

Compensation Scheme of Last Resort Limited

ACN 669 477 052

Financial Report - 30 June 2026

Compensation Scheme of Last Resort Limited
Directors' report
30 June 2026

The directors present their report, together with the financial statements, on the Compensation Scheme of Last Resort Limited ("CSLR" or the "company") for the year ended 30 June 2026.

Principal activities

On 22 June 2023, the Australian Parliament passed legislation establishing the CSLR. CSLR is a public company limited by guarantee incorporated in Australia under the *Corporations Act 2001*. CSLR was incorporated on 5 July 2023.

During the financial year the principal continuing activities of the company consisted of:

- To determine levy estimates for the purposes of quantifying levies imposed under the CSLR Scheme.
- The provision of compensation up to \$150,000 to eligible consumers who have suffered financial misconduct and been awarded compensation by AFCA, and all other avenues to seek compensation from the financial firm have been exhausted.
- To enhance trust and confidence in the financial services industry.

The Scheme officially commenced operations on 2 April 2024.

During the course of the year covered by this report, the sole member of CSLR was Australian Financial Complaints Authority Limited (ACN 620 494 340) (AFCA).

AFCA is a not-for-profit company limited by guarantee, with its principal activities being the external dispute resolution ("EDR") provider for the financial services industry in Australia. As at 30 June 2025, the members of AFCA comprised 10,056 active financial firms, and 40,243 active authorised credit representatives.

Review of operations

The loss of CSLR for the year ended 30 June 2026 amounted to \$136,000 (2025: loss of \$90,000). The loss for the year relates to the depreciation for plant and equipment and intangible assets. In the normal course of operations, CSLR generates nil net profit.

A review of the operations of CSLR during the year of operation and the results of those operations show that during the year, CSLR continued to engage in its principal activity, the results of which are disclosed in the attached report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of CSLR during the financial year.

Matters subsequent to the end of the financial year

No significant events have occurred since the end of the year ended 30 June 2026 which would impact on the financial report of the company for the year ended on that date.

Information on directors and secretary

As required by the Corporations Act and the constitution of CSLR, the board of CSLR comprises:

- An independent chair appointed by the Australian Government;
- A person who is a director of AFCA; and
- A person who is a Fellow of the Institute of Actuaries Australia and has at least five years' experience in actuarial analysis.

The board appoints an independent Chief Executive Officer who manages the CSLR Scheme on a day-to-day basis.

The following persons were directors and/or secretaries of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

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Name: **Jo-Anne Bloch**
Title: Chairperson
Experience and expertise: Jo-Anne Bloch commenced as independent Chair on 1 February 2024.

Jo-Anne has 35 years of experience in a combination of executive and non-executive roles in commercial enterprise and industry associations spanning the UK and Europe, the US and Australia.

She has extensive experience across the financial services industry, including superannuation and financial advice.

She has notably held various directorships, including the Chair of Zurich Assure and Director of the Association of Superannuation Funds Australia and was previously the CEO and Director of the Financial Planning Association of Australia.

Jo-Anne is currently a Non-Executive Director of Avanteos Investments Limited and is also a member of Chief Executive Women, a Mentor with Mentor Walks, and a Fellow of the Australian Institute of Company Directors.

Name: **Delia Rickard PSM**
Title: Non-Executive Director
Experience and expertise: Delia Rickard commenced as a Non-Executive Director on 1 January 2024.

Delia has over 30 years' experience working on behalf of consumers. Delia was Deputy Chair of the Australian Competition and Consumer Commission (ACCC) from 2012 to 2023. Previously, Delia held senior roles at the Australian Securities and Investments Commission (ASIC).

Delia is currently a director of the Australian Financial Complaints Authority (AFCA), a director of Financial Counselling Australia (FCA), a trustee of the Jan Pentland Foundation, a director of Super Consumers Australia, a director of the Australian Communications Consumer Action Network, a director of ID CARE, and the Chair of Ecstra. Delia also chairs AHPRA's Rapid Regulatory Response Oversight Group.

In 2011, Delia was awarded the Public Service Medal (PSM) for her contribution to consumer protection and financial services.

Delia holds a Bachelor of Arts/Law from the University of NSW.

Name: **Kevin O'Sullivan**
Title: Non-Executive Director
Experience and expertise: Kevin O'Sullivan commenced as a Non-Executive Director on 10 January 2024.

Kevin has over 40 years of experience in the financial services industry in Australia and Canada, with his last executive role being CEO of UniSuper. His leadership was recognised when he was named the Fund Executive Association's Fund Executive of the Year in 2020.

Kevin is also a Non-Executive Director of Avanteos Investment Limited, and sits on Deakin University's Investment Committee and on the Advisory Board of the Conexus Institute.

Kevin holds a Bachelor of Commerce from the University of Toronto and is a Fellow of the Actuaries Institute in Australia.

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Name: **Raj Pillay**
Title: General Counsel and Company Secretary
Experience and expertise: Raj Pillay was appointed General Counsel and Company Secretary in March 2024. He brings extensive experience across legal, governance and financial services, and is responsible for delivering strategic legal advice, strengthening governance frameworks, and supporting the organisation's regulatory and compliance obligations.

Prior to this appointment, Raj held senior legal roles within the banking sector, including at National Australia Bank, and practised in leading commercial law firms. His experience spans commercial litigation, regulatory matters and corporate advisory.

He also serves as a Non-Executive Director of The Footpath Library and Dads Group, contributing to governance and oversight in the not-for-profit sector.

Raj holds a Bachelor of Laws and a Bachelor of Medical Science and is a graduate of the Australian Institute of Company Directors.

Likely developments and expected results of operations

Likely developments in the operations of CSLR and the expected results of those operations in future years are aligned with CSLR's overall objectives and in accordance with the regulatory requirements.

Environmental regulations

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

Meetings of directors

The number of meetings of the company's board of directors ('the board') held during the year ended 30 June 2026, and the number of meetings attended by each director were as follows. There are no board committees.

CSLR Ongoing Board	Eligible to Attend	Attended	Chaired	Date of Appointment
Jo-Anne Bloch (Chair)	7	7	7	1 February 2024
Kevin O'Sullivan	7	7	-	10 January 2024
Delia Rickard	7	7	-	1 January 2024

Indemnification and insurance of officers and auditors

CSLR has not during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify auditors of CSLR. In addition, CSLR has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

The company has indemnified the directors, officers and secretaries of the company for costs incurred, in their capacity as directors, officers or secretaries, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors, officers and secretaries of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Dividends

Section 254SA of the Corporations Act 2001 states companies limited by guarantee cannot pay dividends.

Proceedings on behalf of CSLR

No person has applied for leave of court to bring proceedings on behalf of CSLR or intervene in any proceedings to which CSLR is a party for the purpose of taking responsibility on behalf of CSLR for all or any part of those proceedings. CSLR was not a party to any such proceedings during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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Rounding of amounts

CSLR is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2026/183*, dated 24 March 2026, and in accordance with the Corporations Instrument amounts in the Director's report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'J. Bloch', with a long horizontal stroke extending to the right.

Ms Jo-Anne Bloch
Chair

29 September 2026

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF COMPENSATION SCHEME OF LAST RESORT LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2026, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



G S DAKIS
Partner – Audit and Assurance
[Moore Australia Audit \(VIC\)](#)
Melbourne, Victoria
29 September 2026



Moore Australia Audit (VIC)
ABN 16 847 721 257
Chartered Accountants

Compensation Scheme of Last Resort Limited

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General information

The financial statements cover Compensation Scheme of Last Resort Limited as an individual entity. The financial statements are presented in Australian dollars, which is Compensation Scheme of Last Resort Limited's functional and presentation currency.

Compensation Scheme of Last Resort Limited is an independent, not-for-profit company established under Australian legislation and domiciled in Australia. Its registered office and principal place of business are:

Level 24
130 Lonsdale Street
Melbourne VIC 3000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2026. The directors have the power to amend and reissue the financial statements.

Compensation Scheme of Last Resort Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2026

	Note	2026 \$'000	2025 \$'000
Revenue			
Levy income	2	6,801	7,892
Other income	3	8,042	12,387
Expenses			
Employee benefits expense	4	(2,059)	(1,634)
Administrative expenses		(2,244)	(2,624)
ASIC administrative expenses		(1,300)	(1,286)
Future claims expenses	11	(9,137)	(14,624)
Amortisation and depreciation	8,9	(136)	(135)
Other expenses		(103)	(66)
Deficit before income tax expense		(136)	(90)
Income tax expense		-	-
Deficit after income tax expense for the year		(136)	(90)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		<u>(136)</u>	<u>(90)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Compensation Scheme of Last Resort Limited
Statement of financial position
As at 30 June 2026

	Note	2026 \$'000	2025 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	37,014	2,045
Term deposits	6	115,000	213,000
Trade and other receivables	7	2,627	5,576
Total current assets		<u>154,641</u>	<u>220,621</u>
Non-current assets			
Plant and equipment	8	17	35
Intangible assets	9	326	444
Total non-current assets		<u>343</u>	<u>479</u>
Total assets		<u>154,984</u>	<u>221,100</u>
Liabilities			
Current liabilities			
Trade and other payables	10	9,584	1,631
Provision for future claims and expenses	11	132,619	213,280
Employee benefit liabilities		162	80
Provision for claims in progress	12	7,136	2,212
Other current liabilities		124	81
Total current liabilities		<u>149,625</u>	<u>217,284</u>
Non-current liabilities			
Employee benefit liabilities		17	5
Total non-current liabilities		<u>17</u>	<u>5</u>
Total liabilities		<u>149,642</u>	<u>217,289</u>
Net assets		<u>5,342</u>	<u>3,811</u>
Equity			
Capital reserves	13	5,000	3,333
Accumulated surplus		342	478
Total equity		<u>5,342</u>	<u>3,811</u>

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

Compensation Scheme of Last Resort Limited
Statement of changes in equity
For the year ended 30 June 2026

	Accumulated surplus \$'000	Capital reserves \$'000	Total equity \$'000
Balance at 1 July 2024	568	1,667	2,235
Deficit after income tax expense for the year	(90)	-	(90)
Total comprehensive loss for the year	(90)	-	(90)
Increase in capital reserves	-	1,666	1,666
Balance at 30 June 2025	<u>478</u>	<u>3,333</u>	<u>3,811</u>
	Accumulated surplus \$'000	Capital reserves \$'000	Total equity \$'000
Balance at 1 July 2025	478	3,333	3,811
Deficit after income tax expense for the year	(136)	-	(136)
Total comprehensive loss for the year	(136)	-	(136)
Increase in capital reserves	-	1,667	1,667
Balance at 30 June 2026	<u>342</u>	<u>5,000</u>	<u>5,342</u>

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

Compensation Scheme of Last Resort Limited
Statement of cash flows
For the year ended 30 June 2026

	2026 \$'000	2025 \$'000
Cash flows from operating activities		
Levies received	96,131	263,780
Payments to claimants	(157,963)	(48,268)
Payments to suppliers and employees	(10,198)	(12,515)
Net cash (used in)/from operating activities	(72,030)	202,997
Cash flows from investing activities		
Proceeds from term deposits	138,000	65,000
Investment in term deposits	(40,000)	(278,000)
Interest received	7,332	6,854
Net cash from/(used in) investing activities	105,332	(206,146)
Cash flows from financing activities		
Contribution to capital reserve	1,667	1,666
Net cash from financing activities	1,667	1,666
Net increase/(decrease) in cash and cash equivalents	34,969	(1,483)
Cash and cash equivalents at the beginning of the financial year	2,045	3,528
Cash and cash equivalents at the end of the financial year	<u>37,014</u>	<u>2,045</u>

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

Compensation Scheme of Last Resort Limited
Notes to the financial statements
30 June 2026

Note 1. Material accounting policy information

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Australian Accounting Standards - Simplified Disclosures* issued by the Australian Accounting Standards Board ('AASB'), the *Corporations Act 2001*, and comply with other requirements of the law.

The financial statements comprise the financial statements of the Compensation Scheme of Last Resort Limited. For the purposes of preparing the financial statements, CSLR is a not-for-profit entity.

The presentation currency used in these financial statements is Australian dollars (\$'000). Amounts in these financial statements are stated in Australian dollars unless otherwise noted.

Statement of compliance

CSLR does not have 'public accountability' as defined in *AASB 1053 Application of Tiers of Australian Accounting Standards* and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* ('AASB 1060') and the disclosure requirements in *AASB 1060*. Accordingly, the financial statements comply with *Australian Accounting Standards – Simplified Disclosures*.

Certain comparative figures have been reclassified to conform with the presentation adopted for the current financial year.

Rounding of amounts

CSLR is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2026/183*, dated 24 March 2026, and in accordance with that Corporations Instrument amounts in this directors' report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Information about CSLR

On 22 June 2023, the Australian Parliament passed legislation establishing the CSLR. CSLR is a public company limited by guarantee incorporated in Australia under the *Corporations Act 2001*.

During the course of the year covered by this report, the sole member of CSLR was Australian Financial Complaints Authority Limited (ACN 620 494 340) ('AFCA').

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. At the date of authorisation, CSLR has not applied the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but are not yet effective:

Standard/interpretation	Effective for annual reporting periods beginning on or after
AASB18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2028

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Note 1. Material accounting policy information (continued)

AASB 18 Presentation and Disclosure in Financial Statements (effective 1 January 2028)

AASB 18 will replace AASB 101 *Presentation of Financial Statements*. This standard will not change the recognition and measurement of items in the financial statements but will affect presentation and disclosure in the financial statements, including introducing new categories and subtotals in the statement of profit or loss, requiring the disclosure of management defined performance measures, and changing the grouping of information in the financial statements. At the date of this publication, the AASB issued exposure draft 341 updating AASB 1060 to align the classification and presentation requirements with AASB 18. The AASB expects to finalise these amendments before the end of 2026.

Income tax

CSLR is an exempt entity under *subsection 50-10 of the Income Tax Assessment Act 1997* and is therefore exempt from paying income tax.

Financial instruments

Financial instruments are recognised initially on the date that CSLR becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

On initial recognition, CSLR classifies financial assets as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless CSLR changes its business model for managing the relevant asset. All recognised financial assets are subsequently measured at either amortised cost or fair value, depending on their classification.

Financial assets measured at amortised cost are those where the business model is to hold assets to collect contractual cash flows, and the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the amount outstanding. Financial assets measured at amortised cost comprise term deposits, trade and other receivables and cash and cash equivalents. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Financial liabilities

CSLR measures all financial liabilities initially at amortised value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of CSLR comprise trade and other payables and other liabilities.

Note 2. Levy income

	2026 \$'000	2025 \$'000
Annual levy	<u>6,801</u>	<u>7,892</u>

Levy income is recognised only for levies related to CSLR's and ASIC's operational costs incurred in a financial period. Levies primarily fund the payment of claims, where CSLR recognises a provision for future claims when levies for a financial period are receivable, being when levies are invoiced by ASIC. Refer to Note 11 for further information.

Accounting policy for revenue recognition

The levy model is set out in legislation passed by the Australian Government, with CSLR determining an estimate of its claims, fees and costs for a levy period for each sub-sector.

The levy is to fund unpaid compensation for eligible complaints, unpaid fee payments to AFCA, CSLR and ASIC operating costs and the capital reserve contribution. CSLR received FY26 levy funding through annual levies across the four primary sub-sectors of credit intermediation, credit provision, financial advice and securities dealing, together with a special levy determined by the Minister for Financial Services under the Corporations (Financial Services Compensation Scheme of Last Resort-Special Levy) Determination 2025. The pre-CSLR complaints levy is to fund expected claims and costs of the backlog of AFCA-paused complaints awaiting the legislated scope of CSLR and was paid by the 10 largest banking and general/life insurance groups (based on income from the 2021-22 financial year).

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Note 2. Levy income (continued)

When levies are receivable, CSLR recognises a financial asset and a corresponding provision for future claims and expenses, representing CSLR's obligation to spend the levies primarily on claims and AFCA fees. The provision is partially extinguished or utilised as and when claims are processed, and AFCA fees are paid or accrued. Any amounts remaining in the provision at the end of the reporting period represent CSLR's obligation to utilise any unspent levies on future levy costs including claims and AFCA fees as and when they arise. Levy income relating to CSLR's operational expenditure, excluding claims and AFCA fees, is recognised on receipt.

Note 3. Other income

	2026 \$'000	2025 \$'000
Investment income	8,042	12,341
Other income	-	46
	<u>8,042</u>	<u>12,387</u>

Investment income relates to interest earned on financial assets, such as bank accounts and term deposits, arising from levies received. Interest earned on these balances will be used to fund levy costs. As such, CSLR recognises an increase to the future claims provision as and when interest income is earned. Refer to Note 11.

Note 4. Employee benefits expense

	2026 \$'000	2025 \$'000
Salaries and wages including leave entitlements	1,657	1,289
Superannuation	188	142
Staff training, professional development and employee amenities	28	29
Employee insurance	13	11
Directors fees	173	163
	<u>2,059</u>	<u>1,634</u>

No employee of CSLR receives incentive payments, including annual bonuses.

Note 5. Current assets - Cash and cash equivalents

	2026 \$'000	2025 \$'000
Cash at bank and on hand	<u>37,014</u>	<u>2,045</u>

Note 6. Current assets - Term deposits

	2026 \$'000	2025 \$'000
Term deposits	<u>115,000</u>	<u>213,000</u>

The term deposits have a maturity at inception of greater than three months.

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Note 7. Current assets - Trade and other receivables

	2026 \$'000	2025 \$'000
Interest income accrual	710	5,487
Prepayments	59	62
GST receivable	-	27
Accrued income - levies	1,858	-
	<u>2,627</u>	<u>5,576</u>

Critical accounting, judgement, estimation and assumption

CSLR is entitled to levies as set out in legislation passed by the Australian Government. Levies are collected by ASIC on behalf of CSLR. A statutory receivable is recognised when ASIC raises the initial levy, which then converts to a trade receivable when Treasury communicates the passthrough of collected levies to CSLR. Expected credit losses are estimated to be minimal given the levies receivable are a matter of legislation. This estimate is reviewed annually based on the history of collectability, potential changes in legislation and any other relevant facts or circumstances.

Accrued income - levies

Accrued levies represent amounts receivable from levies raised and collected by ASIC on behalf of CSLR. The balance comprises levy-related receivables arising from annual and special levies, including statutory receivables and levy collections not yet remitted to CSLR as at year end. This accrued amount is exclusive of GST.

Note 8. Non-current assets - Plant and equipment

	2026 \$'000	2025 \$'000
Plant and equipment - at cost	56	56
Less: Accumulated depreciation	(39)	(21)
Balance at the end of the period	<u>17</u>	<u>35</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	2026 \$'000
Balance at beginning of the period	35
Depreciation expense	(18)
Balance at the end of the period	<u>17</u>

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

Plant and equipment 3-5 years

Note 9. Non-current assets - Intangible assets

	2026 \$'000	2025 \$'000
Capitalised software development - at cost	588	588
Less: Accumulated amortisation and impairment	(262)	(144)
	<u>326</u>	<u>444</u>

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Notes to the financial statements
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Note 9. Non-current assets - Intangible assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	2026 \$'000
Balance at the beginning of the period	444
Amortisation expense	(118)
Balance at the end of the period	<u>326</u>

Intangible assets solely relate to a claims management system. AFCA received government grant funding for the establishment of the Scheme, which was used to fund the claims management system. No consideration was paid by CSLR to AFCA for the claims management system.

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

Software 5 years

Impairment of assets

At each reporting date, CSLR reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, CSLR estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Note 10. Current liabilities - Trade and other payables

	2026 \$'000	2025 \$'000
GST payable	5,788	-
Accounts payable	190	235
Payables to related party (note 16)	2,082	459
Accruals	36	168
Accruals to related party (note 16)	<u>1,488</u>	<u>769</u>
	<u>9,584</u>	<u>1,631</u>

Accounts payable

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

Note 11. Current liabilities - Provision for future claims and expenses

CSLR receives levies from participants in the financial services sector. Levies for a given financial year are determined in advance based on actuarial principles.

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Notes to the financial statements
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Note 11. Current liabilities - Provision for future claims and expenses (continued)

When levies are receivable, being when ASIC invoices participants, CSLR recognises a financial asset and a corresponding provision for future claims and expenses, representing CSLR's obligation to spend the levies primarily on claims and AFCA fees. The provision is partially extinguished or utilised as and when claims are processed, and AFCA fees are paid or accrued. Any amounts remaining in the provision at the end of the reporting period represent CSLR's obligation to utilise any unspent levies on future levy costs, including claims and AFCA fees as and when they arise.

CSLR may invest funds received from levies, entitling CSLR to interest income. Any such interest income forms part of CSLR's cash to facilitate future claims and expenses. As such, when interest income is earned on unspent levies, CSLR also recognises a corresponding increase in the provision for future claims and expenses.

Movements in provisions

Movements in the provision for future claims and expenses during the current financial year are set out below.

	Pre-CSLR Levy \$'000	Annual Levy 2024 \$'000	Annual Levy 2025 \$'000	Annual Levy 2026 \$'000	Annual Levy 2027 \$'000	Total \$'000
2026						
Carrying amount at the start of the year	207,242	1,870	4,168	-	-	213,280
Levies receivable in the period, net of bad debts	-	-	-	64,257	-	64,257
Future claims expense ¹	7,379	-	-	1,758	-	9,137
Levy penalties received	-	-	-	19	-	19
Prior period levies received	-	-	-	1	-	1
Transfer from claims in progress provision (refer to Note 12)	1,855	126	231	-	-	2,212
Levy excess from prior period	-	-	-	1,995	-	1,995
Levies received for future period	-	-	-	-	26,911	26,911
Claims paid	(101,421)	-	-	(56,540)	-	(157,961)
Transfers to claims in progress (refer to Note 12)	(5,636)	-	-	(1,500)	-	(7,136)
AFCA fees paid or payable	(9,738)	-	-	(8,362)	-	(18,100)
Levy excess transferred to future period	-	(1,996)	-	-	-	(1,996)
Carrying amount at the end of the year	99,681	-	4,399	1,628	26,911	132,619

¹ Future claims expenses comprise \$8,042,000 of interest income to be used for the payment of future levy costs (2025: \$12,341,000) and \$1,095,000 of levies to be used on future levy costs (2025: \$2,282,000).

Note 12. Current liabilities - Provision for claims in progress

	2026 \$'000	2025 \$'000
Balance at the beginning of the period	2,212	549
Payment of claims during the reporting period (refer to Note 11)	(2,212)	-
Additional provisions made (refer to Note 11)	7,136	1,663
Balance at the end of the period	7,136	2,212

The provision for claims in progress relates entirely to claims which are currently being assessed by CSLR. Specifically, these are claims where CSLR has deemed the claim is eligible and CSLR is able to reliably estimate the expected amount to settle the claim.

Compensation Scheme of Last Resort Limited
Notes to the financial statements
30 June 2026

Note 13. Equity - Capital reserves

	2026 \$'000	2025 \$'000
Capital reserves	5,000	3,333

Under the Financial Services Compensation Scheme of Last Resort Levy (Collection) Act 2023, CSLR is entitled to maintain a total and cumulative capital reserve of \$5 million, with one third received in the period ended 30 June 2024, one third received in the year ended 30 June 2025, and the remaining one third received during the year ended 30 June 2026 (current year). The purpose of the capital reserve is to allow the CSLR to have sufficient funds to, where appropriate, meet funding shortfalls or operational requirements.

Note 14. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Australia, the auditor of CSLR:

	2026 \$	2025 \$
<i>Audit services - Moore Australia</i>		
Audit of the financial statements	38,750	38,424

Note 15. Contingent liabilities

Of the 266 claims received by CSLR where an AFCA Determination and AFCA Appropriate Steps Notice has been received and the compensation eligibility is not yet assessed, the estimated compensation is \$35,363,791 (2025: \$9,369,171). The estimated compensation is calculated as the AFCA Determination amount less any offsets, capped at the CSLR compensation limit of \$150,000. The calculation includes an estimate of the interest amount a claimant may be eligible for, calculated to 30 June 2026.

Note 16. Related party disclosure

During the course of the year covered by this report, the sole member of CSLR was Australian Financial Complaints Authority Limited (ACN 620 494 340) (AFCA).

As required under the *Treasury Laws Amendment (Financial Services Compensation Scheme of Last Resort) Act 2023, section 1069(B) and 1069(C)*, CSLR is required to reimburse AFCA's fees and charges that are within scope of the scheme.

Transactions with related party

During the year, the following related party transactions from CSLR to AFCA occurred:

	2026 \$	2025 \$
Operational costs	178,615	182,944
AFCA complaint fees and charges	18,100,175	6,288,840
	18,278,790	6,471,784

Payable to related party

At the end of the period, the following balances were outstanding from CSLR to AFCA:

	2026 \$	2025 \$
Operational costs payable	45,558	39,517
AFCA complaint fees and charges payable	2,036,404	420,279
AFCA complaint fees and charges accrued	1,487,590	768,916
Total amounts payable to AFCA	3,569,552	1,228,712

Compensation Scheme of Last Resort Limited
Notes to the financial statements
30 June 2026

Note 17. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2026	2025
	\$	\$
Aggregate compensation	<u>1,425,496</u>	<u>1,356,292</u>

No loans have been made to key management personnel of CSLR.

Note 18. Events after the reporting period

No matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 19. Consolidated entity disclosure statement

Subsection 295(3A)(a) of the *Corporations Act 2001* does not apply to the company as it is not required by Australian Accounting Standards to prepare consolidated financial statements. The company has no subsidiaries nor controlled entities as at the end of the financial year.

Compensation Scheme of Last Resort Limited
Directors' declaration
30 June 2026

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the *Australian Accounting Standards - Simplified Disclosures*, and the *Corporations Regulations 2001*;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2026 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the company has not prepared a consolidated entity disclosure statement as it was not a part of a consolidated group and did not have any controlled entities at the end of the financial year, or at any time during the financial year. This statement is true and correct under section 295(4)(da) of the *Corporations Act 2001*.

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

On behalf of the directors



Ms Jo-Anne Bloch
Chair

29 September 2026

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPENSATION SCHEME OF LAST RESORT LIMITED

Opinion

We have audited the accompanying financial report of Compensation Scheme of Last Resort Limited (the "Company"), which comprises the statement of financial position as at 30 June 2026, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of material accounting policy information and other explanatory notes and the directors' declaration.

In our opinion the financial report of Compensation Scheme of Last Resort Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2026 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards – Simplified Disclosure and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of *Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2026, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

For such internal controls as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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



G S DAKIS
Partner – Audit and Assurance
Moore Australia Audit (VIC)
Melbourne, Victoria
29 September 2026



Moore Australia Audit (VIC)
ABN 16 847 721 257
Chartered Accountants