

Telecommunications Industry Ombudsman Limited

ABN 46 057 634 787

# Financial Report

for the year ended 30 June 2010

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# Director's Report

## Directors' Report

Your directors present their report of Telecommunications Industry Ombudsman Ltd ("TIO") for the year ended 30 June 2010.

The TIO is a company limited by guarantee and incorporated in Australia in 1993 under the Corporations Act. 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.

### Directors

The current composition and membership of the Board up to the date of this report is as follows:

Two (2) directors appointed by Telstra:

- J P Scarlett
- P J Sporton

Two (2) directors appointed by Optus:

- M J Elsegood
- A R Thomas, with G R Smith as alternate director for both.

One (1) director appointed by Vodafone Hutchison Australia (VHA):

- M L Sexton with B Currie as an alternate director.

One (1) director appointed by members who are other than Telstra, Optus, VHA and who are not internet service providers or internet service intermediaries:

- R Bhatia with J G Horan as an alternate director.

One (1) director appointed by internet service provider or internet service intermediary members:

- S J Dalby

Independent Director:

- J M Harvey
- J F Rohan (Chairman)

Changes to Board composition are summarised in note 6 to the financial statements. The names of persons who were directors of TIO at any time during the financial year are as follows:

Name of Director	Date of Appointment	Date of Resignation
J Rohan	01 August 2001	Continuing
G Smith*	4 March 2002	Continuing
T Hill*	30 October 2002	13 April 2010
J Harvey	7 April 2003	Continuing
M Elsegood	2 October 2006	Continuing
S Dalby	7 December 2006	Continuing
B Chapman	7 December 2006	6 December 2009
A Thomas	12 September 2007	Continuing
J Parkin*	23 April 2008	26 November 2009
L Fielding*	23 April 2008	26 November 2009
R Bhatia	22 November 2009	Continuing
J Scarlett	27 November 2009	Continuing
P Sporton	27 November 2009	Continuing
M Sexton	8 December 2009	Continuing
B Currie*	8 December 2009	Continuing
J Horan*	20 April 2010	Continuing

Note: \* Indicates a director who was an alternate director for all or part of the year

## Director's Report (continued)

### Operating Results

The TIO recorded an operating surplus for the year of \$347,897 (2008-2009, \$3,798,651). The operating surplus for 2009/10 reduced primarily due to the impact of increased staffing levels during the year. In addition, costs totalling approximately \$1m were funded from cash reserves and not charged to members.

The results for the year ended 30 June 2010 are as follows:

Year	Total Revenue	Total Expenditure	Surplus/(Deficit)
2008-2009	\$26,568,125	\$22,769,474	\$3,798,651
2009-2010	\$28,634,716	\$28,286,819	\$347,897

Due to the surplus, members' funds were increased from \$6,364,468 at the start of the financial year to \$6,712,365 at the end of 2009-2010.

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 2014.

### Review of Operations

- Transactions and complaints**

Overall TIO transactions for 2009-2010 are presented below. Transactions include enquiries, reviews and complaints registered at each level by the TIO.

Year	Total Transactions	% Change from Previous Year
2008-2009	261,818	51% Increase
2009-2010	256,609	2% Decrease

Following a long term trend of increasing complaint numbers, the TIO has recorded a decrease in complaints, by more than 6%, in 2009-10. This decrease in complaints has occurred within the context of a rapidly growing number of services in the telecommunications industry, and increasing complexity of services. The reduced demand for TIO services is expected to continue during the 2010-2011 financial year.

- Debt Recovery**

Bad debts of \$402,708 (GST inclusive) were written-off during the financial year. The provision for bad debts was increased to \$806,440 (GST inclusive) for specific provisions.

- Cash Flow**

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

- Performance**

The TIO operational year featured a 2% decrease in enquiry/complaint levels. In response to this stabilisation, staff numbers dropped from a peak of 265 to 230.

The TIO monitors levels of complainant satisfaction and confidence with the service provided by the TIO. Issues identified through the monitoring process are addressed as they arise by the Ombudsman and the Executive team.

- Industry Engagement**

During 2009-2010 the TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling. In this respect, a follow up report for the connect.resolve campaign illustrated substantive improvements by a number of key members.

- Communications**

The TIO continued to focus on accessibility to the Scheme focusing its work to assist vulnerable groups in the community, including through the work of an Indigenous Liaison Team and Disability Access Group.

## Director's Report (continued)

- **Governance**

The TIO developed and implemented a comprehensive internal audit program during the course of 2009-2010. A new policy to deal with bad debts was also introduced.

- **Financial Reserve**

The financial reserve increased to a total of \$3,240,415 during 2009-2010.

- **Fee Increases**

The TIO did not increase volume related prices for 2009-2010. The TIO has not increased volume related prices since July 1, 2007. The overhead component of fees has increased during 2009-10. A total pricing review is currently underway.

- **Major Projects Program**

The TIO commenced a number of major projects in 2009-2010 including the design of a New Complaint Management System (NCMS), redevelopment of the TIO Website, transition to Monthly Billing, review of Complaint Handling Procedures and implementation of an IT Infrastructure Upgrade.

The current Project Program will continue in 2010-2011 with the development and build of the NCMS, implementation of the new Website and a comprehensive Remuneration Review.

- **Membership**

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

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

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

The total number of members increased from 1,125 at 30 June 2009 to 1162 at 30 June 2010. 110 new members joined the scheme and 73 members departed the scheme.

- **Staffing**

As at 30 June 2010, the TIO employed 230 staff. This is a slight increase from 30 June 2009 when the TIO employed 218 staff, although a peak of 265 staff members was reached throughout the year commensurate with a peak in complaint numbers.

Deirdre O'Donnell resigned as Ombudsman effective 29 January 2010 and has been replaced by Simon Cohen who commenced as Ombudsman on 24 May 2010. Simon Cleary was Acting Ombudsman in the interim period.

- **Monetary Limits**

From the 1 May 2010, the monetary limits of the TIO were increased to have the authority to make Binding Decisions up to the value of \$30,000, and Recommendations up to the value of \$85,000. This is an increase from \$10,000 and \$50,000 respectively from the previous financial year.

### Principal Activities

During the year, the principal continuing activity of the TIO was the investigation and resolution of telecommunications complaints from small businesses and residential consumers. There were no significant changes in the nature of the activities during the year.

### Objectives and Strategies

The TIO has short and long term objectives, strategies to achieve those objectives, and various key performance indicators. Details of these matters together with how the TIO activities assisted in achieving its objectives are contained in each year's Annual Report.

## Director's Report (continued)

### Member Liability

The TIO is a company limited by guarantee. The liability of the members is limited.

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).

### Dividends

Under the terms of its Memorandum and Articles of Association, the TIO is not permitted to pay dividends to members.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs.

### Matters Subsequent to the End of the Financial Year

- **Complaint volume**

Complaint numbers have remained stable or decreased in the latter part of 2009-2010 and this has continued into early 2010-2011.

- **Monthly Billing**

From July 2010, all members (with the exception of the largest three members) moved from quarterly billing in advance to monthly billing in arrears. Monthly invoicing will provide members with a much simpler, more transparent and timely billing of complaints.

Except for the matters noted above, at the date of this report no matter or circumstance has arisen since 30 June 2010 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.

### Likely Developments and Expected Results of Operations

The TIO has budgeted for a decrease in complaint numbers of 6% in 2010-2011 based on the stabilisation of complaint numbers in 2009-2010, but will continue to carefully monitor complaint statistics and resource accordingly.

### Environmental Regulations

Apart from statutory provisions of general applicability, the TIO is not subject to any specific environmental regulation.

### Insurance of Officers

During the financial year, the TIO paid a premium of \$13,662 (GST inclusive) to insure certain officers of the company.

The officers of the company covered by the insurance policy included all Directors as listed in this report, Council members and the Executive management Team.

The liabilities insured include costs and expenses that may be incurred in defending proceedings that may be brought against the officers in their capacity as officers of the company.

## Director's Report (continued)

### Information on Directors

Director	Experience	Responsibility
J F Rohan, <i>B Mech Eng, Grad Dip IE, MBA</i>	John has been Executive Director, Vodafone Pacific, MD of Vodafone Australia Pty Ltd, Vodafone New Zealand Ltd and Vodafone Network Pty Ltd. Previous positions include Executive General Manager of James Hardie Building Services and Technologies, Chief Executive of McConnell Dowell's Building Product Group, Australia and New Zealand and General Manager of Comalco Building Products. John has previously served as Chairman of the TIO Board and as a member of the TIO Council.	Chairman from 1 August 2001
G R Smith, <i>B Econ / Politics (Hons)</i>	General Manager, Regulatory Compliance & Self-regulation, Optus. Gary has over 20 years experience in the telecommunications industry, working for both Optus and the industry regulator. He has also worked for the Reserve Bank of Australia and the Victorian Parliament in research and analysis roles.	Alternate Director from 4 March 2002
T C Hill	Group Manager, Consumer & Compliance, Public Policy & Communications, Telstra. Trevor has worked for Telstra in a variety of management and policy roles	Director from 30 October 2002 26 Nov 2009 and Alternate Director from 27 Nov 2009 to 13 Apr 2010
J M Harvey, <i>BCom, MBA, FCA, FAICD</i>	Directorships include: IOOF Holdings Ltd, Medibank Private Ltd, Royal Flying Doctor Service (Nat and Vic), Colonial Foundation Trust and Department of Treasury and Finance.	Director from 7 April 2003
M J Elsegood <i>B Eng (Hons)</i>	Manager, Regulatory Compliance and Safeguards, Optus. Michael has extensive experience in the Australian telecommunications industry, having worked with regulators and carriers in a variety of planning, policy and compliance roles.	Director from 2 October 2006
S J Dalby	Chief Regulatory Officer, iiNet. Stephen Dalby has been involved in the telecommunications industry for more than 35 years. Since 2003, he has been an executive with the iiNet Group. Stephen is also CEO of Chime Communications Pty Ltd, iiNet's carrier subsidiary, and is based in Perth.	Director from 7 December 2006
B S Chapman	Brian is the Head of Corporate Security and Regulatory Operations at AAPT. He has previously held senior management roles in the telecommunications industry and been responsible for business and operational performance reporting, information analysis and business improvement.	Director from 7 December 2006 to 6 December 2009
A R Thomas	Director, Reitz Transformation at Optus and responsible for strategic IT and business transformation. Prior to this appointment Alexandra was the General Manager Strategy and Planning, Optus Consumer Customer Care.	Director from 12 September 2007
J M Parkin	An operational regional general manager with Telstra Corporation, John Parkin has enjoyed a 25-year career in the telecommunications industry in Australia, New Zealand and England. He has held a variety of senior management positions and currently manages all customer service delivery operations for Telstra in Queensland and Northern NSW.	Director from 23 April 2008 and Alternate Director from 23 July 2009 to 26 November 2009
L J Fielding	Leisa was appointed Manager of Business Transformation for Telstra in 2007. She plays a key role in defining future business models whilst optimising the transformation program. She has worked for Telstra for 19 years and held positions in a variety of areas including retail, marketing, program management, information technology and operations.	Alternate Director from 23 April 2008 and Director from 23 July 2009 to 26 November 2009
R Bhatia <i>B Tech Elec Eng</i>	Ravi is the CEO and Founder of Primus Australia and has over 35 years of experience in the telecommunications industry. He has held senior management positions in Australia, the U.S., Germany and other countries with Primus, MCI, OTC and Siemens in sales, marketing, customer service, engineering and public policy. He was responsible for introducing a number of innovations in customer service to dramatically improve quality of service consumers.	Director from 22 December 2009
J P Scarlett <i>BA LLB (Hons)</i>	Jules has recently taken on the new role of Director, Customer Service & Satisfaction for Telstra. Jules has responsibility for coordinating the customer service and satisfaction initiatives across the company. She is also responsible for corporate complaint management at Telstra. Jules has worked for Telstra for over 10 years.	Director from 27 November 2009

## Director's Report (continued)

Director	Experience	Responsibility
P J Sporton <i>B. App Sci (App Elec)</i>	Phill is the Executive Director of Service Delivery in Telstra Operations. This area of Telstra is responsible for the installation, connection and repair of Telstra's products, services and plant. Having started with Telstra as an engineer in 1983, Phill has spent 26 years at Telstra in range of roles, including several positions in senior management.	Director from 27 November 2009
M L Sexton	Louise is Group General Counsel and Company Secretary of Vodafone Hutchison Australia (VHA) and Company Secretary of Hutchison Telecommunications (Australia) Limited (HTAL). Prior to the formation of VHA in June 2009, Louise has been General Counsel and Company Secretary of HTAL since September 1998. Louise has extensive legal and regulatory experience as General Counsel and Company Secretary in listed public companies across a number of high technology industries in Australia.	Director from 8 December 2009
B Currie	Brian is the General Manager of Regulatory Affairs of Vodafone Hutchison Australia. With over thirty years in the industry, Brian has broad experience and knowledge that covers telecommunication engineering, management and regulatory affairs. He has formal qualifications in engineering and management.	Director from 8 December 2009
J G Horan <i>BCom, LLB, LLM</i>	John is General Counsel for Primus Telecommunications (Australia). Prior to joining Primus Telecom in March 2007, John held advisory roles in legal private practice and national regulatory agencies. John has significant experience in relation to utility regulation, regulatory frameworks and competition law.	Director from 20 April 2010

### Information on Company Secretary

Company Secretary	Experience	Responsibility
P J Carruthers <i>BA, MBA, MComLaw, MAICD</i>	Phillip has worked in similar roles with VicRoads and CSIRO and previously served as an officer in the Australian Army. Phillip has also been a Director on a mix of for-profit and not-for-profit boards.	Company Secretary from 5 March 2001

### Meetings of Directors

The numbers of meetings of the company's directors (excluding meetings of committees of directors) held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

Number of meetings held:	Full Meetings of Directors	
7		
Number of meetings attended by:	Number Eligible to Attend	Number Attended
J F Rohan	7	7
G R Smith	0	0
T C Hill	3	3
J M Harvey	7	7
M J Elsegood	7	7
B S Chapman	3	3
S J Dalby	7	7
A R Thomas	7	6
J M Parkin	2	1
L J Fielding	2	0
R Bhatia	4	1
J P Scarlett	5	5
P J Sporton	5	3
M L Sexton	4	2
B Currie	2	1
J G Horan	2	2

## Director's Report (continued)

### Auditors

Pitcher Partners continued their role as auditors of the TIO.

### Auditor Independence

A copy of the auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on the following page.

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

This report is made in accordance with a resolution of the directors.



**J F Rohan**  
Director



**J M Harvey**  
Director

Melbourne  
10 September 2010

# Auditor's Independence Declaration

to the Directors of Telecommunications Industry Ombudsman Limited



**TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED**  
**ABN 46 057 634 787**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED**

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

S SCHONBERG  
 Partner

PITCHER PARTNERS  
 Melbourne

Date: 13 September 2010

# Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Revenue</b>			
Revenue from members	4	27,785,004	25,924,500
Other income	4	849,712	643,625
	4	28,634,716	26,568,125
<b>Less: expenses</b>			
Employee benefits expense	5	(20,359,752)	(16,492,710)
Depreciation and amortisation expense	5	(493,260)	(474,372)
Occupancy expenses	5	(2,173,509)	(1,542,712)
Marketing expense		(508,560)	(282,263)
Finance costs	5	(144,637)	(168,246)
Bad & Doubtful Debts	5	(806,440)	(427,427)
Information technology expense		(820,407)	(1,009,563)
Consultancy expense		(986,881)	(887,267)
Legal Expense		(206,348)	(93,390)
Relocation/fitout expense		(11,077)	(63,836)
Travel expense		(169,434)	(235,573)
Telephone and faxes		(518,086)	(414,069)
Other expenses		(1,088,428)	(678,046)
<b>Total expenses</b>		<b>(28,286,819)</b>	<b>(22,769,474)</b>
<b>Surplus for the year</b>		<b>347,897</b>	<b>3,798,651</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	7	10,520,128	9,787,890
Receivables	8	512,994	101,548
Other current assets	9	229,179	27,577
<b>Total current assets</b>		<b>11,262,301</b>	<b>9,917,015</b>
<b>Non current assets</b>			
Plant and equipment	10	2,373,503	2,526,938
<b>Total non current assets</b>		<b>2,373,503</b>	<b>2,526,938</b>
<b>Total assets</b>		<b>13,635,804</b>	<b>12,443,953</b>
<b>Current liabilities</b>			
Payables	11	3,021,431	2,402,992
Borrowings	12	237,018	211,909
Provisions	13	1,436,704	1,131,090
Other liabilities	14	139,997	139,997
<b>Total current liabilities</b>		<b>4,835,150</b>	<b>3,885,988</b>
<b>Non current liabilities</b>			
Borrowings	12	931,900	1,168,917
Provisions	13	363,075	91,269
Other liabilities	14	793,314	933,311
<b>Total non current liabilities</b>		<b>2,088,289</b>	<b>2,193,497</b>
<b>Total liabilities</b>		<b>6,923,439</b>	<b>6,079,485</b>
<b>Net assets</b>		<b>6,712,365</b>	<b>6,364,468</b>
<b>Members' Funds</b>			
Accumulated surplus	15	6,712,365	6,364,468
<b>Total Members' Funds</b>		<b>6,712,365</b>	<b>6,364,468</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

For the year ended 30 June 2010

	2010 \$	2009 \$
<b>Total members' funds</b>		
Balance at beginning of the year	6,364,468	2,565,817
Movements in equity from:		
Accumulated surplus	347,897	3,798,651
Balance at the end of the year	6,712,365	6,364,468
<b>Accumulated surplus</b>		
Balance at beginning of the year	6,364,468	2,565,817
Surplus for the year	347,897	3,798,651
Balance at the end of the year	6,712,365	6,364,468

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flow from operating activities</b>			
Receipts from members		30,450,321	30,042,430
Payments to suppliers and employees		(29,525,182)	(23,650,395)
Rental receipts		257,291	299,772
Interest received		247,239	182,667
Interest paid		(144,637)	(168,246)
<b>Net cash provided by operating activities</b>	19(b)	<b>1,285,032</b>	6,706,228
<b>Cash flow from investing activities</b>			
Payment for plant and equipment		(340,886)	(91,186)
<b>Net cash used in investing activities</b>		<b>(340,886)</b>	(91,186)
<b>Cash flow from financing activities</b>			
Repayment of borrowings		-	(44,439)
Repayment of leases		(211,908)	(189,462)
<b>Net cash used in financing activities</b>		<b>(211,908)</b>	(233,901)
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		9,787,890	3,406,749
Net increase in cash held		732,238	6,381,141
<b>Cash at end of financial year</b>	19(a)	<b>10,520,128</b>	9,787,890

The accompanying notes form part of these financial statements.

# Notes to Financial Statements

For the year ended 30 June 2010

## 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 *Corporation Act 2001*.

The financial report is for the entity Telecommunications Industry Ombudsman Limited ("the TIO") as an individual entity. Telecommunications Industry Ombudsman Limited is a company limited by guarantee, incorporated and domiciled in Australia.

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*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

#### *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 continuing tax exempt status up to 30 June 2014 by the Australian Tax Office.

### (c) Revenue

Volume and operating fees are charged to members for complaint resolution services. Members are invoiced quarterly, based on an estimate of costs to be incurred in the following quarter. Each quarter actual and estimated charges are reconciled. Revenue is recognised based on the number of complaints received.

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

Rent revenue is recognised on a straight line basis over the rental term.

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

### (d) Trade receivables

Amounts due from all members are recognised as amounts receivable. Collectibility 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) Plant and equipment

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

#### *Plant and equipment*

Plant and equipment is measured on the cost basis.

#### *Depreciation*

The depreciable amount of all fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

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

# Notes to Financial Statements continued

For the year ended 30 June 2010

## (e) Plant and equipment continued

The depreciation rates used for each class of asset are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	14%	Straight line
Plant and equipment	33%	Straight line
Furniture, fixtures and fittings	14%	Straight line
Software	40%	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.

### *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. This lease liability is reduced on a straight line basis over the lease term.

## (g) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, sick 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. All other employee benefit liabilities 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.

Contributions made by the company to an employee superannuation fund are recognised in the balance sheet as a liability, after deducting any contributions already paid and in the income statement as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

## (h) Finance costs

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

## (i) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. 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

### *Cash and cash equivalents*

Cash on hand and at bank are valued at face value. Interest revenue is recognised as it accrues.

### *Trade and other receivables*

Receivables are carried at nominal amounts due, less any provision for impairment.

# Notes to Financial Statements continued

For the year ended 30 June 2010

## (j) Financial instruments continued

A provision for impairment is recognised when collection of the full nominal amount is no longer probable. Collectibility of overdue accounts is assessed on an ongoing basis.

### *Prepayments*

Prepayments are carried at cost representing their expected future benefit.

### *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.

## (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) Amounts due to members

Amounts due to members represent funds owing as a result of estimated costs billed at the start of the quarter differing to complaints received. Each quarter actual and estimated charges are reconciled. The resulting adjustment represents amounts owed to members.

## (m) Cash and cash equivalents

For the purposes of the cash flow statement cash includes deposits at call which are readily convertible to cash on hand and are subject to insignificant risk of change in value, net of any outstanding bank overdrafts.

## (n) Goods and services tax (GST)

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.

## (o) 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.

## NOTE 2: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. There is no direct impact on the entity's financial statements for the year ended 30 June 2010 arising from accounting standards issued but not effective at the reporting date.

## 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.

# Notes to Financial Statements continued

For the year ended 30 June 2010

	2010 \$	2009 \$
<b>NOTE 4: REVENUE</b>		
Complaint handling fees	<b>27,785,004</b>	25,924,500
Rental income	<b>257,291</b>	299,772
Interest income	<b>247,239</b>	182,667
Other revenue	<b>345,182</b>	161,186
	<b>28,634,716</b>	26,568,125

## NOTE 5: OPERATING PROFIT

Surplus from continuing activities has been determined after:

Expenses:		
Finance costs	<b>144,637</b>	168,246
Depreciation		
plant and equipment	<b>20,721</b>	7,369
furniture and fittings	<b>236,488</b>	217,129
leasehold improvements	<b>236,051</b>	249,874
	<b>493,260</b>	474,372
Bad and doubtful debts	<b>806,440</b>	427,427
Remuneration of auditors for:		
External auditor's remuneration – audit fees	<b>29,500</b>	28,000
Loss on disposal of non current assets	<b>1,061</b>	-
Rental expense on operating leases:		
lease payments – rent, communications, IT and other	<b>2,173,509</b>	1,542,712
Employee benefits:		
short term benefits	<b>20,359,752</b>	16,492,710

## NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company	<b>1,285,987</b>	1,113,090
short term employee benefits	<b>1,285,987</b>	1,113,090

# Notes to Financial Statements continued

For the year ended 30 June 2010

## NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

The names of directors who have held office during the year are listed below

All directors were in office for the full year unless otherwise noted:

Name	Appointment / resignation details
J F Rohan	
J M Harvey	
S J Dalby	
A R Thomas	
M J Elsegood	
G R Smith (alternate)	
J M Parkin (alternate)	(departed 26 November 2009)
B S Chapman	(departed 6 December 2009)
E Sexton	(appointed 8 December 2009)
B Currie (alternate)	(appointed 8 December 2009)
R Bhatia	(appointed 22 November 2009)
L J Fielding (alternate)*	(departed 26 November 2009)
J Scarlett	(appointed 27 November 2009)
P Sporton	(appointed 27 November 2009)
T C Hill (alternate)*	(departed 13 April 2010)
J G Horan (alternate)*	(appointed 20 April 2010)

\* During the year L J Fielding and T C Hill were directors before being appointed alternate directors.

The following persons also had authority and responsibility for the planning, directing and controlling the activities of the TIO, directly or indirectly during the year;

Name	Appointment / resignation details	Position
S Cohen	(appointed 24 May 2010)	Ombudsman
S Cleary	(departed 21 May 2010)	Deputy Ombudsman and Acting Ombudsman for the period (30 Jan 2010 – 21 May 2010)
D O'Donnell	(departed 29 January 2010)	Ombudsman
P Carruthers		General Manager – Business
J Zammit		Chief Financial Officer
V Hickey		Chairman of Council
C Dodds		Member of Council
T Corbin		Member of Council
W Warburton		Member of Council
M Pincott		Member of Council
L Kreet		Member of Council
S Sdregas		Member of Council
R Wheeler		Member of Council
L Parkinson		Member of Council
M Russell	(departed 24 November 2009)	Member of Council
J Giles	(appointed 25 November 2009)	Member of Council
A Howells	(departed 13 April 2010)	Member of Council
T C Hill	(appointed 13 April 2010)	Member of Council

# Notes to Financial Statements continued

For the year ended 30 June 2010

	2010 \$	2009 \$
<b>NOTE 7: CASH AND CASH EQUIVALENTS</b>		
Cash on hand	1,100	1,000
Cash at bank	436,395	401,458
Cash on deposit	10,082,633	9,385,432
	10,520,128	9,787,890

## NOTE 8: RECEIVABLES

<b>CURRENT</b>		
Trade debtors	1,373,524	496,585
Provision for doubtful debts	(860,530)	(420,189)
	512,994	76,396
Other receivables	-	25,152
	512,994	101,548

As at 30 June 2010 current trade receivables with a nominal value of \$1,373,524 (2009 – \$496,585) were potentially impaired. A provision for non recoverability of \$860,530 (2009 – \$420,189) was considered adequate as a portion of the receivables outstanding at the end of the financial year.

### The ageing of these receivables is as follows:

1 to 3 months	252,511	107,940
3 to 6 months	1,121,013	388,645
	1,373,524	496,585

## NOTE 9: OTHER ASSETS

<b>CURRENT</b>		
Prepayments	229,179	27,577

# Notes to Financial Statements continued

For the year ended 30 June 2010

	2010 \$	2009 \$
<b>NOTE 10: PLANT AND EQUIPMENT</b>		
<b>Leasehold improvements</b>		
At cost	1,652,341	1,652,341
Accumulated depreciation	(491,776)	(255,725)
	<b>1,160,565</b>	<b>1,396,616</b>
<b>Plant and equipment</b>		
Plant and equipment at cost	194,500	181,212
Accumulated depreciation	(162,284)	(141,955)
	<b>32,216</b>	<b>39,257</b>
Furniture and fittings at cost	1,708,786	1,669,814
Accumulated depreciation	(815,237)	(578,749)
	<b>893,549</b>	<b>1,091,065</b>
Capitalised Software	287,173	-
Total plant and equipment	<b>2,373,503</b>	<b>2,526,938</b>
<b>(a) Reconciliations</b>		
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year		
<i>Leasehold improvements</i>		
Opening carrying amount	1,396,616	1,632,667
Depreciation expense	(236,051)	(236,051)
Closing carrying amount	<b>1,160,565</b>	<b>1,396,616</b>
<i>Plant and equipment</i>		
Opening carrying amount	39,257	10,918
Additions	14,741	35,708
Disposals	(1,061)	-
Depreciation expense	(20,721)	(7,369)
Closing carrying amount	<b>32,216</b>	<b>39,257</b>
<i>Furniture and fittings</i>		
Opening carrying amount	1,091,065	1,266,539
Additions	38,972	55,478
Depreciation expense	(236,488)	(230,952)
Closing carrying amount	<b>893,549</b>	<b>1,091,065</b>
<i>Capitalised Software</i>		
Opening carrying amount	-	-
Additions	287,173	-
Closing carrying amount	<b>287,173</b>	-
<i>Total plant and equipment</i>		
Carrying amount at 1 July 2009	2,526,938	2,910,124
Additions	340,886	91,186
Disposals	(1,061)	-
Depreciation expense	(493,260)	(474,372)
Carrying amount at 30 June 2010	<b>2,373,503</b>	<b>2,526,938</b>

# Notes to Financial Statements continued

For the year ended 30 June 2010

	2010 \$	2009 \$
<b>NOTE 11: PAYABLES</b>		
<b>CURRENT</b>		
<i>Unsecured liabilities</i>		
Amounts payable to:		
amounts due to members	<b>759,331</b>	378,011
<i>Unsecured liabilities</i>		
Trade creditors	<b>506,726</b>	507,485
Unearned revenue	-	24,781
Sundry creditors and accruals	<b>1,755,374</b>	1,492,715
	<b>2,262,100</b>	2,024,981
	<b>3,021,431</b>	2,402,992

## NOTE 12: BORROWINGS

<b>CURRENT</b>		
<i>Secured liabilities</i>		
Finance lease liability	<b>237,018</b>	211,909
<b>NON CURRENT</b>		
<i>Secured liabilities</i>		
Finance lease liability	<b>931,900</b>	1,168,917

- (a) The company has a business card facility of \$300,000 which may be utilised at any time and is subject to an annual review. All credit use is subject to approval by appropriate delegates in accordance with the TIO's policies.
- (b) The company has an overdraft facility of \$150,000 which may be utilised at any time and terminated by the bank without notice. This facility is unused at balance date. The overdraft facility is secured by a charge over the assets of the company.

## NOTE 13: PROVISIONS

<b>CURRENT</b>		
Employee benefits	(a) <b>1,436,704</b>	1,131,090
<b>NON CURRENT</b>		
Employee benefits	(a) <b>363,075</b>	91,269
(a) Aggregate employee benefits liability	<b>1,799,779</b>	1,222,359
(b) Number of employees at year end	<b>230</b>	218

# Notes to Financial Statements continued

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>NOTE 14: OTHER LIABILITIES</b>			
CURRENT			
Unearned lease incentives		139,997	139,997
NON CURRENT			
Unearned lease incentives		793,314	933,311

## NOTE 15: ACCUMULATED SURPLUS

Accumulated surplus at beginning of year		6,364,468	2,565,817
Surplus for the year		347,897	3,798,651
Accumulated surplus at the end of the year		6,712,365	6,364,468

## NOTE 16: CAPITAL AND LEASING COMMITMENTS

### (a) Finance leasing commitments

#### Payable

not later than one year		356,547	356,547
later than one year and not later than five years		1,083,381	1,439,928
Minimum lease payments		1,439,928	1,796,475
Less future finance charges		(271,010)	(415,649)
Total finance lease liability		1,168,918	1,380,826
Represented by:			
Current liability	12	237,018	211,909
Non current liability	12	931,900	1,168,917
		1,168,918	1,380,826

The finance lease relates to the finance of the leasehold improvements.

### (b) Operating lease commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements:

#### Payable

not later than one year		1,775,375	1,612,765
later than one year and not later than five years		6,294,711	5,945,417
later than five years		4,211,813	6,289,189
		12,281,899	13,847,371

Operating leases relate to office rental, communication equipment and IT equipment.

# Notes to Financial Statements continued

For the year ended 30 June 2010

## NOTE 17: CONTINGENT LIABILITIES

The TIO has the following contingent liabilities:

During the 2006-2007 financial year, 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, car park licence fees and GST. The amount of the guarantee is \$172,870. In the event where the TIO is unable to meet its financial obligations under its lease for level 3, 595 Collins Street, Investa Nominees Pty Ltd may call on the bank guarantee held by the Commonwealth Bank of Australia.

During the 2007-2008 financial year, the TIO signed a further 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.

## NOTE 18: RELATED PARTY TRANSACTIONS

- (a) One current director, L Sexton, and one alternate director, B Currie, are employees of Vodafone Hutchison Australia Ltd. The TIO invoiced Vodafone Hutchison Australia Ltd and the related company Vodafone Australia Ltd for \$2,435,735 and \$1,598,900 respectively, during the year for complaint handling fees.
- (b) Two current directors, J Scarlett and P Sporton, and three previous directors, T C Hill, L Fielding, and J M Parkin are employees of Telstra Corporation. The TIO invoiced Telstra Corporation Ltd for \$15,377,749 during the year for complaint handling fees. Telstra Corporation invoiced the TIO for \$144,259 for the provision of telecommunication services during the year.
- (c) Two current directors, A R Thomas and M J Elsegood, and one alternate director, G R Smith, are employees of Singtel Optus Pty Ltd. The TIO invoiced Singtel Optus Pty Ltd and related entities for \$2,967,159 during the year for complaint handling fees. Singtel Optus Pty Ltd and related entities invoiced the TIO for \$432,685 for the provision of telecommunication services during the year.
- (d) One director during the year, B S Chapman, is an employee of AAPT Ltd. The TIO invoiced AAPT Ltd for \$1,370,175 during the year for complaint handling fees. AAPT Ltd invoiced the TIO for \$57,375 for the provision of telecommunication services during the year.
- (e) One current director, S Dalby, is an employee of iiNet Ltd. The TIO invoiced iiNet Ltd for \$230,261 during the year for complaint handling fees.
- (f) Two current directors, R Bhatia, and J Horan, are employees of Primus Telecommunications Pty Ltd. The TIO invoiced Primus Telecommunications Pty Ltd for \$284,666 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.

# Notes to Financial Statements continued

For the year ended 30 June 2010

	2010 \$	2009 \$
<b>NOTE 19: CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of cash</b>		
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	1,100	1,000
Cash at bank and on hand	436,395	401,458
At call deposits with financial institutions	10,082,633	9,385,432
	<b>10,520,128</b>	<b>9,787,890</b>
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit from ordinary activities after income tax	347,897	3,798,651
<b>Adjustments and non cash items</b>		
Depreciation	493,260	474,372
Net loss on disposal of plant and equipment	1,061	-
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in receivables	(411,446)	720,334
(Increase) / decrease in other assets	(201,602)	5,559
Increase / (decrease) in payables	97,122	1,263,664
Increase / (decrease) in amounts due to members	381,320	-
Increase / (decrease) in provisions	577,420	443,648
	<b>937,135</b>	<b>2,907,577</b>
Cash flows from operating activities	<b>1,285,032</b>	<b>6,706,228</b>
<b>(c) Credit standby arrangements with banks</b>		
Credit facility	300,000	250,000
Amount utilised	-	-
Unused credit facility	<b>300,000</b>	<b>250,000</b>
<b>(d) Loan facilities</b>		
Loan facilities	150,000	150,000
Amount utilised	-	-
Unused loan facilities	<b>150,000</b>	<b>150,000</b>

# Notes to Financial Statements continued

For the year ended 30 June 2010

## NOTE 20: 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.

### (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 cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2010 Financial instruments	Interest bearing \$	Non interest bearing \$	Total carrying amount \$	Weighted average effective interest rate	
<i>Financial assets</i>					
Cash	437,495	-	437,495	2.3%	Floating
Cash on deposit	10,082,633	-	10,082,633	3.3%	Floating
Trade and other receivables	-	512,994	512,994	0.0%	
	10,520,128	512,994	11,033,122		
2010 Financial instruments	Floating interest rate \$	Non interest bearing \$	Total carrying amount \$	Weighted average effective interest rate	
<i>Financial liabilities</i>					
Trade creditors	-	506,726	506,726	0.0%	
Leases	1,168,918	-	1,168,918	11.3%	Fixed
Amounts payable to members	-	759,331	759,331	0.0%	
Other payables	-	1,755,374	1,755,374	0.0%	
	1,168,918	3,021,431	4,190,349		

2009 Financial instruments	Interest bearing \$	Non interest bearing \$	Total carrying amount \$	Weighted average effective interest rate	
<i>Financial assets</i>					
Cash	402,458	-	402,458	0.8%	Floating
Cash on deposit	9,385,432	-	9,385,432	2.3%	Floating
Trade and other receivables	-	101,548	101,548	0.0%	
	9,787,890	101,548	9,889,438		
2009 Financial instruments	Interest bearing \$	Non interest bearing \$	Total carrying amount \$	Weighted average effective interest rate	
<i>Financial liabilities</i>					
Trade creditors	-	507,485	507,485	0.0%	
Leases	1,380,826	-	1,380,826	11.3%	Fixed
Unearned revenue	-	24,781	24,781	0.0%	
Amounts due to members	-	378,011	378,011	0.0%	
Other payables	-	1,492,715	1,492,715	0.0%	
	1,380,826	2,402,992	3,783,818		

# Notes to Financial Statements continued

For the year ended 30 June 2010

## NOTE 20: FINANCIAL RISK MANAGEMENT CONTINUED

### *Sensitivity*

The TIO's borrowing and finance lease 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 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 one 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.

### **(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 Articles of Association provide that it can impose a special levy on TIO member companies.

### **(d) Fair values**

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

## NOTE 21: COMPANY DETAILS

The registered office of the company is:

Telecommunications Industry Ombudsman Limited  
Level 3  
595 Collins Street  
Melbourne VIC 3000

## Directors ' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 - 22, are in accordance with the *Corporations Act 2001*:
  - (a) comply with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and
  - (c) give a true and fair view of the financial position as at 30 June 2010 and performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**J F Rohan**  
Director



**J M Harvey**  
Director

Dated this 10th day of September 2010

# Independent Auditor's Report

to the members of Telecommunications Industry Ombudsman Limited



**TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED**  
**ABN 46 057 634 787**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED**

We have audited the accompanying financial report of Telecommunications Industry Ombudsman Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 in 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 and fair presentation of the financial report 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.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



**TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED**  
**ABN 46 057 634 787**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED**

*Auditor's opinion*

In our opinion:

1. 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 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

S SCHONBERG

Partner

PITCHER PARTNERS

Melbourne

Date: 13 September 2010