AFCA General Purpose Financial Report 2022

For the financial year ended 30 June 2022

Directors' Report

The Australian Financial Complaints Authority Limited ("AFCA") submits herewith the annual financial report of the company from 1 July 2021 to 30 June 2022, consistent with the provisions of the *Corporations Act 2001*.

Principal Activities

AFCA is a not-for-profit company limited by guarantee, with its principal activity being the external dispute resolution (EDR) provider for the financial services industry in Australia.

Company Objectives

Purpose

The mission of AFCA is to provide fair, independent and effective solutions for financial disputes.

Vision

AFCA's vision is to be a world class ombudsman service

- Raising standards and minimising disputes
- Meeting diverse community needs and
- Trusted by all

Authorisation of AFCA

The Minister for Revenue and Financial Services authorised AFCA to operate the AFCA EDR scheme in April 2018, with a commencement date of 1 November 2018.

The Board of Directors

Independent Chair

Professor John Pollaers (Chair) - OAM MBA BA

Appointed Independent Chair of the Australian Financial Complaints Authority on 15 May 2021, Professor John Pollaers OAM is an eminent international Chair, Chief Executive and Non-Executive Director. John brings a unique set of experience and insights to his role at AFCA, gained in his many years as a distinguished leader across a range of multi-dimensional and complex industries including consumer products and advanced manufacturing. He has been chief executive and director of major companies, including Foster's Group Limited and Pacific Brands, where he regenerated the company culture and was recognised as further simplifying the business model and successfully driving performance of key functions.

Responsible for leading several successful company turnarounds in the face of difficult industry circumstances, John is highly effective in leading organisations operating in ambiguous, unpredictable and sensitive environments. He has been instrumental in building close engagement with the Government and media across a range of complex and dynamic industries, notably as founding Chair of the Australian Advanced Manufacturing Council and Chair of the Australian Industry and Skills Committee, and a member of the Prime Minister's Industry 4.0 Taskforce.

Socially-minded, John thrives on contributing to much needed debates on a range of issues facing society. He speaks widely on the issues of skills development, the imperatives of 21st Century global business, and the necessity of building meaningful collaboration between research and industry. John is also driven by a passion to harness the benefits of technology and data to make radical, positive change to communities and industries to improve our society.

Professor Pollaers holds an MBA from INSEAD and Macquarie University, as well as degrees in Electrical Engineering and Computer Science. He was awarded the Medal of the Order of Australia (OAM) in June 2018 for service to the manufacturing sector, to education and to business. He is also currently the Chancellor of Swinburne University of Technology in Melbourne.

Consumer Directors

Carmel Franklin - BEd Dip (Financial Counselling)

Carmel Franklin was appointed to the inaugural Board on 4 May 2018. She is a former consumer director of the Financial Ombudsman Service Limited. Carmel has been the CEO of Care in the ACT for 14 years.

She has been involved with consumer issues for a number of years, including as the Chair of ACT Gambling Harm Community of Practice, Co-Chair of ACT Anti-Poverty Week Committee, Member of the ATO Individual Stewardship Group and as a board member on the ACT Gambling and Racing Commission.

She is a former member of the ASIC Consumer Advisory Panel as well as the FOS Consumer Liaison Group and most recently former Chair of Financial Counselling Australia, a position she held for 12 years.

Elissa Freeman - BA GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018. She is a former Director of the Financial Ombudsman Service Limited.

Elissa has advocated for consumers' rights in the financial services, telecommunications and energy and water industries in her roles at CHOICE, the Australian Communications Consumer Action Network and the Public Interest Advocacy Centre. She also led a major investigation into residential mortgage prices at the Australian Competition and Consumer Commission.

She is currently the Chair of Australian Energy Regulator Consultative Group, a member of Australian Energy Regulator Consumer Challenge Panel and a Director of Super Consumers Australia.

Elissa was previously Chair of the Financial Rights Legal Centre, a member of ASIC's Consumer Advisory Panel and a Director of the Financial Adviser Standards and Ethics Authority.

Erin Turner - BA MPP GAICD

Erin Turner was appointed a consumers' director by the Minister for Revenue and Financial Services on 4 May 2018. Erin is the CEO of the Consumer Policy Research Centre and the Chair of the Financial Rights Legal Centre.

Previously she was the Director of Campaigns and Communications at CHOICE. She represents consumer interests on the ACCC Consumer Consultative Committee and has previously sat on the ACMA Consumer Consultative Forum and the ASIC Consumer Advisory Panel.

Alan Wein - LLB PRI-Med-NMAS

Alan Wein was appointed a consumers' director by the Minister for Revenue and Financial Services on 4 May 2018 and retired from the Board on 30 June 2022. Alan is a skilled lawyer, experienced mediator and advocate for small and medium sized businesses.

He was a former Adjunct Professor at RMIT's Business Management School and was a director of House Franchised Concept, House Homewares.

He was appointed the inaugural chair of the Victorian Government Small Business Advisory Council 2000 and of the inaugural chair Victorian Governments COVID-19 CTRS Administration Committee in 2020. He was the business delegate on the Victorian Government Infrastructure Planning Council.

Alan is a member of the Resolution Institute (Office of Franchise Mediation Advisor - OFMA) and the Law Institute of Victoria. He is also a senior panel mediator on the Victorian Office of the Small Business Commissioner (VSBC).

Alan conducted the Federal Government Review of the Franchise Code of Conduct and Regulatory Framework in 2013 and in 2015 Alan was again appointed by the Federal Government to conduct a review of the Regulatory Framework in the Horticulture Code of Conduct. Finally, in 2016 Alan was involved in advising the Federal Government in Unfair Contracts legislation.

Industry Directors

Jennifer Darbyshire - BA LLB (Hons) LLM FAICD

Jennifer Darbyshire was appointed to the inaugural Board on 4 May 2018. She is a former industry director of the Financial Ombudsman Service Limited.

Jennifer has extensive senior executive experience in governance, law, conduct risk and regulatory risk across a range of sectors and in a variety of roles and organisations, including international experience on two separate occasions.

Jennifer previously worked at the National Australia Bank, where her roles included EGM Conduct & Regulatory Risk, General Counsel Governance and General Counsel Corporate (including 8 months as Acting Group General Counsel). She also previously worked in private legal practice (including King & Wood Mallesons in Melbourne and Linklaters in London).

Jennifer currently sits on the Melbourne International Jazz Festival Board and the Melbourne Theatre Company Foundation Board. Previous directorships include Heide Museum of Modern Art (Chair) and St Vincent's & Mercy Private Hospital.

Andrew Fairley - AM LLB (Melb) Hon Doc (Deakin) FAICD & FAIST

Andrew Fairley AM was appointed an industry director by the Minister for Revenue and Financial Services on 4 May 2018. He is a Commercial and Equity Lawyer with over 40 years' experience in Superannuation and is a Consultant at Hall & Wilcox. He is the immediate past Chair of Equip Super, an industry fund with assets under management of over $30b. He founded the Law Council of Australia's Superannuation Committee in 1985 and served as its Chair for 10 years.

He is the Chair of Qualitas Limited, a leading Australian alternative real estate investment manager. He is the former Chair of Zoos Victoria, Parks Victoria, and a former Deputy Chair of Tourism Australia.

He is very involved in the philanthropic sector as Chair of the Sir Andrew Fairley Foundation and Deputy Chair of the Mornington Peninsula Foundation.

Claire Mackay - BComLLB LLM GAICD

Claire Mackay was appointed an industry director by the Minister for Revenue and Financial Services on 4 May 2018.

Claire is a Director and Principal Adviser at Quantum Financial and is a Chartered Accountant, Certified Financial Planner, Chartered Tax Analyst and a Self-Managed Superannuation Fund specialist. Previously Claire held roles at Macquarie Bank and PwC.

Claire is a Director of the Accounting Professional and Ethical Standards Board. Claire's current appointments include the FPA Professional Standards and Conduct Committee, the RMIT School of Accounting Program Advisory Committee and the Finance Audit and Compliance Committee for Surf Lifesaving NSW.

As the owner of an independent financial services business, Claire regularly engages with other business owners and smaller financial firm operators in industry forums and conferences.

Johanna Turner - BA LLB GAICD

Johanna was appointed to the inaugural Board on 4 May 2018 and retired from the Board 31 December 2021. She is a former industry director of the Financial Ombudsman Service Limited.

Johanna has gained extensive executive experience in the financial services industry over the past 25 years, working in domestic and international banks, exchanges and regulatory bodies. She has expertise in risk management, compliance, regulation, policy and corporate governance.

As a Managing Director of Citibank, Johanna held the positions of Chief Risk Officer and Chief Country Compliance Officer. She has also held senior roles at Macquarie Bank, the Australian Stock Exchange, the Sydney Futures Exchange and ASIC.

Johanna is an independent compliance committee member for organisations including Schroders, Blackrock and Perpetual. She is also an Advisory Council member for Skyjed, a regtech company and Chair of the Australian Financial Markets Association Professionalism Committee.

Johanna was previously a member on the ASIC Financial Services and Credit Panel.

Gary Dransfield

Gary Dransfield joined the AFCA Board on 1 January 2022 and has more than 37 years' experience in the retail financial services sector, holding senior roles with Suncorp Group, IAG, Lend Lease, AMP and St George Bank.

He was most recently Chief Executive, Insurance, for Suncorp, having also been Chief Executive of its Customer Platforms and Personal Insurance units, as well as its Vero Insurance business in New Zealand. At St George, he played an integral role in the successful conversion of St George from a building society to a bank.

Gary is a former President and Chair of the Insurance Council of Australia, former President of the Insurance Council of New Zealand, and a former director of CareFlight NSW. He is currently a non-executive director with Hollard Insurance and Chair of the panel advising the NSW Government on the design of Decennial Liability Insurance for apartment buildings.

Gary is currently the Independent Chair of the Association of Superannuation Funds of Australia (ASFA).

Company Secretary

Anna Campbell - BA LLB

Anna Campbell joined AFCA as General Counsel in November 2019 and is experienced senior executive with cross-sector and regulatory expertise. Anna's extensive knowledge of financial services means she is uniquely positioned to provide expert advice to AFCA on complex legal matters, corporate governance and risk management.

Anna was previously General Manager of Enterprise Compliance at the Australian Securities Exchange (ASX) where she was responsible for the ASX Group's regulatory assurance function, involving Corporations Act licensing obligations, Trade Practices Act requirements and other statutory obligations.

Anna also held the role of Deputy General Counsel at ASX for nine years, after joining the ASX from Allianz where she was Acting General Counsel. She has worked as a lawyer in both the private and public sector and exhibits a breadth of experience in providing expert instruction on a range of matters. Anna is a highly effective operative in developing and leading organisational approaches to management, corporate governance, risk management, and stakeholder management.

Board Committees

The Board Committees play an important role to assist the Board in its decision-making processes. The standing Board Committees are:

- Audit and Risk Committee
- Nominations and Remuneration Committee
- People & Remuneration Committee

Board Member Attendance

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year is set out in the tables below.

Director	Full Board		Audit & Risk Committee		Nominations Committee		People and Remuneration Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	5	5	-	-	2	2	-	-
J Darbyshire	5	5	-	-	1	1	4	4
G Dransfield	3	3	2	2	-	-	-	-
A Fairley	5	5	5	5	2	2	-	-
C Franklin	5	5	5	5	-	-	-	-
E Freeman	5	5	-	-	2	2	4	4
C Mackay	5	5	-	-	-	-	4	4
E Turner	5	5	5	5	1	1	-	-
J Turner	2	2	2	2	-	-	-	-
A Wein	5	5	-	-	-	-	2	2

Company Overview

Background

The company was incorporated on 17 July 2017 with the objective of presenting an application to operate the external dispute resolution (EDR) scheme for the financial services industry mandated by the *Treasury Laws Amendment (Putting Consumers First - Establishment of the Australian Financial Complaints Authority) Act 2017*.

Memberships

There were 10,456 active Financial Firms and 32,032 active Authorised Credit Representative members registered at 30 June 2022.

Operating result

The net surplus/(deficit) for the year from 1 July 2021 to 30 June 2022 is ($7,869,619) and total accumulated funds amount to $28,517,111.

Complaint numbers

AFCA received 72,358 complaints between 1 July 2021 and 30 June 2022, which is a 3% increase in monthly complaints compared to the last financial year (FY20–21). AFCA has received over 270,000 complaints since commencing on 1 November 2018.

In 2021–22, AFCA closed the last open FOS and CIO legacy cases.

Legacy complaints

In response to the Royal Commission the Government announced that AFCA's jurisdiction would be expanded to enable it to assess legacy complaints (that is, complaints involving firms dating back to 1 January 2008). AFCA received 1,927 complaints under this jurisdiction, as at 30 June 2022 there were 93 open legacy complaints spread across most product areas, with the majority in banking.

COVID-19

Since the virus was declared a pandemic on 11 March 2020, AFCA has received 16,624 complaints relating to COVID-19 to the end of 30 June 2022.

Subsequent Events

(a) New AFCA Funding Model

Since AFCA commenced handling complaints on 1 November 2018, it has been operating under an interim funding model that is a hybrid, based on aspects of the CIO and FOS scheme funding arrangements and the APRA levy model for superannuation trustees. The interim funding model was intended to remain in place for the first three years of AFCA operations (FY19 to FY21) while AFCA established an evidence base of complaint volumes and complexity in an expanded jurisdiction.

In late 2020, AFCA commenced its Funding Model Review to design and implement a long-term, sustainable funding model. Working with PwC, AFCA performed an extensive review and analysis of AFCA's operating cost base (including benchmarking), composition of complaints, modelling of member impacts and cross-subsidisation, future demand forecasting and research on funding models from comparative schemes globally to create a proposed design based on a 'user pays' principle.

From February 2022 through to May 2022, AFCA ran an extensive consultation process on the design which included meeting directly with over 60 firms and peak bodies, running webinars with over 1200 members, writing to 11,000 members with tailored information about the proposed model and individual impacts, and publishing information in member newsletter articles and on the AFCA website. AFCA received broad industry, government and consumer support on the proposed design.

The final Funding model approved by the AFCA Board which came into effect on 1 July 2022. The key features include:

- The removal of scaled membership and superannuation levy fees replaced with a flat annual registration fee of $365.55 for Financial Firms and $65.98 for Authorised Credit Representatives

- An increased proportion of fixed revenue allocated to the user charges and an increase to the eligibility threshold increased from two complaints to six complaints onwards to provide greater certainty moving to a true user pays system

- Simplified and reduced complaint fee structure to remove complexities and encourage early resolution of complaints

- Introduction of five free complaints applied to the first complaints closed from the beginning of the new AFCA financial year (1 July to 30 June) for all members

(b) COVID 19

As at 30 June 2022 the financial impacts of COVID-19 continue within the wider economy. Notwithstanding the current economic environment, COVID has directly

impacted AFCA's operational performance in FY2021/22 due to unplanned illness and caring responsibilities of staff.
Uncertainty remains as to the short to medium outlook on the broader economy due to the emergence of new and fast spreading strains of COVID that continue to impact the operational performance of AFCA, its members and consumers.

(c) Macroeconomic conditions

The directors of the company acknowledge the challenging economic environment that persists including the substantial removal of fiscal support to support the economy during the pandemic and more recently ongoing increases in monetary support to curb rising inflation. As such events and conditions in the future may be materially different from those currently estimated at reporting date which may impact the company and its operations.

Other than the items identified herein, as at the end of the financial year and the date of this report, there has not arisen any other item, transaction, or event of a material and unusual nature that, in the opinion of the directors of the company, would significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Indemnification and insurance of officers

The company has agreed to indemnify the current and former directors and secretaries of the company against all liabilities to another person (other than the company) that may arise from their position as directors or secretaries of the company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of the agreements entered into, the company has agreed to indemnify the adjudicators, panel members and ombudsmen for all liabilities to another person (other than the company) that may arise from their position in the company except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including legal fees.

The company has paid insurance premiums in respect of the Directors' and Officers' Liability and Legal Expenses Insurance contracts for officers of the company. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, except conduct involving wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of premiums paid in respect of individual officers of the company.

During or since the end of the financial period, the company has not otherwise indemnified or agreed to indemnify any officer or auditor of the company against a liability incurred as such an officer or auditor.

Members' Guarantee

The company is a public company limited by guarantee incorporated in Australia. If the company is wound up, the Constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the company.

At 30 June 2022, the maximum total members' contribution is $4,248,800 if the company is wound up.

Auditor's Independence Declaration

A copy of auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 14.

Directors' Declaration

For the financial year ended 30 June 2022, the directors declare that:

a) the financial statements and notes, as set out on pages 17 to 44, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards – Simplified Disclosure Requirements; and
   b. give a true and fair view of the financial position as at 30 June 2022 and the performance for the year ended on that date of the company.

b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors

John Pollaers (Sep 28, 2022 09:29 GMT+3)

Director

On behalf of the directors

Dated at Sydney this 1st day of September 2022

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE AUSTRALIAN FINANCIAL COMPLAINT AUTHORITY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

RYAN LEEMON
Partner
Audit and Assurance

Melbourne, Victoria

1 September 2022

MOORE

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY LIMITED

Opinion

We have audited the accompanying financial report of Australian Financial Complaints Authority Ltd (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

In our opinion:

a. the financial report of the Australian Financial Complaints Authority is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 30 June 2022 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards – Simplified Disclosure and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 *Corporations Act 2001* 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards – Simplified Disclosure and the *Corporations Act 2001* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

RYAN LEEMON
Partner
Audit and Assurance

Melbourne, Victoria

1 September 2022

Australian Financial Complaints Authority Limited

Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2022

	Notes	Year ending 30 June 2022	Year ending 30 June 2021
Revenue	2	118,618,411	128,665,050
Employee benefits expense		(100,964,736)	(97,900,904)
Office costs		(652,766)	(1,027,677)
Communication & Stakeholder relations expenses		(634,728)	(1,076,073)
Interest expense on leases	6	(2,645,649)	(2,717,834)
Occupancy expenses		(3,007,675)	(3,710,066)
Board expenses		(991,056)	(747,695)
Impairment losses on financial assets		224,583	(1,284,910)
Insurance expenses		(165,474)	(156,839)
Professional assistance expenses		(5,297,880)	(3,633,751)
Depreciation & amortisation expense		(8,812,198)	(8,944,565)
Free decisions provided to members		-	(71,054)
Technology expenses		(3,422,443)	(3,809,030)
Other expenses		(119,509)	(112,299)
Surplus / (Deficit) before tax		**(7,869,619)**	**3,472,353**
Income tax expense		-	-
Surplus / (Deficit) for the period		**(7,869,619)**	**3,472,353**
Other comprehensive income		-	-
Total comprehensive income		**(7,869,619)**	**3,472,353**

Notes to and forming part of the financial statements are included on pages 22 to 44.

Australian Financial Complaints Authority Limited

Statement of Financial Position as at 30 June 2022

	Notes	2022	2021
Current Assets			
Cash and cash equivalents	15 (i)	26,404,107	8,580,728
Trade receivables, prepayments & other debtors	3	23,227,882	26,211,262
Other financial assets	4	-	20,000,000
Total Current Assets		**49,631,988**	**54,791,990**
Non-Current Assets			
Property, plant and equipment	5	5,425,699	6,208,638
Right of Use Assets	6	68,059,948	75,544,404
Total Non-Current Assets		**73,485,647**	**81,753,042**
Total Assets		**123,117,636**	**136,545,032**

Notes to and forming part of the financial statements are included on pages 22 to 44.

Australian Financial Complaints Authority Limited

Statement of Financial Position as at 30 June 2022 (continued)

	Notes	2022	2021
Current Liabilities			
Accounts payable and other payables	7	6,732,566	7,359,918
Lease Liabilities	8	5,395,451	4,911,495
Provisions	9	11,177,823	11,347,569
Total Current Liabilities		**23,305,841**	**23,618,981**
Non-Current Liabilities			
Lease Liabilities	8	67,511,769	72,907,220
Provisions	9	3,782,915	3,632,101
Total Non-Current Liabilities		**71,294,684**	**76,539,321**
Total Liabilities		**94,600,525**	**100,158,302**
Net Assets		**28,517,111**	**36,386,730**
Accumulated Funds	10	28,517,111	36,386,730
Total Accumulated Funds		**28,517,111**	**36,386,730**

Notes to and forming part of the financial statements are included on pages 22 to 44.

Australian Financial Complaints Authority Limited

Statement of Changes in Equity for the year ended 30 June 2022

2022	Notes	Equity from Previous EDR Schemes	Retained Earnings	Total
Balance as 1 July 2021		**44,862,983**	**(8,476,253)**	**36,386,730**
Deficit for the period		-	(7,869,619)	(7,869,619)
Balance at 30 June 2022		**44,862,983**	**(16,345,872)**	**(28,517,111)**

2021	Notes	Equity from Previous EDR Schemes	Retained Earnings	Total
Balance as 1 July 2020		**44,862,983**	**(11,948,606)**	**32,914,377**
Surplus for the period		-	3,472,353	3,472,353
Balance at 30 June 2021		**44,862,983**	**(8,476,253)**	**36,386,730**

Notes to and forming part of the financial statements are included on pages 22 to 44.

Australian Financial Complaints Authority Limited

Statement of Cash Flows for the year ended 30 June 2022

	Notes	2022	2021
Cash Flows from Operating Activities			
Receipts from members and others		133,947,424	139,944,327
Interest received		73,155	135,795
Payments to suppliers and employees		(128,075,577)	(126,025,191)
Lease Interest		(2,645,649)	(2,717,834)
Net cash provided by / (used in) operating activities	15 (ii)	**3,299,353**	**11,337,097**
Cash Flow from Investing Activities			
Payment for property plant and equipment		(558,867)	(3,962,988)
Redemption / (Payment) for investments in term deposits		20,000,000	(20,000,000)
Net cash provided by / (used in) investing activities		**19,441,133**	**(23,962,988)**
Cash Flow from Financing Activities			
Payment of lease liability principal		(4,917,108)	(4,866,617)
Net cash provided by / (used in) financing activities		**(4,917,108)**	**(4,866,617)**
Cash and cash equivalents at the beginning of the financial period		**8,580.728**	**26,073,236**
Net increase in cash and cash equivalents		**17,823,379**	**(17,492,509)**
Cash and cash equivalents at the end of the financial period	15 (i)	**26,404,107**	**8,580,728**

Notes to and forming part of the financial statements are included on pages 22 to 44.

Australian Financial Complaints Authority Limited

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1: Summary of Significant Accounting Policies

General information

Australian Financial Complaints Authority Limited (the company or "AFCA") is a company limited by guarantee, incorporated and operating in Australia.

From 1 August 2021, Australian Financial Complaints Authority Limited's new registered office and its principal place of business is:

Level 26 Wesley Place
130 Lonsdale Street
Melbourne Vic 3000

AFCA is a not for profit company limited by guarantee with its principal activity being an external dispute resolution provider for the financial services industry in Australia.

The Minister for Revenue and Financial Services authorised AFCA to operate the AFCA EDR scheme in April 2018, with a commencement date of 1 November 2018.

Between 1 May and 31 October 2018, AFCA was the operating entity of the External Dispute Resolution (EDR) service previously provided by the Financial Ombudsman Service (FOS), and received new complaints lodged under the FOS EDR scheme, and between 1 September 2018 and 31 October 2018 provided EDR services previously provided by the Credit and Investments Ombudsman (CIO), and received new complaints lodged under the CIO EDR scheme.

Statement of Compliance

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures and the Corporations Act 2001.

New and Amended Accounting Policies Adopted by the Company

AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The Company has adopted AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities for the first time this reporting period. The Standard, which sets out a new separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential

Reporting Framework in AASB 1053: Application of Tiers of Australian Accounting, replaces the previous Reduced Disclosure Requirements framework. The adoption of this standard did not have a material impact on the Company's financial statements.

The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The amounts presented in the financial statements have been rounded to the nearest dollar. All amounts are presented in Australian dollars. The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

The financial statements were approved by the directors and authorised for issue on 1 September 2022.

Accounting Policies

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Revenue

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Membership levies, Superannuation Levies and User Charges

Annual membership levies, superannuation levies and user charges are recorded as revenue in the financial year they relate to. Cash received from members for membership levies relating to the following financial year is treated as income received in advance.

Complaint fees and User Charges

Revenue from complaint fees and user charges are recorded on the basis of the stage of completion of the complaint to the extent revenue can be reliably measured and by taking into account any conditions specified in arrangements with specific members, explicit or implicit, regarding the complaint handling services..

Code monitoring

Code monitoring is recorded as revenue in the financial year monitoring activity is performed. Where cash received from code subscribers and industry associations remains unspent at the end of the financial year it is treated as income received in advance as this is deemed to align with the performance obligations within the agreement.

Membership application fees

The membership application fee is a one-off contribution which is applicable to all new members. It is recorded as revenue in the financial year in which a new member applies to join the company.

Interest income

Interest income is recognised as using the effective interest method.

Grant Revenue

AFCA may receive grants where there are conditions to deliver economic value through the set-up of new complaint handling processes and support arrangements. As conditions are attached to the grant before AFCA is eligible to retain the contribution, the recognition of the grant as revenue is deferred until those conditions are satisfied. As at 30 June 2022, AFCA received $2,605,414 in grant revenue associated support arrangements with previous work relating to the Compensation Scheme of Last Resort.

(b) Property, plant and equipment and depreciation

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Furniture and fittings	1-11 years
Computer hardware and software	3-5 years
Office equipment	1-5 years
Leasehold improvements	To expiry of lease term

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Property, plant and equipment is assessed for impairment each year and an impairment loss is recognised when no future economic benefit will arise from the continued use of an asset.

Work in progress assets are in the course of construction for future use by AFCA and are carried at cost, less any recognised impairment loss. Depreciation of these assets will commence when the assets are ready for their intended use.

(c) Leases

The Company as a lessee

AFCA has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight-line basis.

At inception of a contract, AFCA assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by AFCA where AFCA is a lessee.

However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, AFCA uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

(d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when AFCA becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that AFCA commits itself to either the purchase or sale of the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in *AASB 15: Revenue from Contracts with Customers*.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial assets

Financial assets are subsequently measured at amortised cost. Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- AFCA no longer controls the asset (i.e., it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

AFCA recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income; and
- contract assets.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

AFCA uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach; and
- the simplified approach.

General approach

Under the general approach, at each reporting period, AFCA assessed whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument increased significantly since initial recognition, AFCA measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there was no significant increase in credit risk since initial recognition, AFCA measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of *AASB 15: Revenue from Contracts with Customers*, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience).

Recognition of expected credit losses in financial statements

At each reporting date, AFCA recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(e) Impairment of Assets

At the end of each reporting period, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the assets are not held primarily for their ability to generate net cash inflows - that is, they are specialised assets held for continuing use of their service capacity - the recoverable amounts are expected to be materially the same as fair value.

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

(f) Employee Provisions

Short-term employee provisions

Provision is made for AFCA's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) where employees are eligible for settlement within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries, sick leave and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee provisions

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations.

Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee provisions expense.

AFCA’s obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where AFCA does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current employee provisions.

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

AFCA does not provide any defined benefits plans to employees.

(g) Cash and cash equivalents

Cash on hand includes deposits held at-call with banks and term deposits that have a maturity of less than 3 months.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

(i) where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of the asset or as part of an item of expense

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the ATO is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financial activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

(i) Income tax

The company has determined that it is an exempt entity under section 50-10 of the *Income Tax Assessment Act 1997* and therefore exempt from income tax.

(j) Intangible Assets

Software is recorded at cost. Where software is acquired at no cost, or for a nominal cost, the cost is its fair value, as at the date of acquisition. It has a finite life and is carried at cost less accumulated amortisation and any impairment losses. Software has an estimated useful life of between one and three years. It is assessed annually for impairment.

(k) Provisions

Provisions are recognised when AFCA has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(m) Accounts Payable & Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by AFCA during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Accumulated funds

As per section 2.3 of the company's constitution, upon winding up of the company, any excess funds shall not be paid to members but shall be given or transferred to any organisation with similar purposes and which has rules prohibiting the distribution of its assets and income to its members.

(o) Critical accounting estimates & judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within AFCA.

Key Judgements

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries
- future on cost rates, and
- experience of employee departures and period of service.

For the purpose of measurement, *AASB 119: Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. AFCA expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

Long term employee benefit provisions are measured at present value using discount rates by reference to market yields for high quality corporate bonds at the end of the reporting year.

Performance obligations under AASB 15 Revenue

To identify a performance obligation under AASB 15 Revenue, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised services. In making this assessment, AFCA management takes account of complaint handling activities for complaints that are currently lodged with AFCA and are in progress in addition to other membership support services that are available to effective members during the current membership year.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

As described in note 1(b) the company reviews the estimated useful lives of property, plant and equipment at the end of each reporting year.

Employee entitlements

Expected future cash outflows are based on future salary increases, which are subject to multiple influences, including CPI inflation and salary increases within the financial services market.

Trade Receivables - Credit Losses

As described in note 1(d), various data is used to get an expected credit loss for trade receivables.

Credit losses arise from multiple AFCA members that are unable or unwilling to pay debts owing to AFCA. In addition to insolvency, the underlying reasons for this condition can vary significantly for each member, so determining whether a credit loss will occur is a key source of uncertainty. Under these circumstances, the volume of complaints and the extent of work that is required to resolve these complaints is also uncertain. This impacts on the value of credit losses that arise from the non-recovery of complaint fees.

Note 2: Revenue

Surplus/(Deficit) for the periods includes the following items of revenue:

Revenue	2022	2021
Complaint fees	83,278,581	96,435,275
Membership levies	27,504,358	27,337,971
Interest income	73,528	137,378
Government Grants	2,605,414	-
Code monitoring	5,156,531	4,618,189
Other sundry income	-	136,237
Balance as at 30 June	**118,618,411**	**128,665,050**

Note 3: Trade Receivables, Prepayments and Other Debtors

	2022	2021
Trade Receivables	16,421,879	16,498,890
Accrued income	10,423,753	13,492,490
Prepayments	2,157,365	2,195,860
Other Debtors	92,075	115,794
Provision for expected credit loss	(5,867,190)	(6,091,772)
Balance as at 30 June	**23,227,882**	**26,211,262**

Note 4: Other Financial Assets

There were no term deposits with a maturity of over 3 months recognised as held to maturity assets as at 30 June 2022 (2021: $20,000,000).

Note 5: Property, Plant and Equipment

2022	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	3,859,477	7,041,716	87,300	11,254,511
Additions - at cost	558,867	-	-	558,867
Transfers	58,935	-	(58,935)	-
Disposals	(45)	-	-	-
Balance at 30 June 2022	4,477,278	7,041,716	28,365	11,547,359
Accumulated Depreciation				
Opening Balance	2,600,390	2,179,465	-	4,779,855
Disposals	-	-	-	-
Depreciation expense	846,213	495,593	-	1,341,805
Balance at 30 June 2022	3,631,148	2,756,530	-	6,121,660
Book Value - 30 June 2022	**1,030,676**	**4,366,658**	**28,365**	**5,425,699**

2021	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	3,661,592	1,794,571	1,676,293	7,132,456
Additions - at cost	257,627	3,707,617	-	3,962,988
Transfers	-	1,588,993	(1,588,993)	-
Disposals	(59,742)	(49,465)	-	(109,208)
Balance at 30 June 2021	3,859,477	7,041,716	87,300	10,986,236
Accumulated Depreciation				
Opening Balance	1,578,523	1,580,630	-	3,159,153
Disposals	(45,715)	(32,007)	-	(77,722)
Depreciation expense	1,067,582	630,842	-	1,698,424
Balance at 30 June 2021	2,600,390	2,179,465	-	4,779,855
Book Value - 30 June 2021	**1,259,087**	**4,862,251**	**87,300**	**6,208,381**

Note 6: Right of Use Assets

Apart from short-term leases, AFCA has two leasehold buildings with terms of up to 11 years and an option to renew for a period of 5 years at 130 Lonsdale street, Melbourne and up to 10 years at 680 George Street, Sydney. Both these leases were recognised under *AASB 16 Leases.*

Right of use assets	2022	2021
AASB 16 amounts recognised in the Balance Sheet		
Right of Use Asset - Building & Leasehold Fit out	83,806,715	83,806,715
Accumulated Amortisation	(15,746,767)	(8,262,311)
Net Book Value	**68,059,948**	**75,544,404**

Movement in carrying amounts	2022	2021
Opening Balance	75,544,404	12,753,883
Recognised on commencement of new leases	-	70,007,432
Amortisation expense	(7,484,456)	(7,216,911)
Net Book Value	**68,059,948**	**75,544,404**

AASB 16 related amounts recognised in the statement of profit or loss	2022	2021
Amortisation charge related to right-of-use assets	7,484,456	7,216,911
Interest expense on lease liabilities	2,645,649	2,717,834
Makegood interest expense	41,650	36,912
Balance as at 30 June	**10,171,755**	**9,971,657**

Note 7: Accounts Payable & Other Payables

	2022	2021
Trade Payables and Accruals	3,535,227	4,371,480
Deferred Income	1,010,535	1,043,031
Amounts due to Australian Taxation Office	2,186,804	1,945,407
Balance as at 30 June	**6,732,566**	**7,359,918**

Trade payables consist of amounts owing for goods and services rendered which have a credit period not exceeding 30 days. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 8: Lease Liabilities

To be read in conjunction with Note: 6 Right of Use Assets

Lease liabilities - current

	2022	2021
Lease Liability - AASB 16 Leases	5,395,451	4,911,495
Balance as at 30 June	**5,395,451**	**4,911,495**

Lease liabilities - non-current

	2022	2021
Lease Liability - AASB 16 Leases	67,511,769	72,907,220
Balance as at 30 June	**67,511,769**	**72,907,220**

Note 9: Provisions

Provisions - Current

	2022	2021
Employee Benefits	11,177,823	11,347,568
Balance as at 30 June	**11,177,823**	**11,347,568**

Provisions - Non-Current

	2022	2021
Employee Benefits	2,470,591	2,361,427
Makegood Provision	1,312,324	1,270,674
Balance as at 30 June	**3,782,915**	**3,632,101**

Note 10: Accumulated Funds

	2022	2021
Opening Balance	36,386,730	32,914,376
Net Surplus/(Deficit) for the year	(7,869,619)	3,472,354

	2022	2021
Balance as at 30 June	**28,517,111**	**36,386,730**

Note 11: Remuneration of auditors

	2022	2021
(a) Auditing the Financial Report	48,500	46,500
(b) Other Audit Services	-	-
Total Remuneration of auditors	**48,500**	**46,500**

Note 12: Contingent Assets

There are no contingent assets as at 30 June 2022.

Note 13: Contingent Liabilities

There are no contingent liabilities as at 30 June 2022.

Note 14: Members' Guarantee

The company is a public company limited by guarantee incorporated in Australia. If the company is wound up, the Constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the company. At 30 June 2022, the maximum total members' contribution is $4,248,800 (2021: $4,076,000) if it was required by the company at winding-up.

Note 15: Notes to the Cash Flow Statement

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

(i) Cash and Cash Equivalents	2022	2021
Cash at bank - unrestricted	9,636,272	3,810,304
Term deposits - maturity 3 months or less	15,000,000	3,002,589
Cash at bank - held against bank guarantees	1,767,835	1,767,835
Balance as at 30 June	**26,404,107**	**8,580,728**

(ii) Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities		
Surplus / (Deficit) for the year	(7,869,619)	3,472,354
Depreciation & amortisation	8,812,198	8,944,564
Loss on sale of fixed assets	-	-
Provision for doubtful debts	(224,583)	775,921
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade debtors	77,011	(565,942)
Other debtors and prepayments	3,150,630	(851,191)
Increase/(decrease) in liabilities:		
Trade creditors & accruals	(594,855)	(416,191)
Deferred income & income received in advance	(32,497)	142,963
Provisions	(18,932)	(165,381)
Net cash from operating activities	**3,299,353**	**11,337,097**

Note 16: Financial Instruments Disclosure

(a) Financial risk management objectives

The company's finance department provides services to the business, coordinates access to domestic financial markets, monitors and manages financial risks relating to the operations of the company.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The finance department reports quarterly to the company's Audit & Risk Committee.

(b) Market risk

The company's activities expose it to the financial risks of changes in interest rates (refer note 17(d)). There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(c) Foreign currency risk management

The company does not undertake foreign currency transactions.

(d) Interest rate risk management

The company does not borrow funds.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for cash deposits at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

The company's sensitivity to interest rates has increased during the current period mainly due to a decline in interest rates on variable rate cash deposits.

(e) Credit risk management

Trade receivables consist of a large number of members. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the company's liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The company does not have any derivative financial liabilities or assets.

(g) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Note 17: Key Management Personnel Compensation

Key management personnel includes:

- Chair of the Board, all Directors and the Company Secretary;
- the Chief Ombudsman & Chief Executive Officer, Deputy Chief Ombudsman, General Counsel, Chief Operating Officer, all Lead Ombudsman; and
- all Executive General Managers;

Directors	2022	2021
Short Term Employee Benefits	721,956	545,906
Post-Employment Benefits - Superannuation	73,207	51,522
Total benefits	**795,162**	**597,428**

Senior Management	2022	2021
Short Term Employee Benefits	4,964,313	4,152,658
Post-Employment Benefits including Superannuation	467,164	392,763
Total benefits	**5,431,477**	**4,545,421**

Note 18: Related Party Disclosures

Key management personnel compensation is shown in Note 17. No loans have been made to key management personnel of the company or to their related entities. There were no other transactions with any related party.

Note 19: Subsequent Events

(a) New AFCA Funding Model

Since AFCA commenced handling complaints on 1 November 2018, it has been operating under an interim funding model that is a hybrid, based on aspects of the CIO and FOS scheme funding arrangements and the APRA levy model for superannuation trustees. The interim funding model was intended to remain in place for the first three years of AFCA operations (FY19 to FY21) while AFCA established an evidence base of complaint volumes and complexity in an expanded jurisdiction.

In late 2020, AFCA commenced its Funding Model Review to design and implement a long-term, sustainable funding model. Working with PwC, AFCA performed an extensive review and analysis of AFCA's operating cost base (including benchmarking), composition of complaints, modelling of member impacts and cross-subsidisation, future demand forecasting and research on funding models from comparative schemes globally to create a proposed design based on a 'user pays' principle.

From February 2022 through to May 2022, AFCA ran an extensive consultation process on the design which included meeting directly with over 60 firms and peak bodies, running webinars with over 1200 members, writing to 11,000 members with tailored information about the proposed model and individual impacts, and publishing information in member newsletter articles and on the AFCA website. AFCA received broad industry, government and consumer support on the proposed design.

The final Funding model approved by the AFCA Board which came into effect on 1 July 2022. The key features include:

- The removal of scaled membership and superannuation levy fees replaced with a flat annual registration fee of $365.55 for Financial Firms and $65.98 for Authorised Credit Representatives

- An increased proportion of fixed revenue allocated to the user charges and an increase to the eligibility threshold increased from two complaints to six complaints onwards to provide greater certainty moving to a true user pays system

- Simplified and reduced complaint fee structure to remove complexities and encourage early resolution of complaints

- Introduction of five free complaints applied to the first complaints closed from the beginning of the new AFCA financial year (1 July to 30 June) for all members

(b) COVID 19

As at 30 June 2022 the financial impacts of COVID-19 continue within the wider economy. Notwithstanding the current economic environment, COVID has directly

impacted AFCA's operational performance in FY2021/22 due to unplanned illness and caring responsibilities of staff.
Uncertainty remains as to the short to medium outlook on the broader economy due to the emergence of new and fast spreading strains of COVID that continue to impact the operational performance of AFCA, its members and consumers.

(c) Macroeconomic environment

The directors of the company acknowledge the challenging economic environment that persists including the substantial removal of fiscal support to support the economy during the pandemic and more recently ongoing increases in monetary support to curb rising inflation. As such events and conditions in the future may be materially different from those currently estimated at reporting date which may impact the company and its operations.

Other than the items identified herein, as at the end of the financial year and the date of this report, there has not arisen any other item, transaction, or event of a material and unusual nature that, in the opinion of the directors of the company, would significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.