,797,372)
<b>Net cash from/(used in) operating activities</b>		<b>11,044,439</b>	<b>(263,882)</b>

## Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

### 11. Loans and other receivables

<i>in AUD</i>	<b>2018</b>	<b>2017</b>
<b>Current</b>		
Loan receivables	1,043,355	1,043,113
Other receivables	350,597	148,568
Provision for doubtful debts	(441,389)	(550,109)
	<b>952,563</b>	<b>641,572</b>

### 12. Investments

<i>in AUD</i>	<b>2018</b>	<b>2017</b>
<b>Current</b>		
Term deposits	13,500,000	-
	<b>13,500,000</b>	<b>-</b>
<b>Non-Current</b>		
Term deposit	990,000	990,000
	<b>990,000</b>	<b>990,000</b>

Current term deposits primarily relate to funds received in June 2018 under a service agreement. Refer Note 15.

Non-Current term deposit maturity date 13 April 2020. Interest rate 2.7% p.a.

### 13. Property, plant and equipment

<i>in AUD</i>	<b>Plant and Equipment</b>	<b>Total</b>
Carrying amount as at 1 July 2017	-	-
Additions	319,881	319,881
Depreciation	(26,404)	(26,404)
<b>Balance at 30 June 2018</b>	<b>293,477</b>	<b>293,477</b>
Assets cost	319,881	319,881
Accumulated depreciation	(26,404)	(26,404)

### 14. Trade and other payables

<i>in AUD</i>	<b>2018</b>	<b>2017</b>
<b>Current</b>		
Trade payables	305,420	266,054
GST payable	1,158,916	-
	<b>1,464,336</b>	<b>266,054</b>

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

## Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

### 15. Deferred income

A portion of grants received during the year, totalling \$5,114,284 (2017: \$2,605,574) related to services to be provided in 2019. In addition, grants received totalling \$6,811,519 (2017: nil) related to services to be provided in 2020.

*in AUD*

	2018	2017
<b>Current</b>		
Corporate and Foundation grants	180,867	340,195
Government grants	4,933,417	2,265,379
	<b>5,114,284</b>	<b>2,605,574</b>
<b>Non-Current</b>		
Government grants	<b>6,811,519</b>	-

### 16. Employee benefits provisions

*in AUD*

	2018	2017
<b>Current</b>		
Liability for annual leave	238,807	220,079
Liability for long service leave	14,981	13,540
Other provisions	50,000	50,000
	<b>303,788</b>	<b>283,619</b>
<b>Non-Current</b>		
Liability for long service leave	<b>79,780</b>	<b>49,152</b>

### 17. Settled Sum

*in AUD*

	2018	2017
	<b>10</b>	<b>10</b>

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

### 18. Capital and reserves

#### 18.1 Accumulated surplus

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

### 19. 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.



## Notes to the Financial Statements

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

### 20. Related party information

The Directors who held office during the financial year were:

Mr Peter Colin Cadwallader	Mr Ronald Leigh Coleman – Resigned as Director in October 2017	Mr Sinclair Taylor
Mr John Andrew Burn	Mr Ross Granville Hawkey – Resigned as Director in October 2017	Mr Terence Winters
Mr David Thomas Bussau – Resigned as Director in October 2017	Mr Langus Shane Phillips	Ms Catherine Yeomans – Resigned as Director in November 2017

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	

### 21. 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.

### 22. Auditor's Remuneration

*In AUD*

#### Audit and review services

Auditors of the Company

Audit and review of financial statements

2018	2017
18,500	18,000

## Directors' Declaration

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

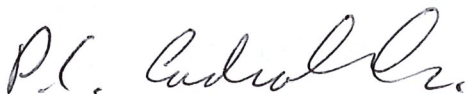
### Directors' Declaration

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

- a) the financial statements and notes set out on pages 9 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 2018 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, 18 October 2018.



**P C Cadwallader**

Chairman



**J A Burn**

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, 18 October 2018



**P C Cadwallader**

Chairman



**J A Burn**

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 2018, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* 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 2018.
- 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 unqualified 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'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.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and Corporate Governance Statement.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not/the auditor does 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 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. 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 2018;
- ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2017 to 30 June 2018, 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 2017 to 30 June 2018 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 2018.

KPMG

SL

KPMG

Stephen Isaac

*Partner*

Sydney

18 October 2018

# Corporate Governance Statement

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 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](http://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 Statement

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 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 5 Directors at 30 June 2018:

- Four 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](http://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 Statement

Annual Financial Report 30 June 2018 | Many Rivers Microfinance Limited

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## 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.