

General Purpose Financial Report

For the financial year ended 30 June 2019

Directors' Report

The Australian Financial Complaints Authority Limited (“AFCA”) submits herewith the annual financial report of the company from 1 July 2018 to 30 June 2019, consistent with the provisions of the *Corporations Act 2001*. The operations of the company started on 1 May 2018, with the company becoming the operating entity of the external dispute resolution service previously provided by Financial Ombudsman Service Limited (FOS) from that date. From 1 November 2018, AFCA commenced operating the AFCA external dispute resolution scheme, which encompasses the majority of consumer and small business complaints within the financial services industry.

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.

Between 1 May and 31 October 2018, AFCA received new complaints lodged under the Financial Ombudsman Service EDR scheme and between 1 September 2018 and 31 October 2018, received new complaints lodged under the Credit and Investments

Ombudsman EDR scheme. It continues to finalise complaints lodged under both sets of arrangements and is anticipated to complete the last of these by October 2019.

The commencement of the AFCA EDR scheme was undertaken smoothly, despite unprecedented levels of demand for the new service. Record numbers of complaints have been received over the first eight months of operations. This was partially driven by a broader jurisdiction, but also partly by increased consumer awareness of misconduct arising from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Information about the Directors

The Company was initially formed in July 2017 with an establishment board of three directors. The establishment Board was expanded in February 2018 to a Transition Board, adding eight further directors for a short time in order to develop the application for approval to operate the AFCA external dispute resolution scheme.

Following Ministerial approval and announcements of the government's appointments to the Board in May 2018, the inaugural Board of eleven directors was formed and five transitional directors automatically retired.

The Board of Directors

Independent Chair

The Hon Helen Coonan (Chair) – BA LLB

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

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's current appointments include as the Chair of the Minerals Council of Australia, Place Management NSW and Crown Resorts Foundation Limited, as well as Co-Chair of GRA Cosway Pty Limited. She is a non-executive director of both Crown Resorts Limited and Snowy Hydro Limited. She also chairs boutique fund manager Supervised Investments Australia Limited, the Allegis Partners' Board of Advice, and is a member of the Advisory Council of JP Morgan. Previously, Helen was a member of the Board of Advice for Aon Australia.

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 10 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 and through her previous roles on the boards of the National Information Centre on Retirement Investments and Canberra Community Law. In addition, she is a former member of the ASIC Consumer Advisory Panel as well as the FOS Consumer Liaison Group.

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.

Catriona Lowe – LLB

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

Catriona is a member of the Boards of the Telecommunications Industry Ombudsman and Legal Practitioners' Liability Committee. She is also a director of the Financial Adviser Standards and Ethics Authority, Way Forward Debt Solutions Limited and Chair of the ACCC Consumer Consultative Committee.

She is formerly the Chair and Treasurer of the Consumers' Federation of Australia and Co-Chief Executive Officer of the Consumer Action Law Centre. Catriona has also served as a member of the Board of the National Information Centre on Retirement Investment, a member of ASIC's External Advisory Panel, a member of the National Australia Bank Social Responsibility Advisory Council, a member of the Insurance Council of Australia Consumer Reference Group, and a member of the Motor Car Traders' Guarantee Fund Claims Committee.

Erin Turner – BA MPP

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 a member of the Management Committee of the Financial Rights Legal Centre. She represents consumers 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 an 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 and 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 (OSBC).

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

Robert Belleville – MBA

Robert Belleville was appointed to the inaugural Board on 4 May 2018. He is a former industry director of the Financial Ombudsman Service Limited.

Robert is a member of the Insurance Manufacturers of Australia (IMA) Board, Chair of the IMA Board Risk Committee and a member of its Audit and Remuneration Committees. He is also the Chair of the Insurance Council of Australia's Consumer Liaison Forum.

He was employed by AAMI for more than 37 years, culminating in his appointment as Chief Executive in 2002. Soon afterwards he was appointed to the position of CEO of Promina's Direct Division, adding APIA, Shannons and Just Car Insurance to his existing portfolio of responsibilities

Following the successful offer by Suncorp to take over Promina, Robert was appointed Group Executive, Personal Lines, which added GIO and Suncorp portfolios to his oversight. Despite retiring in December 2008, Robert stayed on with Suncorp as a part-time consultant until September 2009.

He is a Fellow of the Customer Service Institute of Australia (FCSIA) and in 2018 was awarded the ANZIIF Lifetime Achievement Award for Services to the General Insurance Industry.

Jennifer Darbyshire – BA LLB (Hons) LLM GAICD

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 is currently National Australia Bank's EGM Conduct & Regulatory Risk. Previous roles at NAB include General Counsel Governance and General Counsel Corporate (including 8 months as Acting Group General Counsel). Jennifer has previously worked in private legal practice (including King & Wood Mallesons in Melbourne and Linklaters in London).

Jennifer was the Chair of Heide Museum of Modern Art until January 2016 (and a director since 2006). Previous directorships include St Vincent's & Mercy Private Hospital (2006 to 2011) and St Vincent's Advisory Council Melbourne (2011 to 2012).

Andrew Fairley – AM LLB FAICD

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

Andrew is the independent Chair of Equisuper, a \$16b industry superfund. He is an equity lawyer consulting to Hall & Wilcox with over 35 years' experience in superannuation. He is also a Director of Qualitas Securities Pty Ltd and Chair of Golden Age Capital Pty Ltd. He has been named as one of Australia's leading superannuation lawyers by the AFR 2013-2018 (inclusive). He founded the Law Council of Australia Superannuation Committee and served as its Chair for 10 years.

He is very involved in philanthropy, and Chairs the Sir Andrew Fairley Foundation and the Foundation for Alcohol Research & Education. He is Deputy Chair of the Mornington Peninsula Foundation. He is a past Chair of Parks Victoria, and a 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 Chartered Accountant, Certified Financial Planner, Chartered Tax Analyst and a Self-Managed

Superannuation Fund specialist. Previously Claire held roles at Macquarie Bank and PwC.

Claire is a Director of the Accounting Professional and Ethical Standards Board. Claire current appointments include ASIC's External Advisory Panel, the FPA Professional Standards and Conduct Committee, the Professional Planner Advisory Board, the RMIT University School of Accounting Program Advisory Committee and the Finance, Audit and Compliance Committee for Surf Life Saving 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 Schroders Investment Management Australia Limited, Blackrock Investment Management (Australia) Limited and is Chair of the Perpetual Investment Management Limited Compliance Committee. She is also a member of the NSW Government Council for Women's Economic Opportunity and Chair of the AFMA Professionalism Committee. She is also a panel member on the ASIC Financial Services and Credit Panel.

Company Secretary

Nicolas Crowhurst - BA LLB (Hons) FGIA FCSA GAICD

Nicolas Crowhurst was appointed Company Secretary on 17 July 2017.

Nicolas is the managing director of a small strategic advisory firm, The Collaboratus Group, which focuses on serving the not-for-profit and charities sector. He also teaches short-courses and certificates for the Governance Institute of Australia and is a Director of Financial Services Compensation Scheme Pty Ltd.

Nicolas qualified as a Barrister in the United Kingdom in 2000. He worked in-house at UBS Warburg in London and then for Minter Ellison Lawyers in Melbourne prior to entering the alternate dispute resolution industry in 2005. Nicolas has previously served as Legal Counsel to the Financial Industry Complaints Service Limited and

was both Legal Counsel, then Company Secretary of the Financial Ombudsman Service Limited.

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
- Information Technology and Digital Transformation Committee
- Nominations and Remuneration Committee

During the reporting period, there was a refresh of committee composition resulting in variations in the number of Committee meetings directors were required to attend.

Board Member Attendance

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

	Full Board		Audit & Risk Committee		IT&DT Committee		Nominations & Remuneration Committee	
	Actual Attendance	Eligible to Attend	Actual Attendance	Eligible to Attend	Actual Attendance	Eligible to Attend	Actual Attendance	Eligible to Attend
R Belleville	7	8	4	4	1	1	-	-
H Coonan	8	8	-	-	-	-	4	4
J Darbyshire	8	8	-	-	-	-	4	4
A Fairley	7	8	4	4	-	-	-	-
C Franklin	8	8	4	4	-	-	-	-
E Freeman	7	8	3	4	-	-	1	1
C Lowe	8	8	4	4	1	1	-	-
C Mackay	8	8	-	-	-	-	3	4
E Turner	8	8	4	4	-	-	3	3
J Turner	8	8	7	8	-	-	-	-
A Wein	8	8	-	-	-	-	4	4

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 10,358 Financial Services Providers and 25,662 Authorised Credit Representative members registered at 30 June 2019.

Operating result

The net deficit for the period from 1 July 2018 to 30 June 2019 is \$3,986,984 and total accumulated funds amount to \$37,044,374.

Dispute numbers

AFCA and its predecessor EDR schemes, the Financial Ombudsman Service, the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal received a total of 65,914 complaints in 2018-19. The three predecessor schemes received complaints between 1 July and 31 October 2018, before AFCA commenced on 1 November 2018. Following AFCA commencing, it received 47,223 complaints between 1 November 2018 and 30 June 2019. The 65,914 complaints received by AFCA and the predecessor schemes in 2018-19 compares with 52,232 disputes received by the predecessor schemes in 2017-18.

Subsequent events

Since the end of the financial period to 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 2019, the maximum total members' contribution is \$3,602,000 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 11.

Directors' Declaration


For the financial period year 30 June 2019, the directors declare that:

- a) the financial statements and notes, as set out on pages 14 to 41, 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 2019 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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, is written over a light grey rectangular background.

Director

On behalf of the directors

Dated at Melbourne this 30 day of August 2019

Moore Stephens Audit (Vic)

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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 2019, 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 STEPHENS

MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



RYAN LEEMON

Partner

Audit & Assurance Services

Melbourne, Victoria

30 August 2019

Moore Stephens Audit (Vic)

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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 2019, 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 2019 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 of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of *Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's financial report for the year ended 30 June 2019, 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 – 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.

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 STEPHENS

MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



RYAN LEEMON

Partner

Audit & Assurance Services

Melbourne, Victoria

30 August 2019

Australian Financial Complaints Authority Limited

Statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Notes	Year ending 30 June 2019 \$	Period from 17 July 2017 to 30 June 2018 \$
Revenue	2	80,084,915	7,731,188
Employee benefits expense		(65,463,573)	(7,242,286)
Office costs		(877,149)	(135,953)
Communication & Stakeholder relations expenses		(2,719,159)	(221,736)
Occupancy expenses		(4,968,344)	(619,734)
Board expenses		(683,100)	(147,759)
Impairment losses on financial assets		(1,546,028)	(218,992)
Insurance expenses		(126,215)	(15,506)
Professional assistance expenses		(2,100,075)	(834,764)
Depreciation & amortisation expense		(1,306,823)	(196,107)
Free decisions provided to members		(239,882)	(4,002)
Technology expenses		(3,941,688)	(574,576)
Other expenses		(99,863)	(16,472)
Deficit before tax		(3,986,984)	(2,496,699)
Income tax expense		-	-
Deficit for the period		(3,986,984)	(2,496,699)
Other comprehensive income		-	-
Total comprehensive income		(3,986,984)	(2,496,699)

Notes to and forming part of the financial statements are included on pages 18 to 41.

Comparative figures for 2017-18 relate to operating activities from 1 May 2018 to 30 June 2018, in accordance with Note 1(l).

Australian Financial Complaints Authority Limited

Statement of financial position as at 30 June 2019

	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	16 (i)	4,429,788	3,054,625
Trade receivables, prepayments & other debtors	3	17,071,692	12,156,162
Other financial assets	4	30,000,000	31,500,000
Total Current Assets		51,501,480	46,710,787
Non-Current Assets			
Property, plant and equipment	5	4,411,649	2,019,282
Intangible Assets	6	3,501	114,475
Total Non-Current Assets		4,415,150	2,133,757
Total Assets		55,916,630	48,844,544
Current Liabilities			
Accounts payable and other payables	7	7,587,162	3,860,861
Provisions	8	5,998,911	2,470,739
Total Current Liabilities		13,586,073	6,331,600
Non-Current Liabilities			
Provisions	8	5,286,183	6,750,926
Total Non-Current Liabilities		5,286,183	6,750,926
Total Liabilities		18,872,256	13,082,526
NET ASSETS		37,044,374	35,762,018
ACCUMULATED FUNDS	9	37,044,374	35,762,018
Total Accumulated Funds		37,044,374	35,762,018

Notes to and forming part of the financial statements are included on pages 18 to 41.

Statement of changes in equity for the period from 1 July 2018 to 30 June 2019

2019	Notes	Equity from Previous EDR Schemes \$	Retained Earnings \$	Total \$
Balance as 1 July 2018	14	38,258,717	(2,496,699)	35,762,018
Deficit for the period		-	(3,986,984)	(3,986,984)
Net Assets Transferred from Credit & Investments Ombudsman	14	5,269,340	-	5,269,340
Balance at 30 June 2019		43,528,057	(6,483,683)	37,044,374

2018	Notes	Equity from Previous EDR Schemes \$	Retained Earnings \$	Total \$
Net Assets Transferred from Financial Ombudsman Service	14	38,258,717	-	38,258,717
Deficit for the period		-	(2,496,699)	(2,496,699)
Balance at 30 June 2018		38,258,717	(2,496,699)	35,762,018

Notes to and forming part of the financial statements are included on pages 18 to 41.

Statement of cash flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash Flows from operating activities			
Receipts from members and others		74,080,053	7,782,738
Interest received		999,274	5,744
Payments to suppliers and employees		(76,629,468)	(7,381,720)
Net cash provided by operating activities	16 (i)	(1,550,141)	406,762
Cash Flow from investing activities			
Payment for property plant and equipment		(3,399,920)	(387,513)
Redemption / (Payment) for investments in term deposits		1,500,000	(31,500,000)
Net cash used in investing activities		(1,899,920)	(31,887,513)
Cash Flow from financing activities			
Proceeds from predecessor external dispute resolution schemes	14	4,825,224	34,535,376
Net cash provided by financing activities		4,825,224	34,535,376
Cash and cash equivalents at the beginning of the financial period		3,054,625	-
Net increase in cash and cash equivalents		1,375,163	3,054,625
Cash and cash equivalents at the end of the financial period	16	4,429,788	3,054,625

Notes to and forming part of the financial statements are included on pages 18 to 41.

Australian Financial Complaints Authority Limited

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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.

Australian Financial Complaints Authority Limited’s registered office and its principal place of business is:

Level 12
717 Bourke Street
DOCKLANDS VIC 3008

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. It continues to finalise complaints lodged under both sets of arrangements and is anticipated to complete the last of these by October 2019.

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 30 August 2019.

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

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.

Dispute resolution fees and User Charges

Revenue from dispute resolution fees and user charges are recorded on the basis of the stage of completion of the case to the extent revenue can be reliably measured.

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.

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 receives 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	1-3 years
Computer hardware and software	3-5 years
Office equipment	1-3 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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(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 (ie 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.

Initial application of AASB 9: Financial Instruments

AFCA has adopted *AASB 9: Financial Instruments* with a date of initial application of 1 July 2018. As a result, AFCA has changed its financial instruments accounting policies as detailed in this note.

No financial statement line items have been affected for the current and prior periods.

(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) that are expected to be settled wholly before 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 other short-term highly liquid investments with original maturities of three months or less.

(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

The company was incorporated on 17 July 2017 but did not operate until 1 May 2018. Comparative figures for 2017-18 relate to operating activities from 1 May 2018 to 30 June 2018 when the company became the operating entity of the External Dispute Resolution service previously provided by the Financial Ombudsman Service.

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

When AFCA retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of

financial position as at the beginning of the preceding period, in addition to the minimum comparative financial statements, must be disclosed.

(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.

As detailed in Note 14, the proceeds obtained through the transfer of net assets from other EDR schemes that are transferred to AFCA are recognised in equity as accumulated funds unless they relate to any service provided by the company during the year, in which case they are recognised as revenue earned during the year.

(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.

Transfers of Assets and Liabilities from other Schemes

Assets that are transferred to AFCA from other external dispute resolution schemes are recognised at their fair value when the assets are used by AFCA for the handling of complaints. Liabilities are recognised at their fair value if AFCA has a legal or constructive obligation to other parties (such as employees) when AFCA becomes responsible for handling complaints of predecessor EDR schemes.

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

Employee entitlement provisions were taken up by the company for annual leave and long service leave for employees who transferred from FOS to AFCA on 1 May 2018 and CIO on 1 September 2018. 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.

(p) New Accounting Standards for Application in Future Periods

AASB 16: Leases (applicable to reporting periods on or after 1 January 2019)

AFCA has chosen not to early-adopt AASB 16. However, AFCA has conducted a preliminary assessment of the impact of this new Standard, as follows:

- A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees, as the Standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.
- AFCA is yet to undertake a detailed assessment of the impact of AASB 16. However, based on AFCA's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:
 - there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet;
 - the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
 - operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing.

AASB 1058: Income of Not-for-Profit Entities (applicable to annual reporting periods beginning on or after 1 January 2019) and AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2019).

As at the reporting date, the directors have concluded that the impact of *AASB 1058: Income of Not-for-Profit Entities* and *AASB 15: Revenue from Contracts with Customers* on the financial statements would not be material.

AFCA has chosen not to early-adopt AASB 1058 and AASB 15. However, AFCA has conducted a high-level assessment of the impact of these new Standards, as follows:

- A core change under AASB 1058 and AASB 15 is that focus shifts from a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations.
- AASB 15 applies where there is an “enforceable” contract with a customer with “sufficiently specific” performance obligations which results in income being recognised when (or as) the performance obligations are satisfied under AASB 15, as opposed to immediate income recognition under AASB 1058. AASB 15 introduces a five-step approach to revenue recognition which is far more prescriptive than AASB 118: Revenue.
- AASB 15 and AASB 1058 will be applied by AFCA from its mandatory adoption date of 1 July 2019. The modified transition approach will be the chosen approach, and thus the comparative amounts for the year prior to first adoption will not be

restated and the entity will recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application (1 July 2019), which is expected to be approximately \$1,235,000.

- The accounting for the revenue stream “Government grants” will be primarily affected by these new Standards.
- The income recognition for each grant has been assessed on a high-level basis to determine whether it is enforceable and whether its performance obligations are sufficiently specific. For those grant contracts that are not enforceable or the performance obligations are not sufficiently specific, this will result in immediate income recognition under AASB 1058. Income will be deferred under AASB 15 otherwise.
- AFCA’s government grant revenue for the year ended 30 June 2019 related to incomplete contracts amounts to \$2,800,000. Of this, \$1,564,556 has been recognised as income upfront and \$1,235,444 will be deferred and recognised as revenue as performance obligations are satisfied.
- Following the adoption of this new Standard, AFCA’s net deficit is not expected to have any impact as no further government grants have been finalised.
- AFCA does not expect any significant impact on its financial statements arising from the change in income recognition requirements for other sources of income. Nonetheless, from 2020, additional disclosures will be required under AASB 15 and AASB 1058.
- For the purpose of these new accounting standards, AFCA members have been assessed as being equivalent to “customers” of the EDR scheme, with membership agreements that are enforceable contracts. Membership of AFCA is documented in formal contract between AFCA and each member upon acceptance into the AFCA scheme, and acceptance into the scheme is at the discretion of AFCA Directors or their delegate. No material adjustments are expected from the implementation of AASB 15.

2) Revenue

Deficit for the period includes the following items of revenue:

Revenue	2019 \$	2018 \$
Complaint fees	54,868,898	7,488,750
Membership levies	17,762,546	17,166
Interest income	973,821	144,147
Government Grants	3,264,555	-
Code monitoring	3,211,010	64,774
Other sundry income	4,085	16,351
Total Revenue & other income	80,084,915	7,731,188

Comparative figures for 2017-18 relate to operating activities from 1 May 2018 to 30 June 2018, in accordance with Note 1(l).

3) Trade receivables, prepayments and other debtors

	2019 \$	2018 \$
Trade receivables	8,626,133	6,690,835
Accrued income	9,349,539	5,824,928
Prepayments	1,155,779	386,105
Other debtors	191,972	220,783
Provision for impairment	(2,251,731)	(966,489)
	17,071,692	12,156,162

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 (eg 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.

4) Other financial assets

Term Deposits amounting to \$30,000,000 (2018: \$31,500,000) are recognised as held to maturity financial assets.

5) Property, plant and equipment

2019	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	659,421	1,485,683	11,200	2,156,304
Additions – at cost	1,617,229	-	1,782,691	3,399,920
Additions – at fair value	59,742	49,465	-	109,207
Balance at 30 June 2019	2,336,392	1,535,148	1,793,891	5,665,431
Accumulated Depreciation				
Opening Balance – 1 July 2018	35,228	101,794	-	137,022
Depreciation expense	493,114	623,646	-	1,116,760
Balance at 30 June 2019	528,342	725,440	-	1,253,782
Book Value as at 30 June 2019	1,808,050	809,708	1,793,891	4,411,649

2018	Plant & Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Additions – at cost	376,313	-	11,200	387,513
Additions – at fair value	283,109	1,485,683		1,768,791
Balance at 30 June 2018	659,421	1,485,683	11,200	2,156,304
Accumulated Depreciation				
Depreciation expense	35,228	101,794	-	137,022
Balance at 30 June 2018	35,228	101,794	-	137,022
Book Value at 30 June 2018	624,193	1,383,889	11,200	2,019,282

6) Intangible Assets

Computer Software	2019	2018
	\$	\$
Gross carrying amount		
Opening Balance	173,560	-
Additions – at cost	-	-
Additions – at fair value	79,089	173,560
Balance at 30 June	252,649	173,560
Accumulated Depreciation		
Opening Balance	59,085	-
Depreciation expense	190,063	59,085
Balance at 30 June	249,148	59,085
Book Value as at 30 June	3,501	114,475

7) Accounts Payable & Other Payables

	2019	2018
	\$	\$
Trade payables and accruals	5,010,828	2,430,514
Deferred income	2,362,504	1,162,356
Amounts due to Australian Taxation Office	213,830	267,991
Total Accounts Payable and Other Payables	7,587,162	3,860,861

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.

8) Provisions

Provisions - current

	2019	2018
Employee benefits	3,818,525	2,120,402
Makegood Provision	1,613,053	-
Lease Liability	567,333	350,337
Balance at end of financial year	5,998,911	2,470,739

Provisions – non-current

	2019 \$	2018 \$
Employee benefits	5,286,153	4,716,006
Make good provision	-	1,467,586
Lease liability	-	567,334
Balance at end of financial year	5,286,183	6,750,926

9) Accumulated funds

	2019	2018
Opening Balance	35,762,018	
Net Assets Transferred from other EDR schemes	5,269,340	38,258,717
Net deficit for the year	(3,986,984)	(2,496,699)
Balance at end of financial year	37,044,374	35,762,018

10) Remuneration of auditors

	2019 \$	2018 \$
(a) Auditing the Financial Report	43,000	15,000
(b) Non-audit services	-	96,725
Total Remuneration of auditors	43,000	111,725

The auditors of the company in 2018 were Deloitte Touche Tohmatsu. Non-audit services from Deloitte Touche Tohmatsu in 2018 included financial analysis and the establishment of taxation frameworks upon commencement of operations of the company.

11) Commitments for expenditure

Non-cancellable operating lease commitments

	2019 \$	2018 \$
Payments recognised as an expense		
Minimum Lease Payments	3,838,153	433,388
Non-Cancellable Operating Lease Commitments		
Future operating lease rentals and rentals not provided for in the financial statements:		
Not longer than one year	6,316,497	627,847
Longer than one year but not longer than five years	2,170,906	7,471,398
Longer than five years	-	-
	8,487,403	8,099,245

12) Contingent Assets

There are no contingent assets as at 30 June 2019.

13) Contingent Liabilities

There are no contingent liabilities as at 30 June 2019.

14) Transfer of Assets & Liabilities from Other EDR Schemes

Under a Restructure and Transition Deed executed on 5 March 2018 between FOS and AFCA, effective 1 May 2018, FOS transferred all assets, liabilities and business activities of FOS to AFCA, with the exception of liabilities that did not transfer to AFCA under the Deed and cash at bank to pay those liabilities. As such, all business activities of AFCA commenced from this date.

Under a Restructure and Transition Deed executed on 31 August 2018 between CIO and AFCA, effective 1 September 2018, CIO transferred all assets, liabilities and business activities of CIO to AFCA, with the exception of liabilities that did not transfer to AFCA under the Deed and cash at bank to pay those liabilities. Assets and liabilities were transferred at their fair value as shown below.

	2019 \$	2018 \$
Assets		
Cash and cash equivalents	4,825,224	34,535,376
Trade and other receivables	852,383	11,861,737
Property, plant, equipment & software	188,296	1,942,351
Total Assets	5,865,903	48,339,464
Liabilities		
Trade and other payables	-	600,933
Income received in advance	-	591,645
Provisions	596,563	8,888,169
Total Liabilities	596,563	10,080,747
NET ASSETS TRANSFERRED	5,269,340	38,258,717

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 2019, the maximum total members' contribution is \$3,602,000 (2018: \$1,197,300) if it was required by the company at winding-up.

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 shown in the balance sheet as follows:

(i) Cash and Cash Equivalents	2019	2018
	\$	\$
Cash at bank - unrestricted	3,670,664	3,054,625
Cash at bank – held against bank guarantees	759,124	-
Total cash and cash equivalents	4,429,788	3,054,625
(ii) Reconciliation of deficit for the period to net cash flows from operating activities		
Deficit for the year	(3,986,984)	(2,496,699)
Depreciation of non-current assets	1,306,823	196,107
Provision for doubtful debts	1,285,242	224,353
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade debtors	(1,935,298)	(149,953)
Operating assets transferred from CIO	255,820	-
Other debtors and prepayments	(4,265,474)	(368,825)
Increase/(decrease) in liabilities:		
Trade creditors & accruals	2,526,153	2,097,572
Deferred income & income received in advance	1,200,148	570,711
Provisions	2,063,429	333,496
Net cash from operating activities	(1,550,141)	406,762

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.

At reporting date, if interest rates had been 50 basis points higher (or lower) and all other variables were held constant, the company's net loss would decrease /(increase) by \$21,148. This is mainly attributable to the company's exposure to interest rates on its term deposits.

The company's sensitivity to interest rates has increased during the current period mainly due to the increase in 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.

18) Key management personnel compensation

Key management personnel includes:

- Chair of the Board, all Directors and the company secretary;
- the Chief Ombudsman and all Lead Ombudsman;
- all Executive General Managers; and
- the Chief Financial Officer

Directors	2019	2018
	\$	\$
Short Term Employee Benefits	464,209	115,881
Post-Employment Benefits - Superannuation	41,353	7,454
Total benefits	505,562	123,335

Senior Management	2019	2018
	\$	\$
Short Term Employee Benefits	2,743,438	474,164
Post-Employment Benefits including Superannuation	226,152	114,509
Total benefits	2,969,590	588,674

Comparative figures for 2017-18 relate to operating activities from 1 May 2018 to 30 June 2018, in accordance with Note 2(l).

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 transactions with any related party.

20) Subsequent events

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.