



FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Telecommunications Industry Ombudsman Limited

ABN 46 057 634 787

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TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

DIRECTORS' REPORT

Your Directors present their report of Telecommunications Industry Ombudsman Limited (**TIO Limited**) for the year ended 30 June 2015.

TIO Limited is a company limited by guarantee and funded by its members, incorporated in Australia in 1993 under the *Corporations Act 2001*. The TIO was established to investigate, resolve, make determinations and give directions relating to complaints by residential and small business consumers of telecommunications services. The principal place of business is Level 3, 595 Collins Street, Melbourne, Victoria.

On 26 February 2014, TIO's members voted unanimously to adopt a new Company Constitution that gave effect to a new unitary governance model for the TIO, replacing the then Board and Council with a single Board of Directors. Financial Year 2015 has seen the first full year of operation under the new unitary governance model.

OBJECTIVES, STRATEGY AND PRINCIPAL ACTIVITIES

TIO Limited is a company limited by guarantee whose objects, briefly stated, are

- (a) to operate the TIO scheme; and
- (b) to appoint an Ombudsman with power to receive, investigate, make decisions relating to and facilitate the resolution of complaints by residential and small business consumers of telecommunications services.

The TIO's Vision is:

To deliver an exceptional telecommunications dispute resolution service for consumers, service providers and the Australian community. We aim to contribute to better customer service and complaint handling within the telecommunications industry.

The TIO operates in the context of a three year strategic plan. Annual business plans are developed in conjunction with the budget. These detail long and short term objectives and key performance indicators.

The TIO's strategy for achieving its objectives has four distinct and complementary functions or roles:

- 1. Resolving disputes:** The primary function of the TIO is to provide a dispute resolution service that is accessible, independent, fair, efficient, responsive and effective.
- 2. Improving telecommunications services:** To assist telecommunications service providers and their industry to improve their services to consumers, through identifying systemic issues and engaging with industry representatives.
- 3. An independent voice:** To act as an independent and expert voice about matters affecting telecommunications consumers. This includes providing information and analysis to government and industry and reaching out to the community.
- 4. Leading by example:** To lead by example and be innovative, adaptable, collaborative, responsive, resilient and forward thinking.

The Ombudsman reports regularly against agreed success measures for each of the TIO's roles.

During the year, the principal continuing activity of TIO Limited was the investigation and resolution of telecommunications complaints from residential and small business consumers of telecommunications services. The principal continuing activity directly discharges the stated objects of TIO Limited.

DIRECTORS' REPORT

Role of the Board

The Board of Directors oversees the management of the business, affairs and property of TIO Limited in accordance with the Company Constitution and the Terms of Reference.

The Board preserves the independence of the Ombudsman, who has day to day responsibility for the management and operation of the TIO scheme.

Responsibilities of the Board

The Board's responsibilities are set out in the Terms of Reference. Key functions of the Board include:

- (a) monitoring the overall performance and results of TIO Limited and the TIO scheme;
- (b) setting goals and the overall strategy for TIO Limited and the TIO scheme;
- (c) in relation to TIO Limited's finances:
 - (i) overseeing the Ombudsman's management of spending;
 - (ii) overseeing TIO Limited's capital management, funding and cash flows, including ensuring sufficient funding for the TIO scheme; and
 - (iii) setting financial delegations;
- (d) overseeing TIO Limited's systems for risk management, auditing and legal compliance;
- (e) appointing and terminating the appointment of the Ombudsman;
- (f) making policies and procedures for TIO Limited and the TIO scheme; and
- (g) maintaining the Ombudsman's independence.

The Board has a charter to assist in its exercise of its functions and responsibilities. A copy of the Charter is published on the TIO website.

The Board also has committees to assist in discharging its functions. Details of the committees appear later in this report.

Since the end of the financial year, the Ombudsman, Mr Simon Cohen, announced his resignation from the position of Ombudsman to take up a senior role in the Victorian Department of Justice and Regulation. The Board has appointed Ms Diane Carmody, the Deputy Ombudsman, to the role of Acting Ombudsman.

The Board of TIO Limited is embarking on an executive search and recruitment process to identify and appoint a new Ombudsman.

Appointment of Directors

The Company Constitution provides for a transition from a Board of eleven to a Board of nine Directors over a period of three years from the date of unitary governance, which occurred on 26 February 2014. In addition, the terms of Directors appointed on that date are staggered so that there is an orderly expiry of terms. During the year, the terms of two Directors came to an end: Director with industry experience nominated by the second largest member and Director with consumer experience.

In accordance with the Company Constitution, a Nominations Committee identified and recommended to the Board persons to fill those two Board vacancies. Details of the changes to the Board composition during the year are set out below.

Newly appointed Directors receive an induction pack which includes the Company Constitution and Terms of Reference, Board and Committee Charters and other information to assist Directors in carrying out their duties.

New Directors are also provided with an induction consisting of one-on-one meetings with the Ombudsman, TIO Executives (Deputy Ombudsman, Chief Financial Officer and two Executive Directors), the TIO General Counsel and the Company Secretary.

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DIRECTORS' REPORT

Board composition

The composition of the TIO Limited Board is set out in the Company Constitution and is currently: three independent Directors, one of whom is also the independent Chair, four Directors with consumer experience and four Directors with industry experience.

With the approval of the Board, any Director may appoint an alternate director from time to time.

Information on Directors in office at the date of this statement

| Director | Experience | Responsibility |
|--|---|---|
| P M Faulkner AO <i>BA, Dip Ed, MBA, FIPAA</i> | Patricia Faulkner is Chair of the following bodies: National Health Performance Authority, Jesuit Social Services and Deputy Chair of St Vincent's Healthcare Australia. Patricia is a member of the Commonwealth Grants Commission, the National Australia Bank's Social Responsibility Advisory Committee, the Board of Committee for Economic Development Australia, the Melbourne Racing Club Committee and Melbourne Theatre Company. Patricia is also a Deputy Commissioner on the Victorian Royal Commission into Family Violence and a Director and Chair designate of the Public Transport Victoria (taking up Chair role from 1 October 2015). | Independent Chair since 26 February 2014 |
| T M Corbin <i>BA</i> | Teresa Corbin is Chief Executive Officer of the Australian Communications Consumer Action Network (ACCAN), a peak consumer body for the telecommunications industry. Teresa is also a member of the ACMA Consumer Consultative Forum, NSW Information and Privacy Committee and ACCC Infrastructure Consultative Committee. Teresa led the project to establish ACCAN, which began operating on 1 July 2009. Through her work in the community sector, in policy and management positions, she has built strong links with consumer groups at a regional, national and international level. Teresa joined the TIO Council in July 2010. | Director with Consumer Experience from 26 February 2014 |
| D A N Epstein <i>BA</i> | David Epstein is Vice-President, Corporate Affairs and Regulatory Affairs for Singtel Optus. Educated at the ANU and Wharton, he is an experienced corporate affairs executive with a background in marketing, regulatory affairs and public affairs, both internationally and in Australia. His career spans public and private sectors, including time as a senior ministerial adviser to three Prime Ministers, culminating as Chief of Staff to the Prime Minister. He is also a board member of the Europe Australian Business Council and Opera Australia and was recently appointed as a Director of the Asia Society (New York) Australia Centre. | Director with Industry Experience from 26 February 2015 |

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DIRECTORS' REPORT

| Director | Experience | Responsibility |
|---|---|--|
| I A Falshaw <i>B A (Hons), GAICD</i> | Iain Falshaw was Managing Director of ACN Pacific from January 2008 to late 2014 and a Director since the company's inception in 2004. He has over 23 years of experience in the telecommunication industry in a number of international markets including Australia, New Zealand, UK, USA, Malaysia and Singapore. During that time, he has held a number of senior financial and commercial management roles. He was first elected to the Board of TIO Limited in December 2012. Iain is Acting CFO and Company Secretary of Agregato Global Limited. Iain is also a director of Tailors Mark Pty Ltd and RESULTS International Australia. | Director with Industry Experience from 26 February 2014 |
| P J Harrison <i>PhD, GAICD, MAM</i> | Dr Paul Harrison is a senior lecturer and chair of the consumer behaviour and advertising program at Deakin University's Graduate School of Business. Dr Harrison is also the head of the Ethics and Social Engagement research cluster at the Centre for Sustainable and Responsible Organisations. Paul was appointed to TIO Council in July 2010. He is involved on a number of boards and committees, including being a past chair, current board, and audit and risk committee member of the Asylum Seeker Resource Centre, and a member of the Consumer Advisory Board of the Essential Services Commission and VicHealth's Expert Panel in Social Marketing. | Director with Consumer Experience from 26 February 2014 |
| J M Harvey, <i>BCom, MBA, FCA, FAICD</i> | Jane Harvey's directorships include IOOF Holdings Ltd, Colonial Foundation Trust, DUET Finance Limited, Orygen – The National Centre of Excellence in Youth Mental Health and UGL Limited. She is a Victorian Council member of the Australian Institute of Company Directors. Jane was first appointed a director of TIO Limited in 2003. | Independent Director with Commercial Governance Experience from 26 February 2014 |
| B J Kitschke <i>BA</i> | Brad Kitschke is the Director of Public Policy (Oceania) Uber. In his previous role, he was Head of Public Policy at Vodafone Hutchison Australia (VHA) where he was responsible for Government relations and stakeholder management. Brad was previously VHA's representative on TIO Council, appointed in November 2012. | Director with Industry Experience from 26 February 2014 |

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DIRECTORS' REPORT

| Director | Experience | Responsibility |
|---------------------------------------|---|--|
| C E Lowe <i>LLB</i> | Catriona Lowe is the current Treasurer of the Consumers' Federation of Australia and a member of the board of the Financial Ombudsman Service. She is also Co-Chair of the ACCC's Consumer Consultative Committee, as well as being a member of the ACMA Consumer Consultative Forum. She has more than 15 years litigation experience across the private and NGO sectors and has provided advice to senior stakeholders including State and Federal government departments and authorities. Recently, Catriona was appointed as a member of the Legal Practitioners Liability Committee. Catriona became a member of the TIO Council in July 2012. | Director with Consumer Experience from 26 February 2014 |
| G P Renouf <i>BA, LLB</i> | Gordon Renouf, who has been a consumer advocate for more than 25 years, is the founder and CEO of Ethical Consumers Australia, a social enterprise that aims to help consumers make choices that match their values. He is Deputy Chair of the Consumers Federation of Australia and Justice Connect, and Chair of Good Environmental Choice Australia, and a Member of the Banking Code Compliance and Monitoring Committee. | Director with Consumer Experience from 26 February 2015 |
| J P Scarlett <i>BA, LLB (Hons)</i> | Jules Scarlett is Director – Commercial Operations at Telstra Wholesale. Jules has worked for Telstra for over 15 years and a member of the Board of TIO Limited since November 2009. | Director with Industry Experience from 26 February 2014 |
| P J Smith, AM <i>BEC, GAICD</i> | Philippa Smith has broad ranging board, CEO and chair experience. Philippa currently chairs Food Standards Australia New Zealand (FSANZ), is a director of First State Super, and a member of the NSW Civil and Administrative Tribunal (NCAT). Philippa's former positions include the statutory role of Commonwealth Ombudsman (including Defence Force Ombudsman, Tax Ombudsman and ACT Ombudsman), Manager of the Australian Consumers Association, and CEO of the Association of Superfunds of Australia (ASFA). Philippa is a graduate of the Australian Institute of Company Directors. | Independent Director with Not-for-profit Governance Experience from 26 February 2014 |

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DIRECTORS' REPORT

| Director | Experience | Responsibility |
|-----------|---|---|
| T C Hill* | Trevor Hill is Group Manager, Consumer and Compliance, Corporate Affairs at Telstra. He has worked for Telstra for many years in a variety of management and policy roles. He has extensive experience in consumer related matters and played a major role in the development of the new Telecommunications Consumer Protection Code. He represents Telstra on the CA Operations Council and is the Chair of CA's Industry Consumer Advisory Group (ICAG). Trevor has previously served terms as a Telstra nominated Director of the TIO Board and as a TIO Council Member. | Alternate Director for J P Scarlett from 7 April 2014 |

Directors who retired, resigned or otherwise ceased to hold office during the year (Information current as at date of departure)

| Director | Experience | Responsibility |
|--|---|---|
| C P Dodds | Chris Dodds is a Senior Policy Officer at the Energy and Water Ombudsman New South Wales (EWON). He represents the Australian Council of Social Service (ACOSS) on Telstra's Low Income Measures Assessment Committee (LIMAC), in the position of chair. He is a past president of the Council of Social Service of NSW (NCOSS). He has been involved in community services for over 35 years and in telecommunications issues for over 13 years, including as a member of TIO Council from August 2008 to February 2014. | Director with Consumer Experience from 26 February 2014 to 25 February 2015 |
| M J Elsegood <i>B Eng (Hons), MBA</i> | Michael Elsegood is Manager for Regulatory Compliance and Safeguards at Optus. He has extensive experience in the Australian telecommunications industry, having worked with regulators and carriers in a variety of planning, policy and compliance roles. Michael was a director of TIO Limited from 2 October 2006. | Director with Industry Experience from 26 February 2014 to 25 February 2015 |
| R Dickenson* | Robbie Dickenson is the Senior Manager of Virgin Mobile Operations. Robbie is responsible for the day to day operations of Virgin Mobile's call centres and support teams. He has over 16 years' experience in the Telecommunications industry. Robbie has extensive experience in business transformation that delivers improved customer experience. Robbie was the winner of the Customer Service Institute of Australia's Customer Service Manager of the Year for NSW in 2014. | Alternate Director for M J Elsegood from 1 August 2014 to 1 October 2014 |

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DIRECTORS' REPORT

Information on Company Secretary

| Company Secretary | Experience | Responsibility |
|---|--|---|
| G L Neville-Hill <i>BEC, LLB, LLM, FGIA, MAICD</i> | Gayle has been a chartered secretary and/or in-house legal counsel for 25+ years. She has also worked as a senior legal practitioner in private practice and has served as a director on the Australian Board of a global non-governmental organisation. | Company Secretary appointed 11 April 2013 |

Access to Independent Professional Advice and Company information

All Directors, as well as officers of TIO Limited, have the right in connection with their duties and responsibilities to seek independent professional advice at the Company's expense and have the right to access company information.

Meetings of Directors

There were ten meetings of the Company's Directors (excluding meetings of committees of Directors) held during the year ended 30 June 2015. The number of Board meetings attended by each director was:

| Full Meetings of Directors | Number Eligible to Attend | Number Attended |
|-----------------------------------|----------------------------------|------------------------|
| P M Faulkner (Chair) | 10 | 10 |
| T M Corbin | 10 | 9 |
| D A N Epstein | 3 | 3 |
| I A Falshaw | 10 | 9 |
| P J Harrison | 10 | 9 |
| J M Harvey | 10 | 8 |
| B J Kitschke | 10 | 9 |
| C E Lowe | 10 | 10 |
| G P Renouf | 3 | 3 |
| J P Scarlett | 10 | 9 |
| P J Smith | 10 | 9 |
| T C Hill (Alternate)* | 1 | 1 |
| | | |
| C P Dodds | 7 | 5 |
| M J Elsegood | 7 | 3 |
| R Dickenson (Alternate)* | 2 | 2 |

*Alternate Directors attend meetings in place of their appointing Directors.

In addition to the ten Board meetings held during the year, the Directors conducted a full day Strategy Session in November 2014.

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DIRECTORS' REPORT

Board Committees

The Board has established a number of committees to help it perform its duties and allow detailed consideration of complex issues. Each committee has a charter setting out its roles and responsibilities, composition, structure, membership requirements and the manner in which the committee operates. The charters of all committees are reviewed annually, with any changes requiring Board approval.

All Board committees have authority, with the permission of the Board and within the scope of their responsibilities, to seek any information they require from any employee or external party. They may also undertake any other activities consistent with their charters.

The Board's Committees at the date of this report are detailed below.

Audit, Risk & Compliance Committee

The role of the Audit, Risk & Compliance Committee is to assist and advise the Board on the Company's internal and external audit, risk and finance management frameworks.

Members:

J M Harvey (Chair)

T M Corbin

I A Falshaw

P M Faulkner (*ex officio*)

J P Scarlett

During the year, when reviewing the Committee's role, the Board accepted the recommendation that the Committee's responsibilities be expanded to include specific compliance-related activities. The Committee's name was changed to reflect the expanded role of the Committee.

The Audit, Risk and Compliance Committee:

- (a) Reviews and recommends to the Board the annual financial statements and Directors' Report.
- (b) Monitors and reviews the external audit process, including the effectiveness of the external auditors.
- (c) Reviews, recommends to the Board and monitors progress against the internal audit plan.
- (d) Monitors management of risk, including through the regular review of the company risk register.
- (e) Monitors management of compliance with relevant legislative and regulatory obligations, including breach reporting and compliance assurance.

The Audit, Risk and Compliance Committee, at its discretion, invites the internal and external auditors, Ombudsman, Chief Financial Officer and other parties to attend its meetings. The Committee also meets annually with the internal and external auditors without management being present.

There were four meetings of the Committee held during the year ended 30 June 2015. The number of meetings attended by each Committee member was:

| Audit, Risk & Compliance Committee meetings | Number Eligible to Attend | Number Attended |
|--|----------------------------------|------------------------|
| J M Harvey (Chair) | 4 | 4 |
| P M Faulkner | 4 | 3 |
| T M Corbin | 4 | 4 |
| I A Falshaw | 4 | 4 |
| J P Scarlett | 4 | 3 |

The Committee has established a regular meeting schedule and cycle of review for FY2016.

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Nominations Committee

The Nominations Committee is established under clause 12.2 of the TIO Limited Constitution. Its role is to identify and recommend to the Board persons to fill vacant Board positions.

The Nominations Committee is the only Board Committee to have external representation, with its composition set out in the Constitution: The Independent Chair is the Chair of the Committee, and its members comprise the following people appointed by the Board:

- (a) One Director with Consumer Experience.
- (b) One Director with Industry Experience.
- (c) One person nominated by a peak group representing users of telecommunications services or public interest issues relevant to telecommunications services; the peak body being the Australian Communications Consumer Action Network (**ACCAN**).
- (d) One person nominated by a peak group representing the telecommunications industry; the peak body being Communications Alliance (**CA**).

Members:

P M Faulkner (Chair)

B J Kitschke

C E Lowe

J Plante (Nominee of ACCAN)

J Stanton (Nominee of CA)

The Nominations Committee:

- (a) Determines the process for recruitment for Director positions.
- (b) Interviews and recommends to the Board suitable candidates for any vacant Board positions.

At the discretion of the Board, the Nominations Committee may also be involved in recruitment of the Independent Chair.

The Nominations Committee convened in late 2014 to interview and recommend to the Board candidates for the positions of Director with Industry Experience (Second Largest Member) and Director with Consumer Experience which expired on 25 February 2015.

People Committee

The Board established the People Committee with the initial specific responsibility to determine remuneration for Directors. Early in FY2015, the role of the People Committee was extended to assisting and advising the Board to fulfil its corporate governance and oversight responsibilities in relation to:

- (a) Remuneration of Directors.
- (b) Remuneration of the Ombudsman.
- (c) Policies of TIO Limited relating to terms of employment of TIO staff, including remuneration and incentives.

Members:

P M Faulkner (Chair)

D A N Epstein

P J Harrison

J M Harvey

P J Smith

Following the decision in July 2015 of the Ombudsman, Mr Simon Cohen, to accept a new senior role with the Victorian Government, the Board has instructed the People Committee to make a recommendation to the Board about the appointment of a new Ombudsman.

The People Committee will be calling for expressions of interest in the position of Ombudsman early in FY2016.

There were two meetings of the Committee held during the year ended 30 June 2015. The number of meetings attended by each Committee member was:

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| People Committee meetings | Number Eligible to Attend | Number Attended |
|---------------------------|---------------------------|-----------------|
| P M Faulkner (Chair) | 2 | 2 |
| P J Harrison | 2 | 2 |
| J M Harvey | 2 | 2 |
| B J Kitschke | 1 | 0 |
| P J Smith | 2 | 2 |

ETHICAL AND RESPONSIBLE DECISION MAKING

TIO Limited is committed to operating ethically and with integrity.

Conflicts of interests and disclosure of personal interests

The Board maintains a register of personal interests which is reviewed at every Board meeting. Any Director with a material personal interest in a matter being considered by the Board must declare their interest and may not vote on any matter in which they have declared a personal interest. Related party transactions are reported within the financial report.

The Board requires Directors to declare the offer and acceptance of any gifts, benefits or hospitality where a potential conflict may arise. A register of gifts and hospitality offered or accepted is also maintained and presented to Directors at every Board meeting.

The TIO has adopted a Conflict of Interests Policy that sets out the TIO's commitment to undertaking its functions according to the highest ethical, legal and professional standards and outlines processes for employees to deal with conflict of interest issues. Under the Policy employees are expected to behave with honesty, transparency, integrity and fairness in dealing with TIO stakeholders, other TIO employees and the general community.

Confidentiality and privacy

The TIO maintains and respects the confidentiality and privacy of personal and financial information. Employees must not use or disclose confidential information, complaint information or personal information of any person, for any unauthorised purpose.

As a result of legislative reform of Commonwealth privacy laws in recent years, the TIO implemented a new TIO Privacy Policy and privacy compliance program. The TIO holds formal recognition under the new privacy laws as an external dispute resolution scheme.

Feedback about the delivery of TIO Scheme services

As an external dispute resolution scheme, TIO Limited recognises the right of stakeholders to complain about the services it provides under the TIO scheme and that there is a responsibility to address those complaints. Accordingly, consumers and service providers may make formal compliments or complaints about the service they receive. There are mechanisms by which compliments and complaints are recorded and notes made, indicating any actions taken and outcomes achieved. The Board receives regular reports about compliments and complaints in respect of services provided under the TIO scheme. The TIO's Compliments and Complaints Policy is available on the TIO website.

Whistleblower protection

TIO Limited does not tolerate staff at any level acting improperly and supports TIO employees, contractors, and Directors reporting in good faith a matter they believe constitutes reportable conduct without fear of reprisal, dismissal or discriminatory treatment. The TIO Whistleblower Policy sets out the Board-supported TIO Whistleblower program, which is regarded as an important element in eliminating corrupt, illegal and other reportable conduct within the TIO, and as a necessary step to achieving good corporate governance.

DIRECTORS' REPORT

INTEGRITY IN REPORTING

Internal audit

The TIO continued its internal audit program during the course of FY2015. The TIO's internal auditors are Pricewaterhouse Coopers.

External audit

The Board is committed to ensuring that the external auditor is independent. The TIO's external auditor is Deloitte Touche Tohmatsu, appointed by members at the Annual General Meeting held in November 2014.

TIO Limited has adopted a policy that the responsibilities of the lead audit partner cannot be performed by the same person for longer than five years. The present Deloitte Touche Tohmatsu lead audit partner for the TIO Limited audit is Ryan Hansen. The Auditor's Independence Declaration follows the Directors' report.

RISK MANAGEMENT FRAMEWORK

The Board is committed to the management of risk to protect its quality of service, legislative requirements, image and reputation, employees, members, stakeholders and assets.

The Audit, Risk & Compliance Committee oversees the risk management framework, receiving regular reports from the TIO Executive, and the full register once a year.

A review of the risk framework is scheduled for late 2015.

INSURANCE OF OFFICERS

During the financial year, the TIO insured officers of the company. The officers of the company covered by the insurance policy included all Directors as listed in this report, former Board and Council members, the TIO Executive, General Counsel and Company Secretary.

ENVIRONMENTAL ISSUES

The TIO Facilities and Administration team provides a conduit to the TIO Executive on environmental matters. Apart from statutory provisions of general applicability, the TIO is not subject to any specific environmental regulation.

DIVERSITY

TIO Limited submits annual reports to the Workplace Gender Equity Agency. In FY2015 TIO reported that there is a balance of genders in employment at TIO. This includes a balance on the Board, in management and in other roles.

The Board is concerned to preserve gender equity at the TIO. The TIO has in place policies to support gender equity in relation to flexible working hours, parental leave and remuneration. Policies directed at eliminating sexual harassment, discrimination and bullying in the workplace are also in operation. Processes set out in the policies assist in the elimination of biases within the organisation.

The TIO's remuneration gap analysis has not identified any gender pay gaps and no specific intervention in this regard has been required.

A formal gender equity strategy will be developed in the coming year.

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OPERATING RESULTS

The TIO recorded an operating deficit for FY2015 of \$294,173.

The deficit was primarily due to reduced complaint demand which resulted in fewer new complaints and fewer conciliations and investigations during this period.

Throughout the year the TIO managed staffing levels in response to this reduced demand.

The results for the year ended 30 June 2015 are as follows:

| Year | Total Revenue | Total Expenditure | Surplus/(Deficit) |
|-------------------|---------------|-------------------|-------------------|
| FY2015 | \$27,930,985 | \$28,225,158 | (\$294,173) |
| FY2014 (Restated) | \$31,014,289 | \$31,203,384 | (\$189,095) |

The accumulated surplus reduced from \$6,337,567 (restated) at the start of the financial year to \$6,043,394 at the end of FY2015. For details of the restatement see notes to the financial statements.

REVIEW OF OPERATIONS

During FY2015 the TIO made substantial workforce reductions and other operational changes. The workforce reductions were a response to the sustained reduction and changed demand for TIO services over the past several years. The primary aim of the response was to reduce recurrent operating costs. The impact of the changes has reduced recurring costs in the forward budget period by \$2.5M or 9%.

Total Complaint Handling Transactions

Complaint handling transactions for FY2015 are presented below.

| Year | Referrals | Conciliations | Investigations | | Enquiries |
|----------|-----------|---------------|----------------|---------|-----------|
| | | | Level 3 | Level 4 | |
| FY2015 | 123,935 | 11,553 | 111 | 3 | 44,210 |
| FY2014 | 138,946 | 15,773 | 522 | 1 | 43,857 |
| % Change | -10.8% | -26.8% | -78.7% | 200.0% | 0.8% |

Performance

The TIO monitors levels of complainant satisfaction and confidence with the service provided by the TIO. The TIO has commissioned Customer Service Benchmarking Australia (CSBA) to survey consumers who used the TIO's services during Q4 FY2015. The survey results are due to be received by TIO in September 2015.

Staffing

The number of employees (excluding agency staff) at year end was 185, compared to 242 at the end of FY2014. Due to the reduction in demand for TIO services, both operation and support staff numbers decreased over the year.

TIO Staff numbers vary substantially during each year, reflecting the significant variance in demand for TIO services. The TIO has focused during the last year in increasing the range and flexibility of human resource responses to deal with this variance.

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Strategies include:

- a) the use of casual, in addition to ongoing officers;
- b) the development of a team of officers within TIO who can be seconded from support to operational areas to deal with sudden demand increases;
- c) the use of a peak demand team of casual staff who are rostered to work only during the times of the year where demand for services is high;
- d) the ongoing use of a dispute resolution officer role with flexibility to move from contact team to investigation work depending on where the need is greatest.

Debt Recovery

Bad debts of \$494,925 were written-off during the financial year, with the provision for bad debts reduced from \$455,520 to \$77,063.

With the oversight of the Board, the management of TIO Limited takes a proactive approach to debt recovery, with a cross-functional group used to identify and work with members at risk.

Debt management, especially in relation to a small percentage of members of the industry with phoenix operations, has been a special focus of the Board in FY2015. The doubtful debt expense of \$108,660 in FY2015 was down from the \$426,234 expensed in FY2014.

Financial Reserve

The financial reserve decreased from \$3,796,105 at 30 June 2014 to \$3,250,000 at 30 June 2015.

Fee Increases

The TIO increased fees from 1 July 2015. Overall, the fee increase per complaint is approximately 10 per cent.

External reviews of the TIO, together with our own consultations with industry, continue to emphasise increased expectations about the quality and responsiveness of our services, and how we can increase our contribution to improving the telecommunications industry.

The FY2016 budget invests in training, development, systems and processes to deliver on the TIO strategy for 2012-15.

The new charges also meet annual salary increases (including additional superannuation costs) for TIO staff – salary costs make up some 70 per cent of TIO expenses.

Volume fee increases are as follows: Level 1 and Enquiries from \$40 to \$44, Level 2 from \$375 to \$415, while Level 3 remains \$670, Level 4 \$2,800, and Land access \$3,100.

More details of TIO charges to members are available on the Members' section of the TIO website.

Cash Flow

The TIO's bankers, Commonwealth Bank of Australia, provide the TIO with an overdraft facility of \$150,000. This facility was established to alleviate any temporary cash flow variations associated with the TIO's quarterly billing cycle. The overdraft was not utilised during the year.

Income Tax Exemption

The TIO has been granted an exemption from income tax under Item 2.1 of Section 50-10 of the Income Tax Assessment Act 1997 until 30 June 2019.

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DIRECTORS' REPORT

Member liability

The TIO is a company limited by guarantee. Every member undertakes that in the event that TIO Limited is wound up during the currency of the member's membership or within one year of the member ceasing membership, it will contribute to the property of TIO Limited for:

- (a) payment of the debts and liabilities of TIO Limited incurred before it ceased to be a member;
- (b) the costs, charges and expenses of winding up; and
- (c) an adjustment of the rights of the contributories among themselves,

such amount as may be required, provided such amount shall not exceed one hundred dollars (\$100).

Membership

The *Telecommunications (Consumer Protection and Services Standard) Act 1999* requires all carriers and eligible carriage service providers to be members of the TIO. Eligible carriage service providers are those which supply:

- (a) a standard telephone service where some of the customers are residential or small business customers; or
- (b) a public mobile telecommunications service; or
- (c) a carriage service which enables end users to access the Internet.

A carriage service intermediary who arranges the supply of the services referred to above qualifies as an eligible carriage service provider.

At the end of FY2015, 1,539 service providers were TIO members. During the year 188 new members joined the TIO and 33 members departed. A further 83 entities were assessed for potential membership. In 62 cases membership was not required and the remaining 21 were referred to the ACMA for resolution.

Communication with Members

During FY2015 the TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling.

The member online education (MOE) program was developed during the year with three initial modules being developed:

- (a) Introduction to the TIO: General information about the TIO that will be helpful for new members to the scheme as well as new staff at existing providers.
- (b) TIO Complaint Handling Procedures: How to understand and handle a TIO complaint from referral through investigation, with direction on how and when to respond and how to request a reclassification.
- (c) Best Practice Complaint Handling: Practices and strategies to assist members provide best practice complaint handling.

The first module was released to the membership during January to March 2015 and the second and third modules will be released in August 2015.

Two discussion Forums with small and mid-sized members were convened by the Ombudsman during FY2015, a Melbourne Forum in August and a Sydney Forum in November. Representatives from 24 service providers participated in open roundtable discussions and offered their views about their experiences with the TIO. The forums highlighted consistent concerns among smaller members about TIO fees, in the context of a decline in complaints within the industry.

Members provided positive feedback about changes to TIO processes and position statements which had helped them reduce complaint numbers, the opportunity to visit TIO and listen to calls being taken by our

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

DIRECTORS' REPORT

staff and the value of the Graduate Certificate Dispute Resolution (Industry) module in promoting greater expertise and consistency in the handling of complaints by TIO staff.

Community Outreach

The TIO continued to focus on assisting vulnerable groups in the community during FY2015, with a notable focus on its outreach to consumers in Indigenous communities. The TIO undertook detailed research and consultation in two Indigenous communities, to inform the development of tailored communications materials. The TIO's Indigenous Outreach toolkit, aimed at community workers based in remote communities, was launched at Financial Counselling Australia's Aboriginal and Torres Strait Islander (ATSI) forum during May.

FY2015 also saw the commencement of the TIO's community engagement review. A comprehensive review report was commissioned from Jan McClelland & Associates, and reported that while the TIO's approach to community engagement reflects contemporary practice, a more strategic and integrated approach is warranted. Work towards an integrated strategic framework is underway and will be a priority in FY2016.

Dividends

Under the terms of its Constitution, the TIO is not permitted to pay dividends to members.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company.

DIRECTORS' REPORT

Matters Subsequent to the end of the Financial Year

Except for the matters noted above, at the date of this report no other matter or circumstance has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- (a) the operations of the TIO in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the state of affairs of TIO in future financial years.

Signed in accordance with a resolution of the Board of Directors.

Director: P. M. Faulkner

Director: 

Dated this 8th day of September 2015

Board of Directors
Telecommunications Industry Ombudsman Limited
Level 3, 595 Collins Street
Melbourne, VIC 3000

8 September 2015

Dear Board Members

Auditor's Independence Declaration – Telecommunications Industry Ombudsman Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Telecommunications Industry Ombudsman Limited.

As lead audit partner for the audit of the financial statements of Telecommunications Industry Ombudsman Limited for the financial year ended 30 June 2015, 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Ryan Hansen
Partner
Chartered Accountants

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

| | Note | 2015 | 2014 (Restated) |
|---|------|----------------------------|----------------------------|
| | | \$ | \$ |
| Revenue and other income | | | |
| Revenue from members * | 4 | 27,538,925 | 30,604,965 |
| Other income | 4 | 392,060 | 409,324 |
| Total income | | <u>27,930,985</u> | <u>31,014,289</u> |
| Less: expenses | | | |
| Depreciation and amortisation expense * | 5 | (967,664) | (1,092,017) |
| Employee benefits expense | 5 | (21,989,006) | (22,840,556) |
| Occupancy expense * | 5 | (1,756,786) | (1,794,046) |
| Marketing expense | | (374,970) | (524,831) |
| Finance costs | 5 | (114,684) | (210,758) |
| Bad & doubtful debts expense | 5 | (108,660) | (426,234) |
| Information technology expense | | (1,218,815) | (1,400,584) |
| Consultancy expense * | 5 | (459,112) | (806,079) |
| Legal expense | | (312,227) | (416,134) |
| Travel expense | | (148,509) | (242,638) |
| Telephone and faxes | | (291,553) | (349,178) |
| Other expenses | | (483,172) | (1,100,329) |
| Total expenses | | <u>(28,225,158)</u> | <u>(31,203,384)</u> |
| Total deficit for the year | | <u>(294,173)</u> | <u>(189,095)</u> |

* The FY2014 Statement of Comprehensive Income has been restated to reflect adjustments made in the FY2015 financial year. Details on the restatements can be found in the accompanying notes.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2015

| | Note | 2015 | 2014 (Restated) |
|--------------------------------------|------|-------------------|--------------------|
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 18 | 5,046,392 | 5,164,722 |
| Receivables * | 7 | 4,121,089 | 5,587,213 |
| Other assets | 8 | 233,134 | 199,395 |
| Total current assets | | 9,400,615 | 10,951,330 |
| Non-current assets | | | |
| Intangible assets * | 9 | 1,168,022 | 1,816,611 |
| Plant and equipment * | 10 | 187,461 | 502,696 |
| Other assets | 8 | 27,037 | 64,080 |
| Total non-current assets | | 1,382,520 | 2,383,387 |
| Total assets | | 10,783,135 | 13,334,717 |
| Current liabilities | | | |
| Payables * | 11 | 1,534,273 | 2,248,350 |
| Borrowings | 12 | 220,465 | 713,775 |
| Provisions | 13 | 1,825,333 | 2,118,738 |
| Other liabilities | 14 | 139,997 | 139,997 |
| Total current liabilities | | 3,720,068 | 5,220,860 |
| Non-current liabilities | | | |
| Payables * | 11 | 587,761 | 759,290 |
| Borrowings | 12 | - | 296,223 |
| Provisions | 13 | 338,581 | 487,450 |
| Other liabilities | 14 | 93,331 | 233,327 |
| Total non-current liabilities | | 1,019,673 | 1,776,290 |
| Total liabilities | | 4,739,741 | 6,997,150 |
| Net assets | | 6,043,394 | 6,337,567 |
| Accumulated Surplus | | | |
| Accumulated surplus ** | | 6,043,394 | 6,337,567 |
| Total accumulated surplus | | 6,043,394 | 6,337,567 |

* The FY2014 Balance Sheet has been restated to reflect adjustments made in the FY2015 financial year. Details on the restatements can be found in the accompanying notes.

** Details to restatement can be found on Statement of Changes in Equity.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 (Restated) |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Accumulated Surplus | | |
| At beginning of the year * | 6,337,567 | 6,526,662 |
| Movements in equity - Deficit for the year ** | <u>(294,173)</u> | <u>(189,095)</u> |
| Balance at the end of the year | <u>6,043,394</u> | <u>6,337,567</u> |

* The FY2014 beginning accumulated surplus balance has been restated by \$69,944 to align the RADAR intangible asset with its correct cost base and the correct accumulated surplus.

** Details on the Movements in equity - Deficit for the year can be found in the notes accompanying the Statement of Comprehensive Income.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2015

| | Note | 2015 | 2014 |
|--|-------|-------------------------|-------------------------|
| | | \$ | \$ |
| Cash flow from operating activities | | | |
| Receipts from members | | 31,607,804 | 34,216,130 |
| Payments to suppliers and employees | | (31,190,881) | (32,220,994) |
| Sublease receipts | | 240,057 | 229,041 |
| Interest received | | 117,360 | 145,640 |
| Interest paid | | <u>(99,297)</u> | <u>(198,641)</u> |
| Net cash provided by/(used in) operating activities | 18(b) | <u>675,043</u> | <u>2,171,176</u> |
| Cash flow from investing activities | | | |
| Payment for plant and equipment | | (3,840) | (50,741) |
| Payment for intangible assets | | <u>-</u> | <u>(57,260)</u> |
| Net cash provided by/(used in) investing activities | | <u>(3,840)</u> | <u>(108,001)</u> |
| Cash flow from financing activities | | | |
| Proceeds from leases | | - | 3,557 |
| Repayment of leases | | <u>(789,533)</u> | <u>(690,190)</u> |
| Net cash provided by/(used in) financing activities | | <u>(789,533)</u> | <u>(686,633)</u> |
| Reconciliation of cash | | | |
| Cash at beginning of the financial year | | 5,164,722 | 3,788,180 |
| Net increase/(decrease) in cash held | | <u>(118,330)</u> | <u>1,376,542</u> |
| Cash at end of financial year | 18(a) | <u>5,046,392</u> | <u>5,164,722</u> |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was approved by the Directors as at the date of the Directors' report.

The financial report is for the entity Telecommunications Industry Ombudsman Limited as an individual entity. Telecommunications Industry Ombudsman Limited is a company limited by guarantee, incorporated and domiciled in Australia. Telecommunications Industry Ombudsman Limited is a not-for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with IFRS

The financial statements of the company also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Income tax

The company is exempt from income tax under item 2.1 of section 50-10 of the Income Tax Assessment Act 1997. The TIO has been notified of its continued tax exempt status up to 30 June 2019 by the Australian Tax Office.

(c) Revenue

Volume and operating fees are charged to members for complaint resolution services. Members are invoiced monthly based on actual charges for each month.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Trade receivables

Amounts due from all members are recognised as amounts receivable. Collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the TIO will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

(e) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of fixed asset is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

| Class of fixed asset | Depreciation rates | Depreciation basis |
|--|---------------------------|---------------------------|
| Leasehold improvements at cost | 14% | Straight line |
| Plant and equipment at cost | 33% | Straight line |
| Furniture, fixtures and fittings at cost | 14% | Straight line |
| Software | 20% | Straight line |

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (CONTINUED)

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

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

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

(g) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(h) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, and included finance lease interest charges.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) AASB 136 Impairment of Assets

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(j) Financial instruments

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position.

Trade and other receivables

Receivables are carried at nominal amounts due, less any provision for impairment. A provision for impairment is recognised when collection of the full nominal amount is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.

Trade and other payables

Liabilities are recognised for amounts to be paid in future for goods and services received.

Interest bearing loans and borrowings

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.

Finance leases are accounted for at their principal amounts, with the lease payments discounted to present value using the interest rate implicit in the lease.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(m) Australian Tax Office

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Unearned lease incentive

All incentives for entering into an operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

The TIO has recognised the aggregate benefit of incentives as a reduction of rental expenses over the lease term, on a straight-line basis, representative of the pattern of the benefit from the use of the leased asset. The lease incentive has been recognised as unearned revenue and amortised over the term of the lease, being 10 years.

(o) Intangibles

RADaR Complaints Handling System

All costs associated with RADaR project were capitalised at cost. RADaR is amortised on a straight line basis over the period of 5 years from 1 May 2012. RADaR is reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

(p) Provision for make good clauses within a lease agreement

A provision for make good is recognised when the following criteria are all met:

- (a) An entity has a present obligation (legal or constructive) as a result of a past event.
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- (c) A reliable estimate can be made of the amount of the obligation.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provision for make good clauses within a lease agreement (Continued)

Initial recognition:

The initial estimate of the future cost of making good leasehold improvements forms part of the cost of the asset and is therefore required to be capitalised, depreciated and revalued. The amount of the provision shall be the best estimate of the expenditure required to settle the present obligation, take into account increases of costs using the Consumer Price Index (CPI), then discount to reflect the present value of such expenditures where the time value of money is material, using an appropriate bond rate.

Subsequent measurement:

At the end of each reporting period, the provision must be reviewed and adjusted if necessary to reflect the current best estimate. If the unwinding of the discount portion is immaterial, expense the difference between this year and last year as an interest expense. If considered material, the increase or decrease shall be added or deducted from the cost of the asset in the current period.

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2015

A number of standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are not likely to impact on the financial information presented.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that may have financial impact on the entity and that are believed to be reasonable under the circumstances. Key estimates include management's assessment of the cost of make good for Level 3 and Level 4, 595 Collins Street and the timing of future cash flows within the provisions for Long Service Leave.

| | 2015 | 2014 (Restated) |
|---|-------------------|----------------------------------|
| | \$ | \$ |
| NOTE 4: REVENUE AND OTHER INCOME | | |
| Revenue from members * | <u>27,538,925</u> | <u>30,604,965</u> |
| | <u>27,538,925</u> | <u>30,604,965</u> |
| Other income | | |
| Interest income | 117,360 | 145,640 |
| Sub lease revenue | <u>274,700</u> | <u>263,684</u> |
| | <u>392,060</u> | <u>409,324</u> |
| | <u>27,930,985</u> | <u>31,014,289</u> |

* The FY2014 Revenue from members has been restated by \$120,378 to recognise the Capital Levy revenue to reflect the recognition of the make good \$47,692 and the adjustments made to the lease accounting of \$69,185 for the head office leases at 595 Collins St, Melbourne, and to reflect the re-classification of Other income to Revenue from members \$141,871.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|-------------|-------------------|
| | \$ | (Restated) |
| | \$ | \$ |
| NOTE 5: OPERATING PROFIT | | |
| Profit / (losses) before income tax has been determined after: | | |
| Finance costs | | |
| - Bank charges | 15,387 | 12,117 |
| - Lease charges | 99,297 | 198,641 |
| | 114,684 | 210,758 |
| Depreciation and amortisation expense * | | |
| Depreciation | | |
| - Plant and equipment | 21,256 | 30,774 |
| - Furniture and fittings | 32,370 | 151,666 |
| - Leasehold * | 265,449 | 285,261 |
| | 319,075 | 467,701 |
| Amortisation | | |
| - BI Tool | 29,127 | 4,854 |
| - RADaR | 619,462 | 619,462 |
| | 648,589 | 624,316 |
| Bad & doubtful debts expense | | |
| - Bad & doubtful debts | 108,660 | 426,234 |
| Occupancy expense ** | | |
| - Rental expense on operating leases | 1,756,786 | 1,794,046 |
| Employee benefits expense | | |
| - Short term benefits | 21,989,006 | 22,840,556 |
| Consultancy expense *** | | |
| - Consultancy expense | 459,112 | 806,079 |
| Remuneration of auditors | | |
| - Audit of the financial report | 53,200 | 38,500 |

* Depreciation and amortisation expense in the FY2014 financial year has been restated by \$47,692 to reflect the depreciation expense of the make good of the head office leases at 595 Collins St, Melbourne.

** Occupancy expense in the FY2014 financial year has been restated by \$69,185 to reflect the prior year portion of the straight line lease adjustment for the head office leases at 595 Collins St, Melbourne.

*** Consultancy expense in the FY2014 financial year has been restated by \$20,694 to reflect the correct timing of certain expenditure items.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION | | |
| Compensation received by key management personnel of the company | | |
| - Short-term employee benefits | 1,987,878 | 1,653,600 |

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

The names of Directors who have held office during the year are:

| Name | Appointment / resignation details |
|-------------------------|--|
| P M Faulkner | |
| T M Corbin | |
| D A N Epstein | appointed 26 February 2015 |
| I Falshaw | |
| P J Harrison | |
| J M Harvey | |
| B J Kitschke | |
| C E Lowe | |
| G P Renouf | appointed 26 February 2015 |
| J P Scarlett | |
| P J Smith | |
| T C Hill (alternate) | |
| C P Dodds | resigned 25 February 2015 |
| M J Elsegood | resigned 25 February 2015 |
| R Dickenson (alternate) | from 1 August 2014 to 1 October 2014 |

The names of key management personnel during the year are:

| Name | Appointment / resignation details | Position |
|----------------|--|---|
| S Cohen | | Ombudsman |
| D Carmody | | Deputy Ombudsman |
| G Neville-Hill | | Company Secretary |
| G Dell'Oste | appointed 23 September 2014 | Chief Financial Officer |
| S Lancaster | appointed 1 December 2014 | Executive – Corporate Services |
| D Brockman | | Executive – Industry Community and Government |

Directors and KMP were in office or employed for the full financial year unless otherwise stated.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 (Restated) |
|------------------------------|-------------|----------------------------|
| | \$ | \$ |
| NOTE 7: RECEIVABLES | | |
| CURRENT | | |
| Trade debtors | 3,518,347 | 5,197,406 |
| Provision for doubtful debts | (77,063) | (455,520) |
| | 3,441,284 | 4,741,886 |
| | | |
| Other receivables * | 679,805 | 845,327 |
| | 4,121,089 | 5,587,213 |

* The FY2014 balance for Other Receivables has been restated to reflect the recovery from the members of adjustments made to the lease, accounting for the head office leases at 595 Collins St, Melbourne. The restatements relate to the straight lining of the head office leases (\$429,035) and the recognition of a make good provision not previously brought to account (\$322,430). The restatements would have increased the FY2013 Other Receivables to \$774,043.

Aged analysis

Trade receivables ageing analysis at 30 June is:

| | Impairment | | Impairment | |
|-----------------------|-------------------|-----------------|-------------------|------------------|
| | 2015 | 2015 | 2014 | 2014 |
| | \$ | \$ | \$ | \$ |
| 0-90 days | 3,495,483 | (56,857) | 4,762,721 | (70,777) |
| 91-120 days | 5,100 | (4,637) | 36,159 | (25,745) |
| Greater than 120 days | 17,764 | (15,569) | 398,526 | (358,998) |
| Total | 3,518,347 | (77,063) | 5,197,406 | (455,520) |

Average Age (days): 42

At 30 June 2015 current trade receivables had a nominal value of \$3,518,347 (2014: \$5,197,406). A provision for doubtful debts of \$77,063 (2014: \$455,520) was considered appropriate.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| NOTE 8: OTHER ASSETS | | |
| CURRENT | | |
| Prepayments | 177,151 | 142,280 |
| Accrued income | 1,587 | 14,879 |
| Sublease incentive capitalised | 16,855 | 14,634 |
| Other current assets | 37,541 | 27,602 |
| | <u>233,134</u> | <u>199,395</u> |
| NON CURRENT | | |
| Other non-current assets | 9,812 | 29,437 |
| Sublease incentive capitalised | 17,225 | 34,643 |
| | <u>27,037</u> | <u>64,080</u> |

| | 2015 | 2014 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ (Restated) |
| NOTE 9: INTANGIBLE ASSETS | | |
| RADaR Complaint Management System | 3,097,310 | 3,097,310 |
| Accumulated amortisation | (1,982,687) | (1,363,225) |
| | <u>1,114,623</u> | <u>1,734,085</u> |
| BI Tool | 87,380 | 87,380 |
| Accumulated amortisation | (33,981) | (4,854) |
| | <u>53,399</u> | <u>82,526</u> |
| Total intangible assets | <u>1,168,022</u> | <u>1,816,611</u> |

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ABN 46 057 634 787

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 9: INTANGIBLE ASSETS (CONTINUED)

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year.

| | 2015 | 2014 (Restated) |
|--|------------------|----------------------------------|
| | \$ | \$ |
| <i>Intangibles at cost- RADaR</i> | | |
| Opening balance * | 1,734,085 | 2,353,547 |
| Amortisation expense | <u>(619,462)</u> | <u>(619,462)</u> |
| Closing balance | <u>1,114,623</u> | <u>1,734,085</u> |
| <i>Intangibles at cost- Business Intelligence Tool</i> | | |
| Opening balance | 82,526 | 30,120 |
| Additions | - | 57,260 |
| Amortisation expense | <u>(29,127)</u> | <u>(4,854)</u> |
| Closing Balance | <u>53,399</u> | <u>82,526</u> |

* The FY2014 opening balance for the RADAR intangible has been restated by \$69,944 to align the asset with its correct cost base. This has increased the FY2014 opening accumulated surplus by \$69,944.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| | \$ | (Restated) |
| | \$ | \$ |
| NOTE 10: PROPERTY, PLANT AND EQUIPMENT | | |
| Leasehold improvements * | | |
| Leasehold improvements at cost | 2,111,548 | 2,111,548 |
| Accumulated depreciation | <u>(2,026,759)</u> | <u>(1,761,310)</u> |
| | 84,789 | 350,238 |
| Plant and equipment | | |
| Plant and equipment at cost | 670,513 | 664,831 |
| Accumulated depreciation | <u>(650,769)</u> | <u>(625,241)</u> |
| | 19,744 | 39,590 |
| Furniture, fixtures and fittings | | |
| Furniture, fixtures and fittings at cost | 1,820,591 | 1,818,161 |
| Accumulated depreciation | <u>(1,737,663)</u> | <u>(1,705,293)</u> |
| | 82,928 | 112,868 |
| Total property, plant and equipment | <u><u>187,461</u></u> | <u><u>502,696</u></u> |

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

| | 2015 | 2014 |
|---|----------------------|-----------------------|
| | \$ | (Restated) |
| | \$ | \$ |
| <i>Leasehold improvements *</i> | | |
| Opening carrying amount | 350,238 | 635,499 |
| Depreciation expense | <u>(265,449)</u> | <u>(285,261)</u> |
| Closing carrying amount | <u><u>84,789</u></u> | <u><u>350,238</u></u> |
| <i>Plant and equipment</i> | | |
| Opening carrying amount | 39,590 | 42,427 |
| Additions | 1,410 | 27,937 |
| Depreciation expense | <u>(21,256)</u> | <u>(30,774)</u> |
| Closing carrying amount | <u><u>19,744</u></u> | <u><u>39,590</u></u> |
| <i>Furniture, fixtures and fittings</i> | | |
| Opening carrying amount | 112,868 | 241,730 |
| Additions | 2,430 | 22,804 |
| Depreciation expense | <u>(32,370)</u> | <u>(151,666)</u> |
| Closing carrying amount | <u><u>82,928</u></u> | <u><u>112,868</u></u> |

* The FY2014 Leasehold Improvements balance has been restated to reflect the recognition of the make good of the head office leases at 595 Collins St, Melbourne. The restatement increases the cost base in FY2014 by \$449,609 with an increase in accumulated amortisation of \$322,430. The restatement would have increased the carrying amount of Leasehold Improvements in FY2013 by \$175,562.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 (Restated) |
|---------------------------------|------------------|----------------------------------|
| | \$ | \$ |
| NOTE 11: PAYABLES | | |
| CURRENT PAYABLES | | |
| <i>Unsecured liabilities</i> | | |
| Trade creditors | 193,269 | 578,267 |
| Sundry creditors and accruals * | <u>1,341,004</u> | <u>1,670,083</u> |
| | <u>1,534,273</u> | <u>2,248,350</u> |
| NON CURRENT PAYABLES | | |
| Accruals and provisions * | <u>587,761</u> | <u>759,290</u> |

* The FY2014 balance for Sundry Creditors and Accruals (current Payables) has been restated to reflect the adjustments made to the lease accounting for the head office leases at 595 Collins St, Melbourne. The adjustment of \$119,354 represents the current portion of the straight line lease adjustment. The FY2014 balance for Accruals and Provisions (non-current Payables) has been restated to reflect the adjustments made to the lease accounting for the head office leases at 595 Collins St, Melbourne. The adjustments include the non-current portion of the straight line lease adjustment (\$309,681) and the make good lease recognition adjustment (\$449,609).

The restatements would have increased the FY2013 Sundry Creditors and Accruals (current Payables) balance by \$69,185 and the Accruals and Provisions (non-current Payables) balance by \$878,644.

NOTE 12: BORROWINGS

| | 2015 | 2014 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| <i>Unsecured liabilities</i> | | |
| RADaR | <u>220,465</u> | <u>713,775</u> |
| NON CURRENT | | |
| <i>Unsecured liabilities</i> | | |
| RADaR | <u>-</u> | <u>296,223</u> |

NOTE 13: PROVISIONS

| | 2015 | 2014 |
|-------------------------|----------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Employee benefits | (a) <u>1,825,333</u> | <u>2,118,738</u> |
| NON CURRENT | | |
| Employee benefits | <u>338,581</u> | <u>487,450</u> |
| Total employee benefits | <u>2,163,914</u> | <u>2,606,188</u> |

| | | |
|-------------------------------------|-----|-----|
| (a) Number of employees at year end | 185 | 242 |
|-------------------------------------|-----|-----|

NOTE 14: OTHER LIABILITIES

| | 2015 | 2014 |
|---------------------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Unearned lease incentives | <u>139,997</u> | <u>139,997</u> |
| NON CURRENT | | |
| Unearned lease incentives | <u>93,331</u> | <u>233,327</u> |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 15: CAPITAL AND LEASING COMMITMENTS | | |
| (a) Finance leasing commitments | | |
| Payable | | |
| - not later than one year | 216,883 | 814,718 |
| - later than one year and not later than five years | <u>11,655</u> | <u>304,296</u> |
| Minimum lease payments | 228,538 | 1,119,014 |
| Less future finance charges | <u>(8,073)</u> | <u>(109,016)</u> |
| Total finance lease liability | <u>220,465</u> | <u>1,009,998</u> |
| Represented by: | | |
| Current liability | 220,465 | 713,775 |
| Non-current liability | <u>-</u> | <u>296,223</u> |
| | <u>220,465</u> | <u>1,009,998</u> |
| (b) Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: | | |
| Payable | | |
| - not later than one year | 2,100,947 | 1,937,172 |
| - later than one year and not later than five years | <u>1,446,314</u> | <u>5,878,145</u> |
| | <u>3,547,261</u> | <u>7,815,317</u> |

NOTE 16: CONTINGENT LIABILITIES

The TIO has the following contingent liabilities:

During FY2008, the TIO signed a bank guarantee in favour of Investa Nominees Pty Ltd (the TIO's landlord) for an amount equal to 6 months' rent, outgoings and GST. The amount of the guarantee is \$387,877. In the event where the TIO is unable to meet its financial obligations under its lease for level 4, 595 Collins Street, Investa Nominees Pty Ltd may call on the bank guarantee held by the Commonwealth Bank of Australia.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

(i) One current director, J P Scarlett and one current alternate director, T C Hill, are employees of Telstra Corporation. The TIO invoiced Telstra Corporation Ltd and related entities for \$14,806,446 (2014: \$15,273,136) during the year for complaint handling fees. Telstra Corporation invoiced the TIO for \$112,055 (2014: \$155,099) for the provision for telecommunication services during the year.

(ii) One current director, B J Kitschke was an employee of VHA Limited. The TIO invoiced VHA Limited and related companies \$5,895,514 (2014: \$8,871,927) during the year for complaint handling fees.

(iii) One current director, D A N Epstein is an employee of SingTel Optus Pty Ltd. M J Elsegood who resigned on the 25 February 2015 and R Dickenson who was alternate director from 1 August 2014 to 1 October 2014, were also employees of SingTel Optus Pty Ltd. The TIO invoiced SingTel Optus Pty Ltd \$4,152,708 (2014: \$3,871,170) during the year for complaint handling fees. SingTel Optus Pty Ltd and related entities invoiced the TIO for \$258,489 (2014: \$268,476) for the provision of telecommunication services during the year.

(iv) One current director, Iain Falshaw, was an employee of ACN Pacific. The TIO invoiced ACN Pacific for \$42,702 (2014: \$35,646) during the year for complaint handling fees.

All of the above transactions with Directors and director related entities were based on normal commercial terms and conditions.

| 2015 | 2014 |
|-------------|-------------|
| \$ | \$ |

NOTE 18: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

| | | |
|--|------------------|------------------|
| Cash on hand | 500 | 1,000 |
| Cash at bank | 1,954,623 | 1,312,057 |
| At call deposits with financial institutions | 3,091,269 | 3,851,665 |
| | <u>5,046,392</u> | <u>5,164,722</u> |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|---|----------------|-------------------|
| | \$ | (Restated) |
| | \$ | \$ |
| NOTE 18: CASH FLOW INFORMATION (CONTINUED) | | |
| (b) Reconciliation of cash flow from operations with profit after income tax | | |
| Loss from ordinary activities after income tax * | (294,173) | (189,095) |
| Adjustments and non-cash items | | |
| Amortisation | 648,589 | 624,316 |
| Depreciation ** | 319,075 | 467,701 |
| Movements in provision for doubtful debts | 108,660 | 426,234 |
| Lease incentive through P&L | (139,996) | (139,997) |
| Changes in assets and liabilities | | |
| (Increase) / decrease in receivables *** | 605,999 | 773,128 |
| (Increase) / decrease in other assets | (53,931) | (119,702) |
| Increase / (decrease) in payables **** | (76,906) | 180,638 |
| Increase / (decrease) in provisions | (442,274) | 147,954 |
| Cash flows from operating activities | <u>675,043</u> | <u>2,171,176</u> |
| (c) Credit standby arrangements with banks | | |
| Credit facility | 300,000 | 300,000 |
| Amount utilised | (113,000) | (133,000) |
| Unused credit facility | <u>187,000</u> | <u>167,000</u> |
| (d) Loan facilities | | |
| Overdraft facility | <u>150,000</u> | <u>150,000</u> |
| Unused loan facilities | <u>150,000</u> | <u>150,000</u> |

* For details on restatement refer to Statement of Comprehensive Income

** For details on restatement refer to Note 5

*** For details on restatement refer to Note 7

**** For details on restatement refer to Note 11

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: FINANCIAL RISK MANAGEMENT

The company is exposed to a variety of financial risks comprising:

- (a) Interest rate risk
- (b) Credit risk
- (c) Liquidity risk
- (d) Fair values

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

The company holds the following financial instruments:

| | 2015 | 2014 (Restated) |
|------------------------------|-------------|----------------------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 5,046,392 | 5,164,722 |
| Receivables * | 4,121,089 | 5,587,213 |
| | 9,167,481 | 10,751,935 |
| Financial liabilities | | |
| Creditors ** | 193,269 | 578,267 |
| Leases | 220,465 | 1,009,998 |
| Other payables ** | 1,341,004 | 1,670,082 |
| | 1,754,738 | 3,258,347 |

* For details on restatement refer to Note 7

**For details on restatement refer to Note 11

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The company's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

| Financial instruments | Interest bearing | Non interest bearing | Total carrying amount | Weighted average effective interest rate | Interest rate type |
|-------------------------------|------------------|----------------------|-----------------------|--|--------------------|
| | \$ | \$ | \$ | | |
| 2015 | | | | | |
| <i>Financial assets</i> | | | | | |
| Cash | 1,954,623 | 500 | 1,955,123 | 1.00% | Floating |
| Cash on deposit | 3,091,269 | - | 3,091,269 | 2.70% | Floating |
| Trade and other receivables | - | 4,121,089 | 4,121,089 | 0.00% | |
| | <u>5,045,892</u> | <u>4,121,589</u> | <u>9,167,481</u> | | |
| <i>Financial liabilities</i> | | | | | |
| Trade creditors | - | 193,269 | 193,269 | 0.00% | |
| Leases | 220,465 | - | 220,465 | 10.00% | Fixed |
| Other payables | - | 1,341,004 | 1,341,004 | 0.00% | |
| | <u>220,465</u> | <u>1,534,273</u> | <u>1,754,738</u> | | |
| 2014 (Restated) | | | | | |
| <i>Financial assets</i> | | | | | |
| Cash | 1,312,057 | 1,000 | 1,313,057 | 1.00% | Floating |
| Cash on deposit | 3,851,665 | - | 3,851,665 | 3.30% | Floating |
| Trade and other receivables * | - | 5,587,213 | 5,587,213 | 0.00% | |
| | <u>5,163,722</u> | <u>5,588,213</u> | <u>10,751,935</u> | | |
| <i>Financial liabilities</i> | | | | | |
| Trade creditors ** | - | 578,267 | 578,267 | 0.00% | |
| Leases | 1,009,998 | - | 1,009,998 | 10.00% | Fixed |
| Other payables ** | - | 1,670,083 | 1,670,083 | 0.00% | |
| | <u>1,009,998</u> | <u>2,248,350</u> | <u>3,258,348</u> | | |

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

* For details on restatement refer to Note 7

** For details on restatement refer to Note 11

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

The TIO's finance leases are at fixed rates of interest and therefore not exposed to movements in interest rates. The main risk arises from cash and cash equivalents, and the interest income they derive.

The TIO's overdraft facility has a variable interest rate between 11.33% and 13.98% pa. During the financial year, TIO did not exercise the overdraft facility.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

(b) Credit risk

Credit risk is the risk that a debtor will not repay all or a portion of an amount outstanding in a timely manner and therefore will cause a loss to the TIO.

Debtors are actively monitored and follow up actions are taken as required.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

The company's debtors are concentrated in one industry.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

(ii) Trade receivables

The ageing analysis of trade and other receivables is provided in Note 8. As the company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the company may not have, or may not be able to raise, funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.

The TIO maintains a cash reserve and actively monitors its cash flow position to ensure its ability to meet its debts as and when they fall due. In addition, the TIO's Constitution provides that it can impose a special levy on TIO members or a particular class of member.

(d) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in statement of financial position and notes to financial statements.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2015, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2015, of the company.

NOTE 21: COMPANY DETAILS

The registered office of the company is:

Telecommunications Industry Ombudsman Limited

Level 3

595 Collins Street

Melbourne VIC 3000

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

DIRECTORS' DECLARATION

The Directors of the company declare that in the opinion of the Directors:

- (1) The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with the Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) comply with *International Financial Reporting Standards*; and
 - (c) give a true and fair view of the financial position as at 30 June 2015 and performance of the company for the year ended on that date.
- (2) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: P.M. Faulkner

Director: 

Dated this 8th day of September 2015

Independent Auditor's Report to the members of Telecommunications Industry Ombudsman Limited

Report on the Financial Report

We have audited the accompanying financial report of Telecommunications Industry Ombudsman Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 20 to 43.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Telecommunications Industry Ombudsman Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Telecommunications Industry Ombudsman 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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

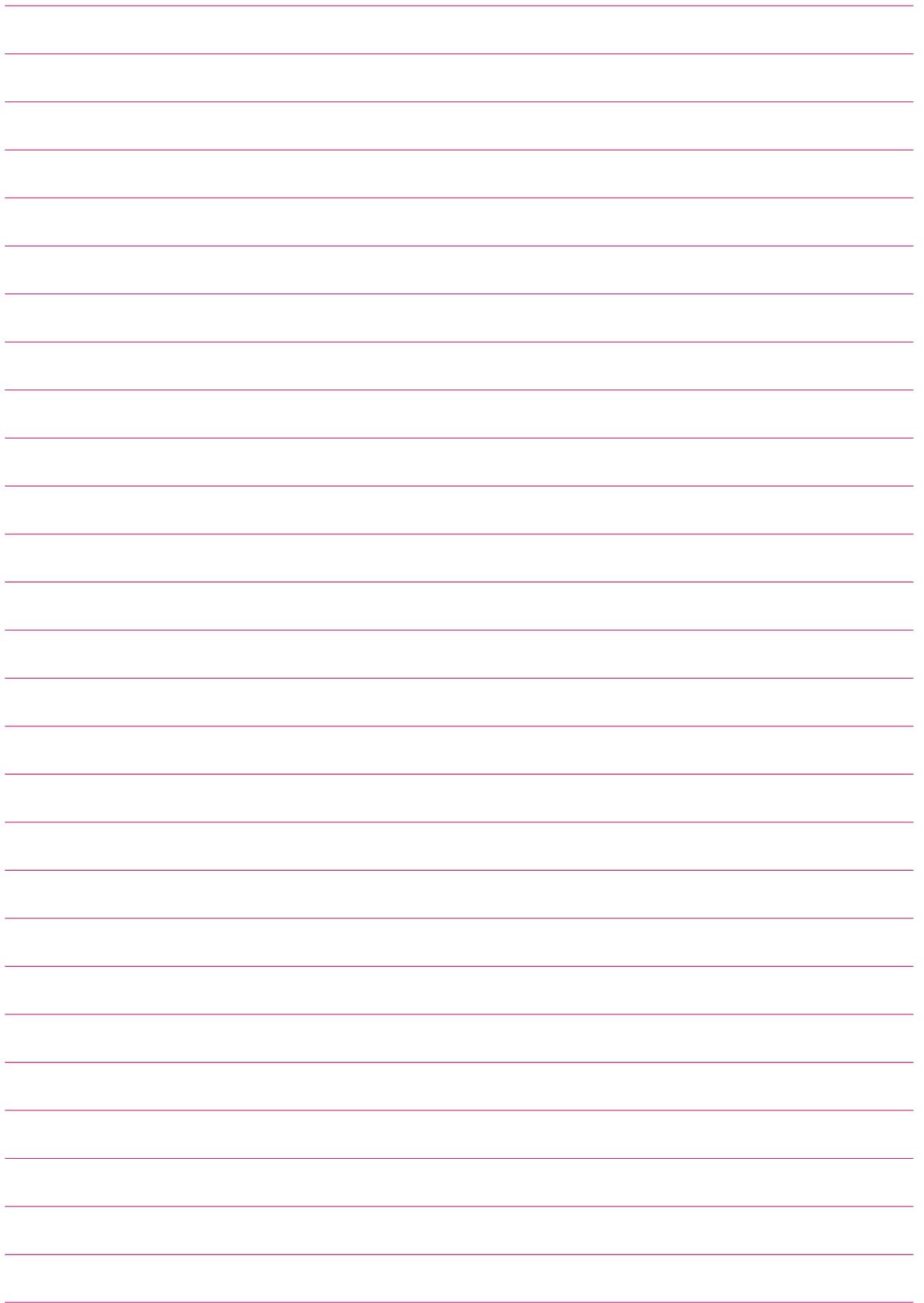
Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Ryan Hansen
Partner
Chartered Accountants

Melbourne, 8 September 2015



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By post PO Box 276

Collins St West VIC 8007

If you need an interpreter, please contact us through the Translator and Interpreter Service (TIS): 131 450

If you have a hearing or speech impairment, contact us through the National Relay Service:

- TTY users: 1800 555 677
- Speak and listen users: 1800 555 727
- Internet relay users: www.relayservice.com.au

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