

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

Financial Report
For the year ended 30 June 2019

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DIRECTORS' REPORT

Your Directors present their report of Telecommunications Industry Ombudsman Limited (TIO) for the year ended 30 June 2019.

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

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.

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 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 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 TIO.

Strategy 2018 - 2020

The company has completed the second 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

DIRECTORS' REPORT

Key projects delivered during the year included a new Website and Member portal, a new Billing module, Employee Self Service, Microsoft Office 365 and Microsoft Exchange Cloud as well as the new brand implementation.

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

Role of the Board

The Board of Directors oversees the management of the business, affairs and property of 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 TIO;
- (b) monitoring the overall performance and results of TIO and TIO scheme;
- (c) setting goals and the overall strategy for TIO and TIO scheme;
- (d) in relation to TIO's finances:
 - (i) overseeing the establishment of a budget that allows for the achievement of the functions above.
 - (ii) overseeing the Ombudsman's management of spending;
 - (iii) overseeing TIO's capital management, funding and cash flows, including ensuring sufficient funding for the TIO scheme; and
 - (iv) setting financial delegations;
- (e) overseeing 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 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 TIO website.

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

DIRECTORS' 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 terms 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 2019, Ms Jules Scarlett, a Director with Industry Experience, retired from the Board and was replaced by Ms Jane van Beelen. Mr Geoff Nicholson was re-appointed as Independent Director with Commercial Governance Experience and Dr Paul Harrison 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, Executive Director Shared Services & CFO and the Company Secretary.

During the year, the Independent Chair indicated her intention to retire from the Board in July 2019. Following consideration of the Company Constitution and the process to be adopted, in June 2019 the Board resolved by special resolution to appoint Professor The Hon. Michael Lavarch AO to succeed Ms Patricia Faulkner AO as Independent Chair of the Board. The appointment of the Hon. Michael Lavarch AO was effective from 15 July 2019. Prior to the appointment, the Board followed a transparent, accountable and cost-effective process that included consultation with certain key stakeholders outside the Board, as well as seeking comments from the Federal Ministers responsible for consumer affairs policy and communications policy.

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
Professor The Hon. M Lavarch AO, LLB	Michael Lavarch has held senior roles in government, including serving as Australia's Attorney-General (1993-1996). He has also held the roles of Secretary-General of the Law Council of Australia and Commissioner for the Australian Skills Quality Authority. He is an Emeritus Professor of Law at the Queensland University of Technology, Chief Adjudicator of the Alcohol Beverages Advertising Code adjudication panel, and Chair of Way Forward Debt Solutions. He is also a director of the Catholic Professional Standards Limited. In 2012, Michael was appointed an Officer of the Order of Australia for distinguished service to law, education and human rights.	Independent Chair (from 15 July 2019) Independent Director with Not- For-Profit Governance Experience (from 26 February 2017 to 14 July 2019)

DIRECTORS' REPORT

Director	Experience	Responsibility
<p>P M Faulkner AO <i>BA, Dip Ed, MBA, FIPAA</i></p>	<p>Patricia Faulkner'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.</p> <p>Patricia is Chair of Jesuit Social Services and Melbourne Racing Club Foundation. She is also Chair of the Commonwealth Bank of Australia CEO Advisory Panel.</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>	<p>Independent Chair (from 26 February 2014 to 14 July 2019)</p>
<p>P J Harrison <i>PhD, GAICD, MAM</i></p>	<p>Dr Paul Harrison is Professor of Marketing, Deakin Business School, and the Unit Chair and Senior Lecturer, Marketing, Positioning and Consumer Behaviour (MBA), Deakin University, Director of Deakin University's Centre for Employee and Consumer Wellbeing, and Visiting Professor of Marketing and Governance, Università Cattolica del Sacro Cuore, Milan.</p> <p>Paul is also Special Counsel on Consumer Behaviour, Australian Competition and Consumer Commission.</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 was elected to the Telecommunications Industry Ombudsman Board in 2014, and was re-appointed in 2019 for a term of three years.</p>	<p>Director with Consumer Experience (from 26 February 2014)</p>
<p>J Lindsay <i>GAICD, MACS</i></p>	<p>John Lindsay is a company director and consultant. He is a director of Jtwo Solutions Pty Ltd, helping enterprise and government shift IT to the cloud, UltraServe Internet Pty Ltd, hosting enterprise ecommerce in the cloud, Redflow Ltd, designing and building an innovative electrical energy storage battery and Uniti Wireless Ltd, a national ISP based in Adelaide. 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 and a member of the Australian Computer Society.</p>	<p>Director with Industry Experience (from 26 February 2017)</p>

DIRECTORS' REPORT

Director	Experience	Responsibility
C E Lowe LLB	<p>Catriona Lowe is a member of the boards of the Australian Financial Complaints Authority, the Financial Adviser Standards and Ethics Authority and Way Forward Debt Solutions. Catriona is also Co-Chair of the ACCC's Consumer Consultative Committee, as well as being a member of the Legal Practitioners Liability Committee.</p> <p>Catriona's former positions include Co-CEO of the Consumer Action Law Centre, Chair of the Consumers' Federation of Australia and member of the Board of the Australian Communications Consumer Action Network.</p> <p>Catriona became a member of the TIO Council in July 2012 and has been a member of the TIO Board since 2014, having been re-appointed in 2017.</p>	Director with Consumer Experience (from 26 February 2014)
G J Nicholson BEC, MBA, FCA, GAICD, CSEP	<p>In addition to his role on the TIO Board, Geoff Nicholson 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. He was also Foxtel's first Chief Financial Officer.</p> <p>Geoff was appointed to the Telecommunications Industry Ombudsman Board in February 2016 and reappointed in 2019.</p>	Independent Director with Commercial Governance Experience (from 26 February 2016)
G P Renouf BA, LLB	<p>Gordon Renouf is the Deputy Chair of the Consumers Federation of Australia, CEO of Good On You Pty Ltd and Chair of the Australian Securities and Investments Commission's Consumer Advocacy Panel. He has been a consumer advocate for more than 30 years working at CHOICE, the North Australian Aboriginal Legal Service and several community legal centres. He is a Member of the Banking Code Compliance Committee, Deputy Chair of Justice Connect and a Director of Good Environmental Choice Australia.</p>	Director with Consumer Experience (from 26 February 2015)
J van Beelen BEC, LLB, Grad Dip (Legal Practice)	<p>Jane van Beelen is Compliance & Regulatory Affairs Executive, Telstra Corporation Limited, having worked in Regulatory Affairs for over 20 years. She is also the Chair of the Australian Mobile Telecommunications Association (AMTA) and a Director of Communications Alliance.</p>	Director with Industry Experience (from 26 February 2019)

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Director	Experience	Responsibility
Andrew Sheridan CA, MA (Hons)	Andrew Sheridan is the Vice President of Regulatory & Public Affairs for Optus with responsibility 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.	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
J P Scarlett BA, LLB (Hons)	Jules Scarlett has over 15 years' experience in Telstra in a broad range of executive roles. Jules originally entered Telstra in a legal capacity after moving from working at one of Australia's major law firms, Minter Ellison. Jules was a Director of Telecommunications Industry Ombudsman Limited from 2009 until her retirement from the Board in FY2019.	Director with Industry Experience (from 26 February 2014 to 25 February 2019)
T C Hill	In accordance with the Company Constitution, Trevor Hill's role as Alternate Director for Jules Scarlett ceased on Jules' retirement from the Board.	Alternate Director (from 26 February 2014 to 25 February 2019)

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Information on Company Secretary

Company Secretary	Experience	Responsibility
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 has been a chief financial officer for 18 years, a company secretary for over seven years and has served as a Director and Chair of a non-for-profit organisation.	Company Secretary (from 5 July 2019) (and 17 August 2017 to 31 October 2018)
G L Neville-Hill <i>BEC, LLB, LLM, FICSA, FGIA, MAICD</i>	Gayle has been a chartered company secretary and/or in-house legal counsel for 30+ 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. Gayle also serves on the Council of the Victorian Society of Notaries.	Company Secretary (from 11 April 2013 to 5 July 2019)
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 was seconded to TIO from Thomson Geer, having worked previously at TIO for six years. 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 (from 1 November 2017 to 29 October 2018)

Access to independent professional advice and Company information

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

Board evaluation

The Board regularly evaluates its performance, including periodically engaging in an external evaluation exercise. In October 2018, the Australian Institute of Company Directors (AICD) conducted a Board evaluation utilising the Governance Analysis Tool (GAT) developed by the AICD. The results have helped inform the Board's practices.

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 FY2019 is set out in the table on the following page.

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Board and standing Board Committee attendance in FY2019

	Audit, Finance, Risk and					
	Board		Compliance		Nominations	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
P M Faulkner (Chair)	9	9	4	3	2	2
P J Harrison	9	9				
M Lavarch	9	8*				
J Lindsay	9	8	4	4	2	2
C E Lowe	9	9			2	2
G J Nicholson	9	9	4	4		
G P Renouf	9	7	4	3	1 (Alternate for C E Lowe)	1
J P Scarlett	6	5	2	2		
A Sheridan	9	6				
J v Beelen	3	3	1	1		
T C Hill (Alternate)**	1	1				

* M Lavarch did not attend a Board meeting in which his appointment as Independent Chair was considered.

** T C Hill is an alternate director for J P Scarlett

Board Committees

The Board has two committees to assist it to 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 and 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 and Compliance Committee:

- (a) reviews and recommends to the Board the annual financial statements and Directors' report;
- (b) reviews monthly management accounting reports;
- (c) reviews the Company's annual budgets and makes recommendations to the Board;
- (d) monitors and reviews the external audit process, including the effectiveness of the external auditors;
- (e) reviews, recommends to the Board and monitors progress against the internal audit plan;
- (f) monitors management of risk, including through the regular review of the company risk register; and

DIRECTORS' REPORT

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

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

There were four meetings of the Committee held during the year ended 30 June 2019.

Audit, Finance, Risk and Compliance Committee members

Name	Category	Status	Attendance
G J Nicholson (Chair)	Independent	Member for whole period	4/4
P M Faulkner	Independent	Member for whole period	3/4
J Lindsay	Industry Experience	Member for whole period	4/4
G P Renouf	Consumer Experience	Member for whole period	3/4
J P Scarlett	Industry Experience	Member for part period	2/2
J van Beelen	Industry Experience	Member for part period	1/1

Nominations Committee

The Nominations Committee is established under clause 12.2 of 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

Name	Category	Status	Attendance
P M Faulkner (Chair)	Independent	Member for whole period	2/2
J Lindsay	Industry Experience	Member for whole period	2/2
C E Lowe	Consumer Experience	Member for whole period	2/2
G P Renouf	Consumer Experience	Alternate Member for C E Lowe	1/1
T Corbin (Nominee of ACCAN)	External	Member for whole period	2/2
J Stanton (Nominee of CA)	External	Member for whole period	2/2

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.

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In accordance with the Company Constitution, the Nominations Committee undertook a recruitment process in respect of Board vacancies that fell due in February 2019. The Committee convened in late 2018 to consider applications for Board vacancies and recommend candidates for the positions of Director with Commercial Governance Experience, Director with Consumer Experience and Director with Industry Experience. Geoff Nicholson and Paul Harrison were reappointed as the Director with Commercial Governance Experience and Director with Consumer Experience respectively. Jane van Beelen was appointed as the Director with Industry Experience.

As noted earlier in this Report, during the year the Independent Chair, Ms Patricia Faulkner AO, indicated her intention to retire from the Board in July 2019. Following consideration of the Company Constitution and the most cost-effective process to be adopted, the Board decided that an external search process was not required when a well qualified candidate was within the Board's ranks. In June 2019, Professor Michael Lavarch AO was appointed to succeed Ms Faulkner effective 15 July 2019. The process followed included consultation with certain key stakeholders outside the Board, as well as seeking comments from the Federal Ministers responsible for consumer affairs policy and communications policy prior to the appointment.

Key Management Personnel

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

Name	Position
M Lavarch	Independent Chair (from 15 July 2019)
P M Faulkner	Independent Chair (from 26 February 2014 to 14 July 2019)
P J Harrison	Director
J Lindsay	Director
C E Lowe	Director
G J Nicholson	Director
G P Renouf	Director
J P Scarlett*	Director
A Sheridan*	Director
J van Beelen*	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 (to 31 January 2019)
G Dell'Oste	Executive Director Shared Services, Chief Financial Officer and Company Secretary Company Secretary (re-appointed 5 July 2019) Company Secretary (appointed 17 August 2017 to 31 October 2018)
G Neville-Hill	Company Secretary (from 11 April 2013 to 5 July 2019)
D Ohri	Company Secretary (appointed on 1 November 2017; resigned effective 29 October 2018)

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ETHICAL AND RESPONSIBLE DECISION MAKING

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.

TIO has a Conflict of Interests Policy that sets out 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

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.

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

Feedback about the delivery of TIO Scheme services

As an external dispute resolution scheme, 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. 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 TIO, and as a necessary step to achieving good corporate governance.

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INTEGRITY IN REPORTING

The Board is committed to ensuring that the external auditor is independent. TIO's external auditor is Deloitte Touche Tohmatsu, appointed by members at the November 2014 Annual General Meeting. The present Deloitte Touche Tohmatsu lead audit partner for 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 TIO's quality of service, to satisfy TIO's legislative requirements, and to safeguard TIO's image and reputation, employees, members, stakeholders and assets. The Audit, Finance, Risk and 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, 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, TIO Executive and Company Secretary.

ENVIRONMENTAL ISSUES

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

DIVERSITY

The Board values gender equity at TIO. 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. TIO reports annually to the Workplace Gender Equity Agency.

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

OPERATING RESULTS

TIO recorded an operating surplus of \$1,967,667 for the year ended 30 June 2019.

The results for the year are as follows:

Year	Total Income \$	Total Expenditure \$	Surplus \$
FY2019	31,881,676	29,914,009	1,967,667
FY2018	28,671,755	28,460,678	211,077

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REVIEW OF OPERATIONS

The 2019 financial year had a number of important activities which included:

- the introduction of a new funding model;
- the Australian Communications and Media Authority (ACMA), put in place new complaint-handling rules to improve the experience of telecommunication consumers;
- The Australian Competition & Consumer Commission (ACCC), undertook action on speed claims, speed monitoring, and enforceable undertaking in the communication space;
- The Department of Communications and the Arts completed Part A of the Consumer Safeguards review of redress and complaint handling. The Part A report endorsed the continuing role of TIO as an external dispute resolution body for the telecommunication industry. The report also made a number of process and governance recommendations. The Ombudsman and the Board are working with the Department to carefully consider and implement the suggested improvements in a way that strengthens the accessibility, effectiveness and fairness of the scheme.
- The organisation negotiated a new Enterprise Agreement with employees (Grades 1 to 4), for a three-year period (2018 to 2021). The Agreement was approved by the Fair Work Commission and effective on 31 January 2019.

The organisation delivered a surplus of \$2.0M which was a significant increase on the prior year (\$0.2M) but heavily influenced by a significant decline in complaints and the impact of the new funding model. The 2018 financial year had an increase in Total Contacts of 8% (Referrals 7%) following on from high increases in FY2017. FY2019 was expected to continue the trend whilst at a lower level of increase from prior years but there was a significant turnaround with Total Contacts down by 20% (Referrals 21%).

Funding of TIO is based upon recovery of total projected costs (budget), which are driven predominantly by the estimated level of complaints. Higher estimated complaints resulted in higher budgeted costs. The new funding model now locks in Membership fees and Case fees for the year based upon the recoverable costs. Whilst income from Case fees (30%) is linked to volume of complaints and there were fewer complaints, the Membership fee (70%) recovery was locked upon the higher recoverable amount. As most of the revenue is comprised of the Membership fee income, the result has been a significant surplus of \$2.0M.

The locking of fees for both Membership and Cases will inevitably create variances in projected income should complaint volumes differ significantly from those projected in the budget. This was expected from the new funding model when there are extreme complaints variation (not common) but offset against the benefit of greater clarity of fees for members for the full year.

The potential impact of complaint variation is known and managed accordingly. A subsequent increase in complaints in the year compared to budget would have resulted in a significant deficit. The organisation would manage this accordingly with reserves for the year and attempt to rebalance funding requirements in the next financial year. Subsequently the Board has sought to rebalance the high surplus for FY2019 by setting a FY2020 budget deficit.

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Total Complaint Handling Transactions

Complaint handling transactions for FY2019 are presented below.

Year	Enquiries	Referrals	Fast Track Resolution	Direct Resolution	Standard Resolution	Advanced Resolution	Complex Resolution	Land Access	Total Contacts
FY2019	40,542	133,164	2,369	3,975	4,384	1,283	96	14	185,827

Year	Enquiries	Referrals	Conciliations	Investigations	Land Access	Total Contacts
FY2018	44,939	168,906	17,354	59	13	231,271

% Change	-10%	-21%			8%	-20%
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The table of complaints has been presented to reflect the introduction of the new funding model and complaint handling processes. Additional complaints levels have been added and complaints are now charged to members when the complaint has been closed rather than previously, when a complaint was opened.

Staffing

The number of employees (excluding agency staff) at year end was 223, compared to 217 at the end of FY2018.

To manage fluctuations in demand services, TIO maintained an agile workforce by adopting several 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 overtime for queue management.

Debt Recovery

No bad debts were written-off during the financial year (FY2018 \$122,307). However, the provision for bad debts increased from \$156,232 to \$446,552 following the introduction of a new funding model and implementation of Accounting Standard IFRS 9 *Financial Instruments* – a simplified approach that requires TIO to recognise the expected credit loss of the receivables based on TIO's historical experience in the past 24 months.

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

Fees

A new Funding Model was implemented from 1 July 2018. Under this model, 70 per cent of the funding for the scheme was derived from a membership fee (based on a percentage of member complaints from the previous calendar year), while the remaining 30 per cent will be derived from case fees. The annual membership fee was applied to all members with a minimum of \$400 charged, even if the member had no complaints in the 2017 calendar year. The \$400 membership fee was payable at the start of the year whilst amounts higher than \$400 were charged in quarterly payments in advance.

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Case fees were invoiced monthly in arrears. Case fees were charged on the initial Referral (Level 1) once the complaint is closed. The fees are different for each closure stage and progressively higher that reflect the work done to resolve the case. Five complaint levels were introduced which align to the complexity of the dispute resolution response. These were:

1. Fast Track resolution (Level 1.5)
2. Direct resolution (Level 2)
3. Standard resolution (Level 2.5)
4. Advanced resolution (Level 3)
5. Complex resolution (Level 4)

Membership

The Telecommunications (Consumer Protection and Services Standard) Act 1999 requires all carriers and eligible carriage service providers to be members of 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 year, TIO had 1,468 service providers as members and 188 entities were assessed for potential membership. During the year 161 members joined TIO, 286 members departed and 12 entities were referred to the Australian Communications and Media Authority (ACMA) for non-compliance with the legislation. Since referral to ACMA, 4 of these entities have since joined, 7 were deemed not required to join, and 1 is under investigation.

Communication with Members

During FY2019 TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling. TIO Member Services team provides members an access point to find out about our services and processes and to raise issues or concerns.

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

The new Member Portal launched in February 2019 with a further update to functionality added in June 2019. The Member Portal now provides members with access to a full suite of reports and invoicing. Other functions include an Event Calendar, Training and Webinars, TIO processes and FAQ's.

Webinars and training

The first in the "Let's Talk!" webinar series commenced in May 2019. This webinar session attended by over 100 members, focused on the process of Conference Conciliation. A further 3 webinars have been planned for the year.

Development commenced in May 2019 on a series of Induction and Training videos for new and existing members. Release is planned for late August 2019.

DIRECTORS' REPORT

Member Forums

During FY2019 the Ombudsman held 6 provider forums with members. These were held in Melbourne, Perth, Adelaide, Sydney and Brisbane in April/May 2019.

The 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, and our experience of the industry through complaint handling. The forums also consisted of a workshop session "Let's Talk! The value of conference conciliation at the TIO" presented by Senior Dispute Resolution Staff. The forums and workshop received positive feedback and provided members with further insights into dispute resolution processes.

Member liability

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

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the end of the Financial Year

At the date of this report no other matter or circumstance has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations of 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 17th day of September 2019

Board of Directors
Telecommunications Industry Ombudsman Limited
Level 14, 717 Bourke Street
Docklands, VIC, 3008

17 September 2019

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 2019, 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

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787
FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Continuing operations			
Revenue from members	5	31,542,398	27,908,231
Other income - SRO Litigation	5	-	460,700
Other income	5	339,278	302,824
Total income		31,881,676	28,671,755
Less: expenses			
Depreciation and amortisation expense	6	(290,113)	(254,167)
Employee benefits expense		(22,508,775)	(20,693,166)
Occupancy expense		(1,923,095)	(2,033,342)
Marketing expense		(365,105)	(409,928)
Finance costs	6	(4,277)	(7,299)
Bad & doubtful debts expense		(290,321)	(73,727)
Information technology expense		(1,807,102)	(1,846,943)
Consultancy expense		(1,033,429)	(1,407,315)
Legal expense		(357,304)	(442,906)
Travel expense		(114,721)	(115,180)
Telephone and faxes		(171,061)	(178,242)
Other expenses		(1,048,706)	(998,463)
Total expenses		(29,914,009)	(28,460,678)
Surplus/(Deficit) for the year from continuing operations		1,967,667	211,077
Total comprehensive surplus/(deficit) for the year		1,967,667	211,077

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

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	16	21,594,155	18,214,243
Receivables	9	1,109,948	2,388,948
Other assets	8	228,119	383,871
Total current assets		22,932,222	20,987,062
Non-current assets			
Plant and equipment	7	1,340,328	1,580,000
Total non-current assets		1,340,328	1,580,000
Total assets		24,272,550	22,567,062
Current liabilities			
Payables	12	1,287,615	1,554,968
Provisions	10	2,009,681	1,824,468
Other liabilities	11	213,133	213,133
Total current liabilities		3,510,429	3,592,569
Non-current liabilities			
Payables	12	714,075	519,182
Provisions	10	176,049	187,753
Other liabilities	11	2,239,907	2,603,135
Total non-current liabilities		3,130,031	3,310,070
Total liabilities		6,640,460	6,902,639
Net assets		17,632,090	15,664,423
Accumulated Surplus			
Accumulated surplus		17,632,090	15,664,423
Total accumulated surplus		17,632,090	15,664,423

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
Accumulated Surplus		
At beginning of the year	15,664,423	15,453,346
Movements in equity - surplus / (deficit) for the year	1,967,667	211,077
Balance at the end of the year	17,632,090	15,664,423

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

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		\$	\$
Cash flow from operating activities			
Receipts from members		35,685,318	33,997,115
Payments to suppliers and employees		(32,580,082)	(24,687,164)
Interest received		329,394	224,155
Interest paid		(4,277)	(7,299)
Net cash provided by operating activities		<u>3,430,353</u>	<u>9,526,807</u>
Cash flow from investing activities			
Payment for plant and equipment		(50,441)	(255,934)
Net cash used in investing activities		<u>(50,441)</u>	<u>(255,934)</u>
Reconciliation of cash			
Cash at beginning of the financial year		18,214,243	8,943,370
Net increase in cash held		3,379,912	9,270,873
Cash at end of financial year	16	<u><u>21,594,155</u></u>	<u><u>18,214,243</u></u>

FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
Cash flows from operating activities		
Profit from ordinary activities after income tax	1,967,667	211,077
Adjustments and non-cash items		
Depreciation	290,113	254,167
Movements in provision for doubtful debts	290,321	73,727
Lease incentive through P&L	(363,228)	(363,228)
Changes in assets and liabilities		
(Increase) / decrease in receivables	988,679	7,793,095
(Increase) / decrease in other assets	155,752	50,256
Increase / (decrease) in payables	(72,460)	330,439
Increase / (decrease) in provisions	173,509	213,777
Increase / (decrease) in other liabilities	-	963,497
Cash flows from operating activities	<u><u>3,430,353</u></u>	<u><u>9,526,807</u></u>

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

FINANCIAL STATEMENTS

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 TIO is:

Telecommunications Industry Ombudsman
Level 14
717 Bourke Street
Docklands VIC 3008

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

The following new and revised IFRSs are applicable to TIO:

		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

TIO has applied IFRS 9 and IFRS 15 for the year ended 30 June 2019 and will apply IFRS 16 in the next financial year ending 30 June 2020.

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.

FINANCIAL STATEMENTS

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.

The impact of IFRS 9 to TIO's financial statements for the year ended 30 June 2019 is as follows:

Classification and measurement

All financial assets and financial liabilities had not been impacted in any material way by the change from IAS 39 to IFRS 9.

Impairment

Amounts due from members were subjected to the impairment provisions of IFRS 9 using the simplified approach that recognised lifetime expected credit losses for amounts due from members.

The application of the expected credit loss model of IFRS 9 had resulted in earlier recognition of credit losses and had increased the amount of loss allowance recognised for these items. The increase did not have any material impact on the disclosures or amounts recognised for the entity. Consequently, the provision for bad debts for trade receivables has increased from \$156,232 to \$446,552.

FINANCIAL STATEMENTS

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.

TIO has implemented a new funding model from 1 July 2018. 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.

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 TIO's current practice. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. The timing of TIO recognising revenue of each of these three performance obligations are consistent with the requirement under the new funding model from 1 July 2018.

The application of IFRS 15, using the modified approach of transition to IFRS 15, had no significant impact on the financial position and/or financial performance of TIO.

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.

FINANCIAL STATEMENTS

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

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 2019, TIO has non-cancellable operating lease commitments of \$15,616,123 (2018: \$17,644,772). 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 17.

Our assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence 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 do not anticipate 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 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 TIO comply with the IFRS as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial statements have 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.

FINANCIAL STATEMENTS

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue

From FY2019, membership fees are charged to members to fund 70 percent of the budget for the provision of TIO's independent dispute resolution services to residential consumers and small business who have unresolved complaints about their telecommunication services in Australia. The 70 percent funding requirement is allocated to members based the percentage of the number of complaints the member had in the previous year compared to the total complaints received in that year. A minimum annual fee of \$400 (before GST) and pro-rata for new members.

Case fees for handling of customers' complaints are charged to members at varying prices relative to the complexity of the case at its conclusion when the performance obligation is satisfied.

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

TIO recognises income from legal proceedings when the outcome of the proceedings is 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.

TIO as lessee

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

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

(d) Employee benefits

Short-term and other long-term employee benefits

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

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

(e) Taxation

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.

FINANCIAL STATEMENTS

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(g) Intangible assets

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

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

At the end of each reporting period, 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 TIO has a present obligation (legal or constructive) as a result of a past event, it is probable that TIO will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

FINANCIAL STATEMENTS

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Provision for make good clauses in a lease agreement

Initial recognition:

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

Subsequent measurement:

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

(i) Financial instruments

Financial assets and financial liabilities are recognised when 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.

Subsequent to initial recognition, all financial assets are measured at amortised cost and all financial liabilities are measured at fair value through profit or loss.

(j) Financial assets

Financial assets are held till contractual maturity and not for sale before maturity and are measured at amortised cost.

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.

FINANCIAL STATEMENTS

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade receivables

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

Amounts due from all members are recognised as trade receivable.

Collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established using the impairment provisions of IFRS 9 – Simplified Approach that recognised lifetime expected credit losses for amounts due from members.

(k) Financial liabilities

Financial liabilities, measured at fair value, are classified as current liabilities unless 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 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 TIO's accounting policies, which are described in note 3, the Directors of TIO are required to make judgements, estimates and assumptions about the amortised cost of assets and fair value of liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

Key estimates include:

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

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

FINANCIAL STATEMENTS

NOTE 5: REVENUE AND OTHER GAINS AND LOSSES

	2019	2018
	\$	\$
Revenue from members	<u>31,542,398</u>	<u>27,908,231</u>
Other income - SRO Litigation Settlement	<u>-</u>	<u>460,700</u>
Other income		
Interest income	336,264	287,582
Other	<u>3,014</u>	<u>15,242</u>
	<u>339,278</u>	<u>302,824</u>
	<u>31,881,676</u>	<u>28,671,755</u>

NOTE 6: PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2019	2018
	\$	\$
Finance costs		
- Bank charges	<u>4,277</u>	<u>7,299</u>
	<u>4,277</u>	<u>7,299</u>
Depreciation and amortisation expense		
Depreciation		
- Plant and equipment	119,487	88,577
- Furniture and fittings	20,532	15,494
- Leasehold	<u>150,094</u>	<u>150,096</u>
	<u>290,113</u>	<u>254,167</u>

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NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	\$	\$
Leasehold improvements		
Leasehold improvements at cost	1,475,932	1,475,932
Accumulated depreciation	<u>(400,253)</u>	<u>(250,159)</u>
	1,075,679	1,225,773
Plant and equipment		
Plant and equipment at cost	396,664	716,840
Accumulated depreciation	<u>(239,502)</u>	<u>(487,947)</u>
	157,162	228,893
Furniture, fixtures and fittings		
Furniture, fixtures and fittings at cost	144,392	141,707
Accumulated depreciation	<u>(36,905)</u>	<u>(16,373)</u>
	107,487	125,334
Total property, plant and equipment	<u>1,340,328</u>	<u>1,580,000</u>

NOTE 7: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations

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

<i>Leasehold improvements</i>		
Opening carrying amount	1,225,773	1,375,869
Depreciation expense	<u>(150,094)</u>	<u>(150,096)</u>
Closing carrying amount	<u>1,075,679</u>	<u>1,225,773</u>
<i>Plant and equipment</i>		
Opening carrying amount	228,893	149,144
Additions	47,756	168,326
Retired Assets	(367,932)	-
Retired Assets Accumulated Depreciation	367,932	-
Depreciation expense	<u>(119,487)</u>	<u>(88,577)</u>
Closing carrying amount	<u>157,162</u>	<u>228,893</u>
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	125,334	53,220
Additions	2,685	87,608
Depreciation expense	<u>(20,532)</u>	<u>(15,494)</u>
Closing carrying amount	<u>107,487</u>	<u>125,334</u>

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NOTE 8: OTHER ASSETS

	2019	2018
	\$	\$
CURRENT		
Prepayments	221,249	320,444
Accrued Interest Revenue	6,870	63,427
	<u>228,119</u>	<u>383,871</u>

NOTE 9: TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade debtors	769,066	1,065,487
Provision for doubtful debts	(446,552)	(156,232)
	<u>322,514</u>	<u>909,255</u>
Accrued income	787,434	1,479,693
Total Trade and Other Receivables	<u>1,109,948</u>	<u>2,388,948</u>

	2019	2018
	\$	\$
<u>Movement in the allowance for doubtful debts</u>		
Balance at the beginning of the year	156,232	201,752
Impairment losses recognised on receivables	290,320	76,787
Amounts written off during the year as uncollectable	-	(122,307)
Balance at the end of the year	<u>446,552</u>	<u>156,232</u>

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	2019	2018
	\$	\$
<u>Age of receivables that are past due but not impaired</u>		
60-90 days	7,730	13,288
91-120 days	3,382	5,682
121+ days	126,299	24,262
Total	<u>137,411</u>	<u>43,232</u>

<u>Age of receivables that are past due and impaired</u>		
60-90 days	5,376	7,009
91-120 days	1,452	8,856
121+ days	227,773	122,980
Total	<u>234,601</u>	<u>138,845</u>

NOTE 10: PROVISIONS

	2019	2018
	\$	\$
CURRENT		
Employee benefits	<u>2,009,681</u>	<u>1,824,468</u>
NON CURRENT		
Employee benefits	<u>176,049</u>	<u>187,753</u>
Total employee benefit liability	<u>2,185,730</u>	<u>2,012,221</u>
 Number of employees at year end	 228	 217

NOTE 11: OTHER LIABILITIES

	2019	2018
	\$	\$
CURRENT		
Unearned lease incentives	<u>213,133</u>	<u>213,113</u>
NON CURRENT		
Unearned lease incentives	<u>2,239,907</u>	<u>2,603,135</u>

FINANCIAL STATEMENTS

NOTE 12: TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	281,941	698,373
Sundry creditors and accruals	1,005,674	856,595
	<u>1,287,615</u>	<u>1,554,968</u>
NON CURRENT		
Straight line lease provision	<u>714,075</u>	<u>519,182</u>

NOTE 13: 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:

	2019	2018
	\$	\$
Financial assets		
Cash and cash equivalents	21,594,155	18,214,243
Receivables	1,109,948	2,388,948
	<u>22,704,103</u>	<u>20,603,191</u>
Financial liabilities		
Creditors	281,941	698,373
Other payables	1,005,674	856,595
	<u>1,287,615</u>	<u>1,554,968</u>

	2019	2018
	\$	\$
Credit standby arrangements with banks		
Credit facility	300,000	300,000
Amount utilised	(3,725)	(5,625)
Unused credit facility	<u>296,275</u>	<u>294,375</u>

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NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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:

Financial instruments	Interest bearing	Non interest bearing	Total amortised cost	Weighted average effective interest rate	Interest rate type
	\$	\$	\$		
2019					
<i>Financial assets</i>					
Cash	7,201,036	500	7,201,536	0.15%	Floating
Cash on deposit	14,392,619	-	14,392,619	2.28%	Floating
Trade and other receivables	-	1,109,948	1,109,948	0.00%	
	21,593,655	1,110,448	22,704,103		
<i>Financial liabilities</i>					
Trade creditors	-	281,941	281,941	0.00%	
Other payables	-	1,005,674	1,005,674	0.00%	
	-	1,287,615	1,287,615		
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		

Sensitivity

The main risk arises from cash and cash equivalents, and the interest income they derive.

The aggregate net fair value and amortised cost of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

FINANCIAL STATEMENTS

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk that a debtor will not repay all or a portion of an amount outstanding in a timely manner and therefore will cause a loss to 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 amortised cost 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 9. 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.

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, 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 amortised cost as disclosed in statement of financial position and notes to financial statements.

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NOTE 14: RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Compensation received by key management personnel of the company

	2019	2018
	\$	\$
Short-term employee benefits	<u>1,268,440</u>	<u>2,333,711</u>

In late November 2018, the Ombudsman restructured the Senior Leadership Team. The composition of key management personnel was reassessed to include only Executive level and the Company Secretary role.

The remuneration of the Directors was 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 van Beelen, is an employee of Telstra Corporation. TIO invoiced Telstra Corporation Ltd and related entities for \$16,117,103 (2018: \$15,926,233) during the year for complaint handling fees. Telstra Corporation invoiced TIO for \$9,049 (2018: \$14,204) for the provision for telecommunication services during the year.
- (ii) One current Director, A Sheridan, is an employee of SingTel Optus Pty Ltd. TIO invoiced SingTel Optus Pty Ltd \$6,622,088 (2018: \$7,139,482) during the year for complaint handling fees. SingTel Optus Pty Ltd and related entities invoiced TIO for \$155,399 (2018: \$144,909) 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 15: REMUNERATION OF THE AUDITORS

	2019	2018
	\$	\$
- Audit of the financial report	<u>60,920</u>	<u>55,860</u>

Deloitte Touche Tohmatsu is the auditor

NOTE 16: CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
CURRENT		
Cash on hand	500	500
Cash at bank	7,201,036	3,910,555
Cash on deposit	<u>14,392,619</u>	<u>14,303,188</u>
	<u>21,594,155</u>	<u>18,214,243</u>

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NOTE 17: OPERATING LEASE ARRANGEMENT

TIO as a Lessee - Leasing arrangements

Operating leases relate to floor space for Level 7 and Level 14, 717 Bourke Street, Docklands and various items of IT equipment.

	2019	2018
	\$	\$
<u>Payments recognised as an expense</u>		
Minimum lease payments	2,028,649	975,234
<u>Non-cancellable operating lease commitments</u>		
- not later than one year	1,962,985	2,028,649
- later than one year and not later than five years	8,524,849	8,245,419
- later than 5 years	5,128,289	7,370,704
	<u>15,616,123</u>	<u>17,644,772</u>

NOTE 18: CONTINGENT LIABILITIES

TIO has no contingent liabilities.

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report, there are no matter or circumstance that has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations of 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.

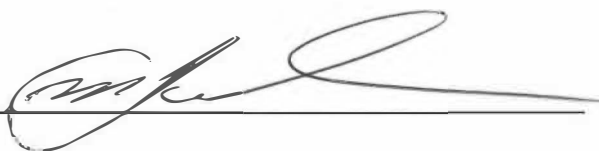
DIRECTORS' DECLARATION

The Directors declare that:

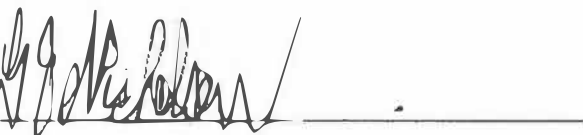
- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated 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 17 day of September 2019

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 2019, 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 39.

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 2019 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 2019 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.



DELOITTE TOUCHE TOHMATSU



Ryan Hansen
Partner
Chartered Accountants
Melbourne, 17 September 2019