

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

Financial Report
For the year ended 30 June 2020

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

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DIRECTORS' REPORT

Your Directors present their report of Telecommunications Industry Ombudsman Limited (**TIO**) for the year ended 30 June 2020.

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 includes:

- (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 investigating and resolving telecommunications complaints from residential and small business consumers of telecommunications services. The principal activity directly discharges the stated objects of TIO.

New strategy

The company has adopted a new three-year strategy, designed to deliver on the purpose of providing fair, independent, and accessible dispute resolution services and improve outcomes for consumers and members. Over the next three years, the company will be focusing on five strategic goals: working with members to reduce complaints and improve practices, leveraging the power of our people to strengthen capability and performance, creating a great consumer and member experience, expanding services with innovative solutions and technology, and using data and insights to influence policy and shape public debate.

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.

DIRECTORS' REPORT

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 the 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. Following the retirement of the previous Independent Chair, Ms Patricia Faulkner AO, in July 2019, the Board appointed The Hon. Michael Lavarch AO as Independent Chair. In November 2019, the Board appointed Ms Julie Hamblin as an Independent Director with Not-For-Profit Governance Experience to fill the vacancy created by Mr Lavarch.

During the year Ms Catriona Lowe, Director with Consumer Experience, resigned from the Board and Mr John Lindsay's term 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 2020, the Board reappointed Mr John Lindsay as a Director with Industry Experience and Ms Catherine Wolthuizen 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, and the Senior Leadership Team.

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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
Professor The Hon. Michael Lavarch AO, LLB	Mr 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 on the Alcohol Beverages Advertising Code adjudication panel, and Chair of Way Forward Debt Solutions. He is Co-Chair of the Queensland Treaty Consultation Panel and a director of the Catholic Professional Standards Limited. In 2012, Mr Lavarch 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)
Paul J Harrison <i>PhD, GAICD, MAM</i>	Dr Harrison is the Unit Chair and Senior Lecturer of Marketing and Consumer Behaviour (MBA), Deakin University, and Deputy Director of Deakin Business School's MBA Program. He is also Visiting Professor of Marketing and Governance, Università Cattolica del Sacro Cuore, Milan. Dr Harrison is also a member of the Consumer Advisory Committee of Consumer Affairs Victoria and an Advisory Board Member for The Nourish Network. Dr Harrison researches and writes in the fields of consumer behaviour, behavioural economics, and consumer policy, and his work is published widely, both nationally and internationally.	Director with Consumer Experience (from 26 February 2014)
John Lindsay <i>GAICD, MACS</i>	Mr 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 Pty Ltd, hosting enterprise ecommerce in the cloud, Redflow Ltd, designing and building an innovative electrical energy storage battery and Uniti Group Ltd, a national ISP based in Adelaide. John is also a member of the SA Government InfrastructureSA COVID-19 Digital Sector Recovery Sub-Committee. Mr Lindsay has over 20 years' experience building and managing ISPs including Chariot, Internode and iiNet Ltd. He is also a graduate member of the Australian Institute of Company Directors.	Director with Industry Experience (from 26 February 2017)

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Director	Experience	Responsibility
Geoff J Nicholson <i>BEC, MBA, FCA, GAICD, CSEP</i>	Mr Nicholson is a Director of United Energy Distribution Holdings Limited and Athletics Australia Limited. He is Trustee of the R E Ross Trust and Chair of its fully owned subsidiary Hillview Quarries Pty Ltd. He is a consultant to Bourne Digital Pty Ltd and Endeavour Energy, New South Wales, as well as being a member of Endeavour Energy's Audit and Risk Committee. Mr Nicholson'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.	Independent Director with Commercial Governance Experience (from 26 February 2016)
Gordon P Renouf <i>BA, LLB</i>	Mr Renouf is Chair of the Australian Securities and Investments Commission's Consumer Advisory Panel, Deputy Chair of the Consumers' Federation of Australia and of Justice Connect. He is also CEO of Good On You Pty Ltd, and a member of the Banking Code Compliance and Monitoring Committee. 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.	Director with Consumer Experience (from 26 February 2015)
Jane van Beelen <i>BEC, LLB, Grad Dip (Legal Practice), GAICD</i>	Ms van Beelen is Compliance & Regulatory Affairs Executive, Telstra Corporation Limited, having worked in Regulatory Affairs for over 20 years.	Director with Industry Experience (from 26 February 2019)
Andrew Sheridan <i>CA, MA (Hons)</i>	Mr 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)

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DIRECTORS' REPORT

Director	Experience	Responsibility
<p>Julie Hamblin <i>BA, LLB (Hons) (Syd), LLM (McGill), FAICD</i></p>	<p>Ms Hamblin has many years' experience as a non-executive director working across a range of sectors. She chairs the Boards of Autism Spectrum Australia and Maluk Timor Australia, is Deputy Chair of Plan International Australia and an independent Board member of the Royal Australian and New Zealand College of Obstetricians and Gynaecologists. She is also Deputy Chair of the Australian Research Integrity Committee.</p> <p>A former partner of HWL Ebsworth, she worked for more than 25 years as a lawyer and policy consultant in the health, disability and not-for-profit sectors, specialising in governance and risk. She has a particular interest in global health having worked with the United Nations Development Programme and other organisations on projects relating to public health and HIV/AIDS in more than 20 countries in Asia, the Pacific, Africa and Eastern Europe.</p>	<p>Independent Director with Not-for-Profit Governance Experience (from 12 November 2019)</p>
<p>Catherine Wolthuizen <i>BA (Hons), LLB</i></p>	<p>Ms Wolthuizen brings her experience as a consumer advocate, consultant and ombudsman to the Board. She is an independent consumer representative to the Australian Financial Complaints Authority and is Chair of the Consumer Policy Research Centre, a specialist consumer policy think-tank with a particular focus on regulated markets and data ethics and regulation.</p> <p>Ms Wolthuizen is Chair of the Economic Abuse Reference Group, an Australia-wide network of community and consumer organisations dedicated to reducing family violence and economic abuse and also consults to NAB as its Customer Advocate, advising the bank on fair treatment of its customers.</p> <p>Ms Wolthuizen is a Consumer Director for the Victorian Legal Services Board, and is Chair of that organisation's Consumer Advisory Committee.</p> <p>Ms Wolthuizen was previously an Ombudsman and Head of Market Affairs at the UK's Financial Ombudsman Service, and is a former CEO of the Consumer Law Centre Victoria (which later became the Consumer Action Legal Centre). She was Senior Policy Officer at Choice, and is a former Chair of the Consumers Federation of Australia. Her overseas experience includes running an international human rights NGO, Fair Trials, and the UK's whistleblower NGO as well as helping establish the UK's consumer financial capability service.</p>	<p>Independent Director with Consumer Experience (from 18 February 2020)</p>

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DIRECTORS' REPORT

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

Director	Experience	Responsibility
Patricia M Faulkner AO <i>BA, Dip Ed, MBA, FIPAA</i>	<p>Ms Faulkner's career spanned the most senior levels of both the public and private sectors. She was a CEO of large and complex government departments and a Partner in a major advisory firm (KPMG).</p> <p>Ms Faulkner 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, Ms Faulkner 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>Ms Faulkner 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. She was awarded the degree of Doctor of Laws honoris causa by Monash University in September 2013.</p>	Independent Chair (from 26 February 2014 to 14 July 2019)
Catriona E Lowe <i>LLB</i>	<p>Ms Lowe was 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 to 31 January 2020)

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Information on Company Secretary

Company Secretary	Experience	Responsibility
Gerard Dell'Oste <i>BBus, FCPA, FAICD</i>	Mr Dell'Oste 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 not-for-profit organisation.	Company Secretary (from 5 July 2019) (and 17 August 2017 to 31 October 2018)
Gayle Neville-Hill <i>BEC, LLB, LLM, FICSA, FGIA, MAICD</i>	Ms Neville-Hill was 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)

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. The last external evaluation was undertaken in late 2018 by the Australian Institute of Company Directors.

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.

The Chief Financial Officer, Executive Director Shared Services and Company Secretary and the Ombudsman attend all Board meetings while other members of the Senior Leadership Team attend meetings of the Board by invitation.

Attendance at Board and standing Board committee meetings during FY2020 is set out in the table on the following page.

DIRECTORS' REPORT

Board and Standing Board Committee Attendance in FY2020

	Board		Audit, Finance, Risk & Compliance		Nominations		People	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Lavarch (Chair)	6	6	4	4	4	4	3	3
P J Harrison	6	5					3	3
J Lindsay	6	6	4	4	1	1		
C Lowe	3	3						
G J Nicholson	6	6	4	4			2	2
G P Renouf	6	6	4	4	4	4		
A Sheridan	6	5					3	2
J van Beelen	6	6	4	4	3	3		
J C Hamblin	3	3					1	1
C Wolthuizen	2	2						

Board Committees

The Board has three 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 regularly reviewed, 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 an internal audit plan;
- (f) monitors management of risk, including through the regular review of the company risk register; and
- (g) monitors management of compliance with relevant legislative and regulatory obligations, including breach reporting and compliance assurance.

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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 2020.

Audit, Finance, Risk and Compliance Committee Members

Name	Category	Status	Attendance
G J Nicholson (Chair)	Independent	Member for Whole Period	4/4
M Lavarch	Independent	Member for Whole Period	4/4
J Lindsay	Industry Experience	Member for Whole Period	4/4
G P Renouf	Consumer Experience	Member for Whole Period	4/4
J van Beelen	Industry Experience	Member for Whole Period	4/4

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 its Charter: the Independent Chair is the Chair of the Committee, and its members comprise the following Board appointees:

- (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).

Nominations Committee Members

Name	Category	Status	Attendance
M Lavarch	Independent	Member for Whole Period	4/4
G P Renouf	Consumer Experience	Member for Whole Period	4/4
J van Beelen	Industry Experience	Member for Whole Period	3/3
J Lindsay (Alternate for J van Beelen)	Industry Experience	Member for Part Period	1/1
U Lawrence (Alternate for T Corbin and Nominee of ACCAN)	External	Member for Whole Period	4/4
J Stanton (Nominee of Communications Alliance)	External	Member for Whole Period	4/4

The Nominations Committee:

- (a) determines the process for recruiting Directors; and
- (b) interviews and recommends to the Board suitable candidates for any vacant Board positions.

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The Nominations Committee undertook the recruitment process for Board vacancies in 2019 and 2020. The Committee convened in 2019 to consider applications for Board vacancies and recommend candidates for the positions of Independent Director with Not-for-Profit Governance Experience, Director with Consumer Experience and Director with Industry Experience. Ms Julie Hamblin and Ms Catherine Wolthuizen were appointed as Director with Not-for-Profit Governance Experience and Director with Consumer Experience respectively, and Mr John Lindsay was reappointed as the Director with Industry Experience.

People Committee

Name	Category	Status	Attendance
M Lavarch (Chair)	Independent	Member for Whole Period	3/3
GJ Nicholson	Independent	Member up to 24 March 2020	2/2
PJ Harrison	Consumer Experience	Member for Whole Period	3/3
A Sheridan	Industry Experience	Member for Whole Period	2/3
J Hamblin	Independent	Member from 24 March 2020	1/1

The People Committee was re-established in March 2019 as a result of recommendations from the independent Board Evaluation undertaken in late 2018. The Committee assists the Board in fulfilling its governance and oversight responsibilities relating to the people, remuneration and culture of the TIO.

The key responsibilities of the People Committee include:

- (a) Reviewing and recommending remuneration of Directors.
- (b) Monitoring the skills and capability of Board members and advising the Board on tenure and succession planning.
- (c) Recommending to the Board a performance evaluation methodology or form of assessment of the Board including the involvement of external assistance if desired.
- (d) Oversight of the Director induction program.
- (e) Oversight of the overall People and Culture strategy.
- (f) Oversight of remuneration and incentive policies.
- (g) Recommending to the Board the terms and conditions of the Ombudsman's employment contract.
- (h) Making recommendations to the Board on the Enterprise Agreement strategy.
- (i) Oversight of workplace health and safety policies and programs.

DIRECTORS' REPORT

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 to 14 July 2019)
P J Harrison	Director
J Lindsay	Director
C Lowe	Director (resigned effective 31 January 2020)
G J Nicholson	Director
G P Renouf	Director
A Sheridan*	Director
J van Beelen*	Director
J C Hamblin	Director
C Wolthuizen	Director
*Declined to receive Directors' fees	
J Jones	Ombudsman
G Dell'Oste	Executive Director Shared Services, Chief Financial Officer and Company Secretary Company Secretary (reappointed 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)

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.

DIRECTORS' REPORT

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 for privacy complaints.

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 about services provided by the TIO scheme. TIO's Compliments and Complaints Policy is available on the TIO website.

Whistleblower Protection

TIO does not tolerate employees 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.

The Board adopted a revised Whistleblowing Policy in September 2019 to comply with the Treasury Laws Amendment (Enhancing Whistleblower Protections) Bill 2019 (Cth) which came into effect on 1 January 2020. In February 2020, the Board ratified a further updated Whistleblowing Policy to comply with the ASIC Regulatory Guide 270 released in November 2019.

The Board and Senior Leadership Team undertook external training on the requirements of the Whistleblower legislation and their specific obligations as Eligible Recipients. All employees will undertake internal training.

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 Ms Isabelle Lefevre. The Auditor's Independence Declaration follows the Directors' report.

RISK MANAGEMENT FRAMEWORK

The Board is committed to managing 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. The Board receives regular reports from management on the status of strategic risks identified.

DIRECTORS' REPORT

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 and the TIO Senior Leadership Team.

ENVIRONMENTAL ISSUES

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

EQUALITY, DIVERSITY & INCLUSION

The Board values and is committed to equality, diversity and inclusion (EDI) at the TIO. The TIO respects all kinds of diversities and is absolutely committed to being inclusive. The TIO recruits, develops, compensates, and promotes people regardless of ethnicity, religion, national origin, gender, sex, sexuality, intersex variation, disability, age, and life experience.

The TIO has in place strategies and policies to support EDI in relation to workplace conduct, flexible working hours, parental leave, recruitment practices and remuneration. Policies directed at preventing sexual harassment, discrimination, bullying and victimisation in the workplace are also embedded. Processes, set out in the policies, assist and proactively support the prevention of conscious and unconscious bias within the organisation.

The TIO reports annually to the Workplace Gender Equity Agency. The TIO's remuneration gap analysis has not identified any significant gender pay gaps.

OPERATING RESULTS

TIO recorded an operating surplus of \$797,051 for the year ended 30 June 2020.

The results for the year are as follows:

Year	Total Income \$	Total Expenditure \$	Surplus \$
FY2020	32,881,196	32,084,145	797,051
FY2019	31,881,676	29,914,009	1,967,667

REVIEW OF OPERATIONS

The surplus of \$0.797M in FY2020 was a reduction from a large surplus of \$1.968M in FY2019. Total revenue was \$1.000M or 3.1% higher than FY2019, mainly due to increased member revenue from a significant reduction of a high volume of unresolved complex referrals. Total expenditure for the year was \$32.084M reflecting a \$2.170M or 7.3% increase on FY2019. The higher spend was directed towards improving IT infrastructure, introducing robotic process automation, implementing a new human resources system and increased resources for systemics, reporting and queue management. The organisation also commenced a project to assess the replacement of key technology infrastructure for complaints management, finance, and data warehousing.

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The 2020 global pandemic brought major challenges for members and for the Telecommunications Industry Ombudsman (TIO). In March 2020, the TIO temporarily closed its offices in Melbourne but continued to deliver its services, with all employees working from home. The priority was the wellbeing of our employees to ensure they were fully supported in the transition to remote working. This priority continues as we have continued to work from home. The organisation's business continuity plan was put into action with upgrades to our IT infrastructure to provide the infrastructure and tools to allow normal operations to continue in work from home environments. The transition and remote working impacted several activities planned in FY2020 which resulted in lower expenditure and contributed to the surplus for the year.

Other important events during the year included:

- the Australian Communications and Media Authority's (ACMA) publication of data collected under its Record Keeping Rules. These reports contain complaints data supplied by providers with more than 30,000 services in operation to the ACMA on a quarterly basis.
- the new Telecommunications Consumer Protections Code took effect from 1 August 2019. This Code provides increased consumer protections including selling practices, credit assessment, financial hardship, and assistance for vulnerable consumers.
- signing of revised Memoranda of Understanding with the regulators ACMA and Australian Competition and Consumer Commission (ACCC). These revised agreements enhance the sharing of information between TIO, ACMA and ACCC on compliance with consumer law, enforcement and systemic issues.

Total Complaint Handling Transactions

Complaint handling transactions for FY2020 are presented below.

Year	Enquiries	Referrals	Fast Track Resolution	Direct Resolution	Standard Resolution	Advanced Resolution	Complex Resolution	Land Access	Total Contacts
FY2020	38,419	128,169	1,680	6,948	5,560	2,125	387	19	183,307
FY2019	40,542	133,164	2,369	3,975	4,384	1,283	96	14	185,827
% Change	-6%	-4%	-41%	43%	21%	40%	75%	26%	-1%

Employees

The number of employees at year end was 246, compared to 223 at the end of FY2019.

To manage fluctuations in demand services, TIO maintained an agile workforce by adopting several strategies which included:

- using agency, casual and part time employees to increase resourcing in times of high demand;
- developing a team of officers within TIO who can be seconded from support to operational areas to deal with sudden demand increases; and
- the use of overtime for queue management.

DIRECTORS' REPORT

Debt Recovery

Bad debts written-off during the financial year were \$146,439 (FY2019 \$nil). Provision for bad debts at the end of the year was \$407,230 (FY2019 \$446,552). Doubtful debt provisioning is based on Accounting Standard AASB 9 *Financial Instruments* – Simplified Approach that requires TIO to recognise the expected credit loss of the receivables based on TIO's historical experience in the past 36 months. Additional details of Receivables are reported in Notes to Financial Statement 3(h).

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.

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 1,390 service providers as members and 50 service providers, within the cessation period, leaving the scheme. During the financial year, 224 entities were assessed for potential membership, 194 members joined TIO, 322 members departed, and 15 entities were referred to the Australian Communications and Media Authority (ACMA) for non-compliance with the legislation. Since referral to ACMA, 8 of these entities have since joined, 5 were deemed not required to join, and 2 are under investigation.

Communication with Members

During FY2020 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. The Policy and Systemics team works with providers to improve services and reduce complaints.

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

The Member Portal (launched in February 2019) provides members with access to online training resources, complaint handling guides, reports and invoices. Other functions include an Event Calendar, Training and Webinars, TIO processes and FAQ's.

Webinars and Training

The "Let's Talk!" webinar series (which commenced in May 2019) continued for FY2020 with a further 6 webinars held. Each webinar session was attended by over 100 members and focused on the complaint handling procedures and soft skills for complaint handling. The webinar series will continue into FY2020/21.

A series of Induction and Training videos for new and existing members was released in November 2019. The series focused on the purpose and role of the TIO, our complaint handling procedures and the obligations of being a telecommunications service provider.

DIRECTORS' REPORT

Member Forums

A National Member Forum was held by webinar in September 2019. The Ombudsman presented at the forum focusing on highlights from the Annual Report. The forum included other topics such as: our purpose, benchmarks for industry-based customer disputes, and our experience of the industry through complaint handling.

Member forums for Melbourne, Perth, Adelaide, Sydney and Brisbane were planned for April/May 2020. The forums were placed on-hold during the COVID-19 pandemic.

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 2020 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 15th day of September 2020

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

15 September 2020

Dear Members of the Board,

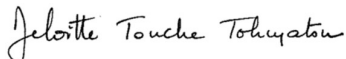
Auditor's Independence Declaration – Telecommunications Industry Ombudsman Limited

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 2020, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Isabelle Lefevre
Partner
Chartered Accountants

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787
FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
<u>Continuing operations</u>			
Revenue from members	5	32,645,331	31,542,398
Other income	5	235,865	339,278
Total income		32,881,196	31,881,676
Less: expenses			
Depreciation expense	6	(1,362,785)	(290,113)
Employee benefits expense		(24,866,960)	(22,508,775)
Occupancy expense		(737,942)	(1,923,095)
Marketing expense		(192,359)	(365,105)
Finance costs	6	(285,298)	(4,277)
Bad & doubtful debts expense	10	(107,117)	(290,321)
Information technology expense		(1,850,175)	(1,807,102)
Consultancy expense		(1,296,223)	(1,033,429)
Legal expense		(215,204)	(357,304)
Travel expense		(81,435)	(114,721)
Telephone and faxes		(297,828)	(171,061)
Other expenses		(790,819)	(1,048,706)
Total expenses		(32,084,145)	(29,914,009)
Surplus for the year from continuing operations		797,051	1,967,667
Total comprehensive surplus for the year		797,051	1,967,667

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 2020

	Note	2020	2019
		\$	\$
Current assets			
Cash and cash equivalents	17	7,974,896	7,594,155
Other short-term investments	18	14,000,000	14,000,000
Receivables	10	1,421,096	1,109,948
Other assets	9	439,355	228,119
Total current assets		23,835,347	22,932,222
Non-current assets			
Plant and equipment	7	1,205,696	1,340,328
Right-of-Use Assets	8	6,527,496	-
Total non-current assets		7,733,192	1,340,328
Total assets		31,568,539	24,272,550
Current liabilities			
Payables	13	1,010,825	1,287,615
Lease liabilities	8	1,315,164	-
Provisions	11	2,067,258	2,009,681
Other liabilities	12	-	213,133
Total current liabilities		4,393,247	3,510,429
Non-current liabilities			
Payables	13	-	714,075
Lease liabilities	8	8,360,658	-
Provisions	11	385,493	176,049
Other liabilities	12	-	2,239,907
Total non-current liabilities		8,746,151	3,130,031
Total liabilities		13,139,398	6,640,460
Net assets		18,429,141	17,632,090
Accumulated Surplus			
Accumulated surplus		18,429,141	17,632,090
Total accumulated surplus		18,429,141	17,632,090

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
Accumulated Surplus		
At beginning of the year	17,632,090	15,664,423
Movements in equity - surplus for the year	797,051	1,967,667
Balance at the end of the year	18,429,141	17,632,090

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 2020

	Note	2020	2019
		\$	\$
Cash flow from operating activities			
Receipts from members		35,504,343	35,685,318
Cash Grant from Federal Government		50,000	-
Payments to suppliers and employees		(33,674,822)	(32,580,082)
Interest component of lease liabilities		(281,086)	-
Interest received		183,555	329,394
Bank charges paid		(4,212)	(4,277)
Net cash provided by operating activities		<u>1,777,778</u>	<u>3,430,353</u>
Cash flow from investing activities			
Payment for plant and equipment		(169,641)	(50,441)
Net cash used in investing activities		<u>(169,641)</u>	<u>(50,441)</u>
Cash flow from financing activities			
Payment of principal component of lease liabilities		(1,227,396)	-
Net cash provided by/(used in) financing activities		<u>(1,227,396)</u>	<u>-</u>
Reconciliation of cash			
Cash at beginning of the financial year		7,594,155	4,214,243
Net increase in cash held		380,741	3,379,912
Cash at end of financial year	17	<u><u>7,974,896</u></u>	<u><u>7,594,155</u></u>

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
Cash flows from operating activities		
Profit from ordinary activities after income tax	797,051	1,967,667
Adjustments and non-cash items		
Depreciation expenses	1,362,785	290,113
Movements in provision for doubtful debts	107,117	290,321
Lease incentive through P&L	-	(363,228)
Changes in assets and liabilities		
(Increase) / decrease in receivables	(418,265)	988,679
(Increase) / decrease in other assets	(211,236)	155,752
Increase / (decrease) in payables	(126,695)	(72,460)
Increase / (decrease) in provisions	267,021	173,509
Cash flows from operating activities	<u><u>1,777,778</u></u>	<u><u>3,430,353</u></u>

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

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

NOTES TO THE 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 registered office of TIO is:

Telecommunications Industry Ombudsman
Level 14
717 Bourke Street
Docklands VIC 3008

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards, and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of TIO comply with International Financial Reporting Standards (IFRS), except for the requirements applicable to not-for-profit organisations.

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 in Note 3.

NOTE 2: APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS (AASB)

AASB 16 Leases

TIO has adopted AASB 16 *Leases* ("AASB 16") from 1 July 2019 for the operating lease for Level 14, 717 Bourke Street, Docklands that expires on 31 August 2026.

The standard replaces AASB 117 *Leases* ("AASB 117") and for lessees, eliminates the classifications of operating lease and finance lease. TIO has applied the cumulative catch-up approach which:

- Requires TIO to recognise the cumulative effect of initially applying AASB 16 at 1 July 2019.
- Does not permit restatement of comparatives, which continue to be presented under AASB 117.

Impact of the new definition of a lease

TIO has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those leases entered or changed before 1 July 2019.

TIO applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or lease in the lease contract). In preparation for the first-time application of AASB 16, TIO has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for TIO.

NOTE 2: APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS (AASB) (continued)**AASB 16 Leases (continued)***Impact on lessee accounting*

AASB 16 changes how TIO accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments. Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities. Depreciation charge for the right-of-use assets and interest expenses on the lease liabilities replace the straight-line operating lease expense.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

The standard is not applicable to short-term leases (lease term of 12 months or less) and leases of low value assets. Lease expenses for these leases are recognised when due.

Financial impact of initial adoption of AASB 16

The impact of adoption on assets and liabilities as at 1 July 2019 were as follows:

	1 JULY 2019
	\$
Operating lease commitments as 1 July 2019 under AASB 117 (Note 19)	15,616,123
Short term lease for office equipment	(8,850)
Future payments for non-lease components, including outgoings and services	(3,501,510)
Adjustment for car parking lease component at 1 July 2019	(59,864)
Effect of discounting at weighted average incremental borrowing rate of 2.75%	<u>(1,142,681)</u>
Lease Liabilities at 1 July 2019	10,903,218
Unearned lease incentives (Note 12)	(2,453,040)
Other lease incentives (Note 13)	(150,095)
Straight line lease provision (Note 13)	<u>(714,075)</u>
Right-of-use Assets at 1 July 2019	<u>7,586,008</u>

The adoption will in effect increase expenses in earlier periods of the lease compared to lease expense under AASB 117. Operating lease expense is now replaced by depreciation and interest expense. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 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.

AASB 16 had an impact on the current year. As at 30 June 2020, total liabilities were increased by \$9.676M (attributable to current lease liabilities of \$1.315M and non-current lease liabilities of \$8.361M) and net assets were reduced by \$3.149M (attributable to right-of-use assets of \$6.527M offset by lease liabilities), with no adjustment to opening retained earnings.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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) Revenue

From 1 July 2018, 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 calendar year compared to the total complaints received in that year. A minimum annual fee of \$400 (before GST) is charged 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.

(b) 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.

(c) 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.

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.

(d) 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Property, plant and equipment (continued)**

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.

(e) Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever TIO incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

(f) 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.

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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) 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.

(h) 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.

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.

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 AASB 9 *Financial Instruments – Simplified Approach* that recognised lifetime expected credit losses for amounts due from members.

(i) 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.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

NOTES TO THE FINANCIAL STATEMENTS

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 the 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.
- The assessment for the provision for doubtful debts.
- The assessment of the useful life of fixed assets.

Note 5: REVENUE AND OTHER GAINS AND LOSSES

	2020 \$	2019 \$
Revenue from members	32,645,331	31,542,398
Other income		
Interest income	185,583	336,264
Government COVID-19 cash boost grant	50,000	-
Other	282	3,014
	235,865	339,278
Total Income	32,881,196	31,881,676

The federal government grant was given to small and medium businesses and not-for-profit organisations during the economic downturn associated with COVID-19. TIO has recognised the cash grant for the year ended 30 June 2020 as income.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

NOTES TO THE FINANCIAL STATEMENTS

Note 6: SURPLUS FOR THE YEAR FROM CONTINUING OPERATIONS

Surplus before income tax has been determined after:

	2020	2019
	\$	\$
Finance costs		
- Bank charges	4,212	4,277
- Interest on lease liabilities	281,086	-
	<u>285,298</u>	<u>4,277</u>
 Depreciation expenses		
- Plant and equipment	129,066	119,487
- Furniture and fittings	25,113	20,532
- Leasehold	150,094	150,094
- Right-of-use Assets	1,058,512	-
	<u>1,362,785</u>	<u>290,113</u>

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

NOTES TO THE FINANCIAL STATEMENTS

Note 7: PROPERTY, PLANT AND EQUIPMENT

	2020 \$	2019 \$
Leasehold improvements		
Leasehold improvements at cost	1,475,932	1,475,932
Accumulated depreciation	(550,347)	(400,253)
	<u>925,585</u>	<u>1,075,679</u>
Plant and equipment		
Plant and equipment at cost	512,495	396,664
Accumulated depreciation	(368,568)	(239,502)
	<u>143,927</u>	<u>157,162</u>
Furniture, fixtures and fittings		
Furniture, fixtures and fittings at cost	198,202	144,392
Accumulated depreciation	(62,018)	(36,905)
	<u>136,184</u>	<u>107,487</u>
Total property, plant and equipment	<u><u>1,205,696</u></u>	<u><u>1,340,328</u></u>

(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	1,075,679	1,225,773
Additions	-	-
Depreciation expense	(150,094)	(150,094)
Closing carrying amount	<u>925,585</u>	<u>1,075,679</u>

Plant and equipment

Opening carrying amount	157,162	228,893
Additions	115,831	47,756
Retired Assets	-	(367,932)
Retired Assets Accumulated Depreciation	-	367,932
Depreciation expense	(129,066)	(119,487)
Closing carrying amount	<u>143,927</u>	<u>157,162</u>

Furniture, fixtures and fittings

Opening carrying amount	107,487	125,334
Additions	53,810	2,685
Depreciation expense	(25,113)	(20,532)
Closing carrying amount	<u>136,184</u>	<u>107,487</u>

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787
NOTES TO THE FINANCIAL STATEMENTS

Note 8: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use Assets

	2020	2019
	\$	\$
Right-of-use Assets	7,586,008	-
Accumulated amortisation	(1,058,512)	-
Total Right-of-use Assets	<u>6,527,496</u>	<u>-</u>

Reconciliations

Reconciliation of the carrying amounts of Right-of-Use assets at the beginning and end of the current financial year.

	2020	2019
	\$	\$
<i>Right-of-use Assets</i>		
Opening balance	7,586,008	-
Additions	-	-
Amortisation expense	(1,058,512)	-
Closing balance	<u>6,527,496</u>	<u>-</u>

(b) Lease Liabilities

	2020	2019
	\$	\$
Lease Liabilities		
Current	1,315,164	-
Non-current	8,360,658	-
	<u>9,675,822</u>	<u>-</u>

Lease Liabilities maturing :

	2020	2019
	\$	\$
Year 1	1,561,279	-
Year 2	1,615,923	-
Year 3	1,672,481	-
Year 4	1,731,018	-
Year 5	1,791,603	-
Onwards	2,165,113	-
	<u>10,537,417</u>	<u>-</u>
Less: Unearned interest	(861,595)	-
	<u>9,675,822</u>	<u>-</u>

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787
NOTES TO THE FINANCIAL STATEMENTS

Note 9: OTHER ASSETS

	2020	2019
	\$	\$
CURRENT		
Prepayments	370,357	221,249
Accrued Interest Revenue	8,898	6,870
Rental Bond	60,100	-
	<u>439,355</u>	<u>228,119</u>

Note 10: TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Trade debtors	848,926	769,066
Provision for doubtful debts	(407,230)	(446,552)
	<u>441,696</u>	<u>322,514</u>
Other receivables	979,400	787,434
Total Trade and Other Receivables	<u>1,421,096</u>	<u>1,109,948</u>

	2020	2019
	\$	\$
<u>Movement in the allowance for doubtful debts</u>		
Balance at the beginning of the year	446,552	156,232
Impairment losses recognised on receivables	107,117	290,320
Amounts written off during the year as uncollectable	(146,439)	-
Balance at the end of the year	<u>407,230</u>	<u>446,552</u>

Age of receivables that are past due but not impaired

60-90 days	10,651	7,730
91-120 days	5,100	3,382
121+ days	160,237	126,299
Total	<u>175,988</u>	<u>137,411</u>

Age of receivables that are past due and impaired

60-90 days	8,440	5,376
91-120 days	2,038	1,452
121+ days	163,909	227,773
Total	<u>174,387</u>	<u>234,601</u>

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

Note 11: PROVISIONS

	2020	2019
	\$	\$
CURRENT		
Provision for Annual Leave	1,422,157	1,209,705
Provision for Long Service Leave	<u>645,101</u>	<u>799,976</u>
	<u>2,067,258</u>	<u>2,009,681</u>
NON CURRENT		
Provision for Long Service Leave	385,493	176,049
Total employee benefit liability	<u><u>2,452,751</u></u>	<u><u>2,185,730</u></u>
Number of employees at year end	246	223

Accounting policy for employee provisions are provided in Note 3 (b).

Note 12: OTHER LIABILITIES

	2020	2019
	\$	\$
CURRENT		
Unearned lease incentives	<u>-</u>	<u>213,133</u>
NON CURRENT		
Unearned lease incentives	<u>-</u>	<u>2,239,907</u>

Unearned lease incentives have been offset against the carrying value of the right-of-use asset under AASB 16 on adoption of the standard on 1 July 2019.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Note 13: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	181,894	281,941
Sundry creditors and accruals	828,931	855,579
Lease incentives - current	-	150,095
	<u>1,010,825</u>	<u>1,287,615</u>
NON CURRENT		
Straight line lease provision	-	714,075

Lease incentives and straight-line lease provision have been offset against the carrying value of the right-of-use asset under AASB 16 on adoption of the standard on 1 July 2019.

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:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	7,974,896	7,594,155
Term Deposit	14,000,000	14,000,000
Receivables	1,421,096	1,109,948
	<u>23,395,992</u>	<u>22,704,103</u>
Financial liabilities		
Creditors	181,894	281,941
Other payables	828,931	1,005,674
	<u>1,010,825</u>	<u>1,287,615</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: FINANCIAL RISK MANAGEMENT (continued)

	2020	2019
	\$	\$
Credit standby arrangements with banks		
Credit facility	300,000	300,000
Amount utilised	(32,000)	(3,725)
Unused credit facility	<u>268,000</u>	<u>296,275</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:

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate	Interest rate type
	\$	\$	\$		
2020					
<i>Financial assets</i>					
Cash	7,580,031	500	7,580,531	0.01%	Floating
Cash on deposit	394,365	-	394,365	0.24%	Floating
Term deposit	14,000,000	-	14,000,000	1.23%	Floating
Trade and other receivables	-	1,421,096	1,421,096	0.00%	
	<u>21,974,396</u>	<u>1,421,596</u>	<u>23,395,992</u>		
<i>Financial liabilities</i>					
Trade creditors	-	181,894	181,894	0.00%	
Other payables	-	828,931	828,931	0.00%	
	<u>-</u>	<u>1,010,825</u>	<u>1,010,825</u>		

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: FINANCIAL RISK MANAGEMENT (continued)

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	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	2.17%	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		

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.

(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 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.

NOTE 14: FINANCIAL RISK MANAGEMENT (continued)**(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.

NOTE 15: RELATED PARTY TRANSACTIONSCompensation of key management personnel

Compensation received by key management personnel of the company

	2020	2019
	\$	\$
Short-term employee benefits	<u>1,139,331</u>	<u>1,268,440</u>

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 has recognised \$16,468,087 (2019: \$16,117,013) as revenue from Telstra Corporation Ltd and related entities for complaint handling fees and expensed \$159,181 (2019: \$9,049) for the use of telecommunication services during the year.
- (ii) One current Director, A Sheridan, is an employee of SingTel Optus Pty Ltd. TIO has recognised \$7,075,163 (2019: \$6,622,088) as revenue from SingTel Optus Pty Ltd and related entities for complaint handling fees and expensed \$85,972 (2019: \$155,399) for the use 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.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: REMUNERATION OF THE AUDITORS

	2020	2019
	\$	\$
Audit of the financial report	<u>59,945</u>	<u>60,920</u>
Deloitte Touche Tohmatsu is the auditor		

During the year ended 30 June 2020, TIO only engaged with Deloitte Touche Tohmatsu to perform the statutory audit, no other assurance or non-assurance services were provided by Deloitte Touche Tohmatsu or other auditor professionals.

Note 17: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
CURRENT		
Cash on hand	500	500
Cash at bank	7,580,031	7,201,036
Cash on deposit	<u>394,365</u>	<u>392,619</u>
	<u>7,974,896</u>	<u>7,594,155</u>

Note 18: OTHER SHORT-TERM INVESTMENTS

	2020	2019
	\$	\$
Term Deposit	<u>14,000,000</u>	<u>14,000,000</u>

The term deposit has a maturity date of 20 November 2020.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: COMMITMENTS

Operating leases relate to floor space for Level 14 and car parks in 717 Bourke Street, Docklands are accounted under AASB 16 as lease liabilities and therefore not reported as commitments in 2020. Commitments for non-lease components including cleaning and outgoings, short-term leases and leases for low value assets for other office space, IT equipment and services are expensed when incurred and their future instalments are reported as commitments.

	2020	2019
	\$	\$
<u>Payments recognised as an expense</u>		
Minimum lease payments	645,372	2,028,649
<u>Non-cancellable operating lease commitments</u>		
- not later than one year	611,617	1,962,985
- later than one year and not later than five years	1,981,295	8,524,849
- later than 5 years	631,516	5,128,289
	<u>3,224,428</u>	<u>15,616,123</u>

NOTE 20: CONTINGENT LIABILITIES

TIO has no contingent liabilities.

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report, there are no matter or circumstance that has arisen since 30 June 2020 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.

NOTE 22: COMPARATIVE FIGURES

Some comparatives have been restated for presentation purposes in order for the balances to remain comparable.

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 Australian Accounting Standards, as stated in Note 1 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 15th day of September 2020

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Telecommunication Industry Ombudsman Limited (the "Entity"), which comprises the statement of financial position as at 30 June 2020, 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.

In our opinion the accompanying financial report of the Entity, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2020, 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 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 the Directors for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the 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 the directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

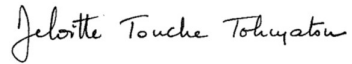
Auditor's Responsibilities for the Audit of the Financial Report

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



Isabelle Lefevre

Partner

Chartered Accountants

Melbourne, 15 September 2020