Australian Financial Complaints Authority

AFCA General Purpose Financial Report 2023

For the financial year ended 30 June 2023

Directors’ Report

The Australian Financial Complaints Authority Limited (“AFCA”) submits herewith the annual financial report of the company from 1 July 2022 to 30 June 2023, 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 currently the Chancellor of Swinburne University of Technology in Melbourne, a non-executive Director of AGL Energy Limited and GUD Holdings Limited and is also the Chair of the Advisory Board of Ending Loneliness Together and of the Brown Family Wine Group.

Consumer Directors

Gerard Brody – BA, LLB

Gerard Brody was appointed to the AFCA Board in May 2023 and brings to the Board his policy, regulatory, legal and consumer experience. Gerard's previous connection to AFCA had been as a member of the AFCA Consumer Advocacy Panel from 2019 – 2022.

Gerard has worked as a lawyer, policy officer and consumer advocate for 20 years. He was the CEO of the Consumer Action Law Centre, a leading consumer advocacy organisation that provides legal assistance and financial counselling, for 10 years until February 2023.

Gerard is also an experienced director. He served been on the board of the Energy & Water Ombudsman Victoria between 2014 and 2023, the Telecommunications Industry Ombudsman since 2022, and Community Legal Centres Australia, the peak body for community legal centres, since 2021. In addition, he is the Chair of the Consumers' Federation of Australia, the peak body for consumer organisations in Australia.

Gerard Brody's term commenced on 4 May 2023.

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 15 years. Carmel is a Board Member of the ACT Gambling and Racing Commission and member of the Registration Standards Advisory Board (RSAB). Carmel is also a member of the Australian Financial Security Authority (AFSA) External Advisory Committee and Chair of the Gambling Harm Community of Practice.

Carmel has been involved with consumer issues for a number of years, including as the previous Chair of Financial Counselling Australia, a role she held for 12 years. Carmel's previous roles also include Canberra Community Law Board member, ASIC Consumer Advisory Panel member, the FOS Consumer Liaison Group and co-chair of the ACT Anti-Poverty Week Committee.

Elissa Freeman - BA GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018 and retired from the Board on 3 May 2023. 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 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.

Elissa Freeman's term ended on 3 May 2023.

Delia Rickard – BA, LLB

Delia Rickard commenced as an AFCA Director in August 2022. Delia had previously been appointed Deputy Chair of the Australian Competition and Consumer Commission (ACCC) in June 2012, finishing at the ACCC in January 2023. Delia has extensive public service experience and a passion for consumer protection, and has worked in a variety of senior roles, primarily at the ACCC and the Australian Securities and Investments Commission (ASIC). She is also a director of Ecstra, IDCare, the Australian Communications Consumer Action Network (ACCAN) and Super Consumers Australia.

Throughout her career, Delia has had a strong interest in financial services and the impact of the financial services industry on vulnerable and disadvantaged consumers. She oversaw development of the highly regarded Moneysmart website at ASIC and has been a member of numerous committees at the ACCC, including those on the consumer data right, enforcement and compliance and product safety, as well as the ACCC's Financial Services Competition Board. She chaired the ACCC's market study into the cost of insurance in Northern Australia.

Delia is also a trustee of the Jan Pentland Foundation, which provides scholarships for those who want to work as financial counsellors, and is the Chair of Good Shepherd's Advisory Committee on Financial Inclusion Action Plans. Delia is also the Chair of AHPRA oversight committee on cosmetic surgery reforms.

She was awarded the Public Service Medal in 2011 for her contribution to consumer protection and financial services. She has also been awarded the Society of Consumer Affairs Professionals Lifetime Achievement Award and in 2022 was named the inaugural winner of the Law Council of Australia's Consumer Rights Award.

Delia Rickard's term commenced on 1 August 2022.

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 Financial Rights Legal Centre.

Previously, Erin was the Director of Campaigns and Communications at CHOICE. Erin 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.

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 and conduct 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 Board of the Melbourne International Jazz Festival and is Deputy Chair of the Melbourne Theatre Company Foundation Board. 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 an industry director by the Minister for Revenue and Financial Services on 4 May 2018.

Andrew was the independent Chair of Togethr Trustees, which acts as Trustee for Equip Super and Catholic Super, with funds under management of $29b. He is a commercial and equity lawyer with over 35 years' experience in superannuation and is a consultant at Hall & Wilcox. He founded the Law Council of Australia Superannuation Committee and served as its Chair for 10 years.

Andrew is also a Director of Qualitas Securities Pty Ltd and Applied International as well as being a former Chair of Zoos Victoria, Parks Victoria, and former Deputy Chair of Tourism Australia.

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

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 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 and is a member of the Financial Advice Association of Australia's Professional Standards and Conduct Committee. Claire's previous appointments include RMIT School of Accounting Program Advisory Committee, the Finance Audit and Compliance Committee for Surf Lifesaving NSW, ASIC's External Advisory Panel, SMSF Committee for Chartered Accountants Australia and New Zealand, and Adjunct Lecturer in Applied Finance at Macquarie University.

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.

Gary Dransfield

Gary Dransfield has more than 35 years' experience in the retail financial services sector, holding senior roles with Suncorp Group, IAG, Lend Lease, AMP and St George Bank and commenced as an AFCA Director in January 2022.

Gary 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.

Gary is currently the interim CEO and a Director of the Association of Superannuation Funds of Australia (ASFA) and Chair of the Hollard Insurance Company Limited.

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.

Deputy Company Secretary

Dawn Logan Keeffe

Dawn Logan Keeffe is a senior governance professional who joined AFCA in 2023 from New York Stock Exchange listed Clarivate Plc, a large multinational information and data company. Dawn was Company Secretary and Senior Trademark Counsel based in Clarivate's London office, then in Sydney. Dawn is a lawyer and chartered company secretary, having started her career in the UK as an intellectual property attorney. She has had extensive experience in Australia and the UK, working in top-tier intellectual property legal practices and in governance and legal counsel roles for large, global corporate entities.

Board Committees

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

- Audit & Risk Committee
- People & Remuneration Committee
- Nominations 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		Extraordinary Board		Audit & Risk Committee		People & Remuneration Committee		Nominations Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	5	5	1	1	-	-	-	-	5	6
J Darbyshire	5	5	1	1	-	-	5	5	-	-
A Fairley	5	5	-	-	5	5	-	-	4	5
C Franklin	5	5	1	1	-	-	5	5	5	5
E Freeman	3	3	-	-	-	-	4	4	-	-
C Mackay	5	5	1	1	-	-	5	5	-	-
E Turner	5	5	1	1	5	5	-	-	-	-
D Rickard	5	5	1	1	5	5	-	-	1	1
G Dransfield	4	5	1	1	5	5	-	-	1	1
G Brody	2	2	1	1	-	-	-	-	-	-

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 10,446 active Financial Firms and 34,512 active Authorised Credit Representative members registered at 30 June 2023.

Operating result

The net deficit for the year from 1 July 2022 to 30 June 2023 was ($3,389,791) (30 June 2022: ($7,869,620)) and total accumulated funds amounted to $25,127,320 (30 June 2022: $28,517,111).

Complaint numbers

AFCA received 96,987 complaints between 1 July 2022 and 30 June 2023, which is a 34% increase in complaints compared to the last financial year (FY2021/22). AFCA has received 350,603 complaints since commencing on 1 November 2018.

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 2023 there were 58 open legacy complaints spread across most product areas, with the majority in banking.

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 $375.55 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

Subsequent Events

(a) Establishment of the Compensation Scheme of Last Resort

On 22 June 2023, the Australian Parliament passed legislation establishing a Compensation Scheme of Last Resort (CSLR).

The CSLR is a scheme designed to make payments on a last-resort basis to eligible consumers where determinations by AFCA for compensation remain unpaid, in the financial sub-sectors specified in the legislation. The CSLR will facilitate the payment of up to $150,000 in compensation to consumers who meet the eligibility criteria.

The Federal Government has selected AFCA to establish the CSLR company however it will operate as a separate and independent entity with its own board and funding arrangements put in place by the Government. The Federal Government's intention is that consumers will be able to lodge claims for compensation from April 2024, with the first compensation payments to follow shortly afterwards.

(b) IT Transformation – Project Fusion

A key strategic initiative in AFCA's Corporate Plans, Project Fusion is an IT infrastructure program that will transform the way external dispute resolution is managed at AFCA. Project Fusion is AFCA's pathway into the future, delivering a new case management system and member and consumer portals, that will provide a more innovative platform, enabling AFCA to deliver greater excellence and value.

Commencing in FY2021/22, the Scoping & Design phase of the project has been delivered and the project is currently in the Build & Implementation phase, with the project expected to be delivered during FY2023/24. Since the commencement of the project, project costs of approximately $10.5 million have been expended, with an additional $5.0 million outlay projected in FY2023/24. Of the amount expensed to date, $1.16 million has been capitalised (refer to Note 5).

(c) Macroeconomic conditions

The directors of the company acknowledge the uncertainty in the economic environment that persists, including continuing subdued growth, inflationary pressures and a tight labour market. 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.

(c) Likely developments and expected results of operations

Continuing demand for service is anticipated and key current trends, including financial scams and the impacts of higher interest rates, are expected to drive increased inflows. Operationally, the organisation is anticipating further growth and is responding to the increases in demand through several strategies including deployment of surge workforce capacity, process automation and the enhancement of service delivery through the IT transformation program, being rolled out in 2023/24.

(d) Environmental legislation

AFCA is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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 2023, the maximum total members’ contribution is $4,495,800 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 15.

Directors’ Declaration

For the financial year ended 30 June 2023, the directors declare that:

a) the financial statements and notes, as set out on pages 18 to 45, 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 2023 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 1, 2023 19:33 GMT+10)

Director

On behalf of the directors

Dated at Sydney this 31st day of August 2023

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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 year ended 30 June 2023, 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

31 August 2023

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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 Limited (the Company), which comprises the statement of financial position as at 30 June 2023, 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 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 2023 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 (including Independence Standards)* (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 2023, 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

31 August 2023

Australian Financial Complaints Authority Limited

Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2023

	Notes	Year ending 30 June 2023	Year ending 30 June 2022
Revenue	2	147,743,605	118,618,411
Employee benefits expense		(118,103,446)	(100,179,482)
Office costs		(458,058)	(652,766)
Communication & Stakeholder relations expenses		(1,615,306)	(634,728)
Interest expense on leases	6	(2,466,044)	(2,645,649)
Occupancy expenses		(2,827,632)	(3,007,675)
Board expenses		(1,172,384)	(991,056)
Impairment gain/(losses) on financial assets		(225,178)	224,583
Insurance expenses		(218,427)	(165,474)
Professional assistance expenses		(8,788,516)	(5,296,380)
Depreciation & amortisation expense		(8,544,791)	(8,812,198)
General & administrative expenses		(1,065,544)	(785,254)
Technology expenses		(5,564,644)	(3,422,443)
Other expenses		(83,425)	(119,509)
Surplus / (Deficit) before tax		**(3,389,791)**	**(7,869,620)**
Income tax expense		-	-
Surplus / (Deficit) for the period		**(3,389,791)**	**(7,869,620)**
Other comprehensive income		-	-
Total comprehensive income Deficit		**(3,389,791)**	**(7,869,620)**

Notes to and forming part of the financial statements are included on pages 23 to 45.

Australian Financial Complaints Authority Limited

Statement of Financial Position as at 30 June 2023

	Notes	2023	2022
Current Assets			
Cash and cash equivalents	16 (i)	20,142,912	26,404,107
Trade receivables, prepayments & other debtors	3	32,632,084	23,227,882
Total Current Assets		**52,774,996**	**49,631,988**
Non-Current Assets			
Property, plant and equipment	4	5,519,799	5,425,699
Intangible assets	5	1,167,192	-
Right of Use Assets	6	60,575,492	68,059,948
Total Non-Current Assets		**67,262,483**	**73,485,647**
Total Assets		**120,037,479**	**123,117,635**

Notes to and forming part of the financial statements are included on pages 23 to 45.

Australian Financial Complaints Authority Limited

Statement of Financial Position as at 30 June 2023 (continued)

	Notes	2023	2022
Current Liabilities			
Accounts payable and other payables	7	10,071,700	6,732,566
Lease Liabilities	8	5,855,189	5,395,451
Provisions	9	12,802,882	11,177,823
Total Current Liabilities		**28,759,771**	**23,305,840**
Non-Current Liabilities			
Lease Liabilities	8	61,626,580	67,511,769
Provisions	9	4,523,809	3,782,915
Total Non-Current Liabilities		**66,150,389**	**71,294,684**
Total Liabilities		**94,910,159**	**94,600,525**
Net Assets		**25,127,320**	**28,517,111**
Accumulated Funds	10	25,127,320	28,517,111
Total Accumulated Funds		**25,127,320**	**28,517,111**

Notes to and forming part of the financial statements are included on pages 23 to 45.

Australian Financial Complaints Authority Limited

Statement of Changes in Equity for the year ended 30 June 2023

2023	Notes	Equity from Previous EDR Schemes	Retained Earnings	Total
Balance as 1 July 2022		**44,862,983**	**(16,345,872)**	**28,517,111**
Deficit for the period		-	(3,389,791)	(3,389,791)
Balance at 30 June 2023		**44,862,983**	**(19,735,663)**	**25,127,320**

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**

Notes to and forming part of the financial statements are included on pages 23 to 45.

Australian Financial Complaints Authority Limited

Statement of Cash Flows for the year ended 30 June 2023

	Notes	2023	2022
Cash Flows from Operating Activities			
Receipts from members and others		151,519,179	133,947,424
Interest received		808,597	73,155
Payments to suppliers and employees		(148,405,846)	(128,075,577)
Lease Interest		(2,466,044)	(2,645,649)
Net cash provided by operating activities	16 (ii)	**1,455,886**	**3,299,353**
Cash Flow from Investing Activities			
Payment for property plant and equipment		(1,154,437)	(558,867)
Payment for intangible assets		(1,167,192)	-
Redemption for investments in term deposits		-	20,000,000
Net cash provided by / (used in) investing activities		**(2,321,629)**	**19,441,133**
Cash Flow from Financing Activities			
Payment of lease liability principal		(5,395,452)	(4,917,108)
Net cash (used in) financing activities		**(5,395,452)**	**(4,917,108)**
Cash and cash equivalents at the beginning of the financial period		**26,404,107**	**8,580.728**
Net increase / (decrease) in cash and cash equivalents		**(6,261,195)**	**17,823,379**
Cash and cash equivalents at the end of the financial period	16 (i)	**20,142,912**	**26,404,107**

Notes to and forming part of the financial statements are included on pages 23 to 45.

Australian Financial Complaints Authority Limited

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

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 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.

Basis of preparation

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. 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 31 August 2023.

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

Specific revenue streams

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

Membership levies and User Charges

Annual membership levies and user charges are recorded as revenue in the financial year they relate to. Payments 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.

Free complaints

Under the funding model introduced in FY2022/23, AFCA provides five free complaints to all members, applied to the first five complaints closed from the beginning of each new financial year (from 1 July each year). Initial revenue is recorded as complaint fees, with the reduction recorded as ‘free decisions’ for the forbearance of the case fees.

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) Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Amortisation 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 intangible assets reflected in these statements relate to internally generated software, currently being built as part of AFCA's IT Transformation program. Given that the asset is not yet in use, the costs currently assessed as being directly attributable to the asset are held as work in progress and are not yet being amortised.

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. Amortisation of these assets will commence when the assets are ready for their intended use.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(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.

(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 considering 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.

Lease liabilities

Lease liabilities are recognised at the commencement date of a lease. The lease liabilities are initially recognised at the net present value of the lease payments to be made over the term of the lease, discounted using the entity's borrowing rate. The borrowing rate is determined as appropriate on the basis that this would be the interest rate that would apply if borrowing funds over a similar term as the lease, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease periods recognised under the lease liabilities are based on the initial terms for each lease and exclude option periods.

Lease liabilities are measured at amortised cost using the entity's borrowing rate. The carrying amounts are remeasured if there is a change in the lease term. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

Determination of software assets

As described in note 1(c) the company estimates intangible assets at cost less accumulated amortisation and impairment losses. For the internally generated software under the IT Transformation program, the directly attributable costs of preparing the separately acquired intangible asset were assessed.

For the activity relating to the build of AFCA's new Case Management System, management estimated that 25% of the build, test and deploy phase is attributed to internally generated software asset, that is, the member and consumer portals. The determination of 25% being attributed to the member and consumer portals was made based on the detailed works in the project plan and which of these related to member and consumer portal, over the entirety of the build, testing and deployment phase.

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

The following table presents the disaggregation of revenue by service category, with the entirety of revenue generated in Australia. Surplus/(Deficit) for the periods includes the following items of revenue:

Revenue	2023	2022
Complaint fees	63,952,209	72,929,270
AFCA user charge	70,908,154	10,349,311
Membership levies	5,488,203	27,504,358

Revenue	2023	2022
Interest income	808,597	73,528
Government Grants	-	2,605,414
Code monitoring	6,580,107	5,156,531
Other sundry income	6,334	-
Balance as at 30 June	**147,743,604**	**118,618,412**

The disaggregation of revenue provides insights into the revenue streams based on different service categories, which the company considers valuable information for evaluating its revenue generation.

Note 3: Trade Receivables, Prepayments and Other Debtors

	2023	2022
Trade Receivables	24,550,088	16,421,879
Accrued income	11,349,569	10,423,753
Prepayments	2,738,170	2,157,365
Other Debtors	94,480	92,075
Provision for expected credit loss	(6,100,223)	(5,867,190)
Balance as at 30 June	**32,632,084**	**23,227,882**

Note 4: Property, Plant and Equipment

2023	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	4,477,278	7,041,716	28,365	11,547,359
Additions - at cost	656,630	501,389	(3,585)	1,154,434
Balance at 30 June 2023	5,133,908	7,543,105	24,780	12,701,793
Accumulated Depreciation				
Opening Balance	3,446,603	2,675,058	-	6,121,661
Depreciation expense	553,766	506,569	-	1,060,335

2023	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Balance at 30 June 2023	4,000,369	3,181,627	-	7,181,996
Book Value - 30 June 2023	**1,133,539**	**4,361,478**	**24,780**	**5,519,797**

2022	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	3,859,522	7,041,716	87,300	10,988,538
Additions - at cost	558,867	-	-	558,867
Transfers	58,935	-	(58,935)	-
Disposals	(45)	-	-	(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
Depreciation expense	846,213	495,593	-	1,341,806
Balance at 30 June 2022	3,446,603	2,675,058	-	6,121,661
Book Value - 30 June 2022	**1,030,676**	**4,366,658**	**28,365**	**5,425,699**

Note 5: Intangible Assets

2023	Computer Software	Work in Progress	Total
Gross carrying amount			
Opening Balance	-	-	-
Additions - at cost	-	1,167,192	
Balance at 30 June 2023	**-**	**1,167,192**	**1,167,192**

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	2023	2022
AASB 16 amounts recognised in the Balance Sheet		
Right of Use Asset - Building & Leasehold Fit out	83,806,715	83,806,715
Accumulated Amortisation	(23,231,223)	(15,746,767)
Net Book Value	**60,575,492**	**68,059,948**

Movement in carrying amounts	2023	2022
Opening Balance	68,059,948	75,544,404
Amortisation expense	(7,484,456)	(7,484,456)
Net Book Value	**60,575,492**	**68,059,948**

AASB 16 related amounts recognised in the statement of profit or loss	2023	2022
Amortisation charge related to right-of-use assets	7,484,456	7,484,456
Interest expense on lease liabilities	2,466,044	2,645,649
Makegood interest expense	43,131	41,650
Balance as at 30 June	**9,993,631**	**10,171,755**

Note 7: Accounts Payable & Other Payables

	2023	2022
Trade Payables and Accruals	7,029,918	3,535,227
Deferred Income	588,216	1,010,535
Amounts due to Australian Taxation Office	2,453,566	2,186,804
Balance as at 30 June	**10,071,700**	**6,732,566**

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. In FY2022-23, undiscounted lease payments totalled $7.864 million.

Lease liabilities - current

	2023	2022
Lease Liability - AASB 16 Leases	5,885,189	5,395,451
Balance as at 30 June	**5,885,189**	**5,395,451**

Lease liabilities - non-current

	2023	2022
Lease Liability - AASB 16 Leases	61,626,580	67,511,769
Balance as at 30 June	**61,626,580**	**67,511,769**

Future lease payments

Future lease payments are due as follows:		
Within one year	8,180,547	7,864,308
One to five years	36,135,229	34,743,730
More than five years	34,341,806	43,913,851
	78,657,582	**86,521,889**

Amounts included in the Statement of Profit and Loss for low value and short-term leases in FY2022/23 is nil (FY2021/22: nil).

Note 9: Provisions

Provisions - Current

	2023	2022
Employee Benefits	12,802,882	11,177,823
Balance as at 30 June	**12,802,882**	**11,177,823**

Provisions - Non-Current

	2023	2022
Employee Benefits	3,168,353	2,470,591
Make Good Provision	1,355,456	1,312,324
Balance as at 30 June	**4,523,809**	**3,782,915**

The Makegood Provision represents the present value of the estimated costs to make good the premises leased by the Company at the end of the respective lease term.

Movement in Provisions

2023	Employee Benefits	Make Good	Total
Carrying amount at the start of the year	13,648,414	1,312,324	14,960,738
Additional provisions required	9,585,730	43,132	9,628,862
Amount used	(7,262,909)	-	(7,262,909)
Balance as at 30 June	**15,971,235**	**1,355,456**	**17,326,691**

Note 10: Accumulated Funds

	2023	2022
Opening Balance	28,517,111	36,386,730
Net Surplus/(Deficit) for the year	(3,389,791)	(7,869,619)
Balance as at 30 June	**25,127,320**	**28,517,111**

Note 11: Remuneration of auditors

	2023	2022
(a) Auditing the Financial Report	56,500	48,500
Total Remuneration of auditors	**56,500**	**48,500**

Note 12: Capital Commitments

Committed at the reporting date but not recognised as liabilities, payable:

	2023	2022
Computer software	1,216,927	-

Note 13: Contingent Assets

A grant funding application for CSLR for $5.284 million was approved by Treasury on 29 August 2023. Payment of this grant is subject to AFCA and Treasury (on behalf of the Commonwealth) entering into a Grant Agreement, with the intention to negotiate and enter into the Grant Agreement in September 2023.

Note 14: Contingent Liabilities

At 30 June 2023, an amount of $2.1 million is subject to guarantee over the Company's leased premises. During the financial year, AFCA was a party to legal proceedings relating to an appeal of a decision. The appeal was upheld and a subsequent costs submission was put forward to the court. Should there be an unfavourable costs order against AFCA, the amount payable will be subject to a costs assessment process and may also be negotiated between the parties. As the likelihood of a costs order and amount cannot be accurately estimated, no provision has been provided. Additionally, the estimated future outlay for AFCA's IT Transformation program is approximately $5.0 million and is anticipated to impact in FY2023-24.

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 2023, the maximum total members' contribution is $4,495,800 (2022: $4,248,800) 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	2023	2022
Cash at bank - unrestricted	18,045,373	9,636,272
Term deposits - maturity 3 months or less	-	15,000,000
Cash at bank - held against bank guarantees	2,097,539	1,767,835
Balance as at 30 June	**20,142,912**	**26,404,107**

(ii) Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities	2023	2022
Surplus / (Deficit) for the year	(3,389,791)	(7,869,619)
Depreciation & amortisation	8,544,791	8,812,198
Provision for doubtful debts	233,033	(224,583)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade debtors	(8,110,406)	77,011
Other debtors and prepayments	(1,526,830)	3,150,630
Increase/(decrease) in liabilities:		
Trade creditors & accruals	3,761,453	(594,855)
Deferred income & income received in advance	(422,319)	(32,497)
Provisions	2,365,952	(18,932)
Net cash from operating activities	**1,455,886**	**3,299,353**

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 decreased during the current period mainly due to an increase 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 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	2023	2022
Short Term Employee Benefits	867,327	795,162
Total benefits	**867,327**	**795,162**

Senior Management	2023	2022
Short Term Employee Benefits	5,809,037	5,431,477
Total benefits	**5,809,037**	**5,431,477**

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

(a) Establishment of the Compensation Scheme of Last Resort

On 22 June 2023, the Australian Parliament passed legislation establishing a Compensation Scheme of Last Resort (CSLR).

The CSLR is a scheme designed to make payments on a last-resort basis to eligible consumers where determinations by AFCA for compensation remain unpaid, in the financial sub-sectors specified in the legislation. The CSLR will facilitate the payment of up to $150,000 in compensation to consumers who meet the eligibility criteria.

The Federal Government has selected AFCA to establish the CSLR company however it will operate as a separate and independent entity with its own board and funding arrangements put in place by the Government. The Federal Government's intention is that consumers will be able to lodge claims for compensation from April 2024, with the first compensation payments to follow shortly afterwards.

(b) IT Transformation – Project Fusion

A key strategic initiative in AFCA's Corporate Plans, Project Fusion is an IT infrastructure program that will transform the way external dispute resolution is managed at AFCA. Project Fusion is AFCA's pathway into the future, delivering a new case management system and member and consumer portals, that will provide a more innovative platform, enabling AFCA to deliver greater excellence and value.

Commencing in FY2021/22, the Scoping & Design phase of the project has been delivered and the project is currently in the Build & Implementation phase, with the project expected to be delivered during FY2023/24. Since the commencement of the project, project costs of approximately $10.5 million have been expended, with an additional $5.0 million outlay projected in FY2023/24. Of the amount expensed to date, $1.16 million has been capitalised (refer to Note 5).

(c) Macroeconomic conditions

The directors of the company acknowledge the uncertainty in the economic environment that persists, including continuing subdued growth, inflationary pressures and a tight labour market. 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.

(d) Likely developments and expected results of operations

Continuing demand for service is anticipated and key current trends, including financial scams and the impacts of higher interest rates, are expected to drive increased inflows. Operationally, the organisation is anticipating further growth and is responding to the increases in demand through several strategies including deployment of surge workforce capacity, process automation and the enhancement of service delivery through the IT transformation program, being rolled out in 2023/24.

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.