Telecommunications Industry Ombudsman Limited

ABN 46 057 634 787

Financial Report
For the year ended 30 June 2017

TABLE OF CONTENTS

Your Directors present their report of Telecommunications Industry Ombudsman Limited (**TIO**) for the year ended 30 June 2017.

TIO is a company limited by guarantee and funded by its members, incorporated in Australia in 1993 under the *Corporations Act 2001.* The TIO was established to investigate, resolve, make determinations and give directions relating to complaints by residential and small business consumers of telecommunications services. The principal place of business is Level 14, 717 Bourke Street, Melbourne, Victoria.

OBJECTIVES, STRATEGY AND PRINCIPAL ACTIVITIES

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

(a) to operate the TIO scheme; and

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

Strategy 2018 - 2020:

Following the appointment of Ms Judi Jones as Ombudsman in March 2016, the Board has worked closely with the Executive to formulate a new strategy. The task was to create a strategic framework that will provide direction and focus for the TIO for the next 3 years.

The overarching TIO strategy is to build and maintain the capacity of the organisation to meet the current and future needs of our stakeholders. The Reputational aim is to 'make a difference' to our stakeholders by the provision of a quality service, maintaining our independence and being respected. The ambition is to contribute to enhanced community confidence in the telecommunications industry.

The TIO's purpose is to provide a fair, independent and accessible dispute resolution service for consumers and the telecommunications industry that complies with the Benchmarks for Industry Based Customer Dispute Resolution. Achieving the TIO's purpose will contribute to enhanced community confidence in the telecommunications industry.

The scope of dispute resolution services include:

(a) Dealing with individual and systemic complaints;

(b) Promoting fair and effective resolution of complaints; and

(c) Providing information and analysis to community, government and members.

The TIO's strategic goals are:

1. Contribute to sector improvement - collaborate, inform and educate stakeholders to reduce complaints and improve telecommunications services;
2. Provide an independent dispute resolution service;
3. A strong reputation - be known, respected and accessible;
4. Provide an efficient and effective service without compromising integrity; and
5. Build a resilient and sustainable organisation and infrastructure.

The Ombudsman is developing performance indicators for the Board's approval and will report regularly against those indicators in FY2018.

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

Role of the Board

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

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

Responsibilities of the Board

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

(a) overseeing the management of the business, affairs and property of the TIO;

(b) monitoring the overall performance and results of the TIO and the TIO scheme;

(c) setting goals and the overall strategy for the TIO and the TIO scheme;

(d) in relation to the TIO's finances:

  (i) overseeing the Ombudsman's management of spending;

  (ii) overseeing the TIO's capital management, funding and cash flows, including ensuring sufficient funding for the TIO scheme; and

  (iii) setting financial delegations;

(e) overseeing the TIO's systems for risk management, auditing and legal compliance;

(f) appointing and terminating the appointment of the Ombudsman;

(g) making certain policies and procedures for the TIO and the TIO scheme; and

(h) maintaining the Ombudsman's independence.

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

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

Appointment of Directors

The Company Constitution provides for a transition from a Board of eleven to a Board of nine Directors over a period of three years from the date of unitary governance, which occurred on 26 February 2014. In addition, the terms of Directors appointed on that date are staggered so that there is an orderly expiry of terms. During the year, the terms of four Directors came to an end: two Directors with Industry Experience, Independent Director with Not-for-Profit Governance Experience and a Director with Consumer Experience.

In accordance with the Company Constitution, the Nominations Committee undertook a recruitment process and made recommendations to the Board. In February 2017, Ms Teresa Corbin, a Director with Consumer Experience retired from the Board, along with Mr Bradley Kitschke, a Director with Industry Experience, completing the third year of the phased transition process that commenced in 2014. In addition, Ms Philippa Smith AM, Independent Director with not-for-profit Governance Experience retired and was replaced by Independent Director Professor The Hon. Michael Lavarch AO. Mr. Iain Falshaw, a long-standing Director with Industry Experience also retired and was replaced by Mr. John Lindsay GAICD. Details of the changes to the Board composition during the year are also set out below.

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

New Directors are also provided with an induction consisting of one-on-one meetings with the Ombudsman, TIO Executives (Deputy Ombudsman and Executive Director Shared Services & CFO), and Company Secretary.

Board composition

The composition of the TIO Board is set out in the Company Constitution and is currently: three Independent Directors, one of whom is also the Independent Chair, three Directors with Consumer Experience and three Directors with Industry Experience.

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

Director	Experience	Responsibility
P M Faulkner AO *BA, Dip Ed, MBA, FIPAA*	Patricia is a company director and business consultant with extensive senior executive experience across a range of sectors including health, welfare, telecommunications, government, superannuation, and professional services. Patricia currently chairs the Boards of Telecommunications Industry Ombudsman and Jesuit Social Services. She is Deputy Chair of St Vincent's Healthcare Board, and sits on the Committee for Economic Development in Australia Board, the Melbourne Theatre Company Board, Catholic Professional Standards Board, Melbourne Racing Club Committee and VicSuper. In 2015, she was appointed Deputy Commissioner to the Victorian Royal Commission into Family Violence	Independent Chair (from 26 February 2014)
D A N Epstein *BA, AMP, GAICD*	David Epstein is an experienced corporate affairs executive with a background in marketing communications, regulatory affairs and public affairs, both internationally and in Australia. Educated at the ANU and Wharton, he is a former Vice-President, Corporate Affairs and Regulatory Affairs for Singtel Optus. His career spans public and private sectors, including time as a senior ministerial adviser to three Prime Ministers, culminating as Chief of Staff to the Prime Minister. He is also a board member of the Europe Australian Business Council, the Committee for Sydney, The Asia Society Australia Centre and Opera Australia. He is also Chair of the Smart City Taskforce for the Committee for Sydney.	Director with Industry Experience (from 26 February 2015)

Director	Experience	Responsibility
P J Harrison *PhD, GAICD, MAM*	Dr Paul Harrison is the Unit Chair and Senior Lecturer of Marketing and Consumer Behaviour, Deakin Business School at Deakin University, Director of Deakin University's Centre for Organisational Health and Consumer Wellbeing, and Visiting Professor of Marketing and Human Resources, Università Cattolica del Sacro Cuore, Milan. Paul researches and writes in the fields of consumer behaviour, behavioural economics, and consumer policy, and his work is published widely, both nationally and internationally. He is a graduate of the Australian Institute of Company Directors, a member of the Consumer Insights Panel of the Essential Services Commission, the Australian and New Zealand Marketing Academy, European Institute for Advanced Studies in Management, American Marketing Association, UK Academy of Marketing, Macromarketing Society, Transcend and the Australian Communications Consumer Action Network (ACCAN). He is an Expert Panel member for Social Marketing at VicHealth, and former chair and board member of the Asylum Seeker Resource Centre. Paul was elected to the Telecommunications Industry Ombudsman Board in 2014, and was re-appointed in 2016 for a term of three years.	Director with Consumer Experience (from 26 February 2014)
Professor The Hon. M Lavarch AO, LLB	Michael Lavarch has held senior roles in government, including serving as Australia's Attorney-General (1993-1996). He has also held the roles of Secretary-General of the Law Council of Australia and Executive Dean of the Faculty of Law at the Queensland University of Technology. He is currently a Commissioner for the Australian Skills Quality Authority, Chief Adjudicator of the Alcohol Beverages Advertising Code adjudication panel and the Independent Chair of the Board of Australia's Financial Ombudsman Service. In 2012, Michael was appointed an Officer of the Order of Australia for distinguished service to law, education and human rights.	Independent Director with not-for-profit governance experience (from 26 February 2017)

Director	Experience	Responsibility
J Lindsay GAICD, MACS	John Lindsay is a company Director and consultant. He is a Director of UltraServe Internet Pty Ltd, an enterprise ecommerce hosting company and Nano-Nouvelle Pty Ltd, a nano-material research and development startup. John has 22 years' experience building and managing ISPs including Chariot, Internode and iiNet Ltd. His consulting clients are largely focused on internet and telecommunications, ranging from small ISPs to government agencies.	Director with industry experience (from 26 February 2017)
C E Lowe *LLB*	Catriona is a member of the boards of the Financial Ombudsman Service and the Financial Adviser Standards and Ethics Authority. She is also Co-Chair of the ACCC's Consumer Consultative Committee, and a member of the Legal Practitioners' Liability Committee. Catriona's former positions include Co-CEO of Consumer Action Law Centre and Chair of the Consumers' Federation of Australia. She has more than 15 years' litigation experience across the private and NGO sectors and has provided advice to senior stakeholders including State and Federal government departments and authorities. Catriona became a member of the TIO Council in July 2012.	Director with Consumer Experience (from 26 February 2014)
G J Nicholson *BEc, MBA, FCA, GAICD, CSEP*	In addition to his role on the TIO Board, Geoff is Chairman of Hillview Quarries Pty Ltd and a trustee of the R E Ross Trust. He is Deputy Chair of Launch Housing Limited and is a non-executive director of HomeGround Real Estate Pty Ltd, United Energy Distribution Holdings Limited, Marchment Hill Consulting Pty Ltd and Athletics Australia Limited. Geoff's former positions include the Chairman of Hanover Welfare Services, non-executive director of Sensis and the KAZ Computing Group, Chief Financial Officer at AusNet Services and executive director, Finance Business Services at Telstra Corporation Limited. He was also Foxtel's first Chief Financial Officer from 1995-1996. Geoff was appointed to the Telecommunications Industry Ombudsman Board in February 2016.	Independent Director with Commercial Governance Experience (from 26 February 2016)

Director	**Experience**	**Responsibility**
G P Renouf *BA, LLB*	Gordon Renouf, who has been a consumer advocate for more than 25 years, is the founder and CEO of Ethical Consumers Australia and Good On You Pty Ltd, social enterprises that aim to help consumers make choices that match their values. He is Deputy Chair of both the Consumers Federation of Australia and Justice Connect, a board member of Good Environmental Choice Australia, and a Consumer Representative on the Banking Code Compliance and Monitoring Committee.	Director with Consumer Experience (from 26 February 2015)
J P Scarlett *BA, LLB (Hons)*	With over 15 years' experience in Telstra in a broad range of executive roles, Jules currently heads up Commercial Operations for Telstra Wholesale. In that role she is responsible for the solutioning of deals, major bid management and commercial contract strategy for Telstra Wholesale. She also carries cross company accountability for both the management of the supply arrangement with nbn co under the Wholesale Broadband Agreement and the management of the Telstra Universal Services Performance Agreement with the Department of Communications & the Arts. Prior to this, Jules had accountability cross company for the management of complaints and the customer management processes. This role had flowed on from the role she took on in 2009 as the Director of Customer Experience for Telstra. In that role Jules was responsible for the development and implementation of the corporate wide framework to drive Telstra's customer centric strategy. In her diverse career in Telstra Jules has also headed up Telstra's Corporate Security & Investigations team. In that role she was responsible for driving enterprise security risk management initiatives Telstra-wide. This included accountability for internal fraud management, investigations, event security and corporate coordination of business resilience. Jules has led Telstra's Crisis Management Team (2007 - 2011) and Chaired Telstra's Ethics Committee (2003 - 2011). Jules originally entered Telstra in a legal capacity after moving from working at one of Australia's major law firms, Minter Ellison. Jules is a Director of the Telecommunications Industry Ombudsman (2009 – ongoing). Jules holds a BA LLB (Hons) from the University of Tasmania.	Director with Industry Experience (from 26 February 2014)

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

Director	Experience	Responsibility
P J Smith, AM *BEc, GAICD*	Philippa Smith has wide ranging board, CEO and chair experience. Philippa is a Director of First State Super. Philippa's former positions include the statutory role of Commonwealth Ombudsman (including Defence Force Ombudsman, Tax Ombudsman and ACT Ombudsman), Manager of the Australian Consumers Association, and CEO of the Association of Superfunds of Australia (ASFA). Philippa is a graduate of the Australian Institute of Company Directors.	Independent Director with Not-for-profit Governance Experience (from 26 February 2014)
T M Corbin *BA*	Teresa Corbin is Chief Executive Officer of the Australian Communications Consumer Action Network (ACCAN), a peak consumer body for the telecommunications industry. Teresa is also a member of the ACMA Consumer Consultative Forum, NSW Information and Privacy Committee and ACCC Infrastructure Consultative Committee, Telecommunications Society of Australia, Society of Consumer Affairs Professionals (SOCAP) and Australian Institute of Company Directors. Teresa led the project to establish ACCAN, which began operating on 1 July 2009. Through her work in the community sector, in policy and management positions, she has built strong links with consumer groups at a regional, national and international level. Teresa joined the TIO Council in January 2008.	Director with Consumer Experience (from 26 February 2014)

Director	Experience	Responsibility
I A Falshaw *BA (Hons), GAICD*	Iain Falshaw is currently Chief Commercial Officer of Inabox Group Limited. He has over 25 years of experience in the telecommunications industry in a number of international markets including Australia, New Zealand and the UK. During that time, he has held a number of senior financial and commercial management roles including CFO & Company Secretary of Aggregato Global and Managing Director of ACN Pacific. He was first elected to the Board of TIO in December 2012. Iain is the Chairman of Jeenee Mobile and a non-executive Director of Intacept Limited.	Director with Industry Experience (from 26 February 2014)
B J Kitschke *BA*	Brad Kitschke is a Public Affairs and Strategic Communications Executive with more than 15 years' experience working in issues rich environments in the corporate, not for profit and industry sectors. Brad specialises in regulatory reform, change management and industries in transition and the development of leading edge public affairs campaigns. With a background in politics and experience in a range of sectors, Brad brings a unique perspective and a set of highly desirable transferable skills and a focus on the development of a strategy that leads to action and outcomes. From 2014 to 2017, Brad was the Director of Public Policy (Australia & New Zealand) for Uber. Prior to his role at Uber, Brad was Head of Public Policy for Vodafone Hutchison Australia. From 2010-2012 Brad was Executive Director for the Australian Sporting Goods Association. From 2009-2010 Brad was the Director of External Relations for Teach for Australia, a leading not for profit in the education space. Prior to this Brad was a Ministerial Advisor in the South Australian Labor Government working for the Attorney General, and the Minister for Emergency Services, Corrections and Road Safety. Brad was a Company Director of the Telecommunications Industry Ombudsman. He is a Member of the Committee for Economic Development Australia's NSW Advisory Council.	Director with Industry Experience (from 26 February 2014)

Information on Company Secretary

Company Secretary	Experience	Responsibility
G Dell'Oste *BBus, FCPA, FAICD*	Gerard has been a senior finance professional in the commercial and not-for-profit sectors for over 30 years. He was a company secretary for 7 years and has served as a Director and Chair of a non-for-profit organisation.	Company Secretary appointed 17 August 2017
G L Neville-Hill *BEc, LLB, LLM, FGIA, MAICD*	Gayle has been a chartered company secretary and/or in-house legal counsel for 25+ years. She has also worked as a senior legal practitioner in private practice and has served as a Director on the Australian Board of a global non-governmental organisation.	Company Secretary appointed 11 April 2013

Access to independent professional advice and Company information

In connection with their duties and responsibilities, all Directors and Officers of the TIO have the right to seek independent professional advice at the Company's expense and have the right to access Company information.

Meetings of Directors

There were ten meetings of the Company's Directors (excluding meetings of committees of Directors) held during the year ended 30 June 2017. The number of Board meetings attended by each Director was:

Full Meetings of Directors	Number Eligible to Attend	Number Attended
P M Faulkner (Chair)	10	10
T M Corbin	7	7
D A N Epstein	10	10
I A Falshaw	7	4
P J Harrison	10	8
B J Kitschke	10	8
C E Lowe	9	8
G J Nicholson	10	9
G P Renouf	10	10
J P Scarlett	10	9
P J Smith	9	8
M Lavarch	2	2
J Lindsay	2	2
T C Hill (Alternate)*	1	1

*Alternate Director who may attend meetings in place of appointed Director.

In addition to the ten Board meetings held during the year, the Directors conducted a Strategy Session and held three meetings of the Funding Model Working Group.

Board Committees

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

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

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

Audit, Finance, Risk & Compliance Committee

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

Members:

G J Nicholson (Chair)
I A Falshaw (until 25 February 2017)
T M Corbin (until 25 February 2017)
J Lindsay (from 30 June 2017)
J P Scarlett
P M Faulkner (*ex officio*)
G P Renouf

The Audit, Finance, Risk & Compliance Committee:

(a) reviews and recommends to the Board the annual financial statements and Directors' report;

(b) monitors and reviews the external audit process, including the effectiveness of the external auditors;

(c) reviews, recommends to the Board and monitors progress against the internal audit plan;

(d) monitors management of risk, including through the regular review of the company risk register; and

(e) monitors management of compliance with relevant legislative and regulatory obligations, including breach reporting and compliance assurance.

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

There were four meetings of the Committee held during the year ended 30 June 2017. The number of meetings attended by each Committee member was:

Audit, Finance, Risk & Compliance Committee meetings	Number Eligible to Attend	Number Attended
G J Nicholson (Chair)	4	4
P M Faulkner (*ex officio*)	4	4
T M Corbin	2	2
I A Falshaw	2	2
G P Renouf	4	4
J P Scarlett	4	4

The Committee has established a regular meeting schedule and cycle of review for FY2018.

Nominations Committee

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

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

(a) one Director with Consumer Experience;

(b) one Director with Industry Experience;

(c) one person nominated by a peak group representing users of telecommunications services or public interest issues relevant to telecommunications services; the peak body being the Australian Communications Consumer Action Network (**ACCAN**); and

(d) one person nominated by a peak group representing the telecommunications industry; the peak body being Communications Alliance (**CA**).

Members:

P M Faulkner (Chair)
J Stanton (Nominee of CA)
G P Renouf (from 1 July 2016 to 30 June 2017)
C E Lowe (from 1 July 2016 to 5 September 2016)
B J Kitschke (retired on 25 Feb 2017)
J Plante (Nominee of ACCAN)

The Nominations Committee:

(a) determines the process for recruitment for Director positions; and

(b) interviews and recommends to the Board suitable candidates for any vacant Board positions.

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

In accordance with the Company Constitution, the Nominations Committee undertook a recruitment process in respect of Board vacancies that fell due in February 2017. The Committee convened in late 2016 to interview and recommend to the Board candidates for the positions of Independent Director with Not-for-profit Governance Experience and Director with Industry Experience. Professor Michael Lavarch was appointed as the Independent Director and John Lindsay was appointed as the Director with Industry Experience.

People Committee

The People Committee of the Board assists and advises the Board on its corporate governance and oversight responsibilities in relation to:

(a) remuneration of Directors;

(b) remuneration of the Ombudsman; and

(c) policies of the TIO relating to terms of employment of TIO staff, including remuneration and incentives.

Members:

P M Faulkner (Chair)
P J Harrison
P J Smith
D A N Epstein

There was one meeting of the Committee held during the year ended 30 June 2017. The number of meetings attended by each Committee member was:

People Committee meetings	Number Eligible to Attend	Number Attended
P M Faulkner (Chair)	1	1
D A N Epstein	1	1
P J Harrison	1	1
P J Smith	1	1

The Board discussed the People Committee and its scope, towards the end of the year and agreed to disband the Committee with People-related matters to be brought to the full Board. This would facilitate regular and timely reporting and decision making on People issues and strategic issues could then be considered by the Board as a whole.

Key Management Personnel

The Directors and other key management personnel of the TIO during or since the end of the financial year were:

Name	Position
P M Faulkner	Independent Chair
T M Corbin (Retired 25 February 2017)	Director
D A N Epstein	Director
I A Falshaw (Retired 25 February 2017)	Director
P J Harrison	Director
B J Kitschke (Retired 25 February 2017)	Director
C E Lowe	Director
G J Nicholson	Director
G P Renouf	Director
J P Scarlett*	Director
P J Smith AM (Retired 25 February 2017)	Director
M Lavarch (Appointed 26 February 2017)	Director
J Lindsay (Appointed 26 February 2017)	Director
T C Hill	Alternate Director for J P Scarlett

*Declined to receive Directors' fees.

Name	Position
J Jones	Ombudsman
D Carmody	Executive Director Dispute Resolution and Deputy Ombudsman
G Dell'Oste	Executive Director Shared Services, Chief Financial Officer and Company Secretary (Appointed as Company Secretary from 17 August 2017)
G Neville-Hill	Company Secretary
D Brockman	Executive Director Industry Community and Government (Departed on 16 Sep 2017)
D Karliner	General Counsel (Departed on 16 Sep 2017)

ETHICAL AND RESPONSIBLE DECISION MAKING

The TIO is committed to operating ethically and with integrity.

Conflicts of interests and disclosure of personal interests

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

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

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

Confidentiality and privacy

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

The TIO has a TIO Privacy Policy and privacy compliance program. The TIO holds formal recognition under Commonwealth privacy laws as an external dispute resolution scheme.

Feedback about the delivery of TIO Scheme services

As an external dispute resolution scheme, the TIO recognises the right of stakeholders to complain about the services it provides under the TIO scheme and that there is a responsibility to address those complaints. Consumers and service providers may make formal compliments or complaints about the service they receive. There are mechanisms by which compliments and complaints are recorded and notes made, indicating any actions taken and outcomes achieved.

The Board receives regular reports about compliments and complaints in respect of services provided under the TIO scheme. The TIO's Compliments and Complaints Policy is available on the TIO website.

Whistle blower protection

TIO does not tolerate staff at any level acting improperly and supports TIO employees reporting in good faith a matter they believe constitutes reportable conduct without fear of reprisal, dismissal or discriminatory treatment.

During the year, the TIO Board reviewed and approved an updated Whistleblowing Policy, which is regarded as an important element in combatting any corrupt, illegal and other reportable conduct that might arise within the TIO, and as a necessary step to achieving good corporate governance.

INTEGRITY IN REPORTING

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

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

RISK MANAGEMENT FRAMEWORK

The Board is committed to the management of risk to protect the TIO's quality of service, to satisfy the TIO's legislative requirements, and to safeguard the TIO's image and reputation, employees, members, stakeholders and assets.

The Audit, Finance, Risk & Compliance Committee monitors the risk management framework, receiving reports from the TIO Executive on the risk register as a standing agenda item at Committee meetings.

INSURANCE OF OFFICERS

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

ENVIRONMENTAL ISSUES

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

DIVERSITY

The TIO 2017 report to the Workplace Gender Equity Agency showed there is an equitable balance of genders in employment at the TIO across the Board, management and across the organisation.

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

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

OPERATING RESULTS

The TIO recorded an operating surplus for FY2017 of $9,451,096.

The results for the year ended 30 June 2017 are as follows:

Year	Total Revenue	Total Expenditure	Surplus/(Deficit)
FY2017	$38,064,284	$28,805,928	$9,258,356
FY2016	$24,630,003	$24,478,407	$151,596

REVIEW OF OPERATIONS

FY2017 was an extraordinary year for the TIO. The combination of a significant increase (43%) in total complaints and the successful SRO payroll tax case resulted in a surplus of $9.3M. Following a 3 year engagement of external lawyers, the TIO was successful in its case for payroll exemption from the State Revenue Office. The TIO was awarded a payroll tax refund dating back to FY2012 along with interest which totalled $4.6M. The funds were received in August 2017. We are in the process of reviewing the company's reserves policy.

During FY2017, the TIO managed increasing complaint demand levels with a sharp jump in the second half of the financial year. A comparison of FY2017 to FY2016 reflected increases in referrals of 41% and conciliations of 59%. The peak month was May 2017 with 17,346 referrals and the lowest December 2016 with 10,531 referrals.

Over FY2017 the TIO successfully undertook two key projects. It transitioned its information technology platform to an infrastructure as a service model (IaaS) and it completed an office relocation from 595 Collins Street to 717 Bourke Street in the Docklands precinct.

In FY2016 the TIO commenced work on a review of the TIO funding model and during FY2017 after assessment and discussion, the Board approved in concept a revised funding model. Consultation has now commenced with members to gain support for the new model. The implementation of a new funding model for the TIO is a key component of the TIO's three year strategy.

Total Complaint Handling Transactions

Complaint handling transactions for FY2017 are presented below.

Year	Referrals	Conciliations	Investigations		Land Access	Enquiries
			Level 3	Level 4		
FY2017	158,016	14,556	86	1	16	41,151
FY2016	111,949	9,161	48	0	16	46,674
% Change	41%	59%	79%	n/a	0%	-12%

Staffing

The number of employees (excluding agency staff) at year end was 178, compared to 182 at the end of FY2016.

To manage fluctuations in demand services, the TIO maintained an agile workforce by adopting a number of strategies which include:

(a) using agency, casual and part time staff to increase head count in times of high demand;

(b) the development of a team of officers within TIO who can be seconded from support to operational areas to deal with sudden demand increases; and

(c) the use of a peak demand team of casual staff who are rostered to work only during the times of the year where demand for services is high;

Debt Recovery

Bad debts of $3,061 were written-off during the financial year, a decrease of 84% on the prior year of $18,949. The provision for doubtful debts increased from $77,864 to $201,752 mainly due to increased debt from members whose debt is already considered impaired and increased doubtful debt resulting from member acquisitions.

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

Fees

The TIO's average referral fee per complaint over FY2017 was $113.40. The fee set for the FY2018 budget is $105.41 and represents a decrease of approximately 7 per cent.

The FY2018 budget price reflects:

(a) Increased resources for the dispute resolution group to ensure effective team structures and capability;

(b) Investment in stakeholder engagement where the focus will be on the use of more sophisticated and targeted approaches to communication;

(c) Investment in people processes and systems to enable integrated payroll and employee data.

Membership

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

(a) a standard telephone service where some of the customers are residential or small business customers; or

(b) a public mobile telecommunications service; or

(c) a carriage service which enables end users to access the Internet.

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

At the end of FY2017, the TIO had 1,518 service providers and 232 entities were assessed for potential membership. During the year 172 members joined the TIO, 210 members departed and 9 entities were referred to the Australian Communications and Media Authority (ACMA) for non-compliance with the legislation. Since referral to ACMA, 6 of these entities have since joined, 2 are under investigation and 1 has been provided with an ACMA exemption.

Communication with Members

During FY2017 the TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling. The TIO Member Services team provides members an access point to find out about our services and processes, and raise issues or concerns.

The Member Online Education (MOE) modules continues with three modules available to all members. These three modules cover:

(a) Introduction to the TIO: General information about the TIO that will be helpful for new members to the scheme as well as new staff at existing providers.

(b) TIO Complaint Handling Procedures: How to understand and handle a TIO complaint from referral through investigation, with direction on how and when to respond and how to request a reclassification.

(c) Best Practice Complaint Handling: Practices and strategies to assist members provide best practice complaint handling.

Small Provider Forums

During FY2017 the Ombudsman held 4 provider forums with small and mid-sized members. These were held in Canberra in November 2016, Sydney in March 2017, Melbourne in May 2017 and Perth in June 2017.

The Ombudsman and Deputy Ombudsman presented at the forums with representatives from the TIO Board and TIO staff. The forums highlighted topics such as: our purpose, benchmarks for industry-based customer disputes, status of the TIO funding model review, the NBN rollout and our experience of the industry through complaint handling.

Member liability

The TIO is a company limited by guarantee. Every member undertakes that in the event that the TIO 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 the TIO for:

(a) payment of the debts and liabilities of the TIO 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 Constitution, the TIO is not permitted to pay dividends to members.

Significant Changes in the State of Affairs

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

Matters Subsequent to the end of the Financial Year

At the date of this report no other matter or circumstance has arisen since 30 June 2017 that has significantly affected or may significantly affect:

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

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

Director: P. M. Faulkner

Director: ______________________

Dated this day 26 September 2017.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Board of Directors
Telecommunications Industry Ombudsman Limited
Level 14, 717 Bourke Street
Melbourne, VIC, 3000

26 September 2017

Dear Members of the Board,

Auditor's Independence Declaration – Telecommunications Industry Ombudsman Limited

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

As lead audit partner for the audit of the financial statements of Telecommunications Industry Ombudsman Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen

Ryan Hansen
Partner
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$	**$**
Continuing operations			
Revenue from members	5	32,963,181	24,277,110
Other income - SRO Litigation	5	4,344,851	-
Other income	5	756,252	352,893
Total income		**38,064,284**	**24,630,003**
Less: expenses			
Depreciation and amortisation expense	6	(759,214)	(1,044,168)
Employee benefits expense		(20,461,681)	(18,412,336)
Occupancy expense		(3,018,439)	(1,797,982)
Marketing expense		(273,424)	(157,146)
Finance costs	6	(7,668)	(19,124)
Bad & doubtful debts expense		(123,888)	(19,750)
Information technology expense		(1,883,485)	(1,353,706)
Consultancy expense		(376,802)	(504,289)
Legal expense		(775,618)	(247,929)
Travel expense		(81,978)	(101,118)
Telephone and faxes		(251,763)	(260,213)
Other expenses		(791,968)	(560,646)
Total expenses		**(28,805,928)**	**(24,478,407)**
Surplus/(Deficit) for the year from continuing operations		**9,258,356**	**151,596**
Total comprehensive surplus/(deficit) for the year		**9,258,356**	**151,596**

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017	2016
		$	$
Current assets			
Cash and cash equivalents	17	8,943,370	6,240,194
Receivables	10	10,255,770	3,729,987
Other assets	9	434,127	439,251
Total current assets		**19,633,267**	**10,409,432**
Non-current assets			
Intangible assets	8	-	519,432
Plant and equipment	7	1,578,233	125,902
Total non-current assets		**1,578,233**	**645,334**
Total assets		**21,211,500**	**11,054,766**
Current liabilities			
Payables	13	1,479,034	2,699,073
Provisions	11	1,640,575	1,770,028
Other liabilities	12	264,438	94,031
Total current liabilities		**3,384,047**	**4,563,132**
Non-current liabilities			
Payables	13	264,677	-
Provisions	11	157,869	296,644
Other liabilities	12	1,951,561	-
Total non-current liabilities		**2,374,107**	**296,644**
Total liabilities		**5,758,154**	**4,859,776**
Net assets		**15,453,346**	**6,194,990**
Accumulated Surplus			
Accumulated surplus		15,453,346	6,194,990
Total accumulated surplus		**15,453,346**	**6,194,990**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	2017	2016
	$	$
Accumulated Surplus		
At beginning of the year	6,194,990	6,043,394
Movements in equity - surplus / (deficit) for the year	9,258,356	151,596
Balance at the end of the year	**15,453,346**	**6,194,990**

The Statements above should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$	**$**
Cash flow from operating activities			
Receipts from members		35,164,911	27,223,896
Payments to suppliers and employees		(32,741,993)	(26,126,550)
Lease incentive received		1,623,525	-
Sublease receipts		268,211	238,235
Interest received		88,303	80,015
Interest paid		(7,668)	(7,411)
Net cash provided by/(used in) operating activities		**4,395,289**	**1,408,185**
Cash flow from investing activities			
Payment for plant and equipment		(1,692,113)	6,082
Net cash provided by/(used in) investing activities		**(1,692,113)**	**6,082**
Cash flow from financing activities			
Repayment of leases		-	(220,465)
Net cash provided by/(used in) financing activities		**-**	**(220,465)**
Reconciliation of cash			
Cash at beginning of the financial year		6,240,194	5,046,392
Net increase/(decrease) in cash held		2,703,176	1,193,802
Cash at end of financial year	17	**8,943,370**	**6,240,194**

FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	$	**$**
Cash flows from operating activities		
Profit from ordinary activities after income tax	9,258,356	151,596
Adjustments and non-cash items		
Amortisation	519,432	648,590
Depreciation	239,782	395,578
Movements in provision for doubtful debts	123,888	19,750
Lease incentive through P&L	(193,393)	(93,331)
Changes in assets and liabilities		
(Increase) / decrease in receivables	(6,649,671)	371,352
(Increase) / decrease in other assets	5,124	(519,181)
Increase / (decrease) in payables	(955,362)	531,073
Increase / (decrease) in provisions	(268,228)	(97,242)
Increase / (decrease) in other liabilities	2,315,361	-
Cash flows from operating activities	**4,395,289**	**1,408,185**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: GENERAL INFORMATION

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

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

The registered office of the TIO is:

Telecommunications Industry Ombudsman
Level 14
717 Bourke Street
Melbourne VIC 3000

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The TIO has not applied the following new and revised IFRSs that have been issued but are not yet effective:

		Effective for reporting periods beginning on or after:
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2019
IFRS 16	Leases	1 January 2019

IFRS 9 Financial Instruments
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING (CONTINUED)

an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 9 applies to annual periods beginning on or after 1 January 2018. The Directors of the TIO anticipate that the application of AASB 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Based on an analysis of the TIO's financial assets and financial liabilities as at 30 June 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the TIO have performed a preliminary assessment of the impact of AASB 9 to the TIO's financial statements with all financial assets and financial liabilities continuing to be measured on the same bases as is currently adopted under AASB 139.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING (CONTINUED)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The TIO recognises revenue from the provision of dispute resolution services to its members. The Directors of the TIO have preliminarily assessed that the timing of performance obligation may vary slightly from current revenue recognition practises dependant on the time taken to finalise a dispute that requires conciliation, investigation or determination.

The Directors are still in the process of assessing the full impact of the application of IFRS 15 on the TIO's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the Directors complete the detailed review. As a result, the above preliminary assessment is subject to change. The Directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

IFRS 16 Leases
IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING (CONTINUED)

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the TIO has non-cancellable operating lease commitments of $18,467,159. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 18.

The preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the TIO will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a material impact on the amounts recognised in the TIO's financial statements and the Directors are currently assessing the potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review. The Directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

Historical Cost Convention
The financial statements 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) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Fees for dispute resolution services are invoiced monthly to members. Revenue is reduced for discounts applied.

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

The TIO recognises income from legal proceedings when the outcome of the proceedings are virtually certain and can be measured with reliability.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The TIO as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The TIO as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(d) Employee benefits

Short-term and other long-term employee benefits
Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the TIO in respect of services provided by employees up to the reporting date.

(e) Taxation

The TIO is exempt from income tax under item 2.1 of section 50-10 of the Income Tax Assessment Act 1997.

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.

(f) Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Intangible assets

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

At the end of each reporting period, the TIO reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

(h) Provisions

Provisions are recognised when the TIO has a present obligation (legal or constructive) as a result of a past event, it is probable that the TIO will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

(i) Financial instruments

Financial assets and financial liabilities are recognised when the TIO becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(j) Financial assets

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

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, short-term and highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash. Cash and cash equivalents at the end of the

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position.

Trade 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.

Amounts due from all members are recognised as amounts receivable. Collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment 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.

(k) Financial liabilities

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

Trade and other payables
Liabilities are recognised for amounts to be paid in future for goods and services received. These amounts represent liabilities for goods and services provided to the TIO 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.

Interest bearing loans and borrowings
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. Interest is accrued over the period it becomes due and recognised as part of payables.

NOTE 4: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESITMATION UNCERTAINTY

In the application of the TIO's accounting policies, which are described in note 3, the Directors of the TIO are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
Key estimates include:

- The assessment of straight-line lease accounting for Level 14, 717 Bourke Street lease; and
- The timing of future cash flows within the provisions for Long Service Leave.

	2017	2016
	$	$
NOTE 5: REVENUE AND OTHER GAINS AND LOSSES		
Revenue from members	**32,963,181**	**24,277,110**
Other income - SRO Litigation Settlement	**4,344,851**	**-**
Other income		
Interest income	354,944	80,015
Sub lease revenue	229,235	272,878
Other	172,073	-
	756,252	**352,893**
	38,064,284	**24,630,003**

	2017	2016
	$	$
NOTE 6: PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		
Profit / (losses) before income tax has been determined after:		
Finance costs		
- Bank charges	7,668	11,713
- Lease charges	-	7,411
	7,668	**19,124**
Depreciation and amortisation expense		
Depreciation		
- Plant and equipment	22,943	14,970
- Furniture and fittings	21,891	26,537
- Leasehold	194,948	354,071
	239,782	**395,578**
Amortisation		
- BI Tool	24,271	29,128
- Complaints Management System	495,161	619,462
	519,432	**648,590**

	2017	2016
	$	$
NOTE 7: PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements		
Leasehold improvements at cost	1,475,932	2,439,485
Accumulated depreciation	(100,063)	(2,380,830)
	1,375,869	**58,655**
Plant and equipment		
Plant and equipment at cost	548,514	671,741
Accumulated depreciation	(399,370)	(660,885)
	149,144	**10,856.00**
Furniture, fixtures and fittings		
Furniture, fixtures and fittings at cost	54,099	1,820,591
Accumulated depreciation	(879)	(1,764,200)
	53,220	**56,391**
Total property, plant and equipment	**1,578,233**	**125,902**

(a) Reconciliations

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

	2017	2016
Leasehold improvements		
Opening carrying amount	58,655	84,789
Additions	1,514,200	327,937
Impairment losses recognised in profit or loss	(2,038)	-
Retired Assets	(2,477,753)	-
Retired Assets Accumulated Depreciation	2,477,753	-
Depreciation expense	(194,948)	(354,071)
Closing carrying amount	**1,375,869**	**58,655**
Plant and equipment		
Opening carrying amount	10,856	19,744
Additions	161,231	6,082
Retired Assets	(284,458)	-
Retired Assets Accumulated Depreciation	284,458	-
Depreciation expense	(22,943)	(14,970)
Closing carrying amount	**149,144**	**10,856**
Furniture, fixtures and fittings		
Opening carrying amount	56,391	82,928
Additions	54,372	-
Impairment losses recognised in profit or loss	(35,652)	-
Retired Assets	(1,820,864)	-
Retired Assets Accumulated Depreciation	1,820,864	-
Depreciation expense	(21,891)	(26,537)
Closing carrying amount	**53,220**	**56,391**

During the year, as the result of relocating premises, the TIO retired all assets relating to the fitout and furniture at Level 3 and 4, 595 Collins Street, including impairment losses of $37,689 that have been included in the Statement of Comprehensive Income.

	2017	2016
	$	$
NOTE 8: OTHER INTANGIBLE ASSETS		
Complaint Management System (RADaR)	3,097,310	3,097,310
Accumulated amortisation	(3,097,310)	(2,602,149)
	-	**495,161**
Business Intelligence Tool	87,380	87,380
Accumulated amortisation	(87,380)	(63,109)
	-	**24,271**
Total intangible assets	**-**	**519,432**

(a) Reconciliations

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

	2017	2016
Intangibles at cost - Complaint Management System	$	$
Opening balance	495,161	1,114,623
Amortisation expense	(495,161)	(619,462)
Closing balance	**-**	**495,161**
Intangibles at cost - Business Intelligence Tool		
Opening balance	24,271	53,399
Amortisation expense	(24,271)	(29,128)
Closing balance	**-**	**24,271**

All costs associated with the RADaR project were capitalised at cost. RADaR was amortised on a straight line basis over the period of 5 years from 1 May 2012. With RADaR having a nil carrying value, RADaR and the associated processes are currently under review to determine usefulness of the asset.

	2017	2016
	$	$
NOTE 9: OTHER ASSETS		
CURRENT		
Prepayments	432,535	385,531
Accrued Interest Revenue	1,592	7,880
Sublease incentive capitalised	-	14,604
Other current assets	-	31,236
	434,127	**439,251**

	2017	2016
	$	$

NOTE 10: TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade debtors	5,839,796	3,669,699
Provision for doubtful debts	(201,752)	(77,864)
	5,638,044	**3,591,835**
Receivable from State Revenue Office	4,617,726	-
Other Receivablles	-	138,152
Total Trade and Other Receivables	**10,255,770**	**3,729,987**
Average age (days)	53	54

Movement in the allowance for doubtful debts

	2017 $	2016 $
Balance at the beginning of the year	77,864	77,063
Impairment losses recognised on receivables	218,112	86,143
Amounts written off during the year as uncollectable	(3,061)	(18,949)
Amounts recovered in the year	(91,163)	(66,393)
Balance at the end of the year	**201,752**	**77,864**

Age of receivables that are past due but not impaired

	2017 $	2016 $
60-90 days	105	1,676
91-120 days	837	0
121+ days	518	292
Total	**1,460**	**1,968**

Age of receivables that are past due and impaired

	2017 $	2016 $
60-90 days	6,435	6,491
91-120 days	21,286	9,648
121+ days	124,710	64,822
Total	**152,431**	**80,962**

NOTE 11: PROVISIONS	2017 $	2016 $
CURRENT		
Employee benefits	1,640,575	1,770,028
NON CURRENT		
Employee benefits	157,869	296,644
Total employee benefit liability	**1,798,444**	**2,066,672**
Number of employees at year end	178	182

Accounting policy for employee provision are provided in Note 3 (d).

NOTE 12: OTHER LIABILITIES	2017 $	2016 $
CURRENT		
Unearned lease incentives	264,438	94,031
NON CURRENT		
Unearned lease incentives	1,951,561	-

NOTE 13: TRADE AND OTHER PAYABLES	2017 $	2016 $
CURRENT		
Unsecured liabilities		
Trade creditors	408,711	447,599
Make good	-	777,547
Sundry creditors and accruals	1,070,323	1,473,927
	1,479,034	2,699,073
NON CURRENT		
Provisions	264,677	-

NOTE 14: FINANCIAL RISK MANAGEMENT

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

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

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

The company holds the following financial instruments:

	2017	2016
	$	$
Financial assets		
Cash and cash equivalents	8,943,370	6,240,194
Receivables	10,255,770	3,729,987
	19,199,140	**9,970,181**
Financial liabilities		
Creditors	408,711	447,599
Other payables	1,070,323	2,251,474
	1,479,034	**2,699,073**
Credit standby arrangements with banks		
Credit facility	300,000	300,000
Amount utilised	(51,000)	(66,000)
Unused credit facility	**249,000**	**234,000**

(a) Interest rate risk

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

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

NOTE 14: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate	Interest rate type
	$	$	$		
2017					
Financial assets					
Cash	1,847,719	500	1,848,219	0.15%	Floating
Cash on deposit	7,095,151	-	7,095,151	2.22%	Floating
Trade and other receivables	-	10,255,770	10,255,770	0.00%	
	8,942,870	**10,256,270**	**19,199,140**		
Financial liabilities					
Trade creditors	-	408,711	408,711	0.00%	
Other payables	-	1,070,323	1,070,323	0.00%	
	-	**1,479,034**	**1,479,034**		
2016					
Financial assets					
Cash	3,082,651	500	3,083,151	1.95%	Floating
Cash on deposit	3,157,043	-	3,157,043	2.74%	Floating
Trade and other receivables	-	3,729,987	3,729,987	0.00%	
	6,239,694	**3,730,487**	**9,970,181**		
Financial liabilities					
Trade creditors	-	447,599	447,599	0.00%	
Other payables	-	2,251,474	2,251,474	0.00%	
	-	**2,699,073**	**2,699,073**		

NOTE 14: FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

The TIO's finance leases are at fixed rates of interest and therefore not exposed to movements in interest rates. The main risk arises from cash and cash equivalents, and the interest income they derive.
The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

(b) Credit risk

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

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

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

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

The company's debtors are concentrated in one industry.

(i) Cash deposits

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

(ii) Trade receivables

The ageing analysis of trade and other receivables is provided in Note 10. As the company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(c) Liquidity risk

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

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

(d) Fair values

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

	2017	2016
	$	$

NOTE 15: RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Compensation received by key management personnel of the company

Short-term employee benefits	2,038,932	2,196,804

The remuneration of the Directors is determined by the remuneration committee having regards to the performance of individuals and market trends.

Other related party transactions

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

(i) One current Director, J P Scarlett and one current alternate Director, T C Hill, are employees of Telstra Corporation. The TIO invoiced Telstra Corporation Ltd and related entities for $18,796,398 (2016: $14,508,042) during the year for complaint handling fees. Telstra Corporation invoiced the TIO for $63,476 (2016: $91,909) for the provision for telecommunication services during the year.

(ii) One current Director, D A N Epstein, was an employee of Singtel Optus Pty Ltd until July 2017 and continues to hold both shares and rights to shares in its owner, Singtel Telecommunications Limited (Singtel).The TIO invoiced SingTel Optus Pty Ltd $6,544,650 (2016: $5,422,854) during the year for complaint handling fees. SingTel Optus Pty Ltd and related entities invoiced the TIO for $137,539 (2016: $251,698) for the provision of telecommunication services during the year.

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

NOTE 16: REMUNERATION OF THE AUDITORS	**2017**	**2016**
	$	**$**
- Audit of the financial report	53,200	53,200

Deloitte Touche Tohmatsu is the auditor

	2017	2016
	$	$

NOTE 17: CASH AND CASH EQUIVALENTS

	2017	2016
CURRENT		
Cash on hand	500	500
Cash at bank	1,847,719	3,082,651
Cash on deposit	7,095,151	3,157,043
	8,943,370	**6,240,194**

	2017	2016
	$	$

NOTE 18: OPERATING LEASE ARRANGEMENT

TIO as a Lessee - Leasing arrangements

Operating leases relate to floor space for Level 3 and 4, 595 Collins Street Melbourne, Level 14, 717 Bourke Street Melbourne and various items of IT equipment.

	2017	2016
Payments recognised as an expense		
Minimum lease payments	1,844,710	2,214,901
Non-cancellable operating lease commitments		
- not later than one year	920,249	1,479,383
- later than one year and not later than five years	8,009,621	41,070
- later than 5 years	9,537,289	-
	18,467,159	**1,520,453**
Liabilities recognised in respect of non-cancellable operating leases		
Current (Note 14)	-	777,547

TIO as a Lessor - Leasing arrangements

The TIO had a sublease of Level 3 595 Collins Street with Cap Gemini

	2017	2016
Non-cancellable operating lease receivables		
- not later than one year	-	164,778

NOTE 19: CONTINGENT LIABILITIES

The TIO has the following contingent liability:

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

The lease at 595 Collins Street ended on the 28 February 2017. A post 30 June 2017 reconciliation for any final outstanding amounts will be provided by the previous landlord. The bank guarantee will be returned following final settlement.

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report no other matter or circumstance has arisen since 30 June 2017 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.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

DIRECTORS' DECLARATION

The Directors declare that:

(a) 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;

(b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial report;

(c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

Director: P.M. Faulkner

Director: ______________________

Dated this 26 day of September 2017

Deloitte.

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

We have audited the financial report of Telecommunications Industry Ombudsman Limited (the "entity"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration of the entity as set out on pages 19 to 41**.**

In our opinion, the accompanying financial report of Telecommunications Industry Ombudsman Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the entity's financial position as at 30 June 2017 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Other Information

Directors of the entity are responsible for the other information. The other information comprises the information included in the entity's Directors' Report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of Directors for the Financial Report

Directors of the entity are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and for such internal control as Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the Directors also state that the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, Directors are responsible for assessing the ability of the entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen

Ryan Hansen
Partner
Chartered Accountants
Melbourne, 26 September 2017