

AFCA General Purpose Financial Report 2021

For the financial year ended
30 June 2021

Directors' Report

The Australian Financial Complaints Authority Limited ("AFCA") submits herewith the annual financial report of the company from 1 July 2020 to 30 June 2021, 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

Professor John Pollaers OAM was appointed Independent Chair of the Australian Financial Complaints Authority on 15 May 2021.

As 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.

John has also been called upon to advise on a number of important reforms, and in September 2017 he was appointed as Chair of the Aged Care Workforce Strategy Taskforce for the Federal Government. John is also known for his transformative leadership with the higher education sector and is currently the Chancellor of Swinburne University of Technology in Melbourne. More recently, he founded Leef Independent Living Solutions, a business focused on supporting ageing Australians and people with disability. John is also Chair of the Advisory Board for Ending Loneliness Together, doing meaningful work to address the growing issue of loneliness in Australia by fostering and prioritising connection and belonging.

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.

The Hon Helen Coonan (Chair) - BA LLB (term ended 14 May 2021)

Helen Coonan was appointed as the inaugural Independent Chair by the Minister for Revenue and Financial Services on 4 May 2018 and resigned as Chair on 14 May 2021.

Helen is a former Australian Government Cabinet Minister for Communications, Minister for Revenue and Assistant Treasurer. She is a commercial lawyer and trained mediator with a track record of leading stakeholders through major economic reforms and handling complex policy settings.

Helen is the inaugural Chair of Australian Financial Complaints Authority (AFCA), her other current appointments include Chair of Crown Resorts Limited, Chair of the Minerals Council of Australia (MCA), Chair of Placemaking NSW Advisory Committee and Chair of GRACosway Pty Limited. She also Chairs boutique fund manager, Supervised Investments Australia Limited and is a member of the Advisory Council of J.P. Morgan. Helen is Chair of the Crown Resorts Foundation and is a Non-executive Director of the Australian Children's Television Foundation (ACTF).

Previously, Helen was a member of the Board of Advice for Aon Australia, Chair of HGL Limited and a non-executive director of Snowy Hydro Limited.

Consumer Directors

Carmel Franklin - BEd Dip (Financial Counselling)

Carmel Franklin was appointed to the inaugural Board on 4 May 2018. She is a former consumers' director of the Financial Ombudsman Service Limited.

Carmel has been the CEO of Care Financial Counselling and the Consumer Law Centre of the ACT for over 12 years.

She has been involved with consumer issues for a number of years, including as the Chair of Financial Counselling Australia, as a board member on the ACT Gambling and Racing Commission.

In addition, she was previously on the Board of Canberra Community Law, is a former member of the ASIC Consumer Advisory Panel, the FOS Consumer Liaison Group and the Energy Consumer's Australia Board Reference Committee.

Elissa Freeman - BA GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018. She is a former consumers' 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.

Elissa was previously Chair of the Financial Rights Legal Centre and a member of ASIC's Consumer Advisory Panel. She is currently 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 Director of Campaigns and Communications at CHOICE and the Chair of the Financial Rights Legal Centre.

She represents consumer interests on the ACCC Consumer Consultative Committee and has previously represented consumer interests on the ACMA Consumer Consultative Forum and the ASIC Consumer Advisory Panel.

She regularly appears in the media to advocate for consumers using financial services and to educate them on their rights.

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.

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 worked at the National Australia Bank until September 2020, 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 Boards of the Melbourne International Jazz Festival and the Melbourne Theatre Company Foundation. Previous directorships include Heide Museum of Modern Art (Chair), St Vincent's & Mercy Private Hospital and St Vincent's Advisory Council Melbourne.

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

Andrew Fairley AM was appointed as an industry director by the Minister for Revenue and Financial Services on the 4th May 2018.

He is an equity lawyer consulting to Hall & Wilcox, with over 40 years' experience in superannuation. He is also a Director of Qualitas Securities Pty Ltd. He has been named as one of Australia's leading superannuation lawyers by the AFR in every year since 2013. He founded the Law Council of Australia Superannuation Committee and served as its Chair for 10 years.

Previously, Andrew was the Independent Chair of Togethr Trustees, which company acts as Trustee for Equip Super and Catholic Super. These Funds have combined assets under management of \$30b and 150,000 members.

He is very involved in philanthropy, and is Chair of The Sir Andrew Fairley Foundation and the Foundation for Alcohol Research & Education. He is Deputy Chair of the Mornington Peninsula Foundation and is a past Chair of Parks Victoria and former Deputy Chair of Tourism Australia.

Claire Mackay - BCom LLB 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 Fellow 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.

Her current appointments include an advisor for the RMIT School of Accounting Program Advisory Committee, a member of the FPA Professional Standards and Conduct Committee, and the Finance Audit and Compliance Committee for Surf Lifesaving NSW.

As the owner of an independent financial services business, Ms Mackay 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. 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.

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
- Digital Transformation 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.

	Full Board		Full Board - Restricted Agenda Board meetings		Audit & Risk Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	1	1	1	1	-	-
H Coonan	4	4	3	3	-	-
J Darbyshire	6	6	4	4	-	-
A Fairley	6	6	4	4	4	4
C Franklin	6	6	4	4	4	4
E Freeman	5	6	4	4	-	-
C Mackay	6	6	4	4	-	-
E Turner	6	6	4	4	4	4
J Turner	6	6	4	4	4	4
A Wein	6	6	4	4	-	-

	DT Committee		People & Remuneration Committee		Nominations Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	-	-	-	-	-	-
H Coonan	-	-	-	-	4	4
J Darbyshire	-	-	5	5	4	4
A Fairley	-	-	-	-	5	5
C Franklin	-	-	-	-	4	4
E Freeman	-	-	5	5	5	5
C Mackay	2	2	5	5	-	-
E Turner	2	2	-	-	-	-
J Turner	-	-	-	-	-	-
A Wein	-	-	4	5	-	-

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 10,585 active Financial Firms and 30,175 active Authorised Credit Representative members registered at 30 June 2021.

Operating result

The net surplus for the year from 1 July 2020 to 30 June 2021 is \$3,472,354 and total accumulated funds amount to \$36,386,730. A one-off \$1,118,828.65 windfall benefit has been recognised between 1 July 2020 to 30 June 2021 contributing to the FY2020/21 net surplus relating to the negotiation and release of makegood obligations for the previous 717 Bourke Street premises.

Complaint numbers

AFCA received 70,510 complaints between 1 July 2020 and 30 June 2021, which is a 12.5% decrease in monthly complaints compared to the last financial year (FY19/20). AFCA has received 198,204 complaints since commencing on 1 November 2018.

In 2020-21, AFCA closed 21 of the remaining 22 open FOS & CIO legacy cases. As at 30 June 2021, AFCA continues to work on the 1 remaining open CIO case.

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 1,886 complaints under this jurisdiction, and as at 30 June 2021 there were 222 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 13,336 complaints relating to COVID-19 to the end of 30 June 2021.

Subsequent Events

As at 30 June 2021 whilst the financial impacts of COVID-19 continue within the wider economy, these impacts have not been materially detrimental to the company.

It is noted that uncertainty remains as to the longer-term COVID-19 impacts on AFCA, its members and consumers. As such, the directors of the company acknowledge that economic events and conditions in the future may be materially different from those currently estimated at reporting date and these may impact the company and its operations.

However, as at the end of the financial year and the date of this report, there has not arisen any 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 2021, the maximum total members' contribution is \$4,076,000 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 13.

Directors' Declaration

For the financial year ended 30 June 2021, the directors declare that:

- a) the financial statements and notes, as set out on pages 15 to 42, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2021 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



Director

On behalf of the directors

Dated at Sydney this 3rd day of September 2021

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

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2021, 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

3 September 2021

**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 Limited (the Company), which comprises the statement of financial position as at 30 June 2021, 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 of the Company.

In our opinion:

- a. the financial report of Australian Financial Complaints Authority Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 with 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 of the year ended 30 June 2021, 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 Management and Those Charged with Governance for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

3 September 2021

Australian Financial Complaints Authority Limited

Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2021

	Notes	Year ending 30 June 2021	Year ending 30 June 2020
Revenue	2	128,665,050	123,815,520
Employee benefits expense		(97,900,904)	(100,836,411)
Office costs		(1,027,677)	(1,160,165)
Communication & Stakeholder relations expenses		(1,076,073)	(2,510,534)
Interest expense on leases	6	(2,717,834)	(378,994)
Occupancy expenses		(3,710,066)	(8,630,926)
Board expenses		(747,695)	(875,674)
Impairment losses on financial assets		(1,284,910)	(2,903,977)
Insurance expenses		(156,839)	(124,333)
Professional assistance expenses		(3,633,751)	(2,524,645)
Depreciation & amortisation expense		(8,944,565)	(2,976,507)
Free decisions provided to members		(71,054)	(828,650)
Technology expenses		(3,809,030)	(5,374,525)
Other expenses		(112,299)	(155,102)
Surplus / (Deficit) before tax		3,472,353	(5,464,923)
Income tax expense		-	-
Surplus / (Deficit) for the period		3,472,353	(5,464,923)
Other comprehensive income		-	-
Total comprehensive income		3,472,353	(5,464,923)

Notes to and forming part of the financial statements are included on pages 19 to 41.

Australian Financial Complaints Authority Limited

Statement of Financial Position as at 30 June 2021

	Notes	2021	2020
Current Assets			
Cash and cash equivalents	16 (i)	8,580,728	26,073,236
Trade receivables, prepayments & other debtors	3	26,211,262	25,570,052
Other financial assets	4	20,000,000	-
Total Current Assets		54,791,990	51,643,288
Non-Current Assets			
Property, plant and equipment	5	6,208,638	3,973,304
Right of Use Assets	6	75,544,404	12,753,883
Total Non-Current Assets		81,753,042	16,727,187
Total Assets		136,545,032	68,370,475

Notes to and forming part of the financial statements are included on pages 19 to 41.

Australian Financial Complaints Authority Limited

Statement of Financial Position as at 30 June 2021 (continued)

	Notes	2021	2020
Current Liabilities			
Accounts payable and other payables	7	7,359,918	7,633,146
Lease Liabilities	8	4,911,495	752,286
Provisions	9	11,347,569	13,269,882
Total Current Liabilities		23,618,981	21,655,314
Non-Current Liabilities			
Lease Liabilities	8	72,907,220	11,925,614
Provisions	9	3,632,101	1,875,170
Total Non-Current Liabilities		76,539,321	13,800,784
Total Liabilities		100,158,302	35,456,098
Net Assets			
		36,386,730	32,914,377
Accumulated Funds	10	36,386,730	32,914,377
Total Accumulated Funds		36,386,730	32,914,377

Notes to and forming part of the financial statements are included on pages 19 to 41.

Australian Financial Complaints Authority Limited

Statement of Changes in Equity for the year ended 30 June 2021

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

2020	Notes	Equity from Previous EDR Schemes	Retained Earnings	Total
Balance as 1 July 2019		43,528,057	(6,483,683)	37,044,374
Deficit for the period		-	(5,464,923)	(5,464,923)
Net Assets Transferred from Credit & Investments Ombudsman		1,334,926	-	1,334,926
Balance at 30 June 2020		44,862,983	(11,948,606)	32,914,377

Notes to and forming part of the financial statements are included on pages 19 to 41.

Australian Financial Complaints Authority Limited

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021	2020
<u>Cash Flows from Operating Activities</u>			
Receipts from members and others		139,944,327	122,015,544
Interest received		135,795	499,177
Payments to suppliers and employees		(126,025,191)	(129,183,765)
Lease Interest		(2,717,834)	(378,994)
Net cash provided by / (used in) operating activities	16 (ii)	11,337,097	(7,048,038)
<u>Cash Flow from Investing Activities</u>			
Payment for property plant and equipment		(3,962,988)	(1,558,421)
Redemption / (Payment) for investments in term deposits		(20,000,000)	14,000,000
Proceeds from Sale of Equipment		-	36,364
Net cash provided by / (used in) investing activities		(23,962,988)	12,477,943
<u>Cash Flow from Financing Activities</u>			
Proceeds from predecessor external dispute resolution schemes		-	1,334,926
Payment of lease liability principal		(4,866,617)	(1,121,383)
Net cash provided by / (used in) financing activities		(4,866,617)	213,543
Cash and cash equivalents at the beginning of the financial period		26,073,236	20,429,788
Net increase in cash and cash equivalents		(17,492,509)	5,643,448
Cash and cash equivalents at the end of the financial period	16 (i)	8,580,728	26,073,236

Notes to and forming part of the financial statements are included on pages 19 to 41.

Australian Financial Complaints Authority Limited

Notes to and forming part of the Financial Statements for the year ended 30 June 2021

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 2020, 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 being general purpose financial statements have been prepared in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* of the Australian Accounting Standards Board and the *Corporations Act 2001*. 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 3 September 2021.

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.

(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

Adoption of AASB 16

The Company has adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019.

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	2021	2020
Complaint fees	96,435,275	92,898,861
Membership levies	27,337,971	25,010,751
Interest income	137,378	403,949
Government Grants	-	1,235,444
Code monitoring	4,618,189	4,266,515
Other sundry income	136,237	-
Balance as at 30 June	128,665,050	123,815,520

Note 3: Trade Receivables, Prepayments and Other Debtors

	2021	2020
Trade Receivables	16,498,890	15,932,949
Accrued income	13,492,490	11,978,951
Prepayments	2,195,860	1,365,638
Other Debtors	115,794	1,608,365
Provision for expected credit loss	(6,091,772)	(5,315,851)
Balance as at 30 June	26,211,262	25,570,052

The credit period for services rendered is 30 days. No interest is charged on overdue trade receivables. Trade receivables greater than 30 days are provided for based on estimated irrecoverable amounts from services rendered, determined by reference to past default experience.

AFCA assesses the credit worthiness of trade debtors on an individual debtor basis. Where an assessment is made that debts will not be recoverable from the debtor due to credit issues, credit losses are taken up at 100% of the balance owing to AFCA, including expected losses for open and unresolved complaints on hand.

AFCA always measures the loss allowance for accounts receivables at an amount equal to lifetime expected credit loss. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques used or significant assumptions made during the current reporting period.

AFCA writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings) or payment plans are not in place for debts older than 90 days, whichever occurs earlier.

Note 4: Other Financial Assets

Term Deposits of \$20,000,000 with a maturity of over 3 months were recognised as held to maturity assets as at 30 June 2021 (2020: nil).

Note 5: Property, Plant and Equipment

2021	Plant & Equipment	Leasehold improvements	Work in Progress	Total
<u>Gross carrying amount</u>				
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
<u>Accumulated Depreciation</u>				
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
2020	Plant & Equipment	Leasehold improvements	Work in Progress	Total
<u>Gross carrying amount</u>				
Opening Balance	2,336,393	1,535,148	1,793,891	5,665,432
Additions - at cost	1,416,596	259,423	(117,598)	1,558,421
Disposals	(91,397)	-	-	(91,397)
Balance at 30 June 2020	3,661,592	1,794,571	1,676,293	7,132,456
<u>Accumulated Depreciation</u>				
Opening Balance	528,342	725,440	-	1,253,782
Disposals	(22,237)	-	-	(22,237)
Depreciation expense	1,072,416	855,190	-	1,927,606
Balance at 30 June 2020	1,578,523	1,580,630	-	3,159,153
Book Value - 30 June 2020	2,083,070	213,941	1,676,293	3,973,304

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	2021	2020
AASB 16 amounts recognised in the Balance Sheet		
Right of Use Asset - Building & Leasehold Fit out	83,806,715	13,799,283
Accumulated Amortisation	(8,262,311)	(1,045,400)
Net Book Value	75,544,404	12,753,883

Movement in carrying amounts	2021	2020
Opening Balance	12,753,883	-
Recognised on commencement of new leases	70,007,432	13,799,283
Amortisation expense	(7,216,911)	(1,045,400)
Net Book Value	75,544,404	12,753,883

AASB 16 related amounts recognised in the statement of profit or loss	2021	2020
Amortisation charge related to right-of-use assets	7,216,911	1,045,400
Interest expense on lease liabilities	2,717,834	378,994
Makegood interest expense	36,912	16,225
Balance as at 30 June	9,971,657	1,440,619

Note 7: Accounts Payable & Other Payables

	2021	2020
Trade Payables and Accruals	4,371,480	5,685,173
Deferred Income	1,043,031	900,069
Amounts due to Australian Taxation Office	1,945,407	1,047,904
Balance as at 30 June	7,359,918	7,633,146

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

	2021	2020
Lease Liability - AASB 16 Leases	4,911,495	752,286
Balance as at 30 June	4,911,495	752,286

Lease liabilities - non-current

	2021	2020
Lease Liability - AASB 16 Leases	72,907,220	11,925,614
Balance as at 30 June	72,907,220	11,925,614

Note 9: Provisions

Provisions - Current

	2021	2020
Employee Benefits	11,347,568	11,372,015
Makegood Provision	-	1,781,868
Lease Liability	-	115,999
Balance as at 30 June	11,347,568	13,269,882

Provisions - Non-Current

	2021	2020
Employee Benefits	2,361,427	1,309,922
Makegood Provision	1,270,674	565,248
Balance as at 30 June	3,632,101	1,875,170

Note 10: Accumulated Funds

	2021	2020
Opening Balance	32,914,376	37,044,374
Net Assets Transferred from other EDR schemes	-	1,334,926
Net Surplus / (Deficit) for the year	3,472,354	(5,464,923)
Balance as at 30 June	36,386,730	32,914,377

Note 11: Remuneration of auditors

	2021	2020
(a) Auditing the Financial Report	46,500	43,000
(b) Other Audit Services	-	4,000
Total Remuneration of auditors	46,500	47,000

Note 12: Capital and Leasing Commitments

Non-cancellable Operating Lease Commitments

2020 commitments related to the new lease commitments at 30 June 2020 which commenced in 2021 (refer to Note: 6 Right of Use Assets) in addition to leases that were due to expire by 30 June 2021. Balances relating to 2021 are now disclosed in Note 8: Lease Liabilities.

	2021	2020
Payable - minimum lease commitments:		
Future operating lease rentals and rentals not provided for in the financial statements:		
Not longer than one year	-	2,170,906
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
Balance as at 30 June	-	2,170,906

Note 13: Contingent Assets

There are no contingent assets as at 30 June 2021.

Note 14: Contingent Liabilities

There are no contingent liabilities as at 30 June 2021.

Note 15: 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 2021, the maximum total members' contribution is \$4,076,000 (2020: \$3,909,500) if it was required by the company at winding-up.

Note 16: 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	2021	2020
Cash at bank - unrestricted	3,810,304	11,318,440
Term deposits - maturity 3 months or less	3,002,589	13,000,000
Cash at bank - held against bank guarantees	1,767,835	1,754,796
Balance as at 30 June	8,580,728	26,073,236

(ii) Reconciliation of deficit for the period to net cash flows from operating activities		
Surplus / (Deficit) for the year	3,472,354	(5,464,923)
Depreciation & amortisation	8,944,564	2,976,507
Loss on sale of fixed assets	-	32,797
Provision for doubtful debts	775,921	3,064,120
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade debtors	(565,942)	(7,306,816)
Other debtors and prepayments	(851,191)	(4,255,664)
Increase/(decrease) in liabilities:		
Trade creditors & accruals	(416,191)	1,508,418
Deferred income & income received in advance	142,963	(1,462,435)
Provisions	(165,381)	3,859,958
Net cash from operating activities	11,337,097	(7,048,038)

Note 17: 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 18: 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	2021	2020
Short Term Employee Benefits	545,906	606,115
Post-Employment Benefits - Superannuation	51,522	54,175
Total benefits	597,428	660,290

Senior Management	2021	2020
Short Term Employee Benefits	4,152,658	3,605,891
Post-Employment Benefits including Superannuation	392,763	490,613
Total benefits	4,545,421	4,096,504

Note 19: Related Party Disclosures

Key management personnel compensation is shown in Note 18. 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 20: Subsequent Events

As at 30 June 2021 whilst the financial impacts of COVID-19 continue within the wider economy, these impacts have not been materially detrimental to the company.

It is noted that uncertainty remains as to the longer-term COVID-19 impacts on AFCA, its members and consumers. As such, the directors of the company acknowledge that economic events and conditions in the future may be materially different from those currently estimated at reporting date and these may impact the company and its operations.

However, as at the end of the financial year and the date of this report, there has not arisen any 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