

Financial Report

for the year ended 30 June 2009

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DIRECTORS' REPORT

Your directors present their report of Telecommunications Industry Ombudsman Ltd ("TIO") for the year ended 30 June 2009.

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:

- L J Fielding, with J M Parkin as an alternate director
- T C Hill

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:

- vacant

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

- B S Chapman

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

- S J Dalby

Independent directors:

- 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 the 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
L Fielding (part alternate)	23 April 2008	Continuing
G Smith (alternate)	4 March 2002	Continuing
T Hill	30 October 2002	Continuing
J Harvey	7 April 2003	Continuing
J Parkin (part alternate)	23 April 2008	Continuing
M Elsegood	2 October 2006	Continuing
S Dalby	7 December 2006	Continuing
B Chapman	7 December 2006	Continuing
A Thomas	12 September 2007	Continuing
G K Schubert (alternate)	1 January 2009	30 June 2009

DIRECTORS' REPORT (CONTINUED)

Operating Results

The TIO recorded an operating surplus for the year of \$3,798,651 (2007-2008, \$1,505,576). The TIO's total revenue has increased in line with the Scheme's complaint load while expenditure has been managed to a lower level, resulting in an increase from the predicted surplus. The results for the year ended 30 June 2009 are as follows:

Year	Total Revenue	Total Expenditure	Surplus/(Deficit)
2007-2008	\$15,194,799	\$13,689,223	\$1,505,576
2008-2009	\$26,568,125	\$22,769,474	\$3,798,651

Due to the surplus, members' funds were increased from \$2,565,817 at the start of the financial year to \$6,364,468 at the end of 2008-2009.

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

- Long Term Growth

Overall contacts for 2008-2009 are presented below. Contacts include enquiries and complaints.

Year	Total Contacts	% Increase over previous year
2007-2008	173,005	41
2008-2009	261,818	51

This increase is in excess of the long term trend.

- Debt Recovery

Bad debts of \$292,484 (GST inclusive) were written-off during the financial year. The provision for bad debts was increased to \$427,427 (GST inclusive) for specific provisions. Debts were settled with a small number of members.

- 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 51% growth in enquiry/complaint levels. To respond to this growth the TIO increased staff numbers by approx 40% and occupied additional office space. Despite this, over the course of the year complaint demand put pressure on the capacity of the TIO to handle complaints. This was due to a significant increase in call numbers throughout the year.

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 Ombudsman's team.

- Industry Development

During 2008-2009 the TIO continued to work collaboratively with industry and the community to identify, prevent and/or address systemic problems. The TIO also actively participated in industry forums to assist in achieving this objective, and continued to contribute to the development of Consumer Codes of Practice. The TIO also undertook the connect.resolve program, aimed at assisting industry to reduce customer service and complaint handling complaints.

- Communications

The TIO worked to maintain general access to the Scheme and particularly identified consumers in rural and regional Australia, youth, people with disabilities and small business as targeted demographics.

- Governance

The Board introduced a number of changes to financial management during the year. Revised financial reporting formats were initiated along with a review of the funding of the Scheme. External auditors were changed during the year and internal auditors were appointed for the first time.

DIRECTORS' REPORT (CONTINUED)

- **Increase to the financial reserve**

The Board initiated a review of the adequacy of the financial reserve by PwC and accepted the recommendation to adopt a new formula for calculation of a liquidity reserve, resulting in an increase in the reserve amount.

- **Fee Increases**

Based on the budgeted demand for the year and the projected complaint numbers it was not necessary to increase prices for 2008-2009, or for 2009-2010.

- **Membership**

The *Telecommunications Act 1997* (Cwlth) 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.

These requirements are incorporated in the *Telecommunications (Consumer Protection and Services Standard) Act 1999*.

The total number of members increased from 1,106 at 30 June 2008 to 1,125 at 30 June 2009. 113 new members joined the scheme and 94 members departed the scheme.

- **Staffing**

As at 30 June 2009, the TIO employed 218 staff. This is an increase from 30 June 2008 when the TIO employed 155 staff.

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.

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

The TIO's staff numbers expanded to meet complaint demand during the year and the TIO was required to occupy a floor of another building at 477 Collins Street.

Matters Subsequent to the End of the Financial Year

- **Complaint volume**

There has been some stabilisation of complaint numbers in the latter part of 2008-2009 and this has continued into early 2009-2010.

Except for the matters noted above, at the date of this report no matter or circumstance has arisen since 30 June 2009 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 the TIO in future financial years.

Likely Developments and Expected Results of Likely Developments and Expected Results of Operations

While the TIO has budgeted for an increase in complaint numbers of 25% in 2009-2010 based on past trends the early months of 2009-2010 have shown a stabilisation in complaint numbers which may continue further into the year.

Environmental Regulations

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

DIRECTORS' REPORT (CONTINUED)

Insurance of Officers

During the financial year, the TIO paid a premium of \$13,277 (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 civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company.

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
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 Alternate Director from 23 July 2009
G R Smith, <i>B Econ/Politics (Hons)</i>	Manager Regulatory Operations, Optus. He has formerly worked with AUSTEL, the Reserve Bank of Australia and the Victorian state government.	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
J M Harvey, <i>BCom, MBA, FCA, FAICD</i>	Directorships include: IOOF Holdings Ltd, Royal Flying Doctor Service (National & Vic), Colonial Foundation Trust and Medibank Private Ltd.	Director from 7 April 2003
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
L J Fielding	Leisa Fielding 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
B S Chapman	Head of Corporate Security and Regulatory Operations, AAPT Limited. Brian has been in the telecommunications industry in both Australia and New Zealand for over 35 years and has held roles in performance improvement, regulatory and security.	Director from 7 December 2006
M J Elsegood	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, with wide experience in retail and wholesale business, Regulatory and Corporate Affairs, Quality Assurance and Corporate Social Responsibility. Steve is also CEO of Chime Communications Pty Ltd, iiNet's carrier subsidiary, and is based in Perth.	Director from 7 December 2006

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

DIRECTORS' REPORT (CONTINUED)

Meetings of Directors

The number of meetings of the company's directors (excluding meetings of committees of directors) held during the year ended 30 June 2009, and the number of meetings attended by each director were:

Number of meetings held: 6	Full Meetings of Directors	
	Number Eligible to Attend	Number Attended
Number of meetings attended by:		
Number of meetings attended by:		
J F Rohan	6	6
A R Thomas	6	5
J M Parkin	5	3
T C Hill	6	6
G R Smith	0	0
M J Elsegood	6	5
B S Chapman	6	5
S J Dalby	6	5
J M Harvey	6	6
L J Fielding	3	3

Auditors

RSM Bird Cameron Partners were replaced by Pitcher Partners as auditors at a General Meeting of the company held on 18 June 2009.

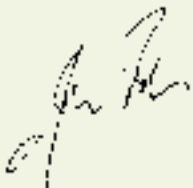
Auditor Independence

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
17 September 2009

AUDITOR'S INDEPENDENCE DECLARATION




AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Telecommunications Industry Ombudsman Pty Ltd

In relation to the independent audit for the year ended 30 June 2009, to the best of my knowledge and belief there have been:

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


S SCHONBERG
Partner
Date 17/9/09


PITCHER PARTNERS
Melbourne

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
Sales revenue	4	26,085,686	15,018,005
Other income	4	482,439	176,794
		26,568,125	15,194,799
Employee benefits expense	5	(16,492,710)	(10,305,790)
Depreciation and amortisation expense	5	(474,372)	(264,028)
Bad and doubtful debts expense	5	(427,427)	(241,936)
Information technology expense		(1,009,563)	(524,665)
Consultancy expense		(887,267)	(168,709)
Legal expense		(93,390)	(106,691)
Marketing expense		(282,263)	(306,956)
Occupancy expense		(1,542,712)	(804,484)
Relocation/fitout expense		(63,836)	(69,050)
Travel expense		(235,573)	(149,337)
Telephone and faxes		(414,069)	(301,683)
Finance costs	5	(168,246)	(11,690)
Other expenses		(678,046)	(434,204)
Total expenses		(22,769,474)	(13,689,223)
Surplus for the year		3,798,651	1,505,576

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2009

	Notes	2009 \$	2008 \$
CURRENT ASSETS			
Cash and cash equivalents	7	9,787,890	3,406,749
Trade receivables	8	101,548	829,710
Other current assets	9	27,577	25,309
TOTAL CURRENT ASSETS		9,917,015	4,261,768
NON CURRENT ASSETS			
Plant and equipment	10	2,526,938	2,910,124
TOTAL NON CURRENT ASSETS		2,526,938	2,910,124
TOTAL ASSETS		12,443,953	7,171,892
CURRENT LIABILITIES			
Trade and other payables	11	2,402,992	999,334
Borrowings	12	211,909	233,899
Provisions	13	1,131,090	743,671
Unearned lease incentives	14	139,997	139,997
TOTAL CURRENT LIABILITIES		3,885,988	2,116,901
NON CURRENT LIABILITIES			
Borrowings	12	1,168,917	1,380,827
Provisions	13	91,269	35,040
Unearned lease incentives	14	933,311	1,073,307
TOTAL NON CURRENT LIABILITIES		2,193,497	2,489,174
TOTAL LIABILITIES		6,079,485	4,606,075
NET ASSETS		6,364,468	2,565,817
MEMBERS' FUNDS			
Accumulated Surplus	15	6,364,468	2,565,817
TOTAL MEMBERS' FUNDS		6,364,468	2,565,817

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
Total members funds at the beginning of the financial year		2,565,817	1,060,241
Surplus for the year		3,798,651	1,505,576
Total members funds at the end of the financial year	15	6,364,468	2,565,817

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from members		30,042,430	14,231,039
Payments to suppliers and employees		(23,650,395)	(13,063,283)
Rental receipts		299,772	48,800
Interest paid		(168,246)	(11,691)
Interest received		182,667	127,994
Net cash provided by operating activities	19 (b)	6,706,228	1,332,859
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(91,186)	(1,708,962)
Net cash used in investing activities		(91,186)	(1,708,962)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease incentive received		-	71,325
Proceeds/(repayments) from borrowings		(44,439)	1,600,000
Repayment of leases		(189,462)	(158,469)
Net cash provided by/(used in) financing activities		(233,901)	1,512,856
Net increase in cash held		6,381,141	1,136,753
Cash at beginning of financial year		3,406,749	2,269,996
Cash at end of financial year	19 (a)	9,787,890	3,406,749

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report is for the entity Telecommunications Industry Ombudsman Pty Ltd ("TIO") as an individual entity. Telecommunications Industry Ombudsman Pty Ltd 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 (AIFRSs). Compliance with AIFRS 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 ATO.

(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 into account the interest rates applicable to the financial assets.

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 to the company 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.

The depreciation rates used for each class of assets 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. 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 charged as expenses in the periods in which they are incurred.

Lease incentives received under operating leases are recognised as a liability. Lease payments received reduced the liability.

(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 of assets

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.

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.

Prepayments

Prepayments are carried at lower of cost or net realisable value.

Trade and other payables

Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (continued)

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 statements 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

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified 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.

(p) Segment information

The principal activity of the company was to investigate, resolve, make determinations relating to and give directions relating to complaints by residential and small business consumers of telecommunications services. All of this activity is carried out within Australia.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

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 2009 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.

NOTE 4: REVENUE

	Notes	2009 \$	2008 \$
Operating activities			
Complaint handling fees		26,085,686	15,018,005
Interest		182,667	127,994
Rent		299,772	48,800
Total revenue		26,568,125	15,194,799

NOTE 5: SURPLUS FROM CONTINUING ACTIVITIES

Surplus from continuing activities has been determined after:

Finance charges on finance leases/loan liability		168,246	11,690
Depreciation of non current assets:			
plant and equipment		7,369	19,370
furniture, fixtures and fittings		217,129	210,797
		224,498	230,167
Amortisation of non current assets:			
leasehold improvements		249,874	33,861
Total depreciation and amortisation		474,372	264,028
Bad and doubtful debts		427,427	241,936
Remuneration of the auditors for:			
audit services		28,000	24,000
other services		-	38,850
Rental expense on operating leases:			
lease payments - rent, communications and IT and other		1,693,631	1,080,142
Employee benefits:			
short term benefits		16,492,710	10,305,790

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

	Notes	2009 \$	2008 \$
Compensation received by key management personnel of the company:			
Short term employee benefits		1,113,090	901,409

The names of directors who have held office during the year are listed below.
All directors were in office for the full year unless noted.

Name

J F Rohan

J M Harvey

L J Fielding

T C Hill

M J Elsegood

S J Dalby

B S Chapman

A R Thomas

G R Smith (alternate)

J M Parkin (alternate)

G K Schubert (alternate) (appointed 1 January 2009)

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

Name	Position
D O'Donnell	Ombudsman
S Cleary	Deputy Ombudsman
P Carruthers	Company Secretary
V Hickey	Chair of Council
T Corbin	Member of Council
L Kreet	Member of Council
W Warburton	Member of Council
M Russell	Member of Council
M Pincott	Member of Council
R Wheeler	Member of Council
C Dodds	Member of Council
A Howells (appointed 6 February 2009)	Member of Council
S Sdregas (appointed 28 November 2008)	Member of Council
L Parkinson (appointed 22 June 2009)	Member of Council
R Doyle (departed 6 April 2009)	Member of Council
N Mounsher (departed 12 November 2008)	Member of Council
T Bean (departed 28 November 2008)	Member of Council

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 7: CASH AND CASH EQUIVALENTS

	Notes	2009 \$	2008 \$
Cash on hand		1,000	600
Cash at bank		401,458	311,966
Cash on deposit		9,385,432	3,094,183
		9,787,890	3,406,749

NOTE 8: RECEIVABLES

CURRENT			
Trade receivables		496,585	340,951
Provision for doubtful debts		(420,189)	(258,660)
		76,396	82,291
Amounts due from members		-	714,439
Other receivables		25,152	32,980
		101,548	829,710

As at 30 June 2009 current trade receivables with a nominal value of \$496,585 (2008-\$340,951) were potentially impaired. A provision for non recoverability of \$420,189 (2008-\$258,660) was considered adequate as a portion of the receivables outstanding at the end of the financial year are expected to be recovered.

The ageing of these receivables is as follows

1 to 3 months		107,940	222,594
3 to 6 months		388,645	46,527
Over 6 months		-	71,830
		496,585	340,951

NOTE 9: OTHER ASSETS

CURRENT			
Prepayments		27,577	25,309

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Notes	2009 \$	2008 \$
Leasehold Improvements			
At cost		1,652,341	1,652,341
Less accumulated depreciation		(255,725)	(19,674)
		1,396,616	1,632,667
Plant and Equipment			
Plant and equipment			
At cost		181,212	145,285
Less accumulated depreciation		(141,955)	(134,367)
		39,257	10,918
Furniture, fixtures and fittings			
At cost		1,669,814	1,614,336
Less accumulated depreciation		(578,749)	(347,797)
		1,091,065	1,266,539
Total plant and equipment		1,130,322	1,277,457
Total property, plant and equipment		2,526,938	2,910,124

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold improvements \$	Plant & equipment \$	Furniture, fixtures & fittings \$	Total \$
2009				
Balance at 1 July 2008	1,632,667	10,918	1,266,539	2,910,124
Additions	-	35,708	55,478	91,186
Depreciation and amortisation expense	(236,051)	(7,369)	(230,952)	(474,372)
Balance at 30 June 2009	1,396,616	39,257	1,091,065	2,526,938

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11: PAYABLES

	Notes	2009 \$	2008 \$
CURRENT			
<i>Secured liabilities</i>			
Trade creditors		885,496	223,381
Sundry creditors and accruals		1,492,715	751,553
Unearned revenue		24,781	24,400
		2,402,992	999,334

NOTE 12: BORROWINGS

CURRENT			
<i>Secured liabilities</i>			
Finance lease liability	16	211,909	233,899
NON CURRENT			
<i>Secured liabilities</i>			
Finance lease liability	16	1,168,917	1,380,827

- (a) The company has a business card facility of \$250,000 which may be utilised at any time and is subject to an annual review.
- (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

CURRENT			
Employee benefits	(a)	1,131,090	743,671
		1,131,090	743,671
NON CURRENT			
Employee benefits	(a)	91,269	35,040
		91,269	35,040
(a) Aggregate employee benefits liability		1,222,359	778,711
(b) Number of employees at year end		218	155

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: OTHER LIABILITIES

	Notes	2009 \$	2008 \$
CURRENT			
<i>Unearned lease incentives</i>		139,997	139,997
NON CURRENT			
Unearned lease incentives		933,311	1,073,307

NOTE 15: ACCUMULATED SURPLUS

Accumulated surplus at the beginning of the financial year	2,565,817	1,060,241
Surplus for the year	3,798,651	1,505,576
Accumulated surplus at the end of the financial year	6,364,468	2,565,817

NOTE 16: CAPITAL AND LEASING COMMITMENTS

(a) Finance leasing commitments

Payable			
not later than one year		331,438	356,547
later than one year and not later than five years		1,320,398	1,796,474
Minimum lease payments		1,651,836	2,153,021
Less future finance charges		(271,010)	(582,733)
Total finance lease liability		1,380,826	1,570,288
Represented by:			
Current liability	12	211,909	233,899
Non current liability	12	1,168,917	1,380,827
		1,380,826	1,614,726

(b) Operating lease commitments

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

Payable			
not later than one year		1,612,765	1,537,198
later than one year and not later than five years		5,945,417	5,691,406
later than five years		6,289,189	5,597,157
		13,847,371	12,825,761

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

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) J Rohan is a current TIO director nominated by Vodafone Australia Ltd. The TIO invoiced Vodafone Australia Ltd for \$1,090,270 during the year in respect of complaint handling fees.
- (b) One current director T Hill, and two alternate directors, L Fielding and J Parkin are employees of Telstra Corporation. The TIO invoiced Telstra Corporation and Telstra Big Pond for \$14,198,787 and \$3,039,847 respectively for complaint handling fees incurred during the year. Telstra Corporation invoiced the TIO for \$61,670 for the provision of telecommunications services during the reporting period.
- (c) Two current directors, M Elsegood and A Thomas, and one alternate director, G Smith, are employees of Singtel Optus Pty Ltd. The TIO invoiced Singtel Optus Pty Ltd and related entities for \$4,084,414. Optus entities invoiced the TIO for \$345,776 for the provision of telecommunications services during the reporting period.
- (d) One current director, B Chapman, is an employee of AAPT Ltd. The TIO invoiced AAPT Ltd and related entities for \$563,547 during the year in respect of complaint handling fees. AAPT Ltd and related entities invoiced the TIO for \$53,100 for the provision of telecommunications services during the reporting period.
- (e) One current director, S Dalby, is an employee of iiNet Ltd. The TIO invoiced iiNet Ltd and related entities for \$137,906 during the year in respect of complaint handling fees.
- (f) All of the above transactions with directors and director related entities were based on normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 19: CASH FLOW INFORMATION

	Notes	2009 \$	2008 \$
(a) Reconciliation of cash			
For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank and on hand		402,458	312,556
Deposits at call		9,385,432	3,094,183
		9,787,890	3,406,739
(b) Reconciliation of cash flow from operations with profit after income tax			
Profit from ordinary activities after income tax		3,798,651	1,505,576
Non cash flows in profit from ordinary activities			
Depreciation		474,372	264,026
Net (gain) / loss on disposal of property, plant and equipment		-	(133,995)
Changes in assets and liabilities			
(Increase)/decrease in receivables		720,334	(787,798)
Decrease in other assets		5,559	-
Increase in payables		1,263,664	233,634
Increase in provisions		443,648	251,416
Cash flows from operations		6,706,228	1,332,859

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2009						
Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
<i>(i) Financial assets</i>						
Cash	402,458	-	-	-	402,458	2.5
Trade and other receivables	-	-	-	101,548	101,548	-
Short term deposits	9,385,432	-	-	-	9,385,432	-
Total financial assets	9,787,890	-	-	101,548	9,889,438	

2008						
Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
<i>(ii) Financial assets</i>						
Cash	3,406,749	-	-	-	3,406,749	4.9
Trade and other receivables	-	-	-	829,710	829,710	-
Total financial assets	3,406,749	-	-	829,710	4,236,459	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: FINANCIAL INSTRUMENTS CONTINUED

2009						
Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
<i>(iii) Financial liabilities</i>						
Trade creditors	-	-	-	885,496	885,496	-
Other creditors	-	-	-	1,517,496	1,517,496	-
Finance lease liability	-	211,909	1,168,917	-	1,380,826	11.3
Unearned lease incentive	-	139,997	933,311	-	1,073,308	-
Total financial liabilities	-	351,906	2,102,228	2,402,992	4,857,126	

2008						
Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
<i>(iv) Financial liabilities</i>						
Trade creditors	-	-	-	223,381	223,381	-
Other creditors	-	-	-	775,953	775,953	-
Finance lease liability	-	233,899	1,380,827	-	1,614,726	11.3
Unearned lease incentive	-	-	-	1,213,304	1,213,304	-
Total financial liabilities	-	233,899	1,380,827	2,212,638	3,827,364	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: FINANCIAL INSTRUMENTS CONTINUED

(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 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) Net Fair Values

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

(d) 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 difficulties 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.

(e) Sensitivity

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

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

NOTE 21: COMPANY DETAILS

The registered office of the company is:

Telecommunications Industry Ombudsman Pty Ltd

Level 3

595 Collins Street

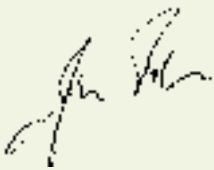
Melbourne VIC 3000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 80 - 97, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 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.



Director
J F Rohan



Director
J M Harvey

Dated this 17th day of September 2009



TELECOMMUNICATIONS INDUSTRY OMBUDSMAN PTY LTD
ABN 46 057 634 787

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

We have audited the accompanying financial report of Telecommunications Industry Ombudsman Pty Ltd, which comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement 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 PTY LTD
ABN 46 057 634 787

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

Auditor's Opinion

In our opinion,

(a) the financial report of Telecommunications Industry Ombudsman Pty Ltd 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 2009 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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

S SCHONBERG

Partner

Date 17/9/09

PITCHER PARTNERS

Melbourne