MANYRIVERS

Many Rivers Microfinance Limited Annual Financial Report 2019

Contents

Many Rivers Microfinance Limited

Level 2, 233 Castlereagh Street

Sydney, NSW 2000

Tel: 1300 626 974

ABN 58 128 486 788

The Directors present their report for Many Rivers Microfinance Limited (the Company) for the financial year ended 30 June 2019 and the Auditor's report thereon.

1. Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other Directorships
Mr Peter Colin Cadwallader, B.Ec, FCA **Chairman, Independent, Non-Executive Director**	Appointed as a Director and Founding Chairman of the Board on 15 November 2007. Peter is the owner and Chief Executive of Intercontinental Shipping and Investment Group. He was a Board member of Opportunity International Australia for a number of years.
Mr John Andrew Burn, B.Sc, EMBA **Managing Director and Chief Executive Officer**	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.
Ms Suzanne Maree Hullick **Independent, Non-Executive Director**	Appointed as a Director on 17 August 2018. Suzi is Westpac's National Head of the Indigenous Business Banking team, leading the national approach to working with Indigenous businesses and consumers around access to financial services. Suzi established the Indigenous Employment Program within the company and has extensive experience in both Commercial and Retail Banking, having held numerous senior leadership positions which has enabled her to work extensively with Indigenous communities throughout Australia.
Mr Langus Shane Phillips **Independent, Non-Executive Director**	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.
Mr Sinclair Taylor, LLB **Independent, Non-Executive Director**	Appointed as a Director on 24 August 2012. Sinclair is the former CEO of the Westpac Foundation for Westpac Banking Corporation. During his time at Westpac, Sinclair pioneered and led Westpac's strategic alliance with Many Rivers Microfinance. He is an experienced commercial banker and was the founding CEO of Westpac's Davidson Institute.
Mr Terence Winters, FAICD **Independent, Non-Executive Director**	Appointed as a Director on 23 September 2010. Terry is the Chairman of Converge International Pty Ltd and TasmaNet Pty Ltd and is a Director of Redflex Holdings Limited (ASX: RDF) and TSPI Development Corporation Inc, a Micro Enterprise Development NGO in the Philippines. He has over 30 years experience in operation and governance of microfinance organisations with Opportunity International Network.

2. Company secretary

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

3. Directors' meetings

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

Director	Number of meetings attended	Number of meetings held during the time the Director held office during the year
Mr Peter Colin Cadwallader	6	6
Mr John Andrew Burn	6	6
Ms Suzanne Maree Hullick	5	6
Mr Langus Shane Phillips	2	6
Mr Sinclair Taylor	6	6
Mr Terence Winters	6	6

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 28 to 30 of this report.

5. Principal activities and objectives

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

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

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

5. Principal activities and objectives (continued)

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

Philanthropic and private foundations

CAMYRIS Foundation, Enspira Foundation, Equity Trustees, Greatorex Foundation, Ian Potter Foundation, Lewin Foundation, Pinnacle Charitable Foundation, Regal Foundation and Utting Libke Foundation.

Corporate donations and grants

Deloitte Foundation, Developing East Arnhem Limited, Origin Energy, Port Waratah Coal Services and Westpac Banking Corporation.

Government

Federal Department of Social Services (Community Development Financial Institutions – Microenterprise Development), Federal Department of Prime Minister and Cabinet Indigenous Affairs Group (Indigenous Advancement Strategy) and Victorian Department of Jobs, Precincts and Regions.

Indigenous corporations

IBN Corporation.

Non-financial support

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

The Directors acknowledge and thank all these supporters.

6. Operating and financial review

6.1 Operating results

The operating surplus of the Company for the year was $1,723,747 (2018: $763,359). In 2019, total revenue (including finance income) was $9,871,967 (2018: $6,819,057), in the same period, total expenses were $8,148,220 (2018: $6,055,698).

The Company provides microenterprise development support in Australia to assist clients to establish and expand their businesses. During the year, the Company assisted 376 new clients to establish or expand their businesses, of which 225 required loans and 151 were able to commence without a loan. 333 loans were advanced to new and existing clients during the year totalled $1,479,914. As at 30 June 2019, the Company was also actively meeting and business planning with 632 prospective clients.

Since commencement, the Company has provided (itself or facilitated through Westpac) 1,951 loans totalling $9,898,703. As at 30 June 2019, there were 568 loans outstanding with balances totalling $1,881,152.

The Company also provides Community Economic Development services to Indigenous communities in remote and regional Australia. As at 30 June 2019, the Company was actively working with 11 community organisations.

6. Operating and financial review (continued)

6.2 Review of Operations

in AUD	2019	2018
Revenue and finance income	9,871,967	6,819,057
Expenditure	8,148,220	6,055,698
Surplus	**1,723,747**	**763,359**

Significant impacts on the 2019 results were related to expansion of the Company's national footprint, associated with a Federal Government contract to provide Microenterprise Development and Community Economic Development services.

7. Events subsequent to reporting

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

8. Likely developments

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

9. Directors' interests

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

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

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

10. Indemnification and insurance of officers and Directors

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

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

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

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

11. Audit services

The cost of the audit of the Company is $20,000 (2018: $18,500).

12. Performance measurements

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

13. Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for financial year ended 30 June 2019.

14. Registered office

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

15. Founding purpose

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

16. Notice of meeting

The Annual General Meeting of the Company will be held on 19 December 2019 at Level 2, 233 Castlereagh Street, Sydney, New South Wales where this report will be presented.

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

Peter Cadwallader

P C Cadwallader
Chairman

Sydney, 17 October 2019

J A Burn
Managing Director

Sydney, 17 October 2019

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 2019 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

17 October 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

In AUD	Note	2019	2018
Revenue from grants & donations	5	9,299,710	6,494,040
Other income	5	72,695	85,230
Total revenue for the year		**9,372,405**	**6,579,270**
Personnel expenses	6	(6,400,545)	(4,509,124)
Occupancy and accommodation expenses		(146,273)	(138,084)
Transport and equipment hire		(578,460)	(553,713)
Impairment loss on loans and other receivables		(170,057)	(121,903)
Communications		(324,757)	(387,647)
Insurance		(106,151)	(62,871)
Functions and catering		(26,762)	(22,659)
Depreciation	11	(147,029)	(26,404)
Other expenses from ordinary activities		(248,186)	(233,293)
Total expenses for the year		**(8,148,220)**	**(6,055,698)**
Results from operating activities		**1,224,185**	**523,572**
Finance income	7	499,562	239,787
Net finance Income		**499,562**	**239,787**
Net surplus for the year		**1,723,747**	**763,359**
Total comprehensive income for the year		**1,723,747**	**763,359**
Net surplus attributable to:			
Members of the Company		1,723,747	763,359
Net surplus for the year		**1,723,747**	**763,359**
Total comprehensive income attributable to:			
Members of the Company		1,723,747	763,359
Total comprehensive income for the year		**1,723,747**	**763,359**

As at 30 June 2019

in AUD	Note	30-Jun-19	30-Jun-18
Assets			
Cash and cash equivalents	8	2,727,286	4,832,453
Investments	10	12,090,000	13,500,000
Loans and other receivables	9	601,304	952,563
Prepayments		157,463	117,558
Total current assets		**15,576,053**	**19,402,574**
Investments	10	-	990,000
Property, plant and equipment	11	1,327,661	293,477
Total non-current assets		**1,327,661**	**1,283,477**
Total assets		**16,903,714**	**20,686,051**
Liabilities			
Trade and other payables	12	463,230	1,464,336
Employee benefits	14	389,486	303,788
Deferred income	13	7,479,102	5,114,284
Total current liabilities		**8,331,818**	**6,882,408**
Deferred income	13	-	6,811,519
Employee benefits	14	138,025	79,780
Total non-current liabilities		**138,025**	**6,891,299**
Total liabilities		**8,469,843**	**13,773,707**
Net assets		**8,433,871**	**6,912,344**
Equity			
Settled sum	15	10	10
Accumulated surplus		8,433,861	6,912,334
Total equity		**8,433,871**	**6,912,344**

For the year ended 30 June 2019

in AUD	Note	Settled Sums	Accumulated Surplus	Total Equity
Balance at 1 July 2017		10	6,148,975	6,148,985
Total comprehensive income for the year				
Surplus for the year		-	763,359	763,359
Total comprehensive income for the year		-	763,359	763,359
Balance at 30 June 2018		**10**	**6,912,334**	**6,912,344**
Balance at 1 July 2018		10	6,912,334	6,912,344
Adjustment on adoption of AASB 9	2.5	-	(202,220)	(202,220)
Adjusted Balance at 1 July 2018		10	6,710,114	6,710,124
Total comprehensive income for the year				
Surplus for the year		-	1,723,747	1,723,747
Total comprehensive income for the year		-	1,723,747	1,723,747
Balance at 30 June 2019		**10**	**8,433,861**	**8,433,871**

Statement of Cash Flows

For the year ended 30 June 2019

in AUD	Note	2019	2018
Cash flows from operating activities			
Cash receipts from operating activities		5,405,162	17,026,471
Cash paid to suppliers and employees		(9,242,917)	(6,221,819)
Interest received		513,801	239,787
Net cash from/(used in) operating activities		**(3,323,954)**	**11,044,439**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,181,213)	(319,881)
Disposal of/(investment in) term deposits		2,400,000	(13,500,000)
Net cash from/(used in) investing activities		**1,218,787**	**(13,819,881)**
Net decrease in cash and cash equivalents		(2,105,167)	(2,775,442)
Cash and cash equivalents at 1 July		4,832,453	7,607,895
Cash and cash equivalents at 30 June	8	**2,727,286**	**4,832,453**

1. Reporting entity

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

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

2. Basis of preparation

2.1 Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 17 October 2019.

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 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for impairment of financial assets.

The Company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in classification, measurement and impairment are recognised in opening accumulated surplus as at 1 July 2018.

2. Basis of preparation (continued)

2.5 Change in accounting policies (continued)

AASB 9 Financial Instruments (continued)

On the date of initial application, 1 July 2018, the Company's financial assets and financial liabilities were reclassified as follows:

in AUD	Note	Original AASB 139 Category	New AASB 9 Category	Original Carrying Amount at 30 June 2018 AASB 139	New Carrying Amount at 1 July 2018 AASB 9
Cash and cash equivalents	8	Loans and receivables	Amortised cost	4,832,453	4,832,453
Investments (term deposits)	10	Loans and receivables	Amortised cost	14,490,000	14,490,000
Loans and other receivables	9	Loans and receivables	Amortised cost	952,563	952,563
Total financial assets				**20,275,016**	**20,275,016**
Trade and other payables	12	Other financial liabilities	Other financial liabilities	1,464,336	1,464,336
Total financial liabilities				**1,464,336**	**1,464,336**

The impact of transition to AASB 9 on equity, at 1 July 2018, was as follows:

in AUD	Impact of adopting AASB 9 at 1 July 2018
Accumulated Surplus:	
Closing balance under AASB 139 (30 June 2018)	6,912,334
Recognition of expected credit losses under AASB 9	(202,220)
Opening balance under AASB 9 (1 July 2018)	6,710,114

3. Significant accounting policies

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

3.1 Financial instruments

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

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

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

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

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

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

Policy from 1 July 2018 – Financial assets held at amortised cost

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

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

Policy prior to 1 July 2018 - 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 require the Company to make specified payments to reimburse Westpac for loans funded by Westpac that are more than 90 days in arrears.

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

3. 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.

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 contains 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.

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 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 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. Fundraising information

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

4.1 Fundraising Appeals conducted during the year

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

	in AUD	**2019**	**2018**
(a)	Gross proceeds from fundraising appeals	500,086	897,094
	Less: Direct costs of fundraising appeals	(55,941)	(106,338)
	Net surplus obtained from fundraising appeals	444,145	790,756
(b)	Application of net surplus obtained from fundraising appeals		
	Services provided to clients	444,145	790,756

5. Revenue

in AUD	2019	2018
Government grants	5,968,417	3,247,879
Donations	609,559	897,094
Other grants	2,721,734	2,349,067
Other income	72,695	85,230
	9,372,405	**6,579,270**

6. Personnel expenses

in AUD	2019	2018
Wages and salaries	5,371,878	3,882,239
Other associated personnel expenses	539,468	272,768
Contributions to defined contribution plans	489,199	354,117
	6,400,545	**4,509,124**

7. Finance income and finance costs

in AUD	2019	2018
Recognised in profit or loss		
Interest Income	499,562	239,787
Finance income recognised in surplus	**499,562**	**239,787**
The above finance income includes the following interest income in respect of assets (liabilities) at amortised cost:		
Total interest income on financial assets	499,562	239,787

8. Cash and cash equivalents

in AUD	2019	2018
Cash at bank	2,727,286	4,832,453
Cash and cash equivalents in the statement of cash flows	**2,727,286**	**4,832,453**

9. Loans and other receivables

in AUD	2019	2018
Current		
Loan receivables	1,151,215	1,043,355
Other receivables	92,630	350,597
Provision for impairment loss	(642,541)	(441,389)
	601,304	**952,563**

Credit risk

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

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

9. Loans and other receivables (continued)

Credit risk (continued)

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

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

Exposure to credit risk

Prior to February 2010, 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 2019, include client loans held by the Company and other loans initially provided by Westpac but subsequently transferred to the Company.

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

Since commencement, the Company has provided (itself or facilitated through Westpac) 1,951 loans totalling $9,898,703. As at 30 June 2019, there were 568 loans outstanding with balances totalling $1,881,152.

Impairment losses on trade receivables at 30 June 2019 totalled $642,541, of which $588,014 related to provisions against loans held by the Company and $54,527 for financial guarantees in respect of loans held by Westpac. The Company's maximum exposure to credit risk at the reporting date was:

- $1,243,845 (2018: $1,393,952) being loans and other receivables provided by the Company before allowing for impairment losses on trade receivables of $588,014; and
- $729,936 (2018: $680,961) being loans to clients provided by Westpac, before allowing for provisions for financial guarantees of $54,527.

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:

in AUD	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
Not past due	330,962	-	497,636	-
Past due 0-30 days	-	-	-	-
Past due 31+ days	912,883	642,541	896,316	441,389
	1,243,845	**642,541**	**1,393,952**	**441,389**

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

10. Investments

in AUD	2019	2018
Current		
Term deposits	12,090,000	13,500,000
	12,090,000	**13,500,000**
Non-Current		
Term deposit	-	990,000
	-	**990,000**

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

11. Property, plant and equipment

in AUD	Plant and Equipment	Total
Carrying amount as at 1 July 2017	-	-
Additions	319,881	319,881
Depreciation	(26,404)	(26,404)
Balance at 30 June 2018	**293,477**	**293,477**
Assets cost	319,881	319,881
Accumulated depreciation	(26,404)	(26,404)
Carrying amount as at 1 July 2018	293,477	293,477
Additions	1,181,213	1,181,213
Depreciation	(147,029)	(147,029)
Balance at 30 June 2019	**1,327,661**	**1,327,661**
Assets cost	1,501,094	1,501,094
Accumulated depreciation	(173,433)	(173,433)

12. Trade and other payables

in AUD	2019	2018
Current		
Trade payables	463,230	305,420
GST payable	-	1,158,916
	463,230	**1,464,336**

13. Deferred income

Grants received, relating to services to be provided in 2020, totalled $7,479,102 (2018: $5,114,284). No grants received related to services to be provided beyond 2020 (2018: $6,811,519).

in AUD	2019	2018
Current		
Corporate and Foundation grants	167,583	180,867
Government grants	7,311,519	4,933,417
	7,479,102	**5,114,284**
Non-Current		
Government grants	-	**6,811,519**

14. Employee benefits provisions

in AUD	2019	2018
Current		
Liability for annual leave	312,277	238,807
Liability for long service leave	17,209	14,981
Other provisions	60,000	50,000
	389,486	**303,788**
Non-Current		
Liability for long service leave	**138,025**	**79,780**

15. Settled Sum

in AUD	2019	2018
	10	**10**

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

16. Capital and reserves

16.1 Accumulated surplus

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

17. Contingencies

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

18. Related party information

The Directors who held office during the financial year were:

Mr Peter Colin Cadwallader	Ms Suzanne Maree Hullick	Mr Sinclair Taylor
Mr John Andrew Burn	Mr Langus Shane Phillips	Mr Terence Winters

The subscribing Members of Many Rivers Microfinance Limited are:

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

19. Member's guarantee

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

20. Auditor's Remuneration

In AUD	2019	2018
Audit and review services		
Auditors of the Company		
Audit and review of financial statements	20,000	18,500

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 8 to 22, 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 2019 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, 17 October 2019.

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, 17 October 2019

P C Cadwallader
Chairman

J A Burn
Managing Director

KPMG

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 2019, and of its financial performance and its cash flows for the year ended on that date; and

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

The ***Financial Report*** comprises:

i. Statement of financial position as at 30 June 2019.

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 Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

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

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

iv. Assessing the Company's ability to continue as a going concern. 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.

KPMG

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 2019;

ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2018 to 30 June 2019, 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 2018 to 30 June 2019 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 2019.

KPMG

KPMG

Stephen Isaac

Partner

Sydney

17 October 2019

Corporate governance

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

Foundations for management and oversight

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

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

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

The Board oversees and monitors management's performance by:

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

Corporate governance (continued)

Foundations for management and oversight (continued)

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

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

Board structure

The majority of Board members including the Chair are Independent Directors. The Company Constitution requires no less than 4 and no more than 12 Directors. There were 6 Directors at 30 June 2019:

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

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

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

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

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

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

Timely and balanced disclosure

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

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

Corporate governance (continued)

Respecting rights of members

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

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

Recognising and managing risk

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

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

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

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

Remunerating fairly and responsibly

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