# Annual Report

2021-2022

# Contents

# Chair's report

Dear member,

It is a pleasure and honour to deliver my first report as Chair of the MFAA.

It was another successful year for the Association despite the long shadow of the COVID-19 pandemic. It was a demanding, but extraordinary year for our members, who continued to pull together to drive trust and confidence in mortgage and finance broking by fully aligning interests and expectations of consumers and brokers.

During FY22, the phenomenal housing market momentum continued – particularly in the first half of the financial year – and we as an industry did our very best to meet rising volumes despite continued turnaround time challenges for a number of lenders. Our brokers catered to customer needs with care and diligence and managed to maintain a steady hand for customers, which led to further gains in our market share, which ultimately moved past the 'two-thirds of all mortgages' marker, as broker market share hit 69.5 per cent of all residential mortgages for the March 2022 quarter – a new record market share.

While Australia began the next critical phase of its response to the COVID-19 pandemic – including new measures being introduced by the Reserve Bank to cool inflation – our members continued to face further challenges. To help brokers and their customers navigate this phase, the MFAA provided a range of resources including mental health and wellbeing initiatives.

Following the successful rollout of the Best Interests Duty, due in no small part to significant training and preparation at an Association, aggregator, and broker level, we prepared for the planned 2022 Review by the Council of Financial Regulators and ACCC.

We had the data and the resources ready to advocate for our brokers with strength of conviction, but the cancellation of the 2022 Review was welcomed, and served as appropriate recognition for our industry, which has demonstrated its commitment to ongoing reform and continuous improvement.

During the year, we supported members through professional development programs, training and support as legislative changes rolled out and, importantly, we continued our strong advocacy at all levels of government.

This support was made possible in part by the continued strength in our financial position. I am pleased to say we are well prepared for future challenges and advocacy efforts, as we finished the year with an appropriate level of surplus, strong growth in our financial reserves and excellent growth in member numbers, which of course contributes to our strong financial position, as does the ongoing support from our partners and sponsors.

## Looking up and ahead

With continued growth in market share, a resilient housing market and the cancellation of the 2022 Review, our industry can now look up and look ahead to the future with confidence for the first time in many years. In FY23, we will continue to deliver strong customer outcomes, and drive consumer trust and confidence in the industry without a regulatory cloud on the horizon.

Our brokers put customers first, and if we continue to do this, we will position the industry for further growth. The MFAA puts members first and will continue to advocate on your behalf as we enter a new era.

While the 2022 Review did not go ahead, we must remain vigilant and maintain our high professional standards. We must continue to build on our position as an industry that plays a critical role in driving competition, choice and access to credit for Australians in the home lending market.

Within MFAA, we are grateful for the ongoing support and enthusiasm of our Directors. I particularly wish to acknowledge the valuable contributions of outgoing members Donna Beazley, Kathryn Harrison and Sarah Wells who finished their tenures during this financial year.

In particular, the Board and staff thank former MFAA Chair Donna Beazley, who retired from the Board during the financial year. During her seven years on the Board and four as Chair, Donna made significant contributions to both the MFAA and the finance broking industry.

My gratitude also goes to retiring CEO Mike Felton, for leading the Association through the industry's most challenging period with professionalism, dedication and determination. His unwavering support and advocacy for brokers over almost six years has ensured all our members can look up and look ahead and plan for a positive future for their businesses.

The leadership that Mike and Donna have shown over many years has created a foundation for growth for the Association into the future. As a demonstration of the Association's gratitude, the Board was very pleased to confer MFAA life membership to Donna and honorary membership to Mike at the conclusion of FY22. I wish both of these wonderful leaders the very best for the future.

I would also like to extend a warm welcome to our new Chief Executive Officer, Anja Pannek. Anja's intrinsic knowledge of our industry makes for an exciting appointment for our Association.

As always, my thanks go to the management team and our wonderful MFAA staff members, who go above and beyond to support our members.

Finally, MFAA is immensely proud of – and deeply indebted to – our members, partners and advocates who work tirelessly with us to contribute to a healthy, competitive mortgage and finance industry. Together, our whole is so much greater than the sum of our parts.

Your care, dedication, and willingness to support our industry's customers has helped our industry go from strength to strength. I look forward to being part of our industry's success for many years to come.

Rose De Rossi
Chair

# CEO's report

## A year to look up, and look ahead

This has been a year of challenges and renewal, but ultimately a watershed year for our industry as the clouds on the horizon are finally beginning to clear, albeit at a time of economic upheaval.

After almost six years of constant regulatory scrutiny, our industry finally has clear air to look up and look ahead, after the cancellation of the 2022 Review of Mortgage Broker Remuneration by the Council of Financial Regulators and the ACCC that had been planned by the former Federal Government.

At the same time, our nation broke the shackles of the coronavirus pandemic, and the work that our members had done over the previous years to support their customers was reflected in extraordinary market share numbers.

In FY22, our members and the Association successfully navigated several new COVID-19 outbreaks and lockdowns. As Australia started to gradually re-open, we were met with further upheaval and uncertainty in the form of natural disasters, labour shortages, rising inflation, continued issues with turnaround and discharge times, falling or static house prices and a federal election.

Despite these social, economic and regulatory challenges, our members maintained their unwavering focus on the customer, and continued to build a sustainable, successful and rapidly-growing industry that has come through this difficult period with flying colours.

As an industry, not only did we continue to rise to the challenges of an ever-changing environment and the personal challenges of the past year, but we remained true to the customer-first tenet that sets our industry apart.

Unsurprisingly, our commitment to the highest professional standards has led to more Australian homebuyers seeking out mortgage brokers than ever before, producing another all-time high in market share. The January-March 2022 quarter saw mortgage brokers facilitate more than two-thirds (69.5 per cent) of all residential home loans, with $88.1 billion in settlements representing the largest volume ever observed for a March quarter.

While our brokers put customers first, the MFAA puts members first, and during FY22 we continued to provide support and advocate on your behalf.

After several years of scrutiny and reform, brokers now have greater certainty and are extremely well-positioned to help their customers navigate the challenges of a rising rate environment.

Thank you to our members for your continued support, your feedback, and your frank and fearless advice as we worked with regulators and Government to prepare for the future.

## Supporting our members

Last year we continued to advance the interests of our members through leadership in advocacy, education and promotion.

The positive theme that characterised FY22 was typified by the wonderful, in-person National Conference in Melbourne that featured a world-class line-up of speakers who offered our members strategies and skills to 'look up and look ahead'. The keynote presentation from world-renowned marketing expert Seth Godin was a highlight among an incredibly high-quality set of presentations across the conference.

Pleasingly, our sponsors continued to support the MFAA's Professional Development programs and the MFAA Excellence Awards, which allow us to grow and recognise the talent in our industry.

## Advocacy for our members

Our advocacy continued throughout FY22 and largely focussed on preparing for the 2022 Review by the Council of Financial Regulators and the ACCC. We also advocated for members through our direct engagement with all levels of government, regulators and other industry bodies, and promoted positive industry change through our engagement in roundtables, inquiries, consultations and submissions.

As the 2022 Review drew closer, we worked tirelessly to ensure policy makers were fully aware of the strength of our industry, and of the positive customer outcomes we have continued to deliver since the 2019 Royal Commission due to the success of both the industry's efforts in self-regulation and the Government's legislative agenda, which included the implementation of the Best Interests Duty.

The 2022 Review was to be a thorough review of the industry's remuneration practices and customer outcomes. We were approaching it with confidence, due to the steady stream of reforms we had implemented since 2019 that supported the consumer outcomes we sought as an industry, however, there is always risk involved in reviews such as this, and they require significant resources from the Association and from our members.

During regular meetings with Treasury and the Federal Government, we continued to highlight key industry data as evidence of a healthy, thriving industry, which had aligned its interests with those of consumers. Given how much work had gone into make this case over the years, it was extremely gratifying to be invited to the offices of Mr Sukkar in March 2022 to be told the Review would not be going ahead (page 18). It was even more pleasing to have the Government acknowledge the MFAA's pivotal role in the decision. Clearly, this was the catalyst for our industry to now look up and look ahead.

In addition to the 2022 Review, we advocated for the industry on a number of issues this year.

We welcomed the Australian Government's move for Open Finance to expand Consumer Data Right (CDR) into the non-bank lending sector, merchant acquiring services, and key data sets in the general insurance and superannuation sectors. The MFAA see the continued expansion of CDR into further sectors as critical to competition and innovation in the financial services industry, providing better outcomes for our members and their customers (page 19).

We also welcomed Treasury's release of the Final Report on the Review of the Australian Financial Complaints Authority (AFCA), noting that most of the 14 recommendations focused on enhancements to AFCA's transparency towards parties to a complaint, and improvements to its decision-making processes.


FRAGILE

The other key area of reform and advocacy relates to information sharing and reporting of misconduct, which was a key recommendation of the Royal Commission. Whilst the Best Interests Duty is effective, the reality is we still need to ensure that any misconduct is detected early and addressed quickly and transparently.

This is achieved through three reforms which were commenced on 1 October 2021: a Reference Checking Protocol, Breach Reporting and Notifying, Investigating and Remediating Misconduct. While the latter has worked well, we saw opportunities for improvements to the other two.

During the year we have engaged with Treasury to improve implementation of the Reference Checking Protocol and strengthen legislation to ensure aggregators have greater visibility of breaches reported to ASIC in circumstances where they are not the broker's licensee.

These successfully implemented reforms have contributed to the strong position the mortgage broking industry is in today. With broker and consumer interests and expectations aligned, the trust and confidence customers, and regulators, have in the industry can continue to grow and achieve incredible customer data over the coming years (page 19).

## Looking to the future

At the conclusion of FY22, we have a strong and rapidly growing industry that has successfully implemented meaningful reforms over several years, and has the trust and loyalty of consumers.

This success is evidenced by the data, as market share, Net Promoter Scores, complaints and arrears data continue to be exceptionally strong. This data tells a clear story – that our members are delivering great outcomes for their customers.

But the journey to get here hasn't been easy. It has been a long and challenging six years of regulatory scrutiny and reform. During this time, our members made personal sacrifices and took the necessary steps to survive, and then to thrive.

**This data tells a clear story – that our members are delivering great outcomes for their customers.**

Today, we are an industry that has done the hard yards. We are well-progressed on our journey from an industry under pressure from all sides to a profession that has respect from Government, regulators and stakeholders, and loyalty from our customers.

Now that the sustained period of scrutiny of our industry is over, we are well prepared as an Association, and as an industry. As announced at the National Conference, the time is right for me to retire.

I have worked in many interesting and personally fulfilling roles during the past 30 years, but the last five and a half years at the MFAA has been the highlight of my working career, and the meeting with Michael Sukkar during which he informed me that the 2022 Review was no longer required was a fitting end to my tenure as CEO.

I will certainly miss our vibrant, growing industry and our wonderful members, but I am looking forward to spending quality time with my family over the coming years.

As always, I want to share my sincere gratitude to all our members for your loyalty and trust, and to our new members who have joined the Association.

Thank you again to all our sponsors who continued to support us over the past year, particularly in sponsoring our world-class National Conference.

My gratitude goes to the MFAA Board members during the past five years, particularly former Chair and Life Member Donna Beazley, for their foresight to invest in defence and reform for the industry, and for backing me in some of the difficult decisions we had to make. Thank you also to Chair Rose De Rossi for her strong leadership and inspiring vision for the future.

I would also like to take this opportunity to welcome and congratulate incoming Chief Executive Officer Anja Pannek. Anja is an outstanding appointment, and her experience and innate knowledge of the issues brokers face makes her a perfect fit to take this industry forward. I wish Anja all the best, and look forward to seeing the Association and wider industry go from strength to strength under her leadership.

My sincere thanks go to our broader MFAA team, who have worked highly effectively, with everyone pulling in the same direction to represent the interests of our members every day.

But most of all, thank you to our members and this wonderful industry for the incredible assistance and guidance you continued to provide to your customers in what truly was a memorable FY22. It is your dedication and determination that will continue to grow our vibrant and important industry in FY23.

Mike Felton
CEO

# Board of Directors

## Rose De Rossi

Chair since 2021,
Director since 2017 (Elected)

Ms. De Rossi is a multi-award-winning finance broker who started her banking and finance career in 1985 with R&I Bank, now known as Bankwest. After 14 years in various management and lending roles, she became a finance broker with Choice Home Loans in 1999. In 2009 her agency rebranded to Diversifi Pty Ltd with co-director Tracey Lea Gilbert.

Rose was Deputy Chair of the MFAA Board from 2019-2021 and was the President of the MFAA Perth Forum.

Qualifications: Diploma in Mortgage & Finance, Certificate IV in Mortgage Broking and a member of the Australian Institute of Company Directors (MAICD).

Rose is a member of the Nominations, Remuneration & Governance Committee of the MFAA.

## Will Foster

Deputy Chair since 2021,
Director since 2019 (Elected)

Mr. Foster has acted as Director / Mortgage Broker at Foster Finance in Sydney for 16 years and has contributed to the finance broking industry through his service on the Combined Industry Forum (CIF) since 2017.

Qualifications: Bachelor of Commerce (Banking & Finance).

Will also chairs the Nominations, Remuneration and Governance Committee of the MFAA.

## Vladimír Malčík

Re-appointed Director 2020,
Director since 2017 (Appointed)

Mr. Malčík is an experienced director, chief financial officer and company secretary with broad background in finance, accounting and company secretarial practice in the public, private and not-for-profit sectors.

Vladimír brings important skills to the MFAA Board, including: corporate planning, strategy formulation and implementation, mergers, acquisitions, privatisations, company performance improvements and restructuring.

Vladimír is a Fellow of CPA Australia, the Australian Institute of Company Directors, the Institute of Chartered Secretaries in Australia and the Governance Institute of Australia.

Qualifications: Master of Business Administration, Graduate Diploma of Finance, Bachelor of Business (Accounting Major) and a Diploma Company Directors Course.

Vladimír also chairs the Audit & Risk Management Committee of the MFAA.

## Caroline Jean-Baptiste

Director since 2019 (Elected)

Ms. Jean-Baptiste is owner / manager of Mortgage Choice in Fortitude Valley, Brisbane with over 16 years' experience and has been Franchisee Chair of the Mortgage Choice Franchisee Advisory Council (FAC) since 2017.

Caroline has also been a Committee member of the Mortgage Choice National Marketing Committee and Marketing Think Tank for over 13 years.

Qualifications: Diploma of Finance (Mortgage Broking)

Caroline is a member of the Nominations, Remuneration & Governance Committee of the MFAA.

## Marissa Schulze

Director since 2021 (Elected)

Ms. Schulze is a multi-award winning mortgage broker with over 10 years' experience. She is the founder and Managing Director of Rise High Financial Solutions in South Australia and previously worked in commercial banking.

Marissa has prior governance experience gained through positions on various volunteer boards and was a member of the MFAA Community Panel.

Qualifications: Bachelor of Law, Bachelor of Commerce (Accounting and Corporate Finance), Diploma of Financial and Mortgage Broking and a Certificate IV in Finance and Mortgage Broking.

Marissa is a member of the Audit & Risk Management Committee of the MFAA.

## Kerri Buurman

Director since 2021 (Elected)

Ms. Buurman is a Western Australia based finance broker and founder of Buurman Finance Solutions.

Kerri has over 25 years' experience in the finance industry and has been a finance broker since 2006.

Kerri brings experience as a board member for community organisations and was the President of the MFAA Perth Forum.

Qualifications: Diploma in Finance Broking and Management.

Kerri is a member of the Audit & Risk Management Committee of the MFAA.

## Mark Hewitt

Director since 2022 (Elected)

Mr. Hewitt brings a wealth of knowledge and industry experience to the MFAA Board with 40 years' experience in financial services. He is a member of the Executive Team at aggregator Australian Finance Group (AFG) which he joined in 2006 as General Manager Broker & Residential and is currently AFG's General Manager Industry & Partnership Development.

Prior to joining AFG, Mark spent 20 years with ANZ including four years in ANZ's third-party distribution area and later became National Manager of key broker relationships. He has also recently been co-chair of the Combined Industry Forum (CIF) and has played a key role in the industry reform process.

Mark's significant skills encompass operations, communications, relationship management, credit management, asset finance, human resources and sales and he was named on the MPA Global Mortgage 100 list in both 2020 and 2021.

Mark is a member of the Nominations, Remuneration & Governance Committee of the MFAA.

## Donna Beazley

Director from 2014 – 2021 (Elected), Chairman 2017 – 2021 (Elected 2017, Appointed 2019)

***Ms Beazley retired from the MFAA Board in November 2021.***

Ms Beazley is a mortgage broker as part of the Oxygen Home Loans Team, covering the Sutherland Shire area, Sydney, NSW.

She has more than 20 years' experience in the finance industry and has been a mortgage broker since 2004.

As an MFAA Director, Ms Beazley was a member of the Nominations, Remuneration and Governance Committee.

She holds a Certificate IV and Diploma in Finance and Mortgage Broking and is currently undertaking a Master of Business Administration degree.

## Sarah Wells

Director from 2019 – 2021 (Elected)

***Ms Wells retired from the MFAA Board in November 2021.***

Ms. Wells is an accomplished credit, risk and debt structuring professional. She has a national client base (with herself based in Perth) after a long and successful career in her hometown of Sydney.

Sarah has a national client base predominantly working between Melbourne, Perth and Sydney. Sarah's specialty is providing industry leading financing solutions for health and medical specialists.

Qualifications: Master of Management (Financial Management) from Macquarie Graduate School of Management, as well as both a Diploma of Finance Broking and Financial Planning and a Graduate of the Australian Institute of Company Directors (GAICD).

Sarah was a member of the Audit & Risk Management Committee of the MFAA.

## Kathryn Harrison

Director from 2018 – 2021 (Elected)

***Ms Harrison retired from the MFAA Board in November 2021.***

Ms. Harrison has been serving on Committees and Boards for more than 26 years, both at State and National level, having undertaken Treasurer and Chair roles.

Kathryn is a personal mortgage adviser based in Brisbane and operates a Smartline franchise with her husband, servicing clients across Australia.

Qualifications: Bachelor of Commerce (Accounting), a Diploma of Finance & Mortgage Broking Management, is a Justice of the Peace and a Graduate of the Australian Institute of Company Directors (GAICD).

Kathryn was a member of the Audit & Risk Management Committee of the MFAA.

## Mark Harron

Director from 2019 – 2022 (Appointed)

***Mr Harron retired from the MFAA Board in March 2022.***

Mr. Haron brings a wealth of knowledge across all aspects of mortgage broking and lending.

His vast experience and expertise spans strategic management, operations, sales, relationship management, compliance and governance.

After starting his career in the industry as a mortgage broker in 1996, Mr Haron became the CEO of aggregator FAST, before being appointed to the Connective Board of Directors in 2006.

As Deputy Chair of the Combined Industry Forum until April 2020, and ongoing involvement as a member of the Combined Industry Forum he is intimately acquainted with the industry's work to guide and implement reforms to improve customer outcomes. He also served on the Nomination, Remuneration and Governance Committee.

Mr Haron is also a Board Director of LIXI and possesses strong relationships at the highest level with lender partners.

# Advocacy report

**11** Submissions

**20+** Government, regulatory and ombudsman engagements

**8** Compliance and regulatory forum meetings (both formal and consultative)

**40** Compliance member resources developed

## Introduction

The year ending 30 June 2022 represented the culmination of a period of intense scrutiny for our industry.

The MFAA is focused on supporting the vital role mortgage and finance brokers play in the Australian economy in promoting choice across consumer and business finance. In the year ending 30 June 2022, brokers facilitated more than two-thirds (68%) of all new residential home loans and are increasingly involved in commercial and small business lending.

As the mortgage broking and real estate industries – and the broader community – grappled with the challenges presented by lockdowns and the Omicron wave during FY22, the final stages of the implementation of remaining Royal Commission recommendations were soon followed by the industry readying itself for the 2022 Review of Mortgage Broker Remuneration by the Council of Financial Regulators and the ACCC (2022 Review).

A key role for the MFAA – as an industry association – is to advocate for and to represent our members' views.

Throughout FY22, the Association continued to provide guidance and represent the views of its members, by consulting and engaging with Government, financial regulators and other key stakeholders relating to the issues that affect our brokers most. While professional development and support for members' businesses is an important element of the work we do, as a result of the ongoing reviews and significant regulatory change in recent years, advocacy has appropriately been the MFAA's core focus.

## Hayne Royal Commission recommendations – Three years on

More than three years ago, the mortgage broking industry faced a challenge of existential proportions: the release of the Report into Misconduct in the Banking, Superannuation and Financial Services Industry, better known as the Hayne Royal Commission Report.

The Final Report recommended a 'borrower-pays' model for brokers, which would have essentially seen the end of upfront and trail commissions, and which would have impacted competition in the home lending sector.

Fortunately, following the ASIC Review of Mortgage Broker Remuneration Report in 2017, we had formed the Combined Industry Forum (CIF) and proactively driven a range of reforms designed to address the key issues raised in that Report. This stood us in good stead to respond to the 2019 Royal Commission Report.

We argued that these proactive reforms – implemented before the Royal Commission – were sufficient to produce or maintain the desired consumer outcomes. In doing so, we were able to point to the incredible data and strong track record of customer outcomes that brokers have produced over many years.

As a result of our advocacy, the Federal Government did not implement the 'borrower-pays' recommendation. Instead, the Government said it would implement a Best Interests Duty and a number of remuneration reforms to mitigate conflicts, and allow the industry to retain its remuneration structures, subject to a further review by the ACCC and the Council of Financial Regulators in 2022.

In making this decision and implementing this legislative agenda, the Federal Government was essentially putting its faith in the mortgage broking industry to continue to reform, with a focus on protecting the consumer. As such, we continued to seek ways to improve customer outcomes.

Since February 2019, we have implemented further reforms to support the consumer outcomes we produce as an industry.

The Best Interests Duty (BID) commenced on 1 January 2021, providing every consumer who obtains credit assistance through a broker with the protection of an unrivalled higher duty.

In addition to the BID, legislation has been passed and implemented in relation to Conflicted Remuneration which clarifies the types of remuneration that may and may not be accepted, giving legislative effect to a number of remuneration reforms previously implemented by the CIF and designed to manage conflicts.

Beyond the BID and legislation relating to conflicted remuneration, the Government also implemented a number of reforms recommended by the Royal Commission in relation to information sharing and the reporting of misconduct. The MFAA worked closely with both ASIC and Treasury to ensure these reforms were fit for purpose for the industry.

These include the ASIC reference checking and information protocol which introduce for mortgage brokers a similar reference checking process to financial advisers, so as to prevent those responsible for misconduct from simply moving between licensees and industries.

As part of the new breach reporting reforms, breaches of the law must be investigated and reported to ASIC, including reporting by a licensee about the conduct of a credit representative, or by one licensee about another licensee's conduct. Where that breach results in identification of consumer loss, as part of changes to the laws on consumer remediation, consumers must be compensated for any loss as a result of misconduct, error or compliance failure.

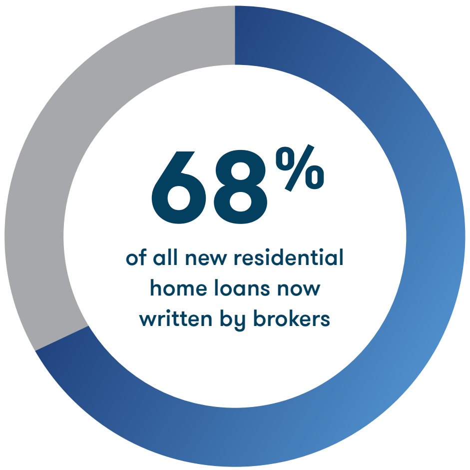
These legislated reforms in relation to information sharing and reporting of misconduct drive trust and confidence of consumers, particularly those that are yet to use the services of a mortgage or finance broker. They also drive confidence in the broker channel amongst regulators and Government.

The MFAA continues to engage with regulators and all sides of politics to ensure regulation continues to be fit for purpose for industry and to demonstrate to regulators and Government the positive impacts that reforms have created for both consumers and for the mortgage and finance broking industry.

Through a combination of our industry's self-regulation and implementation of legislative reforms, our industry continues to produce incredible data that demonstrates the strong consumer outcomes and competition that mortgage brokers drive.

## The key numbers:

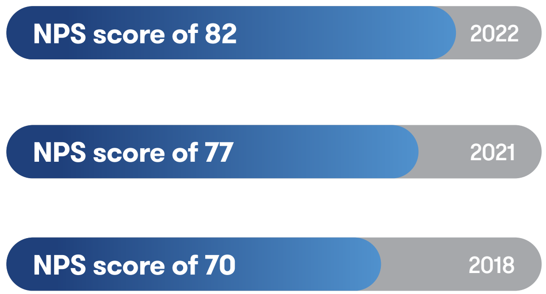
### More consumers are voting with their feet




Brokers write more than two in every three Australian home loans.

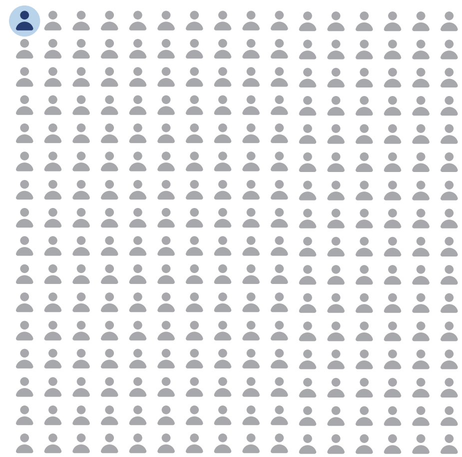
*April – June 2022, Comparator, a CoreLogic business, commissioned by the MFAA*

### Mortgage brokers are overwhelmingly recommended by their customers



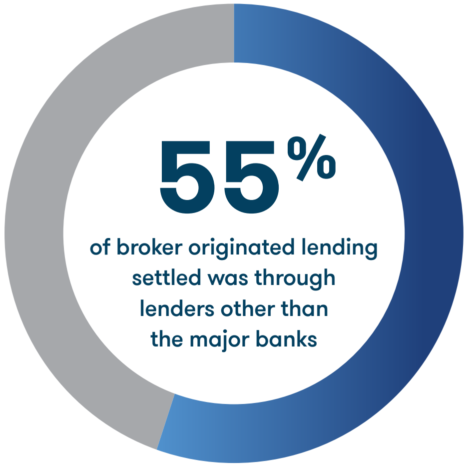

Customers gave mortgage brokers an outstanding Net Promoter Score (NPS) of 82 in 2022, an increase of 5 points on the 77 recorded in 2021 and 12 points higher than the 70 recorded in 2018.

### Customer complaints remain incredibly low



The latest AFCA data for the 2021 financial year shows complaints about mortgage brokers comprise 0.39 of one per cent of all banking and finance complaints submitted to AFCA.

**Brokers support competition in the home lending market**




Brokers play a key role in moderating the dominance of the major lenders by providing access to more than 100 lenders to Australian consumers.

*Industry Intelligence Service Report commissioned by the MFAA and produced by Corelogic, in the six months to September 2021*

## 2022: A Year of Change

In March 2022 we saw the announcement that the 2022 Review was deemed by Government to be no longer necessary, providing – for the first time in many years – a sense of 'clear air' for thousands of brokers around the country. At a moment like this, it is important to reflect on the years of advocacy and strong industry data that has led us to this outcome, to ensure we continue to heed the lessons learned as we go forward with confidence.

The advocacy around this Review had been our core focus as an Association during FY22 and the decision by the Federal Government that the 2022 Review was no longer required followed consistent engagement by the MFAA with Treasury and Government.

The MFAA was instrumental in the many years of focused effort that preceded that announcement – working constructively with our members, Government and regulators – so it was fitting that the MFAA was the only industry association present in the room when the announcement was made.

Following on from this announcement, we have now experienced a change in Federal Government. While our role as your industry body is to engage with all sides of Government, the Association is now focused on engaging more strongly with key members of our new Government and newly elected MPs and Senators.

Importantly, the Association invested significant time engaging with all sides of politics in the lead-up to the election. While the cancellation of the 2022 Review demonstrated the Coalition's confidence in our industry – particularly so because of strong industry data and ongoing advocacy conducted by the MFAA – the new Government has also communicated it has no plans to change the current remuneration structures.

We can, however, never afford to rest on our laurels, and the MFAA will continue to advocate with Government to ensure key stakeholders understand the importance and the positive benefits of our remuneration model for consumer outcomes – even those who don't use a broker who benefit from the increased competition that brokers drive.

However, with this clear air and demonstration of confidence from the new Government, our industry has a stable platform from which to build and continue to go from strength to strength. To this end, we look up and look ahead to ways we can continue to advocate and innovate for industry.

## Technology and innovation

Ensuring our industry is leading the way on technological innovation in financial services is a strong priority for the MFAA. The Association has ensured brokers have 'a seat at the table' in discussions relating to Consumer Data Right.

### Consumer Data Right

A Government initiative, the Consumer Data Right (CDR) provides consumers the ability – and the right – to share their data with any service provider they choose. The CDR was first rolled out in the banking sector and required banks to put data into the CDR system, before its expansion into the energy sector. The next frontier is what's being called 'Open Finance', as announced by the Australian Government in January 2022. This will mean non-bank lenders, superannuation funds and insurers will be required to share their customer data with the overall CDR system.

The MFAA sees the CDR as a significant step for the industry and customers and the acknowledgment of mortgage brokers, and the consistently strong advocacy from the MFAA has assisted in positioning brokers as trusted advisers in the CDR framework.

CDR will enable customers to share their information with brokers, enabling greater insights into the financial health of customers to support them through financial decisions. As a result, technology providers are innovating to give brokers and their customers the tools to enhance their ways of doing business and make proper use of the CDR framework.

The industry is strongly embracing advancements in technology. To support this, the MFAA will continue to work with Government to improve consumer education on CDR to ensure customers understand how sharing their data with brokers – as their trusted advisers – will benefit them. To this end, the MFAA made a submission in response to Treasury's Sectoral Assessment for Open Finance Sector – Non-Bank Lending.

### Digitising the mortgage process

Continuing this theme, a key focus of the MFAA is to support legislation that digitises and modernises the document execution process. During FY22, the Government adopted recommendations made by the MFAA and others, and made permanent the legislation that allows companies to sign deeds and other company documents electronically.

Digitising this process helps our industry to reduce regulatory barriers, decrease costs and complexity for customers, and align with the way Australian consumers and businesses conduct the majority of their financial affairs. The MFAA also continues to champion the adoption of full electronic conveyancing as well as digital ID.

## Information sharing and reporting of misconduct

The Best Interests Duty is effective in preventing misconduct, however there is still a need to ensure the early detection of misconduct so it can be addressed quickly and transparently. A key recommendation of the Royal Commission, and area of reform and advocacy was information sharing and reporting of misconduct.

Three reforms to support information sharing and reporting of misconduct were commenced on 1 October 2021: a Reference Checking Protocol, Breach Reporting and Notifying, Investigating and Remediating Misconduct.

### Reference Checking Protocol

The implementation of the Reference Checking Protocol aligns mortgage brokers' reference checking processes with those of financial advisers, and is intended to prevent brokers from simply moving between licensees and industries and continuing their poor behaviour. While we agree with the need for this Protocol, we found some gaps in the way it was being implemented, which we raised and discussed with Treasury over the course of FY22.

These discussions centred around including aggregators that are not licensees within the Protocol so that aggregators can appropriately give and receive references about mortgage brokers. Due to the Federal Election in May 2022, a caretaker period was enacted during which legislative changes were paused, however we expect legislative amendments addressing these gaps to be introduced in FY23.

### Breach Reporting and Notifying

Breach Reporting, which requires reporting to ASIC of a 'reportable situation' by a licensee about a credit representative and by one licensee about another licensee's conduct. While licensees are required to report to ASIC, they are not required to share the report with the aggregator in circumstances where the aggregator is not the licensee, and indeed would not be covered by qualified privilege if they were to do so. As such, and similarly to the Reference Checking Protocol, the MFAA has engaged with Treasury to recommend that the legislation be strengthened to ensure that aggregators have greater visibility of breaches reported to ASIC on brokers who hold their own licenses.

With the reforms that have been implemented, the mortgage broking industry has aligned broker and consumer interests and expectations, adapted to better manage conflicts, and improved information and reporting of misconduct. These measures will further improve trust and confidence from customers and regulators, and should assist the industry to continue to produce strong customer data over the coming years.

## Issues affecting broker businesses

Issues that affect our members' businesses are of paramount importance in our advocacy efforts. It's important for the Association to engage with all levels of government, regulators, and the ombudsman to create sensible solutions to issues that are either unfair or make it harder for brokers to do business.

During FY22, we have continued to raise key issues that are – as yet – not fully resolved. At a lender level, we have seen problems with turnaround times and discharge delays, and we have held ongoing discussions around some open questions on clawback, net of offset, and the rising costs of professional indemnity insurance.

Beyond this, there were two other areas of focus for our advocacy, AFCA dispute resolution fees and the ASIC Levy.

### AFCA dispute resolution fees

In March 2022, the MFAA was able to achieve a strong outcome for the industry by working with the Australian Financial Complaints Authority (AFCA) to substantially reduce the cost of external dispute resolution fees for the industry. This was achieved through strong advocacy with AFCA during a review of its funding model.

It was the MFAA's position that the AFCA fee structure has lacked fairness and requires the payment of complaint fees, irrespective of fault, which at times has resulted in brokers agreeing to unwarranted settlements to avoid escalating fees.

To this end, AFCA will now adopt a 'user pays' model, which means heavier users of the system will pay more, while lighter users will pay less. Credit licensees will no longer pay for their first five complaints to AFCA, alongside a simplified complaint fee structure, and AFCA will also implement a system to remove complaints without merit or those which cause loss.

### ASIC Levy

The ASIC Levy cost almost tripled in the past year with the cost for per credit representative increasing from $61.76 to $184.31 – a significant increase for those licensees with a large number of credit representatives.

ASIC has an 'Industry Funding Model' in place – meaning the industry pays for the costs of ASIC's regulatory activities, as recommended by the 2014 Murray Inquiry. The MFAA is working with Treasury to determine if the Industry Funding Model is as transparent and fair to the broking industry as it ought to be in order to keep these costs under control.

## Looking ahead

With the cancellation of the 2022 Review, FY22 was a watershed year for our industry following more than five years of intense review.

The industry now has the space to look forward and our advocacy, while continuing to support appropriate regulatory changes, will shift focus to creating a suitable environment for the broker of the future to thrive.

This includes ensuring brokers are included in technological innovation in the industry and advocating for policies that benefit broking businesses and their customers. Many of our members operate as small businesses, and policies that make it easier for them to conduct their business activities while maintaining integrity and delivering a seamless experience for customers will be important so brokers can adapt to meet changing consumer and regulatory expectations.

Our advocacy will also include supporting the industry as it continues to support their customers through periods of economic uncertainty with increasing inflation and continued rises to in interest rates,

The MFAA is in a strong position to advocate with Government and regulators because of the incredible data the industry produces. Brokers' commitment to their customers and the competition the industry underpins are the foundation stones of our industry.

The Association will continue to advocate strongly across all levels of government, regulators and key stakeholders to represent the best interests of the industry.

## Submissions

**13 July 2021 – Landgate electronic mortgages consultation**

- The MFAA strongly supported the adoption of full electronic conveyancing, including digital signing for real estate transactions in Western Australia.

**12 August 2021 – Compensation Scheme of Last Resort Proposal**

- In its submissions on this topic, the MFAA made recommendations in relation to cross-subsidisation of sectors, scheme implementation costs and calculation of scheme levies. The MFAA's recommendation that the Government fund the scheme's implementation costs was adopted.

**8 August 2021 – Modernising Document Execution – Deeds and Statutory Declarations**

- The MFAA continued to strongly advocate for a national modern and efficient framework for the witnessing and execution of documents.

**16 September 2021 – Treasury Laws Amendment (Measures for Consultation) Bill 2021: Use of Technology for meetings and related amendments (Cth) Exposure Draft**

- The MFAA continued to strongly advocate for a national modern and efficient framework for the witnessing and execution of documents.

**17 December 2021 – The Regional Banking Taskforce Issues Paper**

- The Regional Banking Taskforce was formed to assess the impact of branch closures on regional communities. In its submission, the MFAA noted that brokers are already filling the gaps left by bank closures, and provides recommendations on how Government can support and partner with the broking industry facilitate access to credit for these communities.

**18 December 2021 – Modernising Document Execution – Deeds and Statutory Declarations**

- The MFAA continues to advocate for a national modern and efficient framework for the witnessing and execution of documents.

**11 February 2022 – ASIC CP 350 – Consumer Remediation**

- The MFAA made its second submission on ASIC's draft regulatory guide on consumer remediation, emphasising the importance of a balanced and scalable approach to consumer remediation and calling for further guidance in relation to consumer remediation in the credit intermediation sector.

**4 March 2022 – Review of the Legislative Framework for Corporations**

- The MFAA provided a submission to the Australian Law Reform Commission (ALRC) review of the Legislative Framework for Corporations and Financial Services Regulation Interim Report A.
- The report, which was tabled in Parliament late last year, seeks feedback on 16 proposals, and eight questions for reform. On request by the ALRC, the MFAA's made a submission to the Review, encouraging the use of solutions to make it simpler and easier for our members to navigate the law.

**12 April 2022 – Consumer Data Right (Open Finance)**

- The MFAA made a submission in response to Treasury's CDR Sectoral Assessment for Open Finance Sector – Non-Bank Lending.

**17 May 2022 – Review of ASIC Funding Model (ASIC Levy)**

- On invitation by Treasury, the MFAA participated in a roundtable discussion and made a submission to Treasury's review of the ASIC IFM, voicing concerns that the broking industry was cross-subsiding other subsectors and advocating for a more transparent and efficient approach to the way in which levies are set and communicated.

**28 June 2022 – ASIC Cost Recovery Implementation Statement (ASIC Levy)**

- The MFAA made a submission to ASIC's Cost Implementation Statement, which sets out the estimated ASIC levies for industry for the 2022 year, reiterating many of the points that it made to Treasury on the ASIC Levy.

# Membership Services report

## Membership

The MFAA's purpose is "to advance the interests of our members".

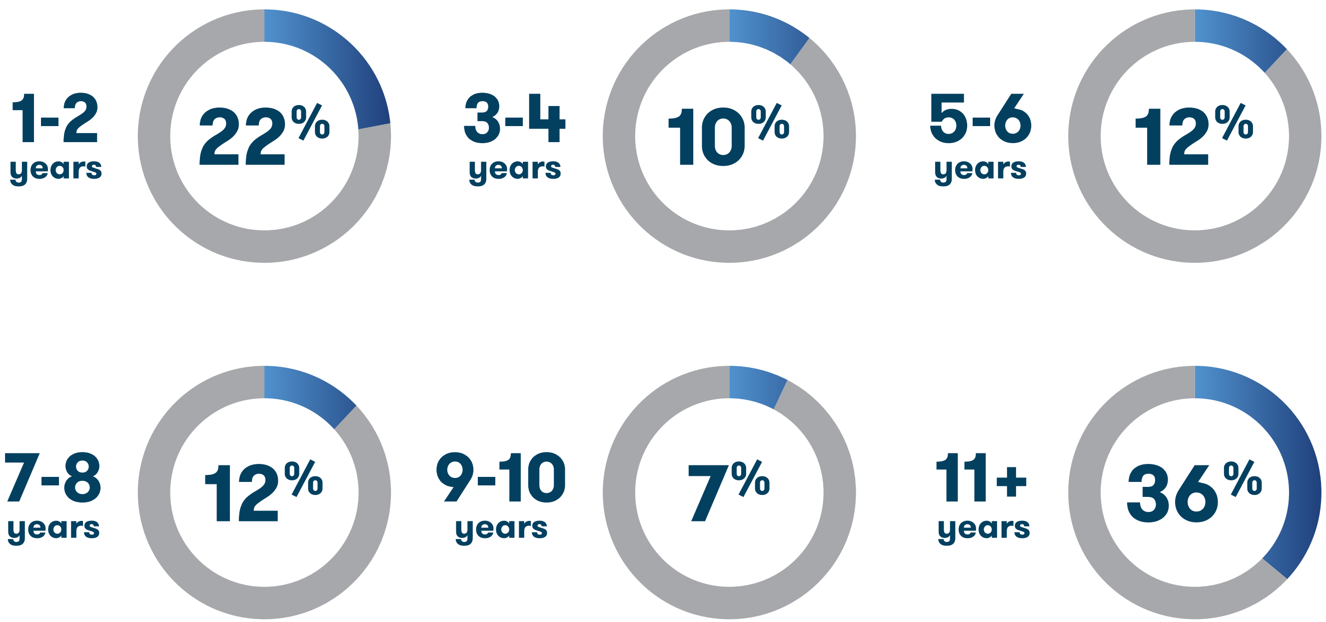
As of 30 June 2022, the MFAA had 14,435 members, representing brokers, aggregators, lenders, mortgage managers, mortgage insurers and other key industry participants. This diversity and strength of our membership allows us to focus on the long-term interests of our members, and to consider the wellbeing of the entire industry that sustains all our members.

During the year, 1,869 new members joined the MFAA, with all new members invited to attend an MFAA welcome and orientation session, specifically designed to assist their professional development and business planning.

## Membership snapshot

More than half our members (67%) have five or more years' experience in the industry, with 36% having worked in the industry for more than a decade.

### Percentage of MFAA members according to years in the industry



## Membership Services

Providing a range of member services is an essential part of the service we deliver to our members.

Our membership team, including our State Managers, provides assistance to our members including welcome sessions for our new members and regular member forums. Our State Managers provide a valuable service to our members in connecting them with the right people in the industry.

During FY22, we delivered a professional development program that included a national conference, virtual PD events, regular webinars and our annual Excellence Awards.

In December, we launched a new website for the MFAA. This modern and mobile responsive website was designed to make it easier for the user to navigate and find information, including how to join the MFAA, a directory for the latest industry and professional development events, and current news and research.

In FY23 we will be upgrading the member portal and redesigning application and renewal online services to increase usability.

Members also received access to new online education resources, including an ethics course and eBooks on wellbeing, the opportunities in small business financing and the process for writing non-conforming loans.

Our team develops, delivers and enhances membership services in consultation with our members, eliciting feedback and suggestions for ideas and improvement.

## Professional Development

The MFAA continues to support the enhanced professionalism of the mortgage and finance industry, and our Code of Practice sets out professional standards that protect customers, provide assurance and drive trust, confidence, and recognition within the community.

The key focus of the MFAA this year was to educate and inform members about the ongoing industry reforms following the implementation of the Best Interests Duty. New online education courses were developed for:

- Reference checking and Information sharing
- Breach Reporting
- Notify, Investigate and Remediate Obligations
- Design and Distribution Obligations.

We also launched a new Foundation Course in Ethics for brokers to understand and integrate ethical practices into their decision-making and other everyday business practices.

Additionally, a further 50 courses across key competency areas were added to the members Learning Hub, providing members with access to professional development content that is engaging and relevant to their businesses.

Finally, the MFAA continued to participate in various consultation meetings as part of a review of mortgage broking training programs and the qualifications delivered by registered training organisations, conducted by PwC Skills for Australia. A primary objective of this review was to identify and recommend improvements to education standards, qualifications, and the delivery of training to industry participants.

The MFAA will continue to work closely with registered training organisations as they update and further enhance their Certificate IV and Diploma education programs in FY23.

## National Conference

During FY22, we held the first in-person MFAA National Conference in more than six years, following a virtual national conference in 2020. The hybrid event was held in Melbourne with close to 1,000 in-person attendees and more than 2,000 virtual attendees.

The conference, themed 'Look up. Look ahead', was designed to inspire and equip our members to embrace new opportunities in marketing, technology, customer engagement, and their own personal and professional development.

A range of outstanding speakers were featured in the program, including Seth Godin, Holly Ransom, Dr Jordan Nguyen, Nikki Greenburg and Ben Crowe. The event also included a large exhibition for members to connect with aggregators, lenders and suppliers to the mortgage and finance broking industry.

## Virtual national PD events (November and March)

We held two virtual National PD events, one in November 2021 and another in March 2022.

Both virtual events were delivered free to members and provided updates on the economy, property market, cyber-security, and consumer behaviour.

In total, both events had more than 3,900 attendees and provided our members with practical knowledge and skills to help them strengthen and grow their business.

## MFAA Excellence Awards

Each year, the MFAA celebrates the achievements and excellence of our members, and after two years of virtual events, the MFAA State Excellence Awards were once again held in-person.

We held five State Excellence Awards in May and June 2022, with all State Excellence Award winners progressing as finalists to the National Excellence Awards in July 2022.

There were 24 award categories covering individual, business, aggregator and lender categories, including the introduction of the Mortgage Manager Award to recognise the value mortgage managers bring to the industry. Finalists were recognised in categories including customer service, newcomer, regional finance broker and residential finance broker.

Entries to all awards were of an exceptionally high standard and the events provided a unique opportunity to celebrate the excellent outcomes and services mortgage brokers provide to their communities and customers.

## Consumer awareness campaign

A two-month digital advertising consumer campaign promoted the benefits of using a broker for both residential mortgages and commercial and equipment/asset financing for small and medium-sized enterprise (SME) owners.

Residential mortgage advertising was promoted on Facebook, while SME businesses and key referral partners for our members, such as accountants and financial planners, were the target audience on LinkedIn.

The campaign increased awareness and traffic to the MFAA's Mortgage and Finance Help consumer website, where potential customers can connect with a local mortgage or commercial and asset finance broker.


BOOKS

# MFAA in the community

This year, we maintained our key corporate social responsibility initiatives, headlined by our 'Opportunities for Women' initiative.

## Opportunities for Women

Women continue to be under-represented in the mortgage and finance industry, and during FY22, the MFAA Community Panel continued its Opportunity for Women initiative to understand the reasons for this under-representation, and examine strategies to overcome the disparity.

We continued to celebrate and support diversity of all kinds in our 'Champions of Diversity' series, which focuses on the rich and varying experiences of both women and men in the industry – their challenges, hurdles, and the opportunities they have experienced – in order to help others in their own journey.

The Diversity & Inclusion Program Award was again presented as part of the MFAA Excellence Awards 2022. This Award was established in 2021 in response to feedback from the MFAA Community Panel and our Opportunities for Women survey.

The MFAA would like to thank Jane Counsel as the subject matter expert who has helped guide the initiative's bespoke framework and develop a unique set of solutions for the industry.

## Financial support for new staff training and development

Hiring trainees can be a valuable opportunity for broking businesses to increase their resourcing and offer career progression to staff. Government incentives are available that provide funding to supplement employment and training costs for eligible staff.

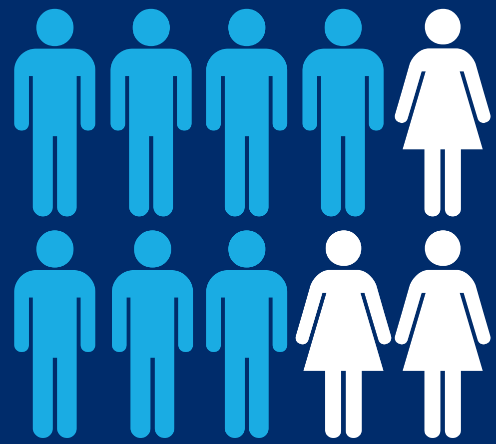
However, the landscape of government funding for traineeships can be complicated. To assist our members, we worked with the Australian Skill & Assessment Centre to review the incentives and conditions required to achieve Government funding in taking on trainees in broking businesses.

This information was published in a report available to our members and will be updated on a regular basis to reflect any updates on Federal and State financial support programs.

## Supporting financial literacy education

This year we updated our series of presentations that explain financial concepts for children in primary and high school. The presentations are available to members interested in bringing financial literacy to young people.

## Membership demographic



71% Males 29% Females

# Forums

## National Advisory Forums

Our National Advisory Forums are integral for the Association to ensure that all industry participants can engage with each other and express their perspective, views and opinions with an objective of enhancing the mortgage and finance broking industry as a whole. The issues discussed and the feedback derived from these meetings are key to informing the content and direction of the MFAA's advocacy efforts throughout the year.

## National Lenders Forum

The National Lenders Forum in FY22 comprised 12 lender members, four from the major banks and eight from smaller bank and non-bank lender members which distribute their products through intermediaries. During FY22, the Forum was presided over by Mark Middleton of Teachers Mutual Bank and Life Member Kathy Cummings of Bank of Queensland as Deputy. The Forum held six meetings over the financial year.

### Forum members over the period were:

- Mark Middleton (President) – Teachers Mutual Bank
- Kathy Cummings (Deputy President) – Bank of Queensland
- Aaron Milburn – Pepper Money
- Andres Agudelo – Westpac
- Cory Bannister – La Trobe Financial
- Darren McLeod – Beyond Bank
- Paul Brick – ANZ
- Glenn Gibson/Ray Esho – ING
- Matthew Patterson – ME Bank
- Adam Croucher – CBA
- Steve Kane/Nicole Triandos/Phil Waugh – NAB
- Stewart Saunders – Heritage Bank

## National Aggregators Forum

The National Aggregators Forum provides a platform for the larger aggregation groups to review and discuss issues facing the industry as a whole and to assist the MFAA in dealing with challenges, formulating positions and considering potential solutions and their consequences. Anja Pannek, formerly of Loan Market Group, presided over the Forum, with Mark Hewitt of AFG as Deputy. The Forum met six times during the financial year.

### Forum members over the period were:

- Anja Pannek (President) – PLAN
- Mark Hewitt (Deputy President) – AFG
- Sam White/Andrea McNaughton – Loan Market
- Brad Wood – Astute Financial Management
- Brendan Wright/Rob Ryan – FAST
- David Smith/Giles Body – Aussie
- Gerald Foley – National Mortgage Brokers
- Mark Haron – Connective
- Sam Boer – Smartline
- Simon Bednar – Finsure
- Sean Preece/Andrew Symes – VOW/YBR
- Stephen Moore –Choice Aggregation
- Susan Mitchell – Mortgage Choice
- Will Lockett – Specialist Finance Group

## National Compliance & Regulatory Forum

The National Compliance & Regulatory Forum was established for members to share experiences, knowledge and intelligence on compliance matters for the mutual benefit of all members. Its objectives include determining industry best practice and consistent standards relating to legislative and regulatory compliance, with a view to adoption of these standards across the industry as businesses and licensees believe is appropriate and meets their needs. Shirley Elliot of AFG presided over the Forum and Tim Donahoo, formerly of MoneyQuest, served as Deputy. The Forum met six times during the financial year.

### Forum members over the period were:

- Shirley Elliot (President) – AFG
- Tim Donahoo (Deputy President) – MoneyQuest
- Bianca Robinson/Tracy Sinnott – ME Bank
- Scott Stierli/Keisha Weller/Tanja Maliszewski – REA Group
- David McQueen/Stefania Riotto/Will Jevitt – Loan Market
- Don Campbell/Elizabeth Kelly – Aussie/Lendi
- Andy Brown/Don Crellin – Resolve Finance
- Daniel Oh/Amanda Stirling – Connective
- Christine McArthur – NAB
- Andrew Byrnes/John Hutchinson – YBR
- Liam Brown – QED Services
- Julian Wills – Finsure
- Marcia Wise – PLAN
- Michael Smith – LJ Hooker Home Loans
- Richard Guthrie – Resolve Finance
- Elise Ivory – Dentons Lawyers

## National Mortgage Managers Forum

The National Mortgage Managers Forum provides a platform for mortgage managers to review and discuss issues facing the industry and to assist the MFAA in dealing with challenges, formulating positions and considering potential solutions and their consequences.

Joanna James of Mortgage Ezy presided over the Forum to February 2022, after which Doug Daniell of Mortgage Mart of Australia, was elected to the position of President. Doug was previously Deputy President and Mick Conyngham from Mortgage Ezy was elected as Deputy President in February 2022.

### Forum members over the period were:

- Joanna James (President July 2021 to February 2022) – Mortgage Ezy
- Doug Daniell (Deputy President July 2021 to February 2022, President February 2022 – June 2022) – Mortgage Mart of Australia
- Mick Conyngham (Deputy President February 2022 to June 2022) – Mortgage Ezy
- Dorene Lee – AAA Financial
- Glen Spratt – Mortgageport
- Jeffery Lee – Vast Capital
- Luc McKell – Revas Financial Services
- Mark Attard – Finance Path
- Melissa Ashcroft - "AAA" Money Australia
- Murray Cowan - Better Mortgage Management
- Richard Kirby – Australian Loans & Mortgages
- Ross Taylor – Synergy Home Loans
- Tanya White – Axis Wealth
- Craig Green – Gadens
- Elise Ivory – Dentons
- Jon Denovan – Dentons

## National Equipment & Commercial Finance Forum

The National Equipment & Commercial Finance Forum is actively involved in a number of relevant issues affecting the sector, including training and education for finance brokers and commercial lending environment and trends analysis.

George Obeid of Judo Bank presided over the Forum as President and Malcolm Withers of Pepper Money served as Deputy.

### Forum members over the period were:

- George Obeid (President) – Judo Bank
- Malcolm Withers (Deputy President) – Pepper Money
- Aaron Greffenius – Loan Market Picton
- Alex Brgudac – Nodifi
- Andrew Soo – GM Capital Solutions
- Brendan Guthrie – BSG Mortgage & Finance
- Chris Slack – The Finance Consultancy
- Darren Green – Westpac
- David Coyner – Riverland Lending Services
- Graeme Porter – Australian Broker Services
- Greg Hearn – Greg Hearn Financial Solutions
- Janelle Pearce – Westpac
- John Kolyvas – ING
- John Macalyk – AAA Money
- Jean-Pierre Gortan – Simplicity Loans & Advisory
- Luay Khreish – Aviator Advisory
- Mhairi Macleod – Astute Ability Finance Group
- Patrick Clarkson – FAST
- Stephen Scahill – Loan Market

During FY22, these five Forums discussed various regulatory reforms including Design and Distribution Obligations, Breach Reporting, Reference Checking, Remediation, and the Compensation Scheme of Last Resort.

Other relevant industry matters discussed included lender turnaround times and discharges, clawback and net of offset, the Australian Financial Complaints Authority (AFCA) funding model, professional indemnity insurance and Consumer Data Right that involves the Open Banking framework and accreditation of brokers to access data and information, and also Open Finance for non-bank lenders to participate in this scheme.

## MFAA Tribunal

The MFAA Tribunal is chaired by Hank Spier, a former ACCC CEO and experienced lawyer, while Michael Terceiro, also an experienced lawyer, is the Tribunal's Deputy Chairman.

A three-person Tribunal is formed to deal with each alleged misconduct matter by the appointment of the Chair, or Deputy, and two senior Association members, generally brokers who may not be conflicted and who have demonstrated substantial knowledge and experience. Each Tribunal acts on matters including alleged member breaches of the MFAA Code of Practice, Constitution and/or Disciplinary Rules.

The disciplinary regime is designed to improve the public perception of the industry through the Association's self-regulatory disciplinary process, authorised by the ACCC and recognised and endorsed by ASIC. While ASIC takes high-level action on financial services and credit sector breaches, the Tribunal will additionally act on alleged member misconduct breaches of ethics, fairness, professional conduct and honesty. After careful review of a number of misconduct allegations over FY22, the MFAA Tribunal ordered the expulsion of four members from the Association and suspension of five for misconduct.

The MFAA particularly thanks those members who served pro bono on these Tribunals during the past financial year. Each has volunteered their expertise and knowledge and often a great deal of time and effort in often complex and challenging matters. Those people were:

- Craig Green
- John Carson
- Mark Lewis
- Peter Catramados.

# Financial report

# Directors' report

**The directors present their report on the Mortgage & Finance Association of Australia ('the Association' or 'MFAA') for the year ended 30 June 2022.**

## Directors

The directors of the Association in office during the financial year until the date of this report are as below. Directors were in office for the entire period unless otherwise stated. Number of Board Meetings attended and possible meetings are noted against each director.

| | Directors' Meetings | | |
|---|---|---|---|
| | **Number attended** | **Number eligible to attend** | |
| Donna Beazley | 4 | 4 | Retired 17/11/2021 |
| Vladimír Malčík | 9 | 11 | |
| Rose De Rossi | 10 | 11 | Appointed as Chair 17/11/2021 |
| Sarah Wells | 4 | 4 | Retired 17/11/2021 |
| Kathryn Harrison | 2 | 4 | Retired 17/11/2021 |
| Mark Haron | 5 | 7 | Retired 24/03/2022 |
| William Foster | 11 | 11 | |
| Caroline Jean-Baptiste | 11 | 11 | |
| Kerri Buurman | 7 | 7 | Elected 17/11/2021 |
| Marissa Schulze | 6 | 7 | Elected 17/11/2021 |
| Mark Hewitt | 0 | 1 | Appointed 01/06/2022 |

## Principal activities

The principal activities of the Association during the year were:

(a) Representing members on regulatory affairs, including the Combined Industry Forum, new legislation and regulation stemming from the Royal Commission recommendations. This centred around the introduction of the Design and Distribution Obligations, Breaching Reporting, Information Sharing and Remediation, as well lender turnaround times, discharges and Consumer Data Right including Open Banking and Open Finance.

(b) Delivering professional development services including a National Conference, industry research publications, enhanced online education resources, National and State Excellence Awards and Professional Development Events for members' benefit.

(c) Increasing member professional standards via professional development programs and ensuring compliance with MFAA Code of Practice and MFAA Disciplinary Rules for the benefit of consumers; and

(d) Raising the MFAA profile with stakeholders and consumers.

## Ongoing strategies, objectives and performance indicators

### The strategic pillars and objectives of the Association include:

### 1 Advocacy, promotion and member engagement: Shaping and influencing

#### Objectives

a) Enhance, build and maintain effective relationships with government, regulators, media and other key stakeholders;

b) Vigorously advocate on behalf of the mortgage broking industry and educate stakeholders about the broker value proposition;

c) Inform consumers and other stakeholders about the stringent professional standards set by the MFAA and the mortgage broking industry;

d) Consult and engage with members via Regulatory Roundtables, Member Forums, National Forums, MFAA communications and other means; and

e) Provide government and regulators with credible and persuasive submissions that are in the best interests of our members and the industry.

### 2 Education, training and events: Enabling and informing

#### Objectives

a) Set industry benchmarks in education, professional standards and professional development programs;

b) Deliver events that provide relevant education to enhance the success of our members and underpin the professional recognition of our industry; and

c) Acknowledge and celebrate the professional achievements of our members at State and National Excellence Awards.

### 3 Professionalism and sustainability: Building confidence and trust

#### Objectives

a) Maintain and improve the MFAA Code of Practice and professional standards of our industry;

b) Continue to implement corporate governance improvements that best serve the interests of MFAA members;

c) Attract new members to join the industry's premier industry body; and

d) Provide frameworks that support our corporate social responsibility objectives and the delivery of industry-wide community engagement.

### 4 Membership services and support: Developing and strengthening

#### Objectives

a) Deliver business building skills, tools and support services to enhance the success of our members;

b) Provide industry benchmarking data, information and reporting to our members; and

c) Be a hub of valued information for finance brokers.

### 5 Monitor and evaluate emerging opportunities and threats: Protecting and nurturing

#### Objectives

a) Identify, monitor, evaluate and effectively respond to emerging opportunities and threats;

b) Collaborate with other industry associations where appropriate; and

c) Stay at the forefront of industry developments.

## Key performance indicators used by the Association

The Association measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short and long-term objectives are being achieved.

The KPIs set for the association for the year ended 30 June 2022 were:

a) Success of advocacy and lobbying is measured against the Board's assessment of the appropriateness of the legislation for members' purposes, regulatory submissions and outcomes for industry.

b) Membership engagement in Professional Development Education and Events.

c) Performance to budget.

d) Membership growth and retention.

## Corporate information

This financial report covers the Mortgage & Finance Association of Australia as an individual entity.

The Mortgage & Finance Association of Australia is a company limited by guarantee, incorporated and domiciled in Australia.

Registered office and principal place of business is:

Mortgage & Finance Association of Australia

Suite 9.02, Level 9, 124 - 130 Pitt Street

Sydney, NSW 2000

## Members' liability

The liability of the Members is limited.

## Members' contributions

Every member undertakes to contribute to the assets of the Association if it is wound up while the member is a member, or within one year after the member ceases to be a member, for:

(a) the payment of the debts and liabilities of the Association, contracted before the member ceased to be a member;

(b) the expenses of winding up the Association; and

(c) the adjustment of the rights of the contributories among themselves.

The amount of the contribution under Members' Contributions above must not exceed $10.00 per member in any circumstance.

## Review of operations

The performance of the Association, as represented by the results of the operations was as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Total comprehensive income for the year | 573,610 | 917,105 |

The Association's comprehensive income for the year was $573,610 (2021: $917,105).

Following on from the previous financial year's decrease in membership, the current financial year saw a net increase of 4.98% (2021: 3.68%).

Accordingly, total national membership of the Association as at 30 June 2022 was 14,435 (2021: 13,750).

The total number of employees as at 30 June 2022 was 26 (2021: 25).

## A summary of revenues and results by significant segments is set out below:

| | Segment revenues | | Segment results | |
|---|---|---|---|---|
| | 2022 $ | 2021 $ | 2022 $ | 2021 $ |
| **Operations** | | | | |
| Membership | 7,195,581 | 6,848,755 | 7,072,816 | 6,798,449 |
| Administration | 323,748 | 612,374 | (7,065,513) | (5,639,142) |
| **Professional Standards** | | | | |
| Events | 1,697,197 | 327,959 | 70,645 | (363,494) |
| Professional development courses | 515,166 | 532,211 | 485,503 | 513,576 |
| **Marketing & Communications** | | | | |
| Marketing/merchandising | 453,533 | - | 101,916 | (325,826) |
| Publishing - print & digital advertising | 24,000 | 24,000 | (91,757) | (66,458) |
| **Total Revenues/Results** | **10,209,225** | **8,345,299** | **573,610** | **917,105** |

## Insurance of officers

During the year, the Association paid an insurance premium to insure the directors of the Association for professional indemnity and office bearers' liability, association reimbursement and entity insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Association, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Association. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## New Accounting Standards Implemented

There are no new or amended accounting standards which had an impact on the Association during this reporting period.

## Non audit services

The Association may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Association are important.

Details of the amounts paid or payable to the auditor (Hall Chadwick) for audit and non audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

i) all non audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor,

ii) none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Association, acting as advocate for the Association or jointly sharing economic risk and rewards.

## Audit services

During the year, the following fees were paid or payable for services provided by the auditor of the Association and its related practices:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Hall Chadwick:** | | |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | 31,000 | 29,800 |
| Tax compliance services | 4,700 | 8,165 |
| Other services | 11,100 | 10,823 |
| **Total remuneration of services** | **46,800** | **48,788** |

## Auditor’s independence declaration

Copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 39.

Signed in accordance with a resolution of the directors.

**Rose De Rossi**
Chair

**Vladimír Malčík**
ARC Chair

Sydney
12 October 2022

HALL CHADWICK
Chartered Accountants & Business Advisors

**MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**
**ABN 62 006 085 552**

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mortgage & Finance Association of Australia. As the lead audit partner for the audit of the financial report of Mortgage & Finance Association of Australia for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
12 October 2022

| ADELAIDE | BRISBANE | DARWIN | MELBOURNE | PERTH | SYDNEY |
|---|---|---|---|---|---|
| Suite 201 Level 2<br>147 Pirie Street<br>Adelaide SA 5000 | Level 4<br>240 Queen Street<br>Brisbane QLD 4000 | Paspalis Business Centre<br>Level 1 Suite 11<br>48-50 Smith Street<br>Darwin NT 0800 | Level 14<br>440 Collins Street<br>Melbourne VIC 3000 | Allendale Square<br>Level 11<br>77 St Georges Terrace<br>Perth WA 6000 | Level 40<br>2 Park Street<br>Sydney NSW 2000 |
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## Statement of profit or loss and other comprehensive income

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Revenue** | 5 | 10,209,225 | 8,345,299 |
| **Expenses** | | | |
| Depreciation, amortisation & impairment expenses | 6(a) | (392,230) | (358,771) |
| Employee benefits expenses | 6(b) | (5,252,085) | (4,439,941) |
| Other expenses | 6(c) | (3,943,071) | (2,568,474) |
| Interest paid | 6(d) | (48,229) | (61,008) |
| Total expenses | | (9,635,615) | (7,428,194) |
| **Surplus before income tax** | | **573,610** | **917,105** |
| Income tax expense | 7 | - | - |
| **Surplus attributable to members of the Mortgage & Finance Association of Australia** | | **573,610** | **917,105** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **573,610** | **917,105** |

The above Statement of Profit or Loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Statement of financial position

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 8,051,095 | 8,009,694 |
| Trade and other receivables | 9 | 205,780 | 26,625 |
| Other current assets | 10 | 289,697 | 300,667 |
| **Total current assets** | | **8,546,572** | **8,336,986** |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 59,066 | 57,621 |
| Intangible assets | 12 | 264,154 | 282,939 |
| Right-of-use assets | 13 | 726,957 | 1,015,419 |
| Other non-current assets | 14 | 200 | 200 |
| **Total current assets** | | **1,050,377** | **1,356,179** |
| **Total assets** | | **9,596,949** | **9,693,165** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Unearned revenues in advance | 15 | 3,924,264 | 3,630,609 |
| Trade and other payables | 16 | 2,108,177 | 2,885,480 |
| Lease liabilities | | 299,425 | 270,405 |
| Employee provisions | 17 | 440,268 | 463,928 |
| **Total current liabilities** | | **6,772,134** | **7,250,422** |
| **Non-current liabilities** | | | |
| Lease liabilities | 18 | 515,801 | 815,225 |
| Employee provisions | | 164,404 | 56,518 |
| **Total current liabilities** | | **680,205** | **871,743** |
| **Total liabilities** | | **7,452,339** | **8,122,165** |
| **Net assets** | | **2,144,610** | **1,571,000** |
| **EQUITY** | | | |
| Retained Surplus | | 2,144,610 | 1,571,000 |
| **Total comprehensive income for the year** | | **2,144,610** | **1,571,000** |

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of changes in equity

| | Retained Surplus $ | Total $ |
|---|---|---|
| **Balance at 1 July 2021** | 1,571,000 | 1,571,000 |
| **Comprehensive Income** | | |
| Surplus for the year attributable to the members of the association | 573,610 | 573,610 |
| Other comprehensive income | - | - |
| **Total comprehensive income attributable to the members of the association for the year** | **573,610** | **573,610** |
| **Balance at 30 June 2022** | **2,144,610** | **2,144,610** |

| | Retained Surplus $ | Total $ |
|---|---|---|
| **Balance at 1 July 2020** | 653,895 | 653,895 |
| **Comprehensive Income** | | |
| Surplus for the year attributable to the members of the association | 917,105 | 917,105 |
| Other comprehensive income | - | - |
| **Total comprehensive income attributable to the members of the association for the year** | **917,105** | **917,105** |
| **Balance at 30 June 2021** | **1,571,000** | **1,571,000** |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of cash flows

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Membership subscriptions received (inclusive of goods and services tax) | | 7,637,406 | 7,193,358 |
| Receipts from customers (inclusive of goods and services tax) | | 1,824,548 | 2,233,406 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (9,051,260) | (6,966,988) |
| Interest received | | 35,768 | 37,756 |
| Interest paid | | (48,229) | (61,008) |
| **Net cash flows generated from operating activities** | **22** | **398,233** | **2,436,524** |
| **Cash flows from investing activities** | | | |
| Payments for intangible assets and property, plant and equipment | | (86,428) | (244,904) |
| **Net cash flow used in investing activities** | | **(86,428)** | **(244,904)** |
| **Cash flow from financing activities** | | | |
| Repayment of finance lease liabilities | | (270,404) | (243,354) |
| **Net cash flows used in financing activities** | | **(270,404)** | **(243,354)** |
| **Net increase in cash and cash equivalents** | | **41,401** | **1,948,266** |
| Cash and cash equivalents at beginning of the year | | 8,009,694 | 6,061,428 |
| **Cash and cash equivalents at end of the year** | **8** | **8,051,095** | **8,009,694** |

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements for the year ended 30 June 2022

## 1. Corporation Information

The Mortgage & Finance Association of Australia is a company limited by guarantee incorporated in Australia. The financial statements cover the Mortgage & Finance Association of Australia as an individual entity, incorporated and domiciled in Australia.

The financial report of the Mortgage & Finance Association of Australia for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 12 October 2022.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals 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.

### (b) Revenue recognition

Revenues are recognised to depict the transfer of promised services to members in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those services. The terms of the contract and all relevant facts and circumstances are considered.

The Association includes the use of any practical expedients, consistently to contracts with similar characteristics and insimilar circumstances. However, as a practical expedient, the Association may apply this principle to a portfolio of contracts (or performance obligations) with similar characteristics where reasonable expectations are that the effects on the financial statements would not differ materially from applying this principle to the individual contracts (or performance obligations) within that portfolio.

The following specific recognition criteria must also be met before revenue is recognised:

#### i) Subscription

Membership subscriptions are amortised over 12 months since renewal date and relevant revenue recognised as revenue in the year to which the service relates with the unearned portion deferred to the subsequent year.

#### ii) Sponsorship

When the Association receives sponsorship, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Association:

- identifies each performance obligation relating to the sponsorship
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Association:

- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Association recognises income in profit or loss when or as it satisfies its obligations under the contract.

#### iii) Education/Professional Development

Revenues are recognised when received, which is the point at which the Association has control of the monies and has earned the revenue.

#### iv) Events

Revenues are deferred when received and recognised as revenue when the event occurs.

#### v) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax.

### (c) Income tax

The Mortgage & Finance Association of Australia is a non profit organisation for taxation purposes. Accordingly, the Association's mutual income is not subject to income tax while non mutual income (such as interest income) in excess of specified levels is subject to tax at prescribed rates.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in members' funds are also recognised directly in members' funds.

## (d) Leases

### The Association as lessee

At inception of a contract, the Association assesses if the contract contains a lease or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Association where the Association 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, the Association 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;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- 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.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Association anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

## (e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## (f) Financial Instruments

### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

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 has been applied as specified in AASB 15.63.

### Classification and subsequent measurement

#### Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit and loss.

#### Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss

on the basis of the two primary criteria, being:

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

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

- 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.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit and loss.

### 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 (i.e. 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.

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 of the following criteria need to be satisfied for 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
- the company 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.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

### Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

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.

The company used the simplified approach to impairment, as applicable under AASB 9.

### Recognition of expected credit losses in financial statement

At each reporting date, the company recognised 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.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. An amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

## (g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits held with financial institutions with maturity dates more than three months but not more than 12 months from date of acquisition are held as cash equivalents for the purpose of meeting short term commitments rather than for investment purposes.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

## (h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement between 30-60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment provision is recognised when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

### (i) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 6(a) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Plant and equipment that have been contributed at no cost or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

**Depreciation**

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Useful Life |
|---|---|
| Plant and equipment | 3 - 5 years |

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

### (j) Intangible assets

#### (i) Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost of software over it's estimated useful life of 4 years.

#### (ii) Website costs

Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase of a website are considered to be an expense. Cost incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which is 4 years.

#### (iii) Trademarks

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

### (k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. These amounts represent liabilities for goods and services provided to the Association prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (l) Employee benefits

#### (i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

### (m) Recoverable amount of non current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are not discounted.

### (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (o) Comparative Figures

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

When the company 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.

### (p) New and Amended Accounting Policies Adopted by the Association

There are no new or amended accounting standards which had an impact on the Association during this reporting period.

### (q) New and Amended Accounting Policies not yet Adopted by the Association

AASB 2020-1: *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current.

The Association plans on adopting the amendment for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*

AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* is an omnibus standard that amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141.

The Association plans on adopting the amendment for the reporting period ending 30 June 2023. The impact of the initial application is not yet known.

AASB 2021-2: *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8).

The Association plans on adopting the amendment for the reporting period ending 30 June 2023. The impact of the initial application is not yet known.

## 3. Financial Risk Management Objectives and Policies

The Association's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Association's operations. The Association has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Association manages its exposure to key financial risks, including interest rate and credit risk in accordance with the Association's financial risk policy. The objective of the policy is to support the delivery of the Association's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

### Risk Exposures and Responses

#### (a) Interest rate risk

At balance sheet date, the Association had the following financial assets exposed to Australian variable interest rate risk that was not designated in cash flow hedges:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and Cash equivalents | 8,051,095 | 8,009,694 |
| **Net Exposure** | **8,051,095** | **8,009,694** |

The Association's policy is to maintain sufficient cash and cash equivalents to fund its operations. The policy is to hold cash and cash equivalents with institutions that have "Approved Deposit Taking Institution" status. Annual budgets are approved by the Board and it is policy that cash reserves are sufficient to cover 6 months operating expenses.

The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates, where applicable.

The following sensitivity analysis is based on the interest risk exposures in existence at the reporting date.

Judgements of possible reasonable movements:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Post Tax Profit** | | |
| +0.5% (50 basis points) | 40,255 | 40,048 |
| -0.5% (50 basis points) | (40,255) | (40,048) |

Significant assumptions used in the interest rate sensitivity analysis include:

Reasonably possible movements in interest rates were determined based on the Association's current mix of investments in Australia, relationships with finance institutions, the level of investment that is expected to be renewed as well as a review of the last two year's historical movements and economic forecasters' expectations.

#### (b) Foreign currency risk

As all transactions are denominated in Australian Dollars, the Association is not exposed to foreign currency risk.

#### (c) Price risk

The Association has no exposure to commodity and equity securities price risk.

#### (d) Credit risk

Credit risk arises from the financial assets of the Association, which comprise cash and cash equivalents, trade and other receivables. The Association's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance sheet date is addressed in each applicable note.

The Association trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Association's policy to securitise its trade and other receivables.

It is the Association's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Association's exposure to bad debts is not significant.

### (e) Liquidity risk

Prudent liquidity risk management is maintained such that the Association maintains sufficient cash and cash equivalents to fund its operations. As a result, the Association is not subject to liquidity risk at the reporting date. A liquidity maturity analysis has not been prepared as there are sufficient cash and cash equivalents on hand to cover total liabilities.

### (f) Fair Value of Assets and Liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the company at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

## 4. Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Significant accounting estimates and assumptions

#### Impairment of goodwill and intangibles with indefinite useful lives

The Association determines whether goodwill and intangibles with indefinite lives are impaired at least on an annual basis in accordance with accounting policy stated in note 2(j).

#### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in note 11.

#### Impairment of non-financial assets other than goodwill

The Association assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Association estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. When the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## 5. Revenue

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Revenue from operating activities** | | |
| Membership subscriptions | 7,126,769 | 6,785,997 |
| Membership admin fees | 214,328 | 198,845 |
| Member services | 68,812 | 62,758 |
| Professional development income | 515,166 | 532,211 |
| Events income | 1,697,197 | 327,959 |
| Marketing & merchandising income | 453,533 | - |
| Advertising & public relations | 24,000 | 24,000 |
| Interest | 32,009 | 41,878 |
| Government stimulus packages | - | 299,500 |
| Other revenue from ordinary activities | 77,411 | 72,151 |
| | **10,209,225** | **8,345,299** |

## 6. Expenses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **(a) Depreciation, amortisation & impairment expenses:** | | |
| Depreciation | (40,318) | (37,476) |
| Depreciation right-of-use assets | (288,462) | (288,462) |
| Amortisation | (63,450) | (27,398) |
| Assets written off | - | (5,435) |
| | **(392,230)** | **(358,771)** |
| **(b) Employee benefits expenses:** | | |
| Wages & Salaries | (3,866,994) | (3,658,894) |
| Defined contribution superannuation expense | (347,226) | (317,160) |
| Other employee benefits & statutory taxes | (1,037,865) | (463,887) |
| | **(5,252,085)** | **(4,439,941)** |

Note: Defined contribution superannuation expenses include contributions to multi-employer defined contribution plans and self-managed superannuation funds.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **(c) Other expenses:** | | |
| Administration | (1,354,023) | (1,060,160) |
| Advertising and public relations | (115,757) | (90,458) |
| Member services | (122,765) | (50,307) |
| Disciplinary process | (161,604) | (90,000) |
| Professional development | (29,663) | (18,634) |
| Events | (1,626,552) | (691,452) |
| Legal fees | (71,759) | (139,459) |
| Marketing expense | (351,617) | (325,826) |
| Rental expense on operating leases - short term lease expenses | (109,331) | (102,178) |
| | **(3,943,071)** | **(2,568,474)** |
| **(d) Interest paid:** | | |
| Interest on leases | (48,229) | (61,008) |
| | **(48,229)** | **(61,008)** |

## 7. Income tax expense

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Surplus before income tax expense | 573,610 | 917,105 |
| | | |
| Tax at the Australian tax rate of 25% (2021: 26%) | 143,403 | 238,447 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Income not taxable | (2,438,798) | (1,979,669) |
| Deductions not allowed | 2,236,323 | 1,631,650 |
| | (59,072) | (109,572) |
| Tax losses not brought to account | 59,072 | 109,572 |
| Income tax expense | - | - |

### Tax Losses

The association has accumulated tax losses of $8,161,459 to 2021 that may be treated as an allowable deduction against assessable income derived in future taxable income years. The utilisation of carried forward tax losses would be subject to certain carry forward loss rules.

Deferred tax assets have not been recognised in respect of these tax losses as they arise as a result of the Not-for-Profit status of the association where tax is assessable only on non-mutual income. Whilst that tax status continues it is unlikely that these tax losses will be realised in the future.

## 8. Current assets - Cash and cash equivalents

### (a) Deposits at call

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

The deposits are bearing floating interest rates between 0.25% and 2.35% (2021: 0.30% and 0.80%).

### (b) Reconciliation to statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Cash at bank and in hand | 1,279,588 | 1,588,187 |
| Deposits at call | 6,771,507 | 6,421,507 |
| | **8,051,095** | **8,009,694** |

## 9. Current assets - Trade and other receivables

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Trade receivables | 205,780 | 26,625 |
| Allowance for expected credit losses 9(a) | - | - |
| **Net trade receivables** | **205,780** | **26,625** |

### (a) Allowance for expected credit losses

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

The Association applies the simplified approach to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss provision as at 30 June 2022 is determined as follows and incorporates forward looking information.

| 2022 | Expected Credit Loss Rate % | Carrying Amount $ | Allowance for Expected Credit Losses $ |
|---|---|---|---|
| Not past due | - | 88,000 | - |
| 30 days past due | - | 93,455 | - |
| 60 days past due | - | - | - |
| 90 days past due | - | 24,325 | - |
| | | **205,780** | **-** |

| 2021 | Expected Credit Loss Rate % | Carrying Amount $ | Allowance for Expected Credit Losses $ |
|---|---|---|---|
| Not past due | - | 14,255 | - |
| 30 days past due | - | 3,300 | - |
| 60 days past due | - | - | - |
| 90 days past due | - | 9,100 | - |
| | | **26,625** | **-** |

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables.

## 10. Current assets - Other current assets

| | 2022 $ | 2021 $ |
|---|---|---|
| Event deposits | 152,683 | 155,470 |
| Pre-paid expenses | 126,019 | 130,443 |
| Revenue accrued | 10,995 | 14,754 |
| | **289,697** | **300,667** |

## 11. Non current assets - Property, plant and equipment

| | 2022 $ | 2021 $ |
|---|---|---|
| **Year ended 30 June** | | |
| Opening net book amount | 57,621 | 65,210 |
| Additions | 41,763 | 29,887 |
| Depreciation charge | (40,318) | (37,476) |
| **Closing net book amount** | **59,066** | **57,621** |
| | | |
| **Year ended 30 June** | | |
| Cost | 234,151 | 241,670 |
| Accumulated depreciation | (175,085) | (184,049) |
| **Net book amount** | **59,066** | **57,621** |

## 12. Non-current assets - Intangible assets

| Year ended 30 June 2022 | Work in progress $ | Software & Website $ | Trademarks & Intangible Assets $ | Total $ |
|---|---|---|---|---|
| Opening net book amount | 209,425 | 16,664 | 56,850 | 282,939 |
| Transfer (out)/in | (209,425) | 209,425 | - | - |
| Additions | - | 44,665 | - | 44,665 |
| Disposals | - | - | - | - |
| Amortisation charge | - | (63,450) | - | (63,450) |
| **Closing net book amount** | **-** | **207,304** | **56,850** | **264,154** |
| At 30 June 2022 | | | | |
| Cost | - | 1,587,791 | 56,850 | 1,644,641 |
| Accumulated amortisation and impairment | - | (1,380,487) | - | (1,380,487) |
| **Net book amount** | **-** | **207,304** | **56,850** | **264,154** |
| | | | | |
| Year ended 30 June 2021 | | | | |
| Opening net book amount | - | 44,062 | 56,695 | 100,757 |
| Additions | 209,425 | - | 5,590 | 214,015 |
| Disposals | - | - | (5,435) | (5,435) |
| Amortisation charge | - | (27,398) | - | (27,398) |
| **Closing net book amount** | **209,425** | **16,664** | **56,850** | **282,939** |
| At 30 June 2021 | | | | |
| Cost | 209,425 | 1,340,701 | 56,850 | 1,606,976 |
| Accumulated amortisation and impairment | - | (1,324,037) | - | (1,324,037) |
| **Net book amount** | **209,425** | **16,664** | **56,850** | **282,939** |

## 13. Non-current assets - Right of use assets

The Association's lease portfolio includes office equipment and buildings. These leases have an average of 4 and 5 years as their lease term.

There is no option to extend the property lease of the Association for another term. In order to extend the Association's lease period for a third 5 year term it will most likely involve the same level of negotiations which occurred during the second term which included the alternative of potentially moving to a new premises. There were no extension options for equipment leases and these will be replaced at the end of the term. These clauses provide the Association opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Association. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

**i) AASB 16 related amounts recognised in the statement of financial position**

| Right-of-use assets | 2022 $ | 2021 $ |
|---|---|---|
| Leased building | 1,373,920 | 1,373,920 |
| Accumulated depreciation | (664,061) | (389,277) |
| | **709,859** | **984,643** |
| Leased equipment | 54,713 | 54,713 |
| Accumulated depreciation | (37,615) | (23,937) |
| | **17,098** | **30,776** |
| **Total Right-of-use assets** | **726,957** | **1,015,419** |
| Movement in carrying amounts | | |
| **Leased buildings:** | | |
| Opening balance | 984,643 | 1,259,427 |
| Addition | - | - |
| Depreciation expense | (274,784) | (274,784) |
| **Net carrying amount** | **709,859** | **984,643** |
| **Leased equipment:** | | |
| Opening balance | 30,776 | 44,454 |
| Addition | - | - |
| Depreciation expense | (13,678) | (13,678) |
| **Net carrying amount** | **17,098** | **30,776** |
| **Total Right-of use assets** | **726,957** | **1,015,419** |

**ii) AASB 16 related amounts recognised in the statement of profit or loss**

| | 2022 $ | 2021 $ |
|---|---|---|
| Depreciation charge related to right-of-use assets | 288,462 | 288,462 |
| Interest expense on lease liabilities | 48,229 | 61,008 |
| Short-term leases expense | 109,330 | 102,178 |

## 14. Non current assets - Other non-current assets

| | 2022 $ | 2021 $ |
|---|---|---|
| Rental and other bonds | 200 | 200 |

## 15. Current liabilities - Unearned revenues in advance

| | 2022 $ | 2021 $ |
|---|---|---|
| Unearned membership subscriptions | 3,867,824 | 3,571,516 |
| Unearned loan calculator subscriptions | 56,440 | 59,093 |
| | **3,924,264** | **3,630,609** |

## 16. Current liabilities - Trade and other payables

| | 2022 $ | 2021 $ |
|---|---|---|
| Traded payables | 428,679 | 404,648 |
| Other payables | 1,679,498 | 2,480,832 |
| | **2,108,177** | **2,885,480** |

**Fair Value**

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

**Trade payables**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

**Other payables**

Other payables are non-trade payables, are non-interest bearing and have an average term of three months.

## 17. Current liabilities - Provisions

| | 2022 $ | 2021 $ |
|---|---|---|
| Annual leave | 337,503 | 308,251 |
| Long service leave | 102,765 | 155,677 |
| **Employee benefits** | **440,268** | **463,928** |

## 18. Non-current liabilities - Provisions

| | 2022 $ | 2021 $ |
|---|---|---|
| Long service leave | 164,404 | 56,518 |

## 19. Remuneration of auditors

| The auditor of the Association is Hall Chadwick (NSW) | 2022 $ | 2021 $ |
|---|---|---|
| Amounts received or due and receivable by Hall Chadwick for: | | |
| - the audit of the financial report of the Association | 31,000 | 29,800 |
| - tax compliance services | 4,700 | 8,165 |
| - other services | 11,100 | 10,823 |
| | **46,800** | **48,788** |

## 20. Contingencies

### Contingent liabilities

#### Guarantees

Guarantee given in respect of lease amounting to $232,337 (2021: $232,337), secured over a cash deposit held at a financial institution. This guarantee may give rise to a liability if the obligation under the terms of the lease subject to the guarantee is not met.

## 21. Related party transactions

### (a) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2022 and 2021 are set out below. The key management personnel are the 7 directors (2021: 8), 1 chief executive officer (2021: 1) and 4 department heads (2021: 3) of the Association. These individuals have been determined to have the greatest authority for the strategic direction and management of the Association.

| | 2022 $ | 2021 $ |
|---|---|---|
| Short-term benefits | 1,823,615 | 1,619,928 |
| Post-employment benefits | 135,683 | 110,080 |
| Long-term benefits | 113,681 | 57,525 |
| | **2,072,979** | **1,787,533** |

## 22. Cash flow statement reconciliation of surplus after income tax to net cash inflow from operating activities

| | 2022 $ | 2021 $ |
|---|---|---|
| Surplus for the year | 573,610 | 917,105 |
| Depreciation and amortisation | 392,230 | 358,771 |
| **Change in operating assets and liabilities** | | |
| (Increase) / decrease in receivables & other receivables | (179,155) | 103,192 |
| Decrease / (increase) in prepayments | 7,211 | (36,877) |
| Decrease in accrued income | 3,759 | 81,486 |
| Increase in unearned revenues in advance | 293,655 | 225,620 |
| (Decrease) / increase in payables | (777,303) | 745,643 |
| Increase in employee provisions | 84,226 | 41,584 |
| **Net cash from operating activities** | **398,233** | **2,436,524** |

## 23. Events after balance sheet date

There have been no significant events occurring after balance sheet date which may affect either the Association's operations or results of those operations or the Association's state of affairs.

## Directors' Declaration

In accordance with a resolution of the directors of the Mortgage & Finance Association of Australia, we state that in the opinion of the directors:

a) the financial statements and notes of the Association are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the Association's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Association will be able to meet any obligations or liabilities to which they are, or may become subject to.

On behalf of the Board

**Rose De Rossi**
Chair

**Vladimír Malčík**
ARC Chair

Sydney
12 October 2022

# Independent Auditor's Report to Members

HALL CHADWICK
Chartered Accountants & Business Advisors

**MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**
**ABN 62 006 085 552**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**

***Opinion***

We have audited the financial report of Mortgage & Finance Association of Australia, which comprises the statement of financial position as of 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Mortgage & Finance Association of Australia is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Association's financial position as at 30 June 2022 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

***Basis of Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Association in accordance with 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 confirm that the independence declaration required by the Corporation Act 2001, which has been given to the directors of the Association, would be in the same terms if given to the directors as at the time of this auditor's report.

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

***Information Other than the Financial Report and Auditor's Report Thereon***

The directors are responsible for the other information. The other information comprises the information in the Association's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and 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 the other information, we are required to report that fact. We have nothing to report in this regard.



HALL CHADWICK
Chartered Accountants & Business Advisors

**MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**
**ABN 62 006 085 552**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**

***Responsibilities of the Directors for the Financial Report***

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

In preparing the financial report, the directors are responsible for assessing the Association's ability 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 Association or to cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility 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 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

HALL CHADWICK
Chartered Accountants & Business Advisors

**MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**
**ABN 62 006 085 552**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA**

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
12 October 2022

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