

**Telecommunications Industry
Ombudsman Limited
ABN 46 057 634 787**

Financial Report
For the year ended 30 June 2018

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DIRECTORS' REPORT

Your Directors present their report of Telecommunications Industry Ombudsman Limited (TIO) for the year ended 30 June 2018.

TIO is a company limited by guarantee and funded by its members. It was incorporated in Australia in 1993 under the *Corporations Act 2001* 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, Docklands, Victoria 3008.

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.

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.

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.

Strategy 2018 - 2020:

The company has completed the first year of a three year strategy which is designed 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.

Our Goals:

- To provide an independent dispute resolution service that is efficient and effective without compromising integrity
- To collaborate, inform and educate stakeholders to reduce complaints and improve telecommunications services
- To be known, respected and accessible
- To build a resilient and sustainable organisation and infrastructure

The Ombudsman regularly reports to the Board on agreed performance indicators to ensure activities are aligned and being addressed on a timely basis.

DIRECTORS' REPORT

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 Board of nine Directors. The terms of Directors are staggered so that there is an orderly expiry of terms. During the year, the term of three Directors came to an end. In accordance with the Company Constitution, the Nominations Committee undertook a recruitment process and made recommendations to the Board. In February 2018, Mr David Epstein, a Director with Industry Experience retired from the Board and was replaced by Mr Andrew Sheridan. In addition, Ms Patricia Faulkner AO was re-appointed as Independent Chair of the TIO Board and Gordon Renouf was re-appointed as a Director with Consumer Experience.

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 the Company Secretary.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

DIRECTORS' REPORT

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 <i>BA, Dip Ed, MBA, FIPAA</i>	<p>Patricia's career has spanned the most senior levels of both the public and private sectors. She has been a CEO of large and complex government departments and a Partner in a major advisory firm (KPMG). She now has a portfolio of Board and advisory roles, both as Chairman and Member. Patricia Faulkner is Chair of Jesuit Social Services and Melbourne Racing Club Foundation. She is Deputy Chair of St Vincent's Healthcare Australia.</p> <p>In addition, Patricia is a Director of the Committee for Economic Development Australia and Melbourne Theatre Company, VicSuper, Catholic Professional Standards Ltd, and is a member of the Melbourne Racing Club Committee.</p> <p>Patricia was awarded an Order of Australia in June 2008 for her services to the field of Health and Social Policy; and a Centenary Medal in 2002 for services to Public Administration. Patricia was awarded the degree of Doctor of Laws honoris causa by Monash University in September 2013.</p>	Independent Chair (from 26 February 2014)
P J Harrison <i>PhD, GAICD, MAM</i>	<p>Dr Paul Harrison is the Unit Chair and Senior Lecturer of Marketing and MBA Lead, Deakin Business School at Deakin University, Director of Deakin University's Centre for Employee and Consumer Wellbeing, and International Professor of Governance and Human Resources, University Cattolica del Sacro Cuore, Milan.</p> <p>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.</p> <p>Paul 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, and Transcend.</p> <p>He is an Expert Panel member for Social Marketing at VicHealth, and former chair 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.</p>	Director with Consumer Experience (from 26 February 2014)

DIRECTORS' REPORT

Director	Experience	Responsibility
Professor The Hon. M Lavarch AO, LLB	<p>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 Commissioner for the Australian Skills Quality Authority.</p> <p>He is an Emeritus Professor of Law at the Queensland University of Technology, Chief Adjudicator of the Alcohol Beverages Advertising Code adjudication panel and the Independent Chair of the Board of Australia's Financial Ombudsman Service. He is also a director of the Catholic Professional Standards Limited.</p> <p>In 2012, Michael was appointed an Officer of the Order of Australia for distinguished service to law, education and human rights.</p>	Independent Director with Not-For-Profit Governance Experience (from 26 February 2017)
J Lindsay GAICD, MACS	<p>John Lindsay is a company director and consultant. He is a director of Jtwo Solutions Pty Ltd, which helps enterprise and government shift IT to the cloud, UltraServe Internet Pty Ltd, hosting enterprise ecommerce in the cloud, NanoNouvelle Pty Ltd, a nano-material R&D startup and Uniti Wireless, a national wireless ISP based in Adelaide.</p> <p>John has over 20 years' experience building and managing ISPs including Chariot, Internode and iiNet Ltd. He is a graduate member of the Australian Institute of Company Directors, a member of the Australian Computer Society and a corporate member of Communications Alliance.</p>	Director with Industry Experience (from 26 February 2017)
C E Lowe LLB	<p>Catriona is a member of the board of the Financial Ombudsman Service and the Australian Financial Complaints Authority. She is a director of the Financial Adviser Standards and Ethics Authority.</p> <p>Catriona is also Co-Chair of the ACCC's Consumer Consultative Committee, as well as being a member of the Legal Practitioners Liability Committee. 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.</p>	Director with Consumer Experience (from 26 February 2014)

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DIRECTORS' REPORT

Director	Experience	Responsibility
<p>G J Nicholson <i>BEC, MBA, FCA, GAICD, CSEP</i></p>	<p>In addition to his role on the TIO Board, Geoff is Deputy Chair of Launch Housing Limited and is a non-executive director of HomeGround Real Estate Pty Ltd, United Energy Distribution Holdings Limited and Athletics Australia Limited. He is also Trustee of the R E Ross Trust and Chair of its fully owned subsidiary Hillview Quarries Pty Ltd.</p> <p>Geoff's former positions include the Chairman of Hanover Welfare Services, non-executive director of Sensis, the KAZ Computing Group and Marchmont Hill Consulting Pty Ltd, Chief Financial Officer at AusNet Services and executive director, Finance at Telstra Corporation Limited.</p> <p>He was also Foxtel's first Chief Financial Officer. Geoff was appointed to the Telecommunications Industry Ombudsman Board in February 2016.</p>	<p>Independent Director with Commercial Governance Experience (from 26 February 2016)</p>
<p>G P Renouf <i>BA, LLB</i></p>	<p>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 are better for people, the planet and animals. He has been appointed Chair of the Australian Securities and Investments Commission's Consumer Advocacy Panel, and is Deputy Chair of the Consumers Federation of Australia, Deputy Chair of Justice Connect, and a Director of Good Environmental Choice Australia. He is a Member of the Banking Code Compliance and Monitoring Committee.</p>	<p>Director with Consumer Experience (from 26 February 2015)</p>

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DIRECTORS' REPORT

Director	Experience	Responsibility
<p>J P Scarlett <i>BA, LLB (Hons)</i></p>	<p>With over 15 years' experience in Telstra in a broad range of executive roles, Jules is currently the Acting Group Executive heading up Telstra's Wholesale business. She also 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.</p> <p>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.</p> <p>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.</p> <p>Jules has led Telstra's Crisis Management Team (2007 - 2011) and Chaired Telstra's Ethics Committee (2003 - 2011).</p> <p>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.</p>	<p>Director with Industry Experience (from 26 February 2014)</p>

DIRECTORS' REPORT

Director	Experience	Responsibility
Andrew Sheridan CA, MA (Hons)	<p>Andrew is the Acting Vice President of Corporate & Regulatory Affairs for Optus. This group is responsible for managing Optus' relationship with key external stakeholders from the Government, Regulatory bodies such as the ACCC and ACMA and the media. The group also develops Optus' position on competition and compliance policies. Andrew joined Optus from the Cable & Wireless Communications of the UK in 1998. He has held various roles in the Corporate & Regulatory Affairs team with lead responsibility for managing Optus' commercial access agreements with Telstra and heading up Optus' advocacy on competition policy with the ACCC and the Department of Communications. Andrew was a key part of the industry G9 group that successfully lobbied for structural reform of the industry, which established the policy platform for the structural separation of Telstra and the creation of the NBN.</p> <p>Prior to joining Cable & Wireless Communications, Andrew was an audit manager with Price Waterhouse Coopers in the UK, one of his main clients was British Telecom plc.</p>	Director with Industry Experience (from 26 February 2018)

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

Director	Experience	Responsibility
D A N Epstein BA, AMP, GAICD	<p>David Epstein is a consultant, non-executive director and advisory board member with a background in marketing communications, regulatory affairs and public affairs, both internationally and in Australia. Educated at the ANU and Wharton (UPenn), he was formerly Vice-President, Corporate Affairs and Regulatory Affairs for Singtel Optus. He has also led group public affairs, regulatory and communications functions at Qantas Airways and BHP Billiton, and been a senior adviser to three Australian Prime Ministers, culminating as Chief of Staff to the Prime Minister.</p> <p>He is a director of Opera Australia, the Committee for Sydney, The Asia Society-Australia, and the European Australian Business Council. He also chairs the Smart City Taskforce for the Committee for Sydney, and sits on advisory boards for IoTStream Limited, the Advisory Board Centre and the Headon Photo-festival Foundation.</p>	Director with Industry Experience (from 26 February 2015 to 26 February 2018)

DIRECTORS' REPORT

Information on Company Secretary

Company Secretary	Experience	Responsibility
G L Neville-Hill <i>BEc, LLB, LLM, FGIA, MAICD</i>	Gayle has been a chartered 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
D Ohri <i>LLB (Hons)</i>	David qualified as a Barrister in the UK, where he worked in the public and not for profit sectors. David is seconded to TIO from Thomson Geer, having worked at TIO for six years prior. David has experience in telecommunications law, corporations law, competition and consumer law, administrative law, commercial transactions and litigation and dispute resolution. In his time with Thomson Geer he has also been seconded to the roles of Company Secretary and General Counsel, Assistant Director and Senior Procurement Lawyer.	Company Secretary appointed 1 November 2017
G Dell'Oste <i>BBus, FCPA, FAICD</i>	Gerard has been a senior finance professional in the commercial and not-for-profit sectors for over 30 years. He was chief financial officer for eighteen years, a company secretary for seven years and has served as a Director and Chair of a non-for-profit organisation.	Company Secretary appointed 17 August 2017

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

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to TIO to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the reporting year, the Board met six times.

Members of the Executive Team attend all Board meetings while other members of senior management attended meetings of the Board by invitation.

Attendance at Board and standing Board committee meetings during FY2018 is set out in the table on the following page.

DIRECTORS' REPORT

Board and standing Board committee attendance in FY2018

	Board		Audit, Finance, Risk and Compliance		Nominations	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
P M Faulkner (Chair)	6	5	4	4	1	1
D Epstein	4	4				
P J Harrison	6	5				
M Lavarch	6	6				
J Lindsay	6	6	4	4	1	1
C E Lowe	6	5			1	1
G J Nicholson	6	6	4	3		
G P Renouf	6	6	4	4		
J P Scarlett	6	6	4	3		
A Sheridan	2	1				
T C Hill (Alternate)*	0	0				

* T C Hill is an alternate director who may attend meetings in place of J P Scarlett

In addition to the six Board meetings held during the year, the Directors conducted a full day Strategy session titled 'Vision 2020' designed to examine the role and scope of the organisation at the end of FY2020 .

Board Committees

The Board has two committees to assist 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.

The Audit, Finance, Risk & Compliance Committee:

- reviews and recommends to the Board the annual financial statements and Directors' report;
- monitors and reviews the external audit process, including the effectiveness of the external auditors;
- reviews, recommends to the Board and monitors progress against the internal audit plan;
- monitors management of risk, including through the regular review of the company risk register; and
- 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.

DIRECTORS' REPORT

There were four meetings of the Committee held during the year ended 30 June 2018.

Audit, Finance, Risk and Compliance Committee members during the year

Name	Category	Status	Attendance
G J Nicholson (Chair)	Independent	Member for the whole period	3/4
P M Faulkner	Independent	Member for the whole period	4/4
J Lindsay	Industry	Member for the whole period	4/4
G P Renouf	Consumer	Member for the whole period	4/4
J P Scarlett	Industry	Member for the whole period	3/4

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**).

Nominations Committee members during the year

Name	Category	Status	Attendance
P M Faulkner (Chair)	Independent	Member for the whole period	1/1
C E Lowe	Consumer	Member for the whole period	1/1
J Lindsay	Industry	Member for the whole period	1/1
J Plante (Nominee of ACCAN)	External	Member for the whole period	1/1
J Stanton (Nominee of CA)	External	Member for the whole period	1/1

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 2018. The Committee convened in late 2017 to consider applications for Board vacancies and recommend candidates for the positions of Director with Consumer Experience and Director with Industry Experience. Gordon Renouf was reappointed as the Director with Consumer Experience and Andrew Sheridan was appointed as the Director with Industry Experience.

DIRECTORS' REPORT

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
D A N Epstein (Retired 26 February 2018)	Director
A Sheridan (Appointed 26 February 2018)*	Director
P J Harrison	Director
C E Lowe	Director
G J Nicholson	Director
G P Renouf	Director
J P Scarlett*	Director
M Lavarch	Director
J Lindsay	Director
T C Hill	Alternate Director for J P Scarlett
*Declined to receive Directors' fees.	
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 17 August 2017)
G Neville-Hill	Company Secretary (appointed 11 April 2013)
David Ohri	Company Secretary (appointed 30 October 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.

DIRECTORS' REPORT

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.

The TIO Board reviews the Whistleblowing Policy on a regular basis, 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 November 2014 Annual General Meeting. 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 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 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 reports annually to the Workplace Gender Equity Agency.

The TIO's remuneration gap analysis has not identified any gender pay gaps.

DIRECTORS' REPORT

OPERATING RESULTS

The TIO recorded an operating surplus for FY2018 of \$211,077.

The results for the year ended 30 June 2018 are as follows:

Year	Total Income \$	Total Expenditure \$	Surplus \$
FY2018	28,671,755	28,460,678	211,077
FY2017	38,064,284	28,805,928	9,258,356

REVIEW OF OPERATIONS

FY2018 delivered a surplus of \$0.2M in an environment of continued high complaints and key activities comprising an Independent review and implementation of a new funding model. The result is a significant decrease from the prior year's result of \$9.3M which was predominantly due to a 41% increase in referrals (FY2017), and the successful payroll tax case which delivered \$4.6M (including interest).

Complaints continued to increase with referrals and conciliations higher than FY2017 by 7% and 19% respectively. Referrals of 168,906 were the highest for the last six years when FY2012 recorded 193,702. The peak month for referrals was January 2018 with 17,784 and the lowest month was June 2018 with 11,524.

In May 2017, the TIO commenced an independent review (as required by legislation), which was conducted by a Melbourne based consultancy, cameron.ralph.khoury (CRK). The scope of the review was to examine the authorising environment and dispute resolution processes of the TIO to consider whether changes to current processes are necessary to deliver effective dispute resolution in a high volume and volatile complaint demand environment.

The review was completed in November 2017 and recognised the TIO's role and success in contributing to better consumer outcomes in the telecommunications industry. The review also recommended the Telecommunications Industry Ombudsman takes a more assertive approach to supporting the regulatory framework and strengthen its stance on systemic investigations. In all, 29 recommendations were made. Nine recommendations have already been implemented with the remainder being addressed as part of the strategic program of works.

A review of the TIO's funding model commenced in FY2016 with a high level of consultation with members over the last two years via consultation papers, member forums, email correspondence and webinars. The Board gave approval for the new funding model in February 2018. Members at a special general meeting held 8 May 2018 voted to accept the necessary amendments to the Constitution to support the new funding model. A major project team was tasked with implementing the new funding model and a new complaints handling process, 'A Responsive Complaint Service' by July 2018. The new membership fee was invoiced in July and the new case fees were distributed to members in August in accordance with billing timelines.

DIRECTORS' REPORT

Total Complaint Handling Transactions

Complaint handling transactions for FY2018 are presented below.

Year	Referrals	Conciliations	Investigations		Land Access	Enquiries
			Level 3	Level 4		
FY2018	168,906	17,354	59	0	13	44,939
FY2017	158,016	14,556	86	1	16	41,151
% Change	7%	19%	-31%	-100%	-19%	9%

Staffing

The number of employees (excluding agency staff) at year end was 217, compared to 178 at the end of FY2017.

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 staff who are rostered to work in dispute resolution only during the times of the year where demand for services is high;

Debt Recovery

Bad debts of \$122,307 (FY2017 \$3,061), were written-off during the financial year, with the provision for bad debts decreasing from \$201,752 to \$156,232.

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 average referral fee per complaint for FY2018 was \$84.61. Continued high complaint levels and effective cost management (1% decrease for total expenditure), resulted in reduced complaint fees for the year. Referral fees commenced at \$105.41 in July 2017 and reduced to \$65.00 by June 2018. This reflected a 25% reduction on the FY2017 average of \$113.40.

The introduction of a new funding model effective 1 July 2018, will result in a significant reduction in cases fees for subsequent years due to the introduction of a membership fee component and additional case fee categories.

DIRECTORS' REPORT

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 FY2018, the TIO had 1,593 service providers and 197 entities were assessed for potential membership. During the year 178 members joined the TIO, 103 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, 3 of these entities have since joined, 5 are under investigation and 1 has been provided with an ACMA exemption.

Communication with Members

During FY2018 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.

MNews publications continue on a monthly basis, highlighting changes to process and membership information.

The Member Online Education (MOE) modules continue 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 FY2018 the Ombudsman held 6 provider forums with members. These were held in Melbourne, Perth, Adelaide, Sydney and Brisbane in April/May 2018, followed by a National Member Forum webinar.

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. Four further webinars were held for members across the country in June 2018, for a Responsive Complaint Service, highlighting changes to the funding model and complaint handling processes.

DIRECTORS' REPORT

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

The Minister for Communications and the Arts announced on 17 April 2018, a Consumer Safeguards Review. The purpose of the review is to prepare the telecommunications consumer protections framework for a post-2020 environment. The Redress and Complaints Handling Discussion Paper was released by the Department of Communications and the Arts on 5 July 2018. The paper makes a number of proposals:

Proposal 1: Industry complaints handling

Telecommunications Providers must have and maintain complaint handling policies which detail their processes and procedures for handling customer complaints in compliance with the governing rules.

Proposal 2: External Dispute Resolution

An external Dispute Resolution Body, independent of industry, should be established to deal with complex complaints that are unable to be resolved directly between customers and their providers. Consideration will need to be given to the appropriate governance arrangements to support the body, with its independence being a guiding principle.

Proposal 3: Data collection, analysis and reporting

Responsibility for collection of data relating to industry performance and complaints should be transferred to the ACMA. The ACMA will publish reports detailing the analysis of this data, as well as including complaints data in its annual communications report.

The proposals present a different model of complaint dispute resolution with current activities performed with a greater role by industry and a different external dispute resolution organisation. The Board is confident in the ability of the TIO, as an industry based ombudsman, to provide the best outcome for consumers on dispute resolution. The industry based Ombudsman model has been consistently endorsed by government and independent reviews as providing superior access to justice and cost efficient dispute resolution. These reviews have also endorsed the model's governance, which balances industry and consumer interests.

The Board will await the outcome of the review later in the calendar year and address any potential impact on the organisation. The TIO continues to operate effectively and with a robust balance sheet has the financial stability and viability to ensure it remains a going concern.

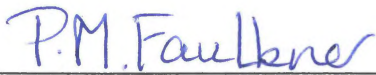
DIRECTORS' REPORT

Apart from the matters stipulated, at the date of this report no other matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect:

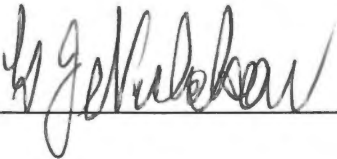
- (a) the operations of the TIO in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the state of affairs of TIO in future financial years.

Signed in accordance with a resolution of the Board of Directors

Director:



Director:



Dated this 18th day of September 2018

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

18 September 2018

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 2018, 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



Ryan Hansen
Partner
Chartered Accountants

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
<u>Continuing operations</u>			
Revenue from members	5	27,908,231	32,963,181
Other income - SRO Litigation	5	460,700	4,344,851
Other income	5	302,824	756,252
Total income		28,671,755	38,064,284
Less: expenses			
Depreciation and amortisation expense	6	(254,167)	(759,214)
Employee benefits expense		(20,693,166)	(20,461,681)
Occupancy expense		(2,033,342)	(3,018,439)
Marketing expense		(409,928)	(273,424)
Finance costs	6	(7,299)	(7,668)
Bad & doubtful debts expense		(73,727)	(123,888)
Information technology expense		(1,846,943)	(1,883,485)
Consultancy expense		(1,407,315)	(376,802)
Legal expense		(442,906)	(775,618)
Travel expense		(115,180)	(81,978)
Telephone and faxes		(178,242)	(251,763)
Other expenses		(998,463)	(791,968)
Total expenses		(28,460,678)	(28,805,928)
Surplus/(Deficit) for the year from continuing operations		211,077	9,258,356
Total comprehensive surplus/(deficit) for the year		211,077	9,258,356

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	17	18,214,243	8,943,370
Receivables	10	2,388,948	10,255,770
Other assets	9	383,871	434,127
Total current assets		20,987,062	19,633,267
Non-current assets			
Intangible assets	8	-	-
Plant and equipment	7	1,580,000	1,578,233
Total non-current assets		1,580,000	1,578,233
Total assets		22,567,062	21,211,500
Current liabilities			
Payables	13	1,554,968	1,479,034
Provisions	11	1,824,468	1,640,575
Other liabilities	12	213,133	264,438
Total current liabilities		3,592,569	3,384,047
Non-current liabilities			
Payables	13	519,182	264,677
Provisions	11	187,753	157,869
Other liabilities	12	2,603,135	1,951,561
Total non-current liabilities		3,310,070	2,374,107
Total liabilities		6,902,639	5,758,154
Net assets		15,664,423	15,453,346
Accumulated Surplus			
Accumulated surplus		15,664,423	15,453,346
Total accumulated surplus		15,664,423	15,453,346

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$	2017 \$
Accumulated Surplus		
At beginning of the year	15,453,346	6,194,990
Movements in equity - surplus / (deficit) for the year	211,077	9,258,356
Balance at the end of the year	15,664,423	15,453,346

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018	2017
		\$	\$
Cash flow from operating activities			
Receipts from members		33,997,115	35,164,911
Payments to suppliers and employees		(24,687,164)	(32,741,993)
Lease incentive received		-	1,623,525
Sublease receipts		-	268,211
Interest received		224,155	88,303
Interest paid		(7,299)	(7,668)
Net cash provided by operating activities		9,526,807	4,395,289
Cash flow from investing activities			
Payment for plant and equipment		(255,934)	(1,692,113)
Net cash used in investing activities		(255,934)	(1,692,113)
Cash flow from financing activities			
Repayment of leases			
Net cash provided by/(used in) financing activities			
Reconciliation of cash			
Cash at beginning of the financial year		8,943,370	6,240,194
Net increase in cash held		9,270,873	2,703,176
Cash at end of financial year	17	18,214,243	8,943,370

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Cash flows from operating activities		
Profit from ordinary activities after income tax	211,077	9,258,356
Adjustments and non-cash items		
Amortisation	-	519,432
Depreciation	254,167	239,782
Movements in provision for doubtful debts	73,727	123,888
Lease incentive through P&L	(363,228)	(193,393)
Changes in assets and liabilities		
(Increase) / decrease in receivables	7,793,095	(6,649,671)
(Increase) / decrease in other assets	50,256	5,124
Increase / (decrease) in payables	330,439	(955,362)
Increase / (decrease) in provisions	213,777	(268,228)
Increase / (decrease) in other liabilities	963,497	2,315,361
Cash flows from operating activities	9,526,807	4,395,289

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
Docklands VIC 3008

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 2018
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.

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

(CONTINUED)

In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of 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.

Based on an analysis of the TIO's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the Directors of the TIO have assessed the impact of IFRS 9 to the TIO's financial statements as follows:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Amounts due from members will be subject to the impairment provisions of IFRS 9. The TIO expects to apply the simplified approach to recognise lifetime expected credit losses for amounts due from members as required or permitted by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses and will increase the amount of loss allowance recognised for these items. It is expected that they will not have any material impact on the disclosures or amounts recognised for the entity.

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

(CONTINUED)

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.

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 has implemented a new funding model from 1 July 2018. The TIO recognises revenue from the following major sources:

- a membership fee to support complaint management and dispute resolution throughout the telecommunications sector
- case fees for provision of dispute resolution services to its members.

The TIO recognises membership revenue on a monthly basis, and case fees revenue on the initial Referral then again when the complaint is closed. This is consistent to the identification of separate performance obligations under IFRS 15. IFRS 15 also requires the transaction price to be determined and allocated to the different performance obligations on a relative stand-alone selling price basis, it is consistent with the TIO's current practice. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. The timing of the TIO recognising revenue of each of these three performance obligations are also expected to be consistent with the requirement under the new funding model from 1 July 2018.

The Directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the TIO. The directors intend to use the modified approach of transition to IFRS 15.

NOTE 2: APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

(CONTINUED)

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.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the TIO has non-cancellable operating lease commitments of \$17,503,593. 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.

Our 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 directors intend to use the cumulative catch-up method (Option 2B) of transition to IFRS 16. Under Option 2B, lease liability is measured at the present value of unpaid lease payments. The asset is then set equal to the liability. Therefore, the net impact on the statement of financial position as at the date of transition is nil. The cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at the date of initial application, which is likely to have a material impact. However, going forward the directors don't believe the impact will be material on an annual basis.

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 was reduced for discounts applied in FY2018. From FY2019 under the new funding model, discounts are no longer applicable.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into 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.

(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 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 ESTIMATION 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 the Level 14, 717 Bourke Street, Docklands, VIC 3008 lease
- The timing of future cash flows within the provisions for Long Service Leave.

NOTE 5: REVENUE AND OTHER GAINS AND LOSSES

	2018 \$	2017 \$
Revenue from members	<u>27,908,231</u>	<u>32,963,181</u>
Other income - SRO Litigation Settlement	<u>460,700</u>	<u>4,344,851</u>
Other income		
Interest income	287,582	354,944
Sub lease revenue	-	229,235
Other	15,242	172,073
	<u>302,824</u>	<u>756,252</u>
	<u>28,671,755</u>	<u>38,064,284</u>

NOTE 6: PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit / (losses) before income tax has been determined after:

	2018 \$	2017 \$
Finance costs		
- Bank charges	7,299	7,668
- Lease charges	-	-
	<u>7,299</u>	<u>7,668</u>
Depreciation and amortisation expense		
Depreciation		
- Plant and equipment	88,577	22,943
- Furniture and fittings	15,494	21,891
- Leasehold	150,096	194,948
	<u>254,167</u>	<u>239,782</u>
Amortisation		
- BI Tool	-	24,271
- Complaints Management System	-	495,161
	<u>-</u>	<u>519,432</u>

	2018 \$	2017 \$
NOTE 7: PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements		
Leasehold improvements at cost	1,475,932	1,475,932
Accumulated depreciation	(250,159)	(100,063)
	1,225,773	1,375,869
Plant and equipment		
Plant and equipment at cost	716,840	548,514
Accumulated depreciation	(487,947)	(399,370)
	228,893	149,144
Furniture, fixtures and fittings		
Furniture, fixtures and fittings at cost	141,707	54,099
Accumulated depreciation	(16,373)	(879)
	125,334	53,220
Total property, plant and equipment	1,580,000	1,578,233

(a) Reconciliations

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

Leasehold improvements

Opening carrying amount	1,375,869	58,655
Additions	-	1,514,200
Impairment losses recognised in profit or loss	-	(2,038)
Retired Assets	-	(2,477,753)
Retired Assets Accumulated Depreciation	-	2,477,753
Depreciation expense	(150,096)	(194,948)
Closing carrying amount	1,225,773	1,375,869

Plant and equipment

Opening carrying amount	149,144	10,856
Additions	168,326	161,231
Retired Assets	-	(284,458)
Retired Assets Accumulated Depreciation	-	284,458
Depreciation expense	(88,577)	(22,943)
Closing carrying amount	228,893	149,144

Furniture, fixtures and fittings

Opening carrying amount	53,220	56,391
Additions	87,608	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	(15,494)	(21,891)
Closing carrying amount	125,334	53,220

NOTE 8: OTHER INTANGIBLE ASSETS

	2018	2017
	\$	\$
Complaint Management System (RADaR)	3,097,310	3,097,310
Accumulated amortisation	<u>(3,097,310)</u>	<u>(3,097,310)</u>
	-	-
Business Intelligence Tool	87,380	87,380
Accumulated amortisation	<u>(87,380)</u>	<u>(87,380)</u>
	-	-
Total intangible assets	<u><u>-</u></u>	<u><u>-</u></u>

(a) Reconciliations

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

	2018	2017
	\$	\$
<i>Intangibles at cost - Complaint Management System</i>		
Opening balance	-	495,161
Amortisation expense	-	<u>(495,161)</u>
Closing balance	<u>-</u>	<u>-</u>
<i>Intangibles at cost - Business Intelligence Tool</i>		
Opening balance	-	24,271
Amortisation expense	-	<u>(24,271)</u>
Closing balance	<u>-</u>	<u>-</u>

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.

NOTE 9: OTHER ASSETS

	2018	2017
	\$	\$
CURRENT		
Prepayments	320,444	432,535
Accrued Interest Revenue	<u>63,427</u>	<u>1,592</u>
	<u>383,871</u>	<u>434,127</u>

NOTE 10: TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade debtors	2,545,180	5,839,796
Provision for doubtful debts	<u>(156,232)</u>	<u>(201,752)</u>
	2,388,948	5,638,044
Receivable from State Revenue Office	-	4,617,726
Total Trade and Other Receivables	<u>2,388,948</u>	<u>10,255,770</u>
Average age (days)	53	53

	2018	2017
	\$	\$
<u>Movement in the allowance for doubtful debts</u>		
Balance at the beginning of the year	201,752	77,864
Impairment losses recognised on receivables	76,787	218,112
Amounts written off during the year as uncollectable	(122,307)	(3,061)
Amounts recovered in the year	-	(91,163)
Balance at the end of the year	<u>156,232</u>	<u>201,752</u>

Age of receivables that are past due but not impaired

60-90 days	13,288	105
91-120 days	5,682	837
121+ days	24,262	518
Total	<u>43,232</u>	<u>1,460</u>

Age of receivables that are past due and impaired

60-90 days	7,009	6,435
91-120 days	8,856	21,286
121+ days	122,980	124,710
Total	<u>138,845</u>	<u>152,431</u>

NOTE 11: PROVISIONS

	2018	2017
	\$	\$
CURRENT		
Employee benefits	<u>1,824,468</u>	<u>1,640,575</u>
NON CURRENT		
Employee benefits	<u>187,753</u>	<u>157,869</u>
Total employee benefit liability	<u>2,012,221</u>	<u>1,798,444</u>
Number of employees at year end	217	178

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

NOTE 12: OTHER LIABILITIES

	2018	2017
	\$	\$
CURRENT		
Unearned lease incentives	<u>213,133</u>	<u>264,438</u>
NON CURRENT		
Unearned lease incentives	<u>2,603,135</u>	<u>1,951,561</u>

NOTE 13: TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	698,373	408,711
Sundry creditors and accruals	<u>856,595</u>	<u>1,070,323</u>
	<u>1,554,968</u>	<u>1,479,034</u>
NON CURRENT		
Provisions	<u>519,182</u>	<u>264,677</u>

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:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	18,214,243	8,943,370
Receivables	2,388,948	10,255,770
	<u>20,603,191</u>	<u>19,199,140</u>
Financial liabilities		
Creditors	698,373	408,711
Other payables	856,595	1,070,323
	<u>1,554,968</u>	<u>1,479,034</u>
Credit standby arrangements with banks		
Credit facility	300,000	300,000
Amount utilised	(5,625)	(51,000)
Unused credit facility	<u>294,375</u>	<u>249,000</u>

(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
	\$	\$	\$		
2018					
<i>Financial assets</i>					
Cash	3,910,555	500	3,911,055	0.15%	Floating
Cash on deposit	14,303,188	-	14,303,188	2.17%	Floating
Trade and other receivables	-	2,388,948	2,388,948	0.00%	
	18,213,743	2,389,448	20,603,191		
<i>Financial liabilities</i>					
Trade creditors	-	698,373	698,373	0.00%	
Other payables	-	856,595	856,595	0.00%	
	-	1,554,968	1,554,968		
2017					
<i>Financial assets</i>					
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		
<i>Financial liabilities</i>					
Trade creditors	-	408,711	408,711	0.00%	
Other payables	-	1,070,323	1,070,323	0.00%	
	-	1,479,034	1,479,034		

NOTE 14: FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

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.

NOTE 15: RELATED PARTY TRANSACTIONS

	2018	2017
	\$	\$
<u>Compensation of key management personnel</u>		
Compensation received by key management personnel of the company		
Short-term employee benefits	<u>2,333,711</u>	<u>2,038,932</u>

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, is an employee of Telstra Corporation. The TIO invoiced Telstra Corporation Ltd and related entities for \$15,926,233 (2017: \$18,796,398) during the year for complaint handling fees. Telstra Corporation invoiced the TIO for \$14,204 (2017: \$63,476) for the provision for telecommunication services during the year.

(ii) One current Director, A Sheridan, is an employee of SingTel Optus Pty Ltd. The TIO invoiced SingTel Optus Pty Ltd \$7,139,482 (2017: \$6,544,650) during the year for complaint handling fees. SingTel Optus Pty Ltd and related entities invoiced the TIO for \$144,909 (2017: \$137,539) 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

	2018	2017
	\$	\$
- Audit of the financial report	<u>55,860</u>	<u>53,200</u>
Deloitte Touche Tohmatsu is the auditor		

NOTE 17: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
CURRENT		
Cash on hand	500	500
Cash at bank	3,910,555	1,847,719
Cash on deposit	14,303,188	7,095,151
	<u>18,214,243</u>	<u>8,943,370</u>

NOTE 18: OPERATING LEASE ARRANGEMENT

	2018	2017
	\$	\$
<u>TIO as a Lessee - Leasing arrangements</u>		
Operating leases relate to floor space for Level 7 and Level 14, 717 Bourke Street Melbourne and various items of IT equipment.		
<u>Payments recognised as an expense</u>		
Minimum lease payments	975,234	1,844,710
<u>Non-cancellable operating lease commitments</u>		
- not later than one year	2,028,649	920,249
- later than one year and not later than five years	8,245,419	8,009,621
- later than 5 years	7,370,704	9,537,289
	<u>17,644,772</u>	<u>18,467,159</u>

NOTE 19: CONTINGENT LIABILITIES

The TIO has no contingent liabilities.

In FY2017, The TIO had a bank guarantee for the lease at 595 Collins Street. As the lease ended on the 28 February 2017, the bank guarantee had been returned.

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

The Minister for Communications and the Arts announced on 17 April 2018, a Consumer Safeguards Review. The purpose of the review is to prepare the telecommunications consumer protections framework for a post-2020 environment. The Redress and Complaints Handling Discussion Paper was released by the Department of Communications and the Arts on 5 July 2018.

The paper makes a number of proposals:

Proposal 1: Industry complaints handling Telecommunications Providers must have and maintain complaint handling policies which detail their processes and procedures for handling customer complaints in compliance with the governing rules.

Proposal 2: External Dispute Resolution

An external Dispute Resolution Body, independent of industry, should be established to deal with complex complaints that are unable to be resolved directly between customers and their providers. Consideration will need to be given to the appropriate governance arrangements to support the body, with its independence being a guiding principle.

Proposal 3: Data collection, analysis and reporting

Responsibility for collection of data relating to industry performance and complaints should be transferred to the ACMA. The ACMA will publish reports detailing the analysis of this data, as well as including complaints data in its annual communications report.

The proposals present a different model of complaint dispute resolution with current activities performed with a greater role by industry and a different external dispute resolution organisation. The Board is confident in the ability of the TIO, as an industry based ombudsman, to provide the best outcome for consumers on dispute resolution. The industry based Ombudsman model has been consistently endorsed by government and independent reviews as providing superior access to justice and cost efficient dispute resolution. These reviews have also endorsed the model's governance, which balances industry and

The Board will await the outcome of the review later in the calendar year and address any potential impact on the organisation. The TIO continues to operate effectively and with a robust balance sheet has the financial stability and viability to ensure it remains a going concern.

Apart from the matters stipulated, at the date of this report no other matter or circumstance has arisen since 30 June 2018 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

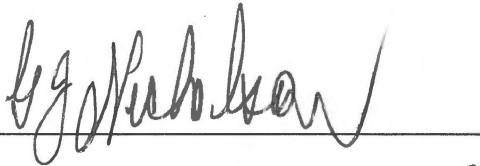
DIRECTORS' DECLARATION

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:



Director:



Dated this 18th day of September 2018

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 2018, 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 42.

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 2018 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 3, 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 2018 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.

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.

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Ryan Hansen".

Ryan Hansen
Partner
Chartered Accountants
Melbourne, 18 September 2018