

Telecommunications Industry Ombudsman Limited  
ABN 46 057 634 787

# Financial Report for the year ended 30 June 2014

**1993 • 2013**

*20 years of dispute resolution*



**Telecommunications**  
Industry Ombudsman

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# Directors' Report

Your Directors present their report of Telecommunications Industry Ombudsman Limited (TIO Limited) for the year ended 30 June 2014.

TIO Limited is a company limited by guarantee and funded by its members, incorporated in Australia in 1993 under the *Corporations Act 2001*. The TIO was established to investigate, resolve, make determinations and give directions relating to complaints by residential and small business consumers of telecommunications services. The principal place of business is Level 3, 595 Collins Street, Melbourne, Victoria.

## PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of TIO Limited was the investigation and resolution of telecommunications complaints from small businesses and residential consumers.

## GOVERNANCE STRUCTURE

The governance structure of TIO Limited changed on 26 February 2014 when the members voted to adopt governance by a single Board. TIO Limited's initial governance structure was established in its Memorandum and Articles of Association and involved:

- (a) a Board (made up of seven Directors appointed or elected by members, one independent director and an independent chairman) responsible for the formal administration of the company and with final authority over financial affairs;
- (b) a Council (made up of five industry representatives, five user and public interest group representatives and an independent chair), working closely with the Ombudsman on policy and procedural matters; and
- (c) the Ombudsman, with responsibility for the day-to-day operations of the Telecommunications Industry Ombudsman (TIO) scheme and for receiving, investigating and resolving or determining individual complaints.

Under its Memorandum and Articles the Board was required to commission triennial reviews and develop proposals for the continued operation or termination of the Scheme. Acting on the findings of the independent review commissioned in 2010-11, the Board and Council formed a joint Transition Committee with equal representation of industry and consumer nominees to develop and design options for the long term, unitary governance arrangements for TIO Limited.

Both governing bodies had approved the recommendations of the Transition Committee by May 2013.

The main feature of the structural change recommended by the Transition Committee was that the Council ceased to exist. The unitary governance structure that was then developed was supported by both the Board and TIO Council. On 26 February 2014, Members of the Company voted to adopt the unitary governance structure, appointing a new Board which assumed responsibility the same day.

The Members adopted a Company Constitution that replaced the Memorandum and Articles of Association, and Terms of Reference to replace the former TIO Constitution. Most of the roles previously carried out by the Council have been allocated to the Board, with some allocated to the Ombudsman.

The Terms of Reference set out the functions, jurisdiction and powers of the Ombudsman. The process for systemic issues investigations and the respective responsibilities of the Ombudsman and the Board, are also all set out in the Terms of Reference.

The Ombudsman is independent of telecommunications companies, consumer groups and government.

The structure of the TIO scheme, when established in 1993, was designed to ensure the Ombudsman's independence. This has been preserved in the unitary structure.

## Directors' Report continued

### BOARD OF DIRECTORS

#### Role of the Board

The Board of Directors is responsible for managing the business, affairs and property of TIO Limited in accordance with the Company Constitution and the Terms of Reference.

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

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

The 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) monitoring the overall performance and results of TIO Limited and the TIO scheme;
- (b) setting goals and the overall strategy for TIO Limited and the TIO scheme;
- (c) managing TIO Limited's finances, including by:
  - (i) overseeing the Ombudsman's management of spending;
  - (ii) overseeing TIO Limited's capital management, funding and cash flows, including ensuring sufficient funding for the TIO scheme; and
  - (iii) setting financial delegations;
- (d) overseeing TIO Limited's systems for risk management, auditing and legal compliance;
- (e) making policies and procedures for TIO Limited and the TIO scheme; and
- (f) maintaining the Ombudsman's independence.

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

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

#### Appointment of Directors

During the transition to unitary governance a Selection Committee was established for the purpose of recruiting the new positions of independent Chair and independent Director with not-for-profit governance experience. The Selection Committee comprised nominees from Communications Alliance (CA) and Australian Communications Consumer Action Network (ACCAN), along with an industry member of the then Board, and a consumer member of Council.

The Company Constitution provides for the establishment of a Nominations Committee to fill future Board vacancies.

All Directors receive an induction kit on appointment which includes the Company Constitution and Terms of Reference, Board and Committee Charters and other information to assist Directors in carrying out their duties.

Directors are provided with an induction consisting of one-on-one meetings with the Ombudsman, each TIO Executive and the Company Secretary.

#### Board composition

When Members of the Company voted in favour of replacing the Board and Council with a single Board of Directors, some incumbent Directors retired while others resigned and were reappointed to the new Board. In all, including the new independent positions, there were seven new appointments to the new Board.

The composition of the TIO Limited Board is set out in the Company Constitution and is currently: three independent Directors, one of whom is also the independent Chair, four Directors with consumer experience and four Directors with industry experience.

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

## Directors' Report continued

### Information on Directors in office at the date of this statement

Changes to Board composition are summarised in note 6 to the financial statements. The names of persons who were directors of TIO at any time during the financial year are as follows:

Director	Experience	Responsibility
P M Faulkner AO <i>BA, Dip Ed, MBA, FIPAA</i>	Patricia is Chair of the following bodies: National Health Performance Authority, Superpartners, Jesuit Social Services and the Federal Government Health and Hospitals Infrastructure Fund. She is Deputy Chair of St Vincent's Healthcare Australia. Patricia is a member of the Commonwealth Grants Commission, the National Australia Bank's Social Responsibility Advisory Committee, the Board of Committee for Economic Development of Australia (CEDA) and the Melbourne Racing Club Committee.	Independent Chair since 26 February 2014
T M Corbin <i>BA</i>	Teresa is Chief Executive Officer of the Australian Communications Consumer Action Network (ACCAN), a peak consumer body for the telecommunications industry. Teresa led the project to establish ACCAN, which began operating on 1 July 2009. Through her work in the community sector, in policy and management positions, she has built strong links with consumer groups at a regional, national and international level. Teresa joined the TIO Council in January 2008.	Director with Consumer Experience from 26 February 2014
C P Dodds	Chris is a Senior Policy Officer at the Energy and Water Ombudsman New South Wales (EWON). He represents the Australian Council of Social Service (ACOSS) on Telstra's Low Income Measures Assessment Committee (LIMAC), in the position of chair. He is a past president of the Council of Social Service of NSW (NCOSS). He has been involved in community services for over 35 years and in telecommunications issues for over 13 years, including as a member of TIO Council commencing in August 2008.	Director with Consumer Experience from 26 February 2014
M J Elsegood <i>B Eng (Hons), MBA</i>	Michael is Manager for Regulatory Compliance and Safeguards at Optus. He has extensive experience in the Australian telecommunications industry, having worked with regulators and carriers in a variety of planning, policy and compliance roles. Michael has been a director of TIO Limited since 2 October 2006.	Director with Industry Experience from 26 February 2014
I A Falshaw <i>B A (Hons), GAICD</i>	Iain was Managing Director of ACN Pacific from January 2008 until September 2014, and has been a Director since the company's inception in 2004. He has over 24 years of experience in the telecommunication industry in a number of international markets including Australia, New Zealand, United Kingdom, United States of America, Malaysia and Singapore. During that time, he has held a number of senior financial and commercial management roles. Iain has been a director of TIO Limited since he was first elected to the Board of TIO Limited in December 2012.	Director with Industry Experience from 26 February 2014
P J Harrison <i>PhD, GAICD, MAM</i>	Paul Harrison is a senior lecturer and Chair of the Consumer Behaviour Program in the Master of Business Administration (MBA) at Deakin University's Graduate School of Business. Paul is also the research leader of the Consumer Ethics and Social Engagement research cluster at the Centre for Sustainable and Responsible Organisations. Paul was appointed to TIO Council in July 2010. He is involved on a number of Boards and committees, including being a past chair, current Board, and audit and risk committee member of the Asylum Seeker Resource Centre, and director of consumer behaviour research consultancy, tribalinsight	Director with Industry Experience from 26 February 2014
J M Harvey, <i>BCom, MBA, FCA, FAICD</i>	Jane is a Director of the following organisations: IOOF Holdings Ltd, Colonial Foundation Trust, DUET Finance Limited and Orygen Youth Health Research Centre. Jane is also a Victorian Council member of the Australian Institute of Company Directors. Jane has been a director of TIO Limited since 7 April 2003	Independent Director with Commercial Governance Experience from 26 February 2014
B J Kitschke <i>BA</i>	Brad is the Head of Public Policy at Vodafone Hutchison Australia (VHA). Brad is responsible for Government relations and stakeholder management. He works with consumer stakeholders and VHA's industry partners on consumer policy issues and acts as VHA's liaison with consumer advocates such as ACCAN, ensuring effective relationships and dialogue are maintained and the concerns of consumer advocates have a voice with VHA. Brad was previously VHA's representative on TIO Council, appointed in November 2012.	Director with Industry Experience from 26 February 2014

## Directors' Report continued

Director	Experience	Responsibility
C E Lowe LLB	Catriona is a Company Director. She is the current Treasurer of the Consumers' Federation of Australia and a member of the Board of the Financial Ombudsman Service. She is also Co-Chair of the Australian Competition and Consumer Commissions (ACCC) Consumer Consultative Committee. She has more than 15 years legal and policy experience across the private and NGO sectors and has provided advice to senior stakeholders including State and Federal government departments and authorities. Catriona became a member of the TIO Council in July 2012.	Director with Consumer Experience from 26 February 2014
J P Scarlett BA, LLB (Hons)	Jules is Director – Commercial Operations at Telstra Wholesale. Jules has worked for Telstra for over 15 years and as a member of the Board of TIO Ltd since November 2009.	Director with Industry Experience from 26 February 2014
P J Smith, AM BEC, GAICD	Philippa is a Company Director with broad ranging Board, Chief Executive Officer and chair experience. Philippa currently chairs Food Standards Australia and New Zealand (FSANZ), is a director of First State Super, and is a member of the NSW Civil and Administrative Tribunal (NCAT). Philippa's former positions include the statutory role of Commonwealth Ombudsman (including Defence Force Ombudsman, Tax Ombudsman, ACT Ombudsman), Manager of the Australian Consumers Association, and Chief Executive Officer of the Association of Superfunds of Australia (ASFA). Philippa is a graduate of the Australian Institute of Company Directors.	Independent Director with Not-for-profit Governance Experience from 26 February 2014
T C Hill	Trevor is Group Manager, Consumer and Compliance, Corporate Affairs at Telstra. He has worked for Telstra for many years in a variety of management and policy roles. He has extensive experience in consumer related matters and played a major role in the development of the new Telecommunications Consumer Protection Code. He represents Telstra on the CA Operations Council and is the Chair of CA's Industry Consumer Advisory Group (ICAG). Trevor has previously served terms as a Telstra nominated Director of the TIO Board and as a TIO Council Member.	Alternate Director for J P Scarlett from 7 April 2014
R Dickenson	Robbie is the Senior Manager of Virgin Mobile Operations. Robbie is responsible for the day to day operations of Virgin Mobile's call centres and support teams. He has over 16 years' experience in the Telecommunications industry. Robbie has extensive experience in business transformation that delivers improved customer experience. Robbie was the winner of the Customer Service Institute of Australia's Customer Service Manager of the Year for NSW in 2013.	Alternate Director for M J Elsegood from 1 August 2014

### Information on Directors who retired, resigned or otherwise ceased to hold office during the year\*

Director	Experience	Responsibility
J F Rohan B Mech Eng, Grad Dip IE, MBA	John has a 20 year association with the TIO in his former roles as an inaugural Council member then Board director, and for 12 years as independent Board Chairman. He has been the Managing Director of Vodafone Australia Pty Ltd and Vodafone New Zealand Limited. John has held senior positions including Managing Director and Chief Executive Officer roles in CRA Ltd, James Hardie Australia Pty Ltd and Pirelli Ericsson Cables Ltd. His other Board directorships have included University Paton Pty Ltd, Kockums Australia Ltd and Chairman of Hardex Australia Pty Ltd. He is currently a director of AARNet Pty Ltd, the not for profit education and research network owned by Australian universities and CSIRO.	Chairman from 1 August 2001 Retired 26 February 2014
S J Dalby	Chief Regulatory Officer at iiNet Group. Stephen has been involved in the telecommunications industry for more than 40 years. Stephen is also Chief Executive Officer of Chime Communications Pty Ltd, iiNet's carrier subsidiary, is on the Board of CA and is based in Perth.	Director from 7 December 2006 Resigned 26 February 2014
A R Thomas	Alexandra Thomas was the Vice President Managed Services and Delivery, Optus Business Alphawest. In this role, Alex was responsible for professional and managed services at Optus, as well as customer service operations for business and government customers.	Director from 12 September 2007 Resigned 27 September 2013

## Directors' Report continued

### Information on Directors who retired, resigned or otherwise ceased to hold office during the year\* continued

Director	Experience	Responsibility
P J Sporton <i>B App Sci (App Elec)</i>	Phill is the Executive Director Telkom Indonesia/Telstra Joint Venture Project. Having started with Telstra as an engineer in 1983, Phill has spent 30 years at Telstra in a range of roles, including several positions in senior management.	Director from 27 November 2009 Resigned 26 February 2014
M L Sexton <i>BA, LLM, MBA (Executive)</i>	Louise is Company Secretary of Vodafone Hutchison Australia (VHA) and Company Secretary of Hutchison Telecommunications (Australia) Limited (HTAL). She was Group General Counsel of VHA from June 2009 until the end of 2013. Prior to the formation of VHA in June 2009, Louise was General Counsel and Company Secretary of HTAL from September 1998. Louise has extensive legal and regulatory experience as General Counsel and Company Secretary in listed public companies across a number of high technology industries in Australia.	Director from 8 December 2009 Resigned 26 February 2014
C Williams <i>BA, LLM</i>	Christine is Telstra's Director of Equivalence. Christine has performed a range of roles within Telstra, including Deputy Director of Regulatory Affairs and as regulatory manager and legal counsel for many different aspects of Telstra's business. Prior to joining Telstra in 1996, Christine was a senior associate in private legal practice.	Alternate Director for J P Scarlett from 25 July 2011 Vacated office on 26 February 2014
M R Lobb <i>BEC (Hons) LLB (Hons), MA MSc (International Relations)</i>	Matthew is General Manager, Industry Strategy and Public Policy, Vodafone Hutchison Australia. Matthew has overall responsibility for Vodafone's government and stakeholder relations, regulatory affairs and public policy reform agenda.  Previous roles include General Manager for Industry Engagement at National Broadband Network Co (NBN) and a range of roles at Telstra including Director, Telstra Consumer Pricing, Group Manager, Commercial Development and Group Regulatory Manager, Telstra Wholesale.	Alternate Director for M L Sexton from 30 January 2013 Vacated office on 26 February 2014
J M Vujcic <i>BA, LLB</i>	Jacob is Assistant General Counsel, Compliance, Optus. He is a senior lawyer, risk and compliance specialist with over 15 years of experience with major listed corporations in the financial services, energy and telecommunications industries.	Alternate Director for M J Elsegood from 11 April 2013  Alternate Director for A R Thomas from 11 April 2013 to 27 September 2013  Director from 23 October 2013 Resigned 26 February 2014

\* Not including Directors re-appointed on 26 February 2014 when governance by a single Board commenced.

### Information on Company Secretary

Company Secretary	Experience	Responsibility
G L Neville-Hill <i>BEC, LLB, LLM, FCSA, MAICD</i>	Gayle has been a chartered secretary and/or in-house legal counsel for 25+ years. She has also worked as a senior legal practitioner in private practice and has served as a director on the Australian Board of a global non-governmental organisation.	Company Secretary appointed 11 April 2013

### Access to Independent Professional Advice and Board Access to information

All Directors have the right in connection with their duties and responsibilities to seek independent professional advice at the Company's expense and have the right to access company information.

## Directors' Report continued

### Meetings of Directors

There were nine meetings of the company's Directors (excluding meetings of committees of Directors) held during the year ended 30 June 2014. The number of meetings attended by each director was:

#### Number of meetings held:

26 February 2014 - 30 June 2014

Full Meetings of Directors	Number Eligible to Attend	Number Attended
P M Faulkner	3	3
T M Corbin	3	3
C P Dodds	3	3
M J Elsegood	3	3
I A Falshaw	3	3
P J Harrison	3	3
J M Harvey	3	3
B J Kitschke	3	3
C E Lowe	3	3
J P Scarlett	3	2
P J Smith	3	3
T C Hill (Alternate)*	1	1

#### Number of meetings held:

1 July 2013 - 25 February 2014

Full Meetings of Directors	Number Eligible to Attend	Number Attended
J F Rohan	6	6
J M Harvey	6	6
M J Elsegood	6	4
S J Dalby	6	5
I A Falshaw	6	6
A R Thomas	4	4
J P Scarlett	6	6
P J Sporton	6	4
M L Sexton	6	5
J M Vujcic	2	2
C Williams (Alternate)*	0	0
M R Lobb (Alternate)*	1	1
J M Vujcic (Alternate)*	2	2

\*Alternate Directors attend meetings in place of their appointing Directors.

### Board Committees

The Board has established a number of committees to help it perform its duties and allow detailed consideration of complex issues. Each committee has a charter setting out its roles and responsibilities, composition, structure, membership requirements and the manner in which the committee operates. In this phase of establishing the unitary structure each committee is to review its charter within the first six months of its operation. Any recommended changes must be approved by the Board.

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 and Risk Committee

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

##### Members:

- J Harvey (Chair)
- T Corbin
- I Falshaw
- P Faulkner (*ex officio*)
- J Scarlett

The Audit and Risk Committee, at its discretion, invites the internal and external auditors, Ombudsman, Chief Financial Officer and Quality Manager to attend its meetings.

The Audit and Risk Committee:

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

## Directors' Report continued

The Committee also meets annually with the internal and external auditors without management being present.

The Committee held its inaugural meeting on 15 May 2014. At that meeting it considered and recommended to the Board for approval the internal and external audit plans for the TIO, and reviewed the risk register.

The Committee has established a regular meeting schedule and cycle of review for 2014-15.

### Nominations Committee

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

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

- (a) One Director with Consumer Experience.
- (b) One Director with Industry Experience.
- (c) One person nominated by a peak group representing users of telecommunications services or public interest issues relevant to telecommunications services.
- (d) One person nominated by a peak group representing the telecommunications industry.

#### Members:

P Faulkner (Chair)  
B Kitschke  
C Lowe  
J Plante (Nominee of ACCAN)  
J Stanton (Nominee of CA)

The Nominations Committee:

- (a) Determines the process for recruitment for Director positions.
- (b) Interviews and recommends to the Board suitable candidates for any vacant Board positions.

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

The Nominations Committee has not yet met, but will convene in late 2014 to interview and recommend to the Board candidates for the positions of Director with Industry Experience (Second Largest Member) and Director with Consumer Experience which expire on 25 February 2015.

### People Committee

The Board established the People Committee with a specific responsibility to determine remuneration for Directors. The Committee met twice during the year.

#### Members:

P Faulkner (Chair)  
P Harrison  
J Harvey  
P Smith

To assist its decision making, the People Committee commissioned Guerdon Associates to provide advice on remuneration for Directors. Aided by this advice, the Committee made a recommendation about director remuneration to the Board which was adopted at the Board's June 2014 meeting.

The Committee decided at the same time to investigate extending its scope to consider other matters relating to people and resources at TIO. Following that review, the role of the People Committee was extended to assisting and advising the Board to fulfil its corporate governance and oversight responsibilities in relation to:

- (a) Remuneration of Directors.
- (b) Remuneration of the Ombudsman.
- (c) Policies of TIO Limited relating to terms of employment of TIO staff, including remuneration and incentives.

## Directors' Report continued

### ETHICAL AND RESPONSIBLE DECISION MAKING

TIO Limited is committed to operating ethically and with integrity.

#### Conflict 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 on page 29 of this report.

The Board requires Directors to declare the offer and acceptance of any gifts, benefits or hospitality where a potential conflict may arise.

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

#### Confidentiality and privacy

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

As a result of legislative reform of Commonwealth privacy laws, the TIO implemented a new TIO Privacy Policy and privacy compliance program. The TIO also received formal recognition under the new privacy laws as an external dispute resolution scheme.

#### Feedback about the delivery of TIO Scheme services

As an external dispute resolution scheme, TIO Limited 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. Accordingly, consumers and service providers may make formal compliments or complaints about the service they receive. There are mechanisms by which compliments and complaints are recorded and notes made, indicating any actions taken and outcomes achieved. The Board receives regular reports about compliments and complaints in respect of services provided under the TIO scheme. The TIO's Compliments and Complaints Policy is available on the TIO website.

#### Whistleblower protection

TIO Limited does not tolerate staff at any level acting improperly and supports TIO employees, contractors, and Directors reporting in good faith a matter they believe constitutes reportable conduct without fear of reprisal, dismissal or discriminatory treatment. The TIO Whistleblower Policy sets out the Board-supported TIO Whistleblower program, which is regarded as an important element in eliminating corrupt, illegal and other reportable conduct within the TIO, and as a necessary step to achieving good corporate governance.

### INTEGRITY IN REPORTING

#### Internal audit

The TIO continued its comprehensive internal audit program during the course of 2013-14. The TIO's internal auditors are Pricewaterhouse Coopers. The internal auditors attended the inaugural meeting of the new Board's Audit and Risk Committee in May 2014.

#### External audit

The Board is committed to ensuring that the external auditor is independent. The TIO's external auditor is Pitcher Partners, appointed by members at a General Meeting in June 2009.

Pitcher Partners attended the inaugural meeting of the new Board's Audit and Risk Committee in May 2014.

TIO Limited has adopted a policy that the responsibilities of the lead audit partner cannot be performed by the same person for longer than five years. The present Pitcher Partner lead audit partner for the TIO Limited audit is Stephen Schonberg. The Auditor's Independence Declaration is on page 15 of this report.

## Directors' Report continued

### RISK MANAGEMENT FRAMEWORK

The Board is committed to the management of risk to protect its quality of service, legislative requirements, image and reputation, employees, members, stakeholders and assets.

The Audit and Risk Committee oversees the risk management framework, receiving regular reports from the TIO Executive, and the full register once a year.

A review of the risk framework is scheduled for late 2014.

### INSURANCE OF OFFICERS

During the financial year, the TIO insured officers of the company. The officers of the company covered by the insurance policy included all Directors as listed in this report, Council members and the Executive management team.

### CORPORATE SOCIAL RESPONSIBILITY

#### Environment Committee

The TIO staff Environment Committee provides a conduit from staff to the TIO Executive on environmental matters, working to ensure the TIO's carbon footprint is as small as possible. The Committee promotes environmentally friendly practices in the workplace, and educates staff about environmentally friendly practices at the TIO.

#### Environmental Regulations

Apart from statutory provisions of general applicability, the TIO is not subject to any specific environmental regulation.

### DIVERSITY

TIO Limited submits annual reports to the Workplace Gender Equity Agency. In 2013-14 TIO reported that there is gender equity in employment at TIO. There are more women than men in management roles and on the Board and there is no gender pay equity gap between men and women.

TIO employees are able to access arrangements which support gender equality in the workplace such as parental leave and flexible working hours.

The Board is concerned to preserve gender equity at the TIO. In the coming year formal policies and procedures that specifically support gender equality will be considered in the context of an overall review of workplace policies and procedures.

### OBJECTIVES AND STRATEGIES

The TIO's Vision is:

*To deliver an exceptional telecommunications dispute resolution service for consumers, service providers and the Australian community. We aim to contribute to better customer service and complaint handling within the telecommunications industry.*

The TIO operates in the context of a three year strategic plan. Annual business plans are developed in conjunction with the budget. These detail long and short term objectives and KPI's.

The current strategic plan covers the period 2012-15. A mid-term review was completed in March 2014 and presented to the Board to inform its budget deliberations in April 2014.

The Ombudsman reports regularly against agreed success measures for each of the TIO's roles.

The Telecommunications Industry Ombudsman has four distinct and complementary functions: resolving disputes (our primary role); improving telecommunications services; providing an independent voice; and leading by example.

## Directors' Report continued

### OPERATING RESULTS

The TIO recorded an operating deficit for 2013-14 of \$168,401. This was primarily due to reduced complaint demand over 2013-14. This resulted in fewer new complaints and fewer conciliations and investigations during this period.

Throughout 2013-14 the TIO managed staffing levels in response to this reduced demand.

The results for the year ended 30 June 2014 are as follows:

Year	Total Revenue	Total Expenditure	Surplus/(Deficit)
2013-2014	\$31,035,782	\$31,204,183	\$(168,401)
2012-2013	\$29,528,670	\$30,187,594	\$(658,924)

The accumulated surplus was decreased from \$6,596,606 at the start of the financial year to \$6,428,205 at the end of 2013-14.

### REVIEW OF OPERATIONS

#### Total Complaint Handling Transactions

Total complaint handling transactions for 2013-2014 are presented below.

Year	New Complaints	Conciliations	Investigations		Enquiries
			Level 3	Level 4	
2013-14	138,946	15,773	522	1	43,857
2012-13	158,652	15,928	471	10	47,016
% Change	-12.4	-1.0	10.8	-90	-6.7

#### Performance

The TIO monitors levels of complainant satisfaction and confidence with the service provided by the TIO. Results in 2013-14 indicated that around 90% of consumers are satisfied with the TIO's referral (level 1) and conciliation (level 2) services.

#### Staffing

The number of employees (excluding agency staff) at year end was 242, compared to 238 at the end of 2012-13. Due to the availability of flexible work options including part-time hours, full-time equivalent staff numbers decreased over the year.

TIO Staff numbers vary substantially during each year, reflecting the significant variance in demand for TIO services. The TIO has focused during the past year in increasing the range and flexibility of human resource responses to deal with this variance.

Strategies include:

- the use of casual and agency staff, in addition to ongoing officers
- the development of a team of officers within TIO who can be seconded from support to operational areas to deal with sudden demand increases
- the trialling of a peak demand team of casual staff who are rostered to work only during the times of the year where demand for services is high
- the commencement of a dispute resolution officer role with flexibility to move from contact team to investigation work depending on where the need is greatest.

#### Debt Recovery

Bad debts of \$380,547 were written-off during the financial year, with the provision for bad debts increased from \$401,835 to \$455,520. With the oversight of the Board, the management of TIO Limited takes a proactive approach to debt recovery, with a cross-functional group established to identify and work with members at risk.

Debt management, especially in relation to a small percentage of members of the industry with phoenix operations, has been a special focus of the Board in 2014.

## Directors' Report continued

### Financial Reserve

The financial reserve increased from \$3,731,981 at 30 June 2013 to \$3,796,105 (2%) at 30 June 2014.

### Fee Increases

The TIO increased fees from July 1 2014. Overall, the fee increase per complaint is approximately 8 per cent.

External reviews of the TIO, together with our own consultations with industry, continue to emphasise increased expectations about the quality and responsiveness of our services, and how we can increase our contribution to improving the telecommunications industry.

The 2014-15 budget invests in training, development, systems and processes to deliver on the TIO strategy for 2012-15.

The new charges also meet annual salary increases (including additional superannuation costs) for TIO staff – salary costs make up some 70 per cent of TIO expenses.

Volume fee increases are as follows: Level 1 and Enquiries from \$37 to \$40 (8%), Level 2 from \$345 to \$375 (9%), Level 3 from \$620 to \$670 (8%), and Level 4 from \$2,600 to \$2,800 (8%). Land access fees increased from \$2,900 to \$3,100 (7%).

More details of TIO charges to members are available on the Members' section of the TIO website.

### Cash Flow

The TIO's bankers, Commonwealth Bank of Australia, provide the TIO with an overdraft facility of \$150,000. This facility was established to alleviate any temporary cash flow variations associated with the TIO's quarterly billing cycle. The overdraft was not utilised during the year.

### Income Tax Exemption

The TIO has been granted an exemption from income tax under Item 2.1 of Section 50-10 of the *Income Tax Assessment Act 1997* until 30 June 2019.

### Member liability

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

- (a) payment of the debts and liabilities of TIO Limited 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).

### Membership

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

- (a) a standard telephone service where some of the customers are residential or small business customers; or
- (b) a public mobile telecommunications service; or
- (c) a carriage service which enables end users to access the Internet.

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

At the end of 2013-2014, 1,384 service providers were TIO members. During the year 145 new members joined the TIO and 121 members departed. A further 211 entities were assessed for potential membership. Membership was not required in 186 cases and the remaining 25 were referred to ACMA for resolution.

### Communication with Members

During 2013-14 the TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling.

A clear explanation of the TIO's processes is a high priority for the TIO membership and although there is a high level of satisfaction with current practices, additional assistance is welcomed. As a result the TIO is leading a project to develop an initial release of three easily accessible online learning modules for TIO Members. The modules will be released to members in late 2014.

## Community Outreach

The TIO continued to focus on assisting vulnerable groups in the community. In May 2014 Financial Counselling Australia, Communications Alliance and the TIO jointly launched an innovative new guide to helping telecommunications consumers in financial hardship, titled *Responding to Customers in Financial Hardship, Principles and Practices for Telecommunications Service Providers*.

The TIO also launched its third Disability Action Plan in June 2014. The plan demonstrates the TIO's commitment to providing an accessible complaints resolution service to all Australians.

## Dividends

Under the terms of its Constitution, the TIO is not permitted to pay dividends to members.

## Significant Changes in the State of Affairs

On 26 February 2014, members of TIO Limited voted to replace the Company's dual governance structure with governance by a single Board of Directors. Full details of these changes are provided on page 3 of this report.

## Matters Subsequent to the end of the Financial Year

Except for the matters noted above, at the date of this report no other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect:

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

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



Director: P M Faulkner



Director: J M Harvey

Dated this 30 day of September 2014.

# Auditor's Independence Declaration

TO THE DIRECTORS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED



TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED  
ABN 46 057 634 787

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

In relation to the independent audit for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'S. Schonberg'.

S SCHONBERG  
Partner

A handwritten signature in black ink, appearing to be a stylized name.

PITCHER PARTNERS  
Melbourne

Date: 30 September 2014

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>Revenue and other income</b>			
Revenue from members	4	30,484,587	29,070,833
Other income	4	551,195	457,837
	4	31,035,782	29,528,670
<b>Less: expenses</b>			
Depreciation and amortisation expense	5	(1,044,325)	(1,269,110)
Employee benefits expense	5	(22,840,556)	(22,466,464)
Occupancy expense		(1,863,231)	(1,897,236)
Marketing expense		(524,831)	(426,614)
Finance costs	5	(210,758)	(334,194)
Bad & doubtful debts expense	5	(426,234)	(135,311)
Information technology expense		(1,400,584)	(1,619,028)
Consultancy expense		(785,385)	(316,511)
Legal expense		(416,134)	(395,718)
Travel expense		(242,638)	(235,883)
Telephone and faxes		(349,178)	(342,471)
Other expenses		(1,100,329)	(749,054)
<b>Total expenses</b>		<b>(31,204,183)</b>	<b>(30,187,594)</b>
<b>Total deficit for the year</b>		<b>(168,401)</b>	<b>(658,924)</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>Current assets</b>			
Cash and cash equivalents	7	5,164,722	3,788,180
Receivables	8	4,835,748	6,013,617
Other assets	9	199,395	143,773
<b>Total current assets</b>		<b>10,199,865</b>	<b>9,945,570</b>
<b>Non-current assets</b>			
Intangible assets	10	1,886,555	2,453,611
Plant and equipment	11	375,517	744,785
Other assets	9	64,080	-
<b>Total non-current assets</b>		<b>2,326,152</b>	<b>3,198,396</b>
<b>Total assets</b>		<b>12,526,017</b>	<b>13,143,966</b>
<b>Current liabilities</b>			
Payables	12	2,108,302	1,879,174
Borrowings	13	713,775	703,528
Provisions	14	2,118,738	1,761,127
Other liabilities	15	139,997	139,997
<b>Total current liabilities</b>		<b>5,080,812</b>	<b>4,483,826</b>
<b>Non-current liabilities</b>			
Borrowings	13	296,223	993,103
Provisions	14	487,450	697,107
Other liabilities	15	233,327	373,324
<b>Total non-current liabilities</b>		<b>1,017,000</b>	<b>2,063,534</b>
<b>Total liabilities</b>		<b>6,097,812</b>	<b>6,547,360</b>
<b>Net assets</b>		<b>6,428,205</b>	<b>6,596,606</b>
<b>Accumulated Surplus</b>			
Accumulated surplus	16	6,428,205	6,596,606
<b>Total accumulated surplus</b>		<b>6,428,205</b>	<b>6,596,606</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>Accumulated Surplus</b>		
Balance at beginning of the year	6,596,606	7,255,530
Movements in equity from:		
Deficit for the year	(168,401)	(658,924)
Balance at the end of the year	6,428,205	6,596,606

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>Cash flow from operating activities</b>			
Receipts from members		34,216,130	30,628,804
Payments to suppliers and employees		(32,220,994)	(30,867,778)
Sublease receipts		229,041	-
Interest received		145,640	154,973
Interest paid		(198,641)	(262,947)
<b>Net cash provided by / (used in) operating activities</b>	20(b)	2,171,176	(346,948)
<b>Cash flow from investing activities</b>			
Payment for plant and equipment		(50,741)	(45,141)
Payment for intangible assets		(57,260)	(9,820)
<b>Net cash provided by / (used in) investing activities</b>		(108,001)	(54,961)
<b>Cash flow from financing activities</b>			
Proceeds from leases		3,557	30,120
Repayment of leases		(690,190)	(1,493,365)
<b>Net cash provided by / (used in) financing activities</b>		(686,633)	(1,463,245)
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		3,788,180	5,653,334
Net increase / (decrease) in cash held		1,376,542	(1,865,154)
<b>Cash at end of financial year</b>	20(a)	5,164,722	3,788,180

The accompanying notes form part of these financial statements.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report was approved by the Directors as at the date of the Directors' report.

The financial report is for the entity Telecommunications Industry Ombudsman Limited 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 following is a summary of the material accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Basis of preparation of the financial report

#### *Compliance with IFRS*

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

#### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

### (b) Income tax

The company is exempt from income tax under item 2.1 of section 50 10 of the *Income Tax Assessment Act 1997*. The TIO has been notified of its continued tax exempt status up to 30 June 2019 by the Australian Tax Office.

### (c) Revenue

Volume and operating fees are charged to members for complaint resolution services. Members are invoiced monthly based on actual charges for each month.

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

All revenue is stated net of the amount of goods and services tax (GST).

### (d) Trade receivables

Amounts due from all members are recognised as amounts receivable. Collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the TIO will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

### (e) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

#### *Plant and equipment*

Plant and equipment is measured on the cost basis.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of fixed asset is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

# Notes to Financial Statements continued

For the year ended 30 June 2014

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### *Finance leases*

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

#### *Operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

### (g) Employee benefits

#### *(i) Short term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

#### *(ii) Long term employee benefit obligations*

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

### (h) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, and included finance lease charges.

### (i) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

### (j) Financial instruments

#### *Trade and other receivables*

Receivables are carried at nominal amounts due, less any provision for impairment. A provision for impairment is recognised when collection of the full nominal amount is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.

#### *Prepayments*

Prepayments are carried at cost representing their expected future benefit.

#### *Trade and other payables*

Liabilities are recognised for amounts to be paid in future for goods and services received.

#### *Interest bearing loans and borrowings*

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.

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.

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

## Notes to Financial Statements continued

For the year ended 30 June 2014

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (k) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company 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.

#### (l) Cash and cash equivalents

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

#### (m) Goods and services tax (GST)

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.

#### (n) Unearned lease incentive

All incentives for entering into an operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

The TIO has recognised the aggregate benefit of incentives as a reduction of rental expenses over the lease term, on a straight line basis, representative of the pattern of the benefit from the use of the leased asset.

The lease incentive has been recognised as unearned revenue and amortised over the term of the lease, being 10 years.

#### (o) Intangibles

##### *RADaR Project*

All costs associated with RADaR project were capitalised at cost. RADaR is amortised on a straight line basis over the period of 5 years from 1 May 2012. RADaR is reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

### NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2014

A number of standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are not likely to impact on the financial information presented; however the assessment of impact has not yet been completed.

### NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that may have financial impact on the entity and that are believed to be reasonable under the circumstances.

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 4: REVENUE AND OTHER INCOME

	2014 \$	2013 \$
Complaint handling fee	30,484,587	29,070,833
	30,484,587	29,070,833
Interest income	145,640	154,973
Sub lease revenue	263,684	-
Other revenue	141,871	302,864
	551,195	457,837
	31,035,782	29,528,670

#### NOTE 5: OPERATING PROFIT

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

Finance costs		
Finance costs	-	60,035
Bank charges	12,117	11,212
Lease charges	198,641	262,947
	210,758	334,194
Depreciation		
Plant and equipment	30,774	143,722
Furniture and fittings	151,666	250,303
Capitalised depreciation charges	237,569	237,574
	420,009	631,599
Amortisation of non current assets		
BI Tool	4,854	-
RADaR	619,462	637,511
	624,316	637,511
Bad debts		
Bad and doubtful debts	426,234	135,311
Rental expense on operating leases	1,863,231	1,897,236
Employee benefits:		
Short term benefits	22,840,556	22,466,464
Net loss on disposal of non current assets		
Loss on sale of other non-current assets	-	606
Remuneration of auditors for:		
<i>Pitcher Partners (Melbourne)</i>		
Audit and assurance services		
Audit of the financial report	38,500	35,500

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

	2014 \$	2013 \$
Compensation received by key management personnel of the company		
- short term employee benefits	1,652,876	1,885,348
	1,653,600	1,885,348

The names of Directors who have held office during the year are:

Name	Appointment / resignation details
J F Rohan	retired 26 February 2014
J M Harvey	
S J Dalby	resigned 26 February 2014
A R Thomas	resigned 27 September 2013
J M Vujcic	appointed 23 October 2013; resigned 26 February 2014
M J Elsegood	
M L Sexton	resigned 26 February 2014
J P Scarlett	
P J Sporton	resigned 26 February 2014
C Williams (alternate)	resigned 26 February 2014
I Falshaw	
M R Lobb (alternate)	resigned 26 February 2014
J M Vujcic (alternate)	resigned 26 February 2014
B J Kitschke	appointed 26 February 2014
C E Lowe	appointed 26 February 2014
P M Faulkner	appointed 26 February 2014
P J Smith	appointed 26 February 2014
C P Dodds	appointed 26 February 2014
P J Harrison	appointed 26 February 2014
T M Corbin	appointed 26 February 2014
T C Hill (alternate)	appointed 26 February 2014

The names of key management personnel during the year are:

Name	Appointment / resignation details	Position
S Cohen		Ombudsman
D Carmody		Deputy Ombudsman
G Neville-Hill		Company Secretary
J Zammit	resigned 18 April 2014	Chief Financial Officer
A Dyer	retired 21 December 2013	Chairman of Council
G R Smith	resigned 26 February 2014	Member of Council
J Matthews	resigned 26 February 2014	Member of Council
T Corbin	resigned 26 February 2014	Member of Council
L Kreet	resigned 26 February 2014	Member of Council
C Lowe	resigned 26 February 2014	Member of Council
C Dodds	resigned 26 February 2014	Member of Council
P Harrison	resigned 26 February 2014	Member of Council
B Kitschke	resigned 26 February 2014	Member of Council
T C Hill	resigned 26 February 2014	Member of Council
R Wheeler	resigned 26 February 2014	Member of Council

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 7: CASH AND CASH EQUIVALENTS

	2014 \$	2013 \$
Cash on hand	1,000	1,000
Cash at bank	1,312,057	55,199
Cash on deposit	3,851,665	3,731,981
	5,164,722	3,788,180

#### NOTE 8: RECEIVABLES

<b>CURRENT</b>		
Trade debtors	5,197,406	6,321,48
Provision for doubtful debts	(455,520)	(401,835)
	4,741,886	5,919,651
Other receivables	93,862	93,966
	4,835,748	6,013,617

#### Impairment of trade receivables

##### Aged analysis

Trade and other receivables ageing analysis at 30 June is:

	Impairment		Impairment	
	2014 \$	2014 \$	2013 \$	2013 \$
0 to 3 months	4,663,082	(20,880)	6,004,271	(38,127)
Greater than 3 months	534,324	(434,640)	317,215	(363,708)
	5,197,406	(455,520)	6,321,486	(401,835)

At 30 June 2014 current trade receivables had a nominal value of \$5,197,406 (2013 \$6,321,486). A provision for non-recoverability of \$455,520 (2013 \$401,835) was considered appropriate.

#### NOTE 9: OTHER ASSETS

	2014 \$	2013 \$
<b>CURRENT</b>		
Prepayments	142,280	138,160
Accrued income	14,879	5,613
Sublease incentive capitalised	14,634	-
Other current assets	27,602	-
	199,395	143,773
<b>NON CURRENT</b>		
Other non current assets	29,437	-
Sublease incentive capitalised	34,643	-
	64,080	-

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 10: INTANGIBLE ASSETS

	2014 \$	2013 \$
RADaR Complaint Management System	3,167,254	3,167,254
Accumulated amortisation	(1,363,225)	(743,763)
	1,804,029	2,423,491
BI Tool	87,380	30,120
Accumulated amortisation	(4,854)	-
	82,526	30,120
<b>Total intangible assets</b>	<b>1,886,555</b>	<b>2,453,611</b>

#### (a) Reconciliations

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

<i>Intangibles at cost RADaR</i>		
Opening balance	2,423,491	3,081,302
Amortisation expense	(619,462)	(637,511)
Transfers out	-	(20,300)
Closing balance	1,804,029	2,423,491
<i>Intangibles at cost Business Intelligence Tool</i>		
Opening balance	30,120	-
Additions	57,260	-
Amortisation expense	(4,854)	-
Work progress	-	30,120
Closing balance	82,526	30,120

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2014 \$	2013 \$
<b>Leasehold improvements</b>		
At cost	1,661,939	1,661,939
Accumulated depreciation	(1,438,880)	(1,201,311)
	223,059	460,628
<b>Plant and equipment</b>		
At cost	664,831	637,113
Accumulated depreciation	(625,241)	(594,686)
	39,590	42,427
<b>Furniture, fixtures and fittings</b>		
At cost	1,818,161	1,796,557
Accumulated depreciation	(1,705,293)	(1,554,827)
	112,868	241,730
Total plant and equipment	152,458	284,157
Total property, plant and equipment	375,517	744,785

#### (a) Reconciliations

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

<i>Leasehold improvements</i>		
Opening carrying amount	460,628	715,618
Transfers	-	(17,416)
Depreciation expense	(237,569)	(237,574)
Closing carrying amount	223,059	460,628
<i>Plant and equipment</i>		
Opening carrying amount	42,427	158,858
Additions	27,937	27,291
Depreciation expense	(30,774)	(143,722)
Closing carrying amount	39,590	42,427
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	241,730	457,373
Additions	22,804	34,660
Depreciation expense	(151,666)	(250,303)
Closing carrying amount	112,868	241,73

#### NOTE 12: PAYABLES

<b>CURRENT</b>		
<i>Unsecured liabilities</i>		
Trade creditors	557,573	717,153
Sundry creditors and accruals	1,550,729	1,162,021
	2,108,302	1,879,174

## Notes to Financial Statements continued

For the year ended 30 June 2014

### NOTE 13: BORROWINGS

	2014 \$	2013 \$
CURRENT		
<i>Secured liabilities</i>		
RADaR	713,775	703,528
NON CURRENT		
<i>Secured liabilities</i>		
RADaR	296,223	993,103

### NOTE 14: PROVISIONS

CURRENT			
Employee benefits	(a)	2,118,738	1,761,127
NON CURRENT			
Employee benefits	(a)	487,450	697,107
(a) Aggregate employee benefits liability		2,606,188	2,458,234
(b) Number of employees at year end		242	238

### NOTE 15: OTHER LIABILITIES

CURRENT			
Unearned lease incentives		139,997	139,997
NON CURRENT			
Unearned lease incentives		233,327	373,324

### NOTE 16: ACCUMULATED SURPLUS

Accumulated surplus at beginning of year		6,596,606	7,255,530
Deficit for the year		(168,401)	(658,924)
Accumulated surplus at the end of the year		6,428,205	6,596,606

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2014 \$	2013 \$
<b>(a) Finance leasing commitments</b>		
Payable		
not later than one year	814,718	906,277
later than one year and not later than five years	304,296	1,095,704
Minimum lease payments	1,119,014	2,001,981
Less future finance charges	(109,016)	(305,350)
Total finance lease liability	1,009,998	1,696,631
Represented by:		
Current liability	713,775	703,528
Non current liability	296,223	993,103
	1,009,998	1,696,631
<b>(b) Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
not later than one year	1,937,172	1,833,015
later than one year and not later than five years	5,878,145	6,276,738
	7,815,317	8,109,753

#### NOTE 18: CONTINGENT LIABILITIES

The TIO has the following contingent liabilities:

During the 2007-2008 financial year, the TIO signed a bank guarantee in favour of Investa Nominees Pty Ltd (the TIO's landlord) for an amount equal to 6 months' rent, outgoings and GST. The amount of the guarantee is \$387,877. In the event where the TIO is unable to meet its financial obligations under its lease for level 4, 595 Collins Street, Investa Nominees Pty Ltd may call on the bank guarantee held by the Commonwealth Bank of Australia.

#### NOTE 19: RELATED PARTY TRANSACTIONS

##### (a) Transactions with key management personnel of the entity or its parent and their personally related entities

- (i) One current director, J P Scarlett and one current alternate director, T C Hill, are employees of Telstra Corporation. P J Sporton, (director) and C Williams (alternate director), whose terms ended on 26 February 2014, were also employees of Telstra Corporation. The TIO invoiced Telstra Corporation Ltd and related entities for \$15,273,136 (2013: \$12,737,913) during the year for complaint handling fees. Telstra Corporation invoiced the TIO for \$155,099 (2013: \$122,279) for the provision for telecommunication services during the year.
- (ii) One current director, B J Kitschke is an employee of VHA Limited. M L Sexton (director) and M Lobb (alternate director), whose terms ended on 26 February 2014, were also employees of VHA Limited. The TIO invoiced VHA Limited and related companies \$8,871,927 (2013: \$7,949,884) during the year for complaint handling fees.
- (iii) One current director, M J Elsegood, is an employee of SingTel Optus Pty Ltd. A R Thomas (director), who resigned on 27 September 2013, and J Vujcic (director and alternate director) who resigned on 26 February 2014, were also employees of SingTel Optus Pty Ltd. The TIO invoiced SingTel Optus Pty Ltd \$3,871,170 (2013: \$7,304,589) during the year for complaint handling fees. SingTel Optus Pty Ltd and related entities invoiced the TIO for \$268,476 (2013: \$252,081) for the provision of telecommunication services during the year.
- (iv) One current director, Iain Falshaw, was an employee of ACN Pacific. The TIO invoiced ACN Pacific for \$35,646 (2013: \$30,126) during the year for complaint handling fees.
- (v) One director, S J Dalby, who resigned on 26 February 2014 was an employee of iiNet Group. The TIO invoiced iiNet Ltd for \$1,156,280 (2013: \$661,990) during the year for complaint handling fees.

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

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 20: CASH FLOW INFORMATION

	2014 \$	2013 \$
<b>(a) Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash on hand	1,000	1,000
Cash at bank	1,312,057	55,199
At call deposits with financial institutions	3,851,665	3,731,981
	5,164,722	3,788,180
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Loss from ordinary activities after income tax	(168,401)	(658,924)
<b>Adjustments and non cash items</b>		
Amortisation	624,316	637,511
Depreciation	420,009	631,599
Movements in provision for doubtful debts	426,234	135,311
Net (gain) / loss on disposal of property, plant and equipment	-	606
Lease incentive through P&L	(139,997)	(139,997)
Other non cash items	-	137,095
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in receivables	751,635	(1,520,057)
(Increase) / decrease in other assets	(119,702)	64,291
Increase / (decrease) in payables	229,128	400,012
Increase / (decrease) in provisions	147,954	(137,147)
Increase/ (decrease) in sundry creditors	-	102,752
Cash flows from operating activities	2,171,176	(346,948)
<b>(c) Credit standby arrangements with banks</b>		
Credit facility	300,000	300,000
Amount utilised	(133,000)	(143,000)
Unused credit facility	167,000	157,000
<b>(d) Loan facilities</b>		
Overdraft facility	150,000	150,000
Amount utilised	-	-
Unused loan facilities	150,000	150,000

## Notes to Financial Statements continued

For the year ended 30 June 2014

### NOTE 21: 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:

	2014 \$	2013 \$
<b>Financial assets</b>		
Cash and cash equivalents	5,164,722	3,788,180
Receivables	4,835,748	6,013,617
	10,000,470	9,801,797
<b>Financial liabilities</b>		
Creditors	557,573	717,153
Leases	1,009,998	1,696,631
Other payables	1,550,729	1,162,021
	3,118,300	3,575,805

#### (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 cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2014 Financial instruments	Interest bearing \$	Non-interest bearing \$	Total carrying amount \$	Weighted average effective interest rate	
<i>Financial assets</i>					
Cash	1,312,057	1,000	1,313,057	1.0%	Floating
Cash on deposit	3,851,655	-	3,851,655	3.3%	Floating
Trade and other receivables	-	4,835,748	4,835,748	0.0%	
	5,163,712	4,836,748	10,000,460		
<i>Financial liabilities</i>					
Trade creditors	-	557,573	557,573	0.0%	
Leases	1,009,998	-	1,009,998	10.0%	Fixed
Other payables	-	1,550,729	1,550,729	0.0%	
	1,009,998	2,108,302	3,118,300		

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 21: FINANCIAL RISK MANAGEMENT CONTINUED

2013 Financial instruments	Interest bearing \$	Non-interest bearing \$	Total carrying amount \$	Weighted average effective interest rate	
<i>Financial assets</i>					
Cash	55,199	1,000	56,199	2.8%	Floating
Cash on deposit	3,731,981	-	3,731,981	3.8%	Floating
Trade and other receivables	-	6,013,617	6,013,617	0.0%	
	3,787,180	6,014,617	9,801,797		
<i>Financial liabilities</i>					
Trade creditors	-	717,153	717,153	0.0%	
Leases	1,696,631	-	1,696,631	10.0%	Fixed
Other payables	-	1,162,021	1,162,021	0.0%	
	1,696,631	1,879,174	3,575,805		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

#### **Sensitivity**

The TIO's borrowing and finance leases are at fixed rates of interest and therefore not exposed to movements in interest rates. The main risk arises from cash and cash equivalents, and the interest income they derive.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

#### **(b) Credit risk**

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

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

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

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

The company's debtors are concentrated in one industry.

##### **(i) Cash deposits**

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

##### **(ii) Trade receivables**

The ageing analysis of trade and other receivables is provided in Note 8. As the company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

#### **(c) Liquidity risk**

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

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

#### **(d) Fair values**

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

## Notes to Financial Statements continued

### For the year ended 30 June 2014

#### NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2014, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2014, of the company

#### NOTE 23: COMPANY DETAILS

The registered office of the company is:

Telecommunications Industry Ombudsman Limited  
Level 3  
595 Collins Street  
Melbourne VIC 3000

# Directors' declaration

TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED  
ABN 46 057 634 787

## DIRECTORS' DECLARATION

The Directors of the company declare that in the opinion of the Directors:

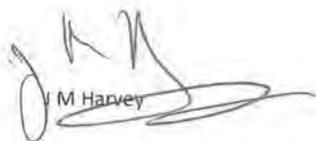
- (1) The financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with the Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) comply with *International Financial Reporting Standards*; and
  - (c) give a true and fair view of the financial position as at 30 June 2014 and performance of the company for the year ended on that date.
- (2) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:

  
P M Faulkner

Director:

  
M Harvey

Dated this

30 day of September 2014

# Independent Auditor's Report

TO THE MEMBERS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED



TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED  
ABN 46 057 634 787

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

We have audited the accompanying financial report of Telecommunications Industry Ombudsman Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

### *Directors' Responsibility for the Financial Report*

The Directors of the company 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 Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

# Independent Auditor's Report

TO THE MEMBERS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED



TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED  
ABN 46 057 634 787

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELECOMMUNICATIONS INDUSTRY OMBUDSMAN LIMITED

### Opinion

In our opinion:

- (a) the financial report of Telecommunications Industry Ombudsman Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

S SCHONBERG

Partner

Date 30 September 2014

PITCHER PARTNERS

Melbourne

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## Contact us

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Collins St West VIC 8007

If you need an interpreter, please contact us through the Translator and Interpreter Service (TIS): 131 450

If you have a hearing or speech impairment, contact us through the National Relay Service:

- TTY users: 1800 555 677
- Speak and listen users: 1800 555 727
- Internet relay users: [www.relayservice.com.au](http://www.relayservice.com.au)

\* Free from landlines. If you are calling from a mobile, you can ask us to call you back.