

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

**Financial Report
For the year ended 30 June 2021**

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 2021.

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 external dispute resolution service and to improve outcomes for consumers and members. This service is free and complies with the Government Benchmarks for Industry-Based Customer Dispute Resolution.

TIO fulfils its statutory obligation to resolve objections to land access activities proposed by telecommunications carriers.

This year completes the first year of TIO's three year strategy. The company is 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.

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;

DIRECTORS' REPORT

- (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 TIO's website.

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

Appointment of Directors

The Company Constitution provides for a Board of nine Directors. The terms of Directors are staggered so that there is an orderly expiry of terms.

During the year Jane van Beelen, Director with Industry Experience, resigned from the Board. The terms of Andrew Sheridan, Director with Industry Experience, and Gordon Renouf, Director With Consumer Experience, also came to an end.

In accordance with clause 12.12(b) of the Company Constitution, in February 2021 the Board reappointed Mr Sheridan as Director with Industry Experience for a further three-year term.

The remaining two positions of Director with Industry Experience and Director with Consumer Experience were the subject of a recruitment process by the Nominations Committee.

Based on the Committee's recommendations, the Board appointed Ms Mira Bashi as Director with Industry Experience and reappointed Mr Gordon Renouf as 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 Company Secretary, and the Senior Leadership Team.

Board Composition

The composition of TIO's 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.

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DIRECTORS' REPORT

| Director | Experience | Responsibility |
|--|---|--|
| Professor The Hon. Michael Lavarch AO, LLB | <p>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.</p> <p>He is an Emeritus Professor of Law at the Queensland University of Technology and Chief Adjudicator on the Alcohol Beverages Advertising Code adjudication panel.</p> <p>Mr Lavarch is Chair of Way Forward Debt Solutions and Australian Catholic Safeguarding Limited. He is also a Member of the Queensland Treaty Advancement Committee.</p> <p>In 2012, Mr Lavarch was appointed an Officer of the Order of Australia for distinguished service to law, education and human rights.</p> | <p>Independent Chair (from 15 July 2019)</p> <p>Independent Director with Not-For-Profit Governance Experience (from 26 February 2017 to 14 July 2019)</p> |
| Paul J Harrison PhD, GAICD, MAM | <p>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 Adjunct Professor of HR and Governance at Università Cattolica del Sacro Cuore, Milan.</p> <p>Dr Harrison is also a member of the Consumer Advisory Committee of Consumer Affairs Victoria and an Advisory Board Member for The Nourish Network.</p> <p>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.</p> | <p>Director with Consumer Experience (from 26 February 2014)</p> |
| John Lindsay GAICD | <p>Mr Lindsay is a company director and consultant. He is a director of Jtwo Solutions Pty Ltd, helping enterprise and government do IT in the cloud, UltraCommerce Internet 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.</p> <p>Mr Lindsay also has over 25 years' experience building and managing ISPs including Chariot, Internode and iiNet Ltd. He is a graduate member of the Australian Institute of Company Directors.</p> | <p>Director with Industry Experience (from 26 February 2017)</p> |

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DIRECTORS' REPORT

| 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 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 and Deputy Chair of the Consumers' Federation of Australia. He is also CEO of Good On You Pty Ltd. 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. And was until recently Deputy Chair of Justice Connect. | Director with Consumer Experience (from 26 February 2015) |
| Andrew Sheridan <i>CA, MA (Hons)</i> | Mr Sheridan is the Vice President of Regulatory and 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) |
| Julie Hamblin <i>BA, LLB (Hons) (Syd), LLM (McGill), FAICD</i> | Ms Hamblin has many years' experience as a non-executive director working across a range of sectors. She currently chairs the Board of Maluk Timor Australia and is 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. Previous Board roles have included Chair of Autism Spectrum Australia and Deputy Chair of Plan International Australia. 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. | Independent Director with Not-for-Profit Governance Experience (from 12 November 2019) |

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DIRECTORS' REPORT

| Director | Experience | Responsibility |
|---|--|---|
| Catherine Wolthuizen <i>BA (Hons), LLB</i> | <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.</p> <p>Ms Wolthuizen is a Member 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 Panel.</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> | Independent Director with Consumer Experience (from 18 February 2020) |
| Mira Bashi BBM (Marketing) | Ms Bashi is the Customer Experience Designs and Insights Executive for Telstra Corporation Limited. Mira has worked in the Telecommunications industry for over 25 years, across several major international brands, with experience in product management, development, designing and improving end to end customer experiences. | Director with Industry Experience (from 18 February 2021) |

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

| Director | Experience | Responsibility |
|--|---|---|
| Jane van Beelen <i>BEC, LLB, Grad Dip (Legal Practice), GAICD</i> | <p>Ms van Beelen is Chief Legal Counsel and Regulatory Officer, Strategic Services, NBN Co Limited. Jane is also a Director of Communications Alliance Limited.</p> <p>Jane's former position was Compliance and Regulatory Affairs Executive, Telstra Corporation Limited.</p> | Director with Industry Experience (from 26 February 2019 to 17 February 2021) |

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Information on Company Secretary

| Company Secretary | Experience | Responsibility |
|--|--|--|
| Gerard Dell'Oste <i>BBus, FCPA, FAICD, FGIA</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 21 years, a company secretary for over eleven 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) |

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 in accordance with the Board Charter. Review includes periodically engaging in an external evaluation exercise. The next external evaluation is planned for 2022 with the previous evaluation 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 seven 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 FY2021 is set out in the table on the following page.

DIRECTORS' REPORT

Board and Standing Board Committee Attendance in FY2021

| | | Board | | Audit, Finance, Risk & Compliance | | Nominations | | People | |
|--------------|---------|----------|----------|-----------------------------------|----------|-------------|----------|----------|----------|
| | | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| M Lavarch | (Chair) | 7 | 7 | 4 | 4 | 3 | 3 | 4 | 4 |
| P Harrison | | 7 | 6 | | | | | 4 | 4 |
| J Lindsay | | 7 | 7 | 4 | 3 | | | | |
| G Nicholson | | 7 | 7 | 4 | 4 | | | | |
| G Renouf | | 7 | 7 | 3 | 3 | | | | |
| A Sheridan | | 7 | 7 | 1 | 1 | | | 3 | 3 |
| J van Beelen | | 4 | 4 | 2 | 2 | 3 | 3 | | |
| J Hamblin | | 7 | 7 | | | | | 4 | 4 |
| C Wolthuisen | | 7 | 7 | 1 | 1 | 3 | 3 | | |
| M Bashi | | 3 | 3 | | | | | 1 | 1 |

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) reviews business cases as required for endorsement to the Board;
- (e) monitors and reviews the external audit process, including the effectiveness of the external auditors;
- (f) reviews, recommends to the Board, and monitors progress against an internal audit plan;
- (g) monitors management of risk, including through the regular review of the company risk register; and
- (h) 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 2021.

Audit, Finance, Risk and Compliance Committee Members

| Name | Category | Status |
|---------------------|---------------------|-------------------------------|
| G Nicholson (Chair) | Independent | Member for Whole Period |
| M Lavarch | Independent | Member for Whole Period |
| J Lindsay | Industry Experience | Member for Whole Period |
| G Renouf | Consumer Experience | Member up to 23 March 2021 |
| J van Beelen | Industry Experience | Member up to 17 February 2021 |
| A Sheridan | Industry Experience | Member from 23 March 2021 |
| C Wolthuizen | Consumer Experience | Member from 23 March 2021 |

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 |
|--|---------------------|-------------------------|
| M Lavarch | Independent | Member for Whole Period |
| J van Beelen | Industry Experience | Member for Whole Period |
| C Wolthuizen | Consumer Experience | Member for Whole Period |
| J Stanton (Nominee of Communications Alliance) | External | Member for Whole Period |
| C Dodds (Nominee of ACCAN) | External | Member for Whole Period |

DIRECTORS' REPORT

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.

The Nominations Committee undertook the recruitment process for Board vacancies arising in 2021. The Committee convened in late 2020 to consider applications for Board vacancies and recommend candidates for the positions of Director with Consumer Experience and Director with Industry Experience. Mr Gordon Renouf and Ms Mira Bashi were appointed as Director with Consumer Experience and Director With Industry Experience respectively. The Board reappointed Mr Andrew Sheridan as Director with Industry Experience under clause 12.12(b) of the Constitution.

People Committee

| Name | Category | Status |
|-------------------|---------------------|----------------------------|
| M Lavarch (Chair) | Independent | Member for Whole Period |
| P Harrison | Consumer Experience | Member for Whole Period |
| A Sheridan | Industry Experience | Member up to 23 March 2021 |
| J Hamblin | Independent | Member for Whole Period |
| M Bashi | Industry Experience | Member from 23 March 2021 |

The People Committee was re-established in March 2019, implementing 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 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.

Key Management Personnel

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

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| Name | Position |
|--------------------------------------|---|
| M Lavarch | Independent Chair (from 15 July 2019) |
| P Harrison | Director |
| J Lindsay | Director |
| G Nicholson | Director |
| G Renouf | Director |
| A Sheridan* | Director |
| J van Beelen* | Director (resigned effective 17 February 2021) |
| J Hamblin | Director |
| C Wolthuizen | Director |
| M Bashi | Director |
| *Declined to receive Directors' fees | |
| J Jones | Ombudsman |
| G Dell'Oste | Executive Director Shared Services, Chief Financial Officer and Company Secretary |

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 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.

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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 TIO's 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.

TIO's 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 are trained on the requirements of the Whistleblower legislation and their specific obligations as Eligible Recipients. All employees are kept up to date with the policy through participation in an annual compliance training program.

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 TIO's Senior Leadership Team on the risk register as a standing agenda item at Committee meetings. The Board receives a risk dashboard from management at every meeting on the status of strategic risks identified.

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 TIO's Senior Leadership Team.

ENVIRONMENTAL ISSUES

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

DIRECTORS' REPORT

EQUALITY, DIVERSITY & INCLUSION

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

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.

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

OPERATING RESULTS

TIO recorded an operating deficit of \$4,656,938 for the year ended 30 June 2021.

The results for the year are as follows:

| Year | Total Income \$ | Total Expenditure \$ | (Deficit) / Surplus \$ |
|-------------|----------------------------|---------------------------------|-----------------------------------|
| FY2021 | 30,388,529 | 35,045,467 | (4,656,938) |
| FY2020 | 32,881,196 | 32,084,145 | 797,051 |

REVIEW OF OPERATIONS

The deficit of \$4.657M in FY2021 was a significant reduction compared to the surplus of \$0.797M in FY2020. The large deficit was a result of reduced funding due to the impact of COVID-19 on operations and expensing of a large technology project. The Board's view that software in the Cloud (part of the TIO's digital transformation project), should be expensed rather than capitalised, added \$2.750M to total expenditure.

Total income of \$30.389M was \$2.493M (8%), below FY2020 income. With the impact of COVID-19 and lockdowns, the Board felt the exceptional circumstances meant it was appropriate to reduce the funding required (\$2.500M), from membership fees in the fourth quarter.

Total expenditure of \$35.046M was \$2.961M (9%) was higher than FY2020. The higher expenditure was mainly from the expensing of costs associated with its digital transformation project (\$2.750M). The project aims to replace the current complaint management and finance systems with a cloud-based solution (Microsoft Dynamics 365). The IFRS Interpretations Committee (IFRIC) released two decisions in March 2019 and April 2021 on the accounting treatment of cloud computing services (Software as a Service - SaaS). Effectively the SaaS arrangement was deemed to be a service arrangement rather than the creation of an asset and therefore to be expensed as incurred. The remainder of total expenditure was in line with FY2020 which reflected the ongoing impact of COVID-19 on spend similar to the previous year.

DIRECTORS' REPORT

Other important events during the year included:

- After consulting with stakeholders and considering Ministerial feedback, the Board has approved revised Terms of Reference to come into effect on 1 January 2022.
- The Statutory Infrastructure Provider (SIP) regime commenced on 1 July 2020. This sets out obligations for SIPs to connect premises, supply wholesale broadband services to retail service providers on reasonable request, and provide minimum broadband speeds. Nineteen SIPs have been registered by the Australian Communications and Media Authority (ACMA).
- The ACMA updated the NBN Consumer Experience Rules in October 2020, giving clearer rules for the remaining NBN migrations.
- In late 2020, the ACMA consulted on proposed service standards and rebate pass-through requirements for superfast fixed broadband services.
- From 1 January 2021, the ACMA commenced administering the Regional Broadband Scheme (RBS). Under the RBS, a carrier or declared nominated carrier is required to pay \$7.10 per month for each eligible premise on their telecommunication network that has an active fixed line that provides a designated broadband service. Carriers with less than 2,000 premises in a month are exempt from paying the charge for that month.

Total Complaint Handling Transactions

Complaint handling transactions for FY2021 are presented below.

| Year | Enquiries | Referrals | Fast Track Resolution | Direct Resolution | Standard Resolution | Advanced Resolution | Complex Resolution | Land Access | Total Contacts |
|----------|-----------|-----------|-----------------------|-------------------|---------------------|---------------------|--------------------|-------------|----------------|
| FY2021 | 32,532 | 120,035 | 2,812 | 6,793 | 4,733 | 1,939 | 394 | 26 | 169,264 |
| FY2020 | 38,419 | 128,169 | 1,680 | 6,948 | 5,560 | 2,125 | 387 | 19 | 183,307 |
| % Change | -18% | -7% | 40% | -2% | -17% | -10% | 2% | 27% | -8% |

Despite increased reliance on telecommunications during the COVID-19 pandemic, overall contacts have declined.

Employees

The number of employees at year end was 242, compared to 246 at the end of FY2020.

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;
- using robotic process automation to assist in complaint handling work that involves many repetitive and straight forward activities; and
- using a range of strategies, including overtime, to manage queues.

DIRECTORS' REPORT

Debt Recovery

Bad debts written-off during the financial year were \$220,898 (FY2020 \$146,439). Provision for bad debts at the end of the year was \$314,410 (FY2020 \$407,230). 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 1,511 service providers as members. During the financial year, 217 members joined TIO and 139 members left the scheme.

TIO referred 11 entities to the Australian Communications and Media Authority (ACMA) in FY2021 for failing to join TIO as required by the legislation. Since referral to ACMA, five of these entities have since joined, four were deemed not required to join, and the status of two entities is under investigation.

Communication with Members

During FY2021 TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling. TIO's Member Services team provides members an access point to learn 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.

As the pandemic continued through FY2021, more regular meetings were held with larger members to share information on processes, complaint trends, and emerging issues.

The publication for members, MNews, continues at least monthly, highlighting membership information and any changes to the complaint handling processes. During FY2021, members received twenty MNews editions.

The Member Portal provides members with access to online training resources, complaint handling guides, information on membership fees and complaint charges, and access to reports and invoices. Other functions include an Event Calendar, Training and Webinars, TIO processes and FAQs.

Webinars and Training

The "Let's Talk!" webinar series continued for FY2021 with a further two webinars held: one on responding to financial hardship in telecommunications complaints, and the other on aspects of TIO's complaint handling procedures. Each webinar session was attended by over 100 members.

DIRECTORS' REPORT

In FY2021 we held two additional webinars on our systemic publications: "Meeting the needs of consumers impacted by family violence" and "Impact of COVID-19 on phone and internet complaints".

These webinar series will continue into FY2022.

Member Forums

National Member Forums were held by webinar in October 2020 and again in June 2021. Presenters at these webinars included the Chair of TIO's Board, the Ombudsman, and Assistant Ombudsmen. The forums included information on our purpose, Benchmarks for Industry-Based Customer Dispute Resolution, the impacts of COVID-19, our latest data and trends, updates from the Board, and our experience of the industry through complaint handling.

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 2021 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 14th day of September 2021

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

DIRECTORS' REPORT



Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

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

14 September 2021

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 report of Telecommunications Industry Ombudsman Limited for the year ended 30 June 2021, 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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte Network.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED
ABN 46 057 634 787

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

| | Note | 2021 \$ | 2020 \$ |
|--|------|---------------------|---------------------|
| <u>Continuing operations</u> | | | |
| Revenue from members | 5 | 30,276,858 | 32,645,331 |
| Other income | 5 | 111,671 | 235,865 |
| Total income | | 30,388,529 | 32,881,196 |
| Less: expenses | | | |
| Depreciation expense | 6 | (1,380,697) | (1,362,785) |
| Employee benefits expense | | (26,153,162) | (24,866,960) |
| Occupancy expense | | (671,199) | (737,942) |
| Marketing expense | | (200,194) | (192,359) |
| Finance costs | 6 | (249,865) | (285,298) |
| Bad & doubtful debts expense | 10 | (128,078) | (107,117) |
| Information technology expense | | (2,029,168) | (1,850,175) |
| Consultancy expense | | (3,203,017) | (1,296,223) |
| Legal expense | | (203,114) | (215,204) |
| Travel expense | | (15,824) | (81,435) |
| Telephone and faxes | | (227,247) | (297,828) |
| Other expenses | | (583,902) | (790,819) |
| Total expenses | | (35,045,467) | (32,084,145) |
| (Deficit) / surplus for the year from continuing operations | | (4,656,938) | 797,051 |
| Total comprehensive (deficit) / surplus for the year | | (4,656,938) | 797,051 |

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**

| | Note | 2021 | 2020 |
|--------------------------------------|-------------|-------------------|-------------------|
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 17 | 4,702,421 | 7,974,896 |
| Other short-term investments | 18 | 14,000,000 | 14,000,000 |
| Receivables | 10 | 1,058,112 | 1,421,096 |
| Other assets | 9 | 887,759 | 439,355 |
| Total current assets | | 20,648,292 | 23,835,347 |
| Non-current assets | | | |
| Plant and equipment | 7 | 1,290,064 | 1,205,696 |
| Right-of-Use Assets | 8 | 5,468,983 | 6,527,496 |
| Total non-current assets | | 6,759,047 | 7,733,192 |
| Total assets | | 27,407,339 | 31,568,539 |
| Current liabilities | | | |
| Payables | 13 | 2,216,586 | 1,010,825 |
| Lease liabilities | 8 | 1,407,253 | 1,315,164 |
| Provisions | 11 | 2,553,608 | 2,067,258 |
| Other liabilities | 12 | 2,882 | - |
| Total current liabilities | | 6,180,329 | 4,393,247 |
| Non-current liabilities | | | |
| Lease liabilities | 8 | 6,953,405 | 8,360,658 |
| Provisions | 11 | 501,402 | 385,493 |
| Total non-current liabilities | | 7,454,807 | 8,746,151 |
| Total liabilities | | 13,635,136 | 13,139,398 |
| Net assets | | 13,772,203 | 18,429,141 |
| Accumulated Surplus | | | |
| Accumulated surplus | | 13,772,203 | 18,429,141 |
| Total accumulated surplus | | 13,772,203 | 18,429,141 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Accumulated Surplus | | |
| At beginning of the year | 18,429,141 | 17,632,090 |
| Movements in equity - (deficit) / surplus for the year | (4,656,938) | 797,051 |
| Balance at the end of the year | 13,772,203 | 18,429,141 |

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**

| | Note | 2021 | 2020 |
|--|-------------|--------------------|--------------------|
| | | \$ | \$ |
| Cash flow from operating activities | | | |
| Receipts from members | | 34,116,637 | 35,504,343 |
| Cash Grant from Federal Government | | 50,000 | 50,000 |
| Payments to suppliers and employees | | (35,514,308) | (33,674,822) |
| Interest component of lease liabilities | | (246,115) | (281,086) |
| Interest received | | 46,777 | 183,555 |
| Bank charges paid | | (3,750) | (4,212) |
| Net cash (used in) / provided by operating activities | | (1,550,759) | 1,777,778 |
| Cash flow from investing activities | | | |
| Payment for plant and equipment | | (406,552) | (169,641) |
| Net cash used in investing activities | | (406,552) | (169,641) |
| Cash flow from financing activities | | | |
| Payment of principal component of lease liabilities | | (1,315,164) | (1,227,396) |
| Net cash used in financing activities | | (1,315,164) | (1,227,396) |
| Reconciliation of cash | | | |
| Cash at beginning of the financial year | | 7,974,896 | 7,594,155 |
| Net (decrease) / increase in cash held | | (3,272,475) | 380,741 |
| Cash at end of financial year | 17 | 4,702,421 | 7,974,896 |

FOR THE YEAR ENDED 30 JUNE 2021

| | 2021 | 2020 |
|--|--------------------|------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| (Deficit) / surplus from ordinary activities | (4,656,938) | 797,051 |
| Adjustments and non-cash items | | |
| Depreciation expenses | 1,380,697 | 1,362,785 |
| Movements in provision for doubtful debts | 128,078 | 107,117 |
| Lease incentive through P&L | | - |
| Changes in assets and liabilities | | |
| (Increase) / decrease in receivables | 234,906 | (418,265) |
| (Increase) / decrease in other assets | (448,404) | (211,236) |
| Increase / (decrease) in payables | 1,205,761 | (126,695) |
| Increase / (decrease) in provisions | 602,259 | 267,021 |
| Increase / (decrease) in other liabilities | 2,882 | - |
| Cash flows from operating activities | (1,550,759) | 1,777,778 |

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)

Amendments to existing standards effective and adopted in 2021 but not relevant or significant to the Entity

Amendment to AASB 16

Covid-19-Related Rent Concessions

There has been no significant impact due to the adoption or early adoption of any of the above noted standards or amendments thereto. TIO did not have any COVID-19 related rent concessions during the financial year.

New standards and amendments to standards that have been issued but not yet effective or early adopted by the Entity

At the date of authorisation of these financial statements, the Group has not applied the following new and revised Standards that have been issued but are not yet effective. The Entity does not expect them to have material impact to the Entity's financial results.

Amendments to IAS 16

Property, Plant and Equipment – Proceeds before Intended Use²

Amendments to IAS 37

Onerous Contracts – Cost of Fulfilling a Contract²

Amendments to AASB 3

Reference to the Conceptual Framework²

Amendments to IAS 1

Classification of Liabilities as Current or Non-current¹

Effective for the Entity for annual periods beginning on or after:

1. 1 January 2023

2. 1 January 2022

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

TIO continues to adopt AASB 16 *Leases* ("AASB 16") which became effective from 1 July 2019. This is applicable to the operating lease for Level 14, 717 Bourke Street, Docklands which expires on 31 August 2026.

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

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. The Board retains discretion under the Constitution to amend the percentage applied.

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.

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

| 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 (excluding SaaS) | 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.

(j) Cloud computing arrangements (Software as a Service (SaaS))

The IFRS Interpretations Committee (IFRIC) published two agenda items in March 2019 and April 2021 clarifying how cloud computing (Software as a Service) arrangements should be accounted for. The first decision concluded that SaaS arrangements are likely to be service arrangements because the customer does not have possession (ownership), of the underlying software. The second decision was in regards to how an entity should account for configuration and customisation costs incurred in implementing the software.

TIO commenced a large digital transformation project in FY2021 to replace its current complaint management and finance systems with Microsoft Dynamics 365 (cloud based). We have carefully considered the IFRIC agenda decisions and concluded that the utilisation of Microsoft Dynamics 365 effectively results in a service arrangement and does not create an asset applicable to Lease or Intangible Assets accounting standards. Subsequently all costs associated with this project will be expensed as incurred including implementation costs.

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.

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

NOTES TO THE FINANCIAL STATEMENTS

Note 5: REVENUE AND OTHER GAINS AND LOSSES

| | 2021 | 2020 |
|--------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Revenue from members | <u>30,276,858</u> | <u>32,645,331</u> |
| | 30,276,858 | 32,645,331 |
| Other income | | |
| Interest income | 56,199 | 185,583 |
| Government COVID-19 cash boost grant | 50,000 | 50,000 |
| Other | <u>5,472</u> | <u>282</u> |
| | 111,671 | 235,865 |
| Total Income | <u>30,388,529</u> | <u>32,881,196</u> |

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 2021 as income.

Note 6: LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss before income tax has been determined after:

| | 2021 | 2020 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Finance costs | | |
| - Bank charges | 3,750 | 4,212 |
| - Interest on lease liabilities | <u>246,115</u> | <u>281,086</u> |
| | 249,865 | 285,298 |
| Depreciation expenses | | |
| - Plant and equipment | 139,854 | 129,066 |
| - Furniture and fittings | 32,235 | 25,113 |
| - Leasehold | 150,095 | 150,094 |
| - Right-of-use Assets | <u>1,058,513</u> | <u>1,058,512</u> |
| | 1,380,697 | 1,362,785 |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

ABN 46 057 634 787

NOTES TO THE FINANCIAL STATEMENTS

Note 7: PROPERTY, PLANT AND EQUIPMENT

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Leasehold improvements | | |
| Leasehold improvements at cost | 1,475,932 | 1,475,932 |
| Accumulated depreciation | (700,442) | (550,347) |
| | 775,490 | 925,585 |
| Plant and equipment | | |
| Plant and equipment at cost | 487,504 | 512,495 |
| Accumulated depreciation | (159,514) | (368,568) |
| | 327,990 | 143,927 |
| Furniture, fixtures and fittings | | |
| Furniture, fixtures and fittings at cost | 280,837 | 198,202 |
| Accumulated depreciation | (94,253) | (62,018) |
| | 186,584 | 136,184 |
| Total property, plant and equipment | 1,290,064 | 1,205,696 |

(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 | 925,585 | 1,075,679 |
| Additions | - | - |
| Depreciation expense | (150,095) | (150,094) |
| Closing carrying amount | 775,490 | 925,585 |
| Plant and equipment | | |
| Opening carrying amount | 143,927 | 157,162 |
| Additions | 323,917 | 115,831 |
| Retired Assets | (348,908) | - |
| Retired Assets Accumulated Depreciation | 348,908 | - |
| Depreciation expense | (139,854) | (129,066) |
| Closing carrying amount | 327,990 | 143,927 |
| Furniture, fixtures and fittings | | |
| Opening carrying amount | 136,184 | 107,487 |
| Additions | 82,635 | 53,810 |
| Depreciation expense | (32,235) | (25,113) |
| Closing carrying amount | 186,584 | 136,184 |

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

| | 2021 | 2020 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Right-of-use Assets | 7,586,008 | 7,586,008 |
| Accumulated amortisation | (2,117,025) | (1,058,512) |
| Total Right-of-use Assets | 5,468,983 | 6,527,496 |

Reconciliations

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

| | 2021 | 2020 |
|----------------------------|------------------|------------------|
| | \$ | \$ |
| <i>Right-of-use Assets</i> | | |
| Opening balance | 6,527,496 | 7,586,008 |
| Amortisation expense | (1,058,513) | (1,058,512) |
| Closing balance | 5,468,983 | 6,527,496 |

(b) Lease Liabilities

| | 2021 | 2020 |
|-------------------|------------------|------------------|
| | \$ | \$ |
| Lease Liabilities | | |
| Current | 1,407,253 | 1,315,164 |
| Non-current | 6,953,405 | 8,360,658 |
| | 8,360,658 | 9,675,822 |

Lease Liabilities maturing :

| | 2021 | 2020 |
|-------------------------|------------------|-------------------|
| | \$ | \$ |
| Year 1 | 1,615,923 | 1,561,279 |
| Year 2 | 1,672,481 | 1,615,923 |
| Year 3 | 1,731,018 | 1,672,481 |
| Year 4 | 1,791,603 | 1,731,018 |
| Year 5 | 1,854,310 | 1,791,603 |
| Onwards | 310,803 | 2,165,113 |
| | 8,976,138 | 10,537,417 |
| Less: Unearned interest | (615,480) | (861,595) |
| | 8,360,658 | 9,675,822 |

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

Note 9: OTHER ASSETS

| | 2021 | 2020 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Prepayments | 869,439 | 370,357 |
| Accrued Interest Revenue | 18,320 | 8,898 |
| Rental Bond | - | 60,100 |
| | 887,759 | 439,355 |

Note 10: TRADE AND OTHER RECEIVABLES

| | 2021 | 2020 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ |
| Trade debtors | 1,312,048 | 848,926 |
| Provision for doubtful debts | (314,410) | (407,230) |
| | 997,638 | 441,696 |
| Other receivables | 60,474 | 979,400 |
| Total Trade and Other Receivables | 1,058,112 | 1,421,096 |

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| <u>Movement in the allowance for doubtful debts</u> | | |
| Balance at the beginning of the year | 407,230 | 446,552 |
| Impairment losses recognised on receivables | 128,078 | 107,117 |
| Amounts written off during the year as uncollectable | (220,898) | (146,439) |
| Balance at the end of the year | 314,410 | 407,230 |

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| <u>Age of receivables that are past due but not impaired</u> | | |
| 60-90 days | 1,559 | 10,651 |
| 91-120 days | 5,212 | 5,100 |
| 121+ days | 149,410 | 160,237 |
| Total | 156,181 | 175,988 |

| <u>Age of receivables that are past due and impaired</u> | | |
|--|----------------|----------------|
| 60-90 days | 96 | 8,440 |
| 91-120 days | 96 | 2,038 |
| 121+ days | 104,401 | 163,909 |
| Total | 104,593 | 174,387 |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Note 11: PROVISIONS

| | 2021 | 2020 |
|----------------------------------|--------------------------------|--------------------------------|
| | \$ | \$ |
| CURRENT | | |
| Provision for Annual Leave | 1,795,508 | 1,422,157 |
| Provision for Long Service Leave | 758,100 | 645,101 |
| | <u>2,553,608</u> | <u>2,067,258</u> |
| NON CURRENT | | |
| Provision for Long Service Leave | 501,402 | 385,493 |
| | <u>501,402</u> | <u>385,493</u> |
| Total employee benefit liability | <u><u>3,055,010</u></u> | <u><u>2,452,751</u></u> |
| Number of employees at year end | 242 | 246 |

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

Note 12: OTHER LIABILITIES

| | 2021 | 2020 |
|--------------------------------|---------------------|-----------------|
| | \$ | \$ |
| CURRENT | | |
| Unidentified incoming payments | 2,882 | - |
| | <u>2,882</u> | <u>-</u> |

Note 13: TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|-------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| CURRENT | | |
| <i>Unsecured liabilities</i> | | |
| Trade creditors | 860,492 | 181,894 |
| Sundry creditors and accruals | 1,356,094 | 828,931 |
| | <u>2,216,586</u> | <u>1,010,825</u> |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

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:

| | 2021 | 2020 |
|------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 4,702,421 | 7,974,896 |
| Term Deposit | 14,000,000 | 14,000,000 |
| Receivables | 1,058,112 | 1,421,096 |
| | <u>19,760,533</u> | <u>23,395,992</u> |
| Financial liabilities | | |
| Creditors | 860,492 | 181,894 |
| Other payables | 1,356,094 | 828,931 |
| | <u>2,216,586</u> | <u>1,010,825</u> |

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Credit standby arrangements with banks | | |
| Credit facility | 150,000 | 300,000 |
| Amount utilised | (32,000) | (32,000) |
| Unused credit facility | <u>118,000</u> | <u>268,000</u> |

(a) Interest rate risk

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

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

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 |
|------------------------------|-------------------|----------------------|-----------------------|--|--------------------|
| | \$ | \$ | \$ | | |
| 2021 | | | | | |
| <i>Financial assets</i> | | | | | |
| Cash | 4,307,582 | 500 | 4,308,082 | 0.88% | Floating |
| Cash on deposit | 394,339 | - | 394,339 | 1.00% | Floating |
| Term deposit | 14,000,000 | - | 14,000,000 | 0.04% | Floating |
| Trade and other receivables | - | 1,058,112 | 1,058,112 | 0.00% | |
| | 18,701,921 | 1,058,612 | 19,760,533 | | |
| <i>Financial liabilities</i> | | | | | |
| Trade creditors | - | 860,492 | 860,492 | 0.00% | |
| Other payables | - | 1,356,094 | 1,356,094 | 0.00% | |
| | - | 2,216,586 | 2,216,586 | | |

| 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% | |
| | 21,974,396 | 1,421,596 | 23,395,992 | | |
| <i>Financial liabilities</i> | | | | | |
| Trade creditors | - | 181,894 | 181,894 | 0.00% | |
| Other payables | - | 828,931 | 828,931 | 0.00% | |
| | - | 1,010,825 | 1,010,825 | | |

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.

NOTE 14: 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 10. As the company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(c) Liquidity risk

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

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

| | 2021 | 2020 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 1,255,021 | 1,139,331 |

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: RELATED PARTY TRANSACTIONS (continued)

The composition of key management personnel was reassessed to include only Executive level comprising the Ombudsman and the Executive Director Shared Services, CFO and Company Secretary.

The remuneration of the Directors was determined by the Board 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) J van Beelen was a Director and employee of Telstra Corporation to 17 February 2021. M. Bashi is a Director and employee of Telstra Corporation from 18 February 2021. TIO has recognised \$16,336,749 (2020: \$16,468,087) as revenue from Telstra Corporation Ltd and related entities for complaint handling fees and expensed \$184,659 (2020: \$159,181) 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 \$6,067,471 (2020: \$7,075,163) as revenue from SingTel Optus Pty Ltd and related entities for complaint handling fees and expensed \$13,504 (2020: \$85,972) 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.

Note 16: REMUNERATION OF THE AUDITORS

| | 2021 | 2020 |
|---------------------------------|---------------|---------------|
| | \$ | \$ |
| Deloitte Touche Tohmatsu | | |
| Audit of the financial report | <u>63,745</u> | <u>59,945</u> |

During the year ended 30 June 2021, 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

| | 2021 | 2020 |
|-----------------|-------------------------|-------------------------|
| | \$ | \$ |
| CURRENT | | |
| Cash on hand | 500 | 500 |
| Cash at bank | 4,307,582 | 7,580,031 |
| Cash on deposit | 394,339 | 394,365 |
| | <u>4,702,421</u> | <u>7,974,896</u> |

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

Note 18: OTHER SHORT-TERM INVESTMENTS

| | 2021 | 2020 |
|--------------|-------------------|-------------------|
| | \$ | \$ |
| Term Deposit | <u>14,000,000</u> | <u>14,000,000</u> |

The term deposit was converted to two term deposits in FY2021 of \$9,000,000 and \$5,000,000. Maturity dates of 18 October 2021 and 15 December 2021 respectively.

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 20210. 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.

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| <u>Payments recognised as an expense</u> | | |
| Minimum lease payments | 611,617 | 645,372 |
| <u>Non-cancellable operating lease commitments</u> | | |
| - not later than one year | 488,742 | 611,617 |
| - later than one year and not later than five years | 2,516,951 | 1,981,295 |
| - later than 5 years | <u>92,910</u> | <u>631,516</u> |
| | <u>3,098,603</u> | <u>3,224,428</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 2021 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:

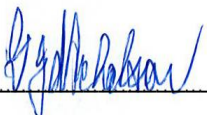
- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements are in compliance with Australian Accounting Standards, as stated in Note 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 14th day of September 2021



Deloitte Touche Tohmatsu
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477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
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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 2021, 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:

- Giving a true and fair view of the Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 and 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 2021, 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, 14 September 2021