Telecommunications Industry Ombudsman Limited

ABN 46 057 634 787

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Contents

Directors' Report

Directors' Report

Your directors present their report of Telecommunications Industry Ombudsman Ltd ("TIO") for the year ended 30 June 2012.

The TIO is a company limited by guarantee and incorporated in Australia in 1993 under the Corporations Act. 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.

Directors

The current composition and membership of the Board up to the date of this report is as follows:

Two (2) directors appointed by Telstra:

- J P Scarlett, with C Williams as an alternate director (appointed 25 July 2011)
- P J Sporton

Two (2) directors appointed by Optus:

- M J Elsegood
- A R Thomas, with G R Smith as alternate director for both (alternate resigned 30 April 2012)

One (1) director appointed by Vodafone Hutchison Australia (VHA):

- M L Sexton with B Currie as an alternate director (alternate resigned 30 June 2012)

One (1) director appointed by members who are other than Telstra, Optus, VHA and who are not internet service providers or internet service intermediaries:

- R Bhatia, with J Horan as an alternate director (alternate resigned 26 July 2011)

One (1) director appointed by internet service provider or internet service intermediary members:

- S J Dalby

Independent Directors:

- J M Harvey
- J F Rohan (Chairman).

Changes to Board composition are summarised in note 12 to the financial statements. The names of persons who were directors of TIO at any time during the financial year are as follows:

Name of Director	Date of Appointment	Date of Resignation
J Rohan	01 August 2001	Continuing
G R Smith (Alternate)	4 March 2002	30 April 2012
J Harvey	7 April 2003	Continuing
M Elsegood	2 October 2006	Continuing
S Dalby	7 December 2006	Continuing
A Thomas	12 September 2007	Continuing
R Bhatia	22 November 2009	Continuing
J Scarlett	27 November 2009	Continuing
P Sporton	27 November 2009	Continuing
M Sexton	8 December 2009	Continuing
B Currie (Alternate)	8 December 2009	30 June 2012
J Horan (Alternate)	20 April 2010	26 July 2011
C Williams (Alternate)	25 July 2011	Continuing

Directors' Report

Operating Results

The TIO recorded an operating deficit for 2011-12 of $(418,654). The operating deficit includes the effect of:

- Complaint demand in decline since April 2012. This has resulted in fewer new complaints and fewer conciliations and investigations; and
- An accounting adjustment of $364,524 for finance lease payments, decreasing the deficit for statutory reporting at 30 June 2012. These finance lease payments related to funding a project to replace the complaint management system (known as the RADaR project). These costs were evenly distributed over 2011-12 within Operating Cost Recovery fees and will continue through to December 2013 as part of a 36 month co-terminating lease agreement.

The results for the year ended 30 June 2012 are as follows:

Year	Total Revenue	Total Expenditure	Surplus/(Deficit)
2010-2011	$28,947,405	$27,985,586	$961,819
2011-2012	$29,676,712	$30,095,366	$(418,654)

The accumulated surplus was decreased from $7,674,184 at the start of the financial year to $7,255,530 at the end of 2011-12.

Review of Operations

- **Total Complaint Handling Transactions**

  Complaint handling transactions include enquiries, new complaints, cases and reviews. Total transactions for 2011-2012 are presented below.

Year	Total Transactions	% Change from Previous Year
2010-2011	269,892	5.2% Increase
2011-2012	267,713	1.0% Decrease

- **Debt Recovery**

  Bad debts of $168,059 were written-off during the financial year, with the provision for bad debts reduced to $346,917.

- **Cash Flow**

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

- **Performance**

  The TIO operational year featured a 1.0% decrease in total transactions.

  During 2011-12, the TIO implemented a revised conciliation process for level 2 complaints, with a focus on timely and informal resolutions. This change resulted in both more timely resolutions, and fewer cases requiring escalation to levels 3 and 4.

  The TIO monitors levels of complainant satisfaction and confidence with the service provided by the TIO. Results in 2011-12 indicated that more than 90% of consumers are satisfied with the TIO's referral (level 1) and conciliation (level 2) services.

- **Industry Engagement**

  During 2011-2012 the TIO continued to work collaboratively with industry to help reduce complaints about customer service and complaint handling.

  A key change was the implementation of an account management approach to member engagement, with dedicated account managers being assigned to TIO members to assist in their interaction with the TIO.

- **Communications**

  The TIO continued to focus on accessibility to the Scheme focusing its work to assist vulnerable groups in the community, including through the work of an Indigenous Liaison Team and Disability Access Group.

  A new TIO website (www.tio.com.au) was launched in September 2011. The website has significantly increased the accessibility to TIO information, and made on-line dealing with the TIO much easier. The TIO published the first on-line Annual Report in November 2011.

Directors' Report continued

- **Governance**

  The TIO implemented a comprehensive internal audit program during the course of 2011-2012, with audits focusing on the RADaR project to replace the TIO's complaint handling system.

  The Board initiated a review of the TIO in late 2010 in accordance with Article 19 of the TIO Articles of Association and this review continued into 2011-12. The review, conducted by KPMG, found the TIO's performance aligns with the National Benchmarks for external dispute resolution offices. Particular areas for ongoing improvement include better reporting of systemic issues, public reporting of key performance indicators, and continuing improvements in performance and cost efficiency. The report also focussed on a stronger strategic focus and planning process, to ensure TIO was well prepared to meet the challenges of a changing and more complicated telecommunications industry.

  In addition, reports from significant reviews affecting the TIO, and conducted by DBCDE and the ACMA, reported in 2011-12.

- **Financial Reserve**

  The financial reserve increased to a total of $3,938,061 at 30 June 2012.

  The amount of the reserve was independently reviewed by PWC during 2011-12. The review found a strong understanding and monitoring of cash flow drivers within TIO. The final report recommended some minor adjustments to the reserve policy, and the review of protocols for managing adverse conditions.

- **Fee Increases**

  The TIO increased volume related prices for 2011-12. Level 1's increased from $31 to $32, Level 2's increased from $260 to $280, Level 3's increased from $475 to $530, Level 4's increased from $2,250 to $2,400, Land Access Level 4's increased from $2,650 to $2,900 and Enquiries increase from $31 to $32. The price of Reviews remained the same at $500.

- **Major Projects Program**

  The TIO continued its major project initiated in 2009-2010, the implementation of a new complaint management system (known as RADaR). Primary benefits from RADaR include a stable and contemporary operating system, and over time improved data quality, more reporting capacity and increased efficiency.

  The RADaR system replaced COSMOS, a decade old complaints management system that was unsupported, increasingly unstable and not effectively meeting the needs of either the TIO or its stakeholders. For these reasons, the Board considered this program to be absolutely essential.

  RADaR commenced operation on 1 May 2012. Advice from industry and consumer representatives is that the changeover to the new system has been seamless from an external perspective. Reduced productivity during the first months of RADaR implementation was expected and planned for. Overall acceptance of RADaR by TIO employees has generally been positive, and development of it has continued since implementation.

- **Membership**

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

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

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

  The total number of members increased from 1,214 at 30 June 2011 to 1,221 at 30 June 2012. 139 new members joined the scheme and 132 members departed the scheme.

Directors' Report continued

- **Staffing**

  Average full time equivalent (FTE) staff numbers increased over the year from 235.1 to 251.80. There are a number of reasons for this, which include:

  - demand continued at high levels throughout the first 9 months of 2011-12
  - additional staff were required to implement the new complaint management system (RADaR), which went live on May 1, 2012. This included staff to implement, test and be trained in the new system before 1 May 2012, and additional staff after this date to ensure an ongoing effective and accessible complaint management service in the first several months of use of the new system.

  As at 30 June 2012, the TIO employed 266 people, equivalent to 30 June 2011 when the TIO employed 267 people.

- **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 2014.

Principal Activities

During the year, the principal continuing activity of the TIO was the investigation and resolution of telecommunications complaints from small businesses and residential consumers. There were no significant changes in the nature of the activities during the year.

Objectives and Strategies

The TIO operates in the context of a three year strategic plan and an annual business plan. These detail long and short term objectives and KPI's.

During 2011-12, a substantial review of the TIO's Vision and roles was undertaken. As an outcome, a new Vision and roles were settled. The new Vision is:

We will continue to deliver an exceptional telecommunications dispute resolution service for consumers, service providers and the Australian community. Our work contributes to better customer service and complaint handling within the telecommunications industry.

The roles of the Telecommunications Industry Ombudsman were clarified and include 4 distinct and complementary functions: resolving disputes (our primary role); improving telecommunications services; providing an independent voice; and leading by example.

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).

Directors' Report continued

Dividends

Under the terms of its Memorandum and Articles of Association, the TIO is not permitted to pay dividends to members.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

Except for the matters noted above, at the date of this report no other matter or circumstance has arisen since 30 June 2012 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.

Likely Developments and Expected Results of Operations

During the preparation of the 2012-13 Budget (in February and March 2012) the TIO budgeted for an increase in new complaints and cases of approximately 10% in 2012 2013. This forecast was based on both long and short term trends. In the final quarter of 2011-12, case numbers decreased substantially, and this reduced demand for TIO services has continued into 2012-13, meaning our demand is significantly below that budgeted. The TIO is carefully monitoring complaint statistics and taking steps to adjust resources accordingly.

Environmental Regulations

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

Insurance of Officers

During the financial year, the TIO paid a premium of $14,261 (GST inclusive) to insure certain 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.

The liabilities insured include costs and expenses that may be incurred in defending proceedings that may be brought against the officers in their capacity as officers of the company.

Directors' Report continued

Information on Directors

Director	Experience	Responsibility
J F Rohan, *B Mech Eng, Grad Dip IE, MBA*	John has held senior positions including MD and CEO roles in CRA Ltd, James Hardie Australia Pty Ltd, Pirelli Ericsson Cables Ltd, McConnell Dowell Corporation Ltd and Vodafone Australia Ltd. His Board directorships have included University Paton Pty Ltd, Kockums Australia Ltd and Chairman of Hardex Australia Pty Ltd. In addition to chairing the TIO Board, John was a member of the inaugural TIO Council. He is currently a director of AARNet Pty Ltd, a not for profit education and research network owned by Australian universities and CSIRO.	Chairman from 1 August 2001
G R Smith, *B Econ / Politics (Hons)*	Head of Regulatory Compliance, Optus. Gary has also worked with the former industry regulator, the Australian Telecommunications Authority (AUSTEL), the Reserve Bank of Australia and the Victorian Parliament.	Alternate Director from 4 March 2002 until 1 May 2012
J M Harvey, *BCom, MBA, FCA, FAICD*	Directorships include: IOOF Holdings Ltd, Medibank Private Ltd, Colonial Foundation Trust, and oversight Board of the Department of Treasury and Finance. Victorian Council member of the Australian Institute of Company Directors.	Director from 7 April 2003
M J Elsegood *B Eng (Hons), MBA*	Manager, Regulatory Compliance and Safeguards, Optus. Michael has extensive experience in the Australian telecommunications industry, having worked with regulators and carriers in a variety of planning, policy and compliance roles.	Director from 2 October 2006
S J Dalby	Chief Regulatory Officer, iiNet. Stephen has been involved in the telecommunications industry for more than 40 years. Since 2003, he has been an executive with the iiNet Group. Stephen is also CEO of Chime Communications Pty Ltd, iiNet's carrier subsidiary, holds directorships at Communications Alliance Ltd and Prosubi Ltd and is based in Perth.	Director from 7 December 2006
A R Thomas	Alexandra Thomas is the Vice President Customer Solutions and Services at Optus. In this role, Alex is responsible for professional and managed services at Optus, as well as customer service operations for business and government customers.	Director from 12 September 2007
R Bhatia *B Elec Eng*	Ravi founded Primus Australia and retired as its CEO in 2011. He has held senior management positions in the US, Germany and other countries with Primus, MCI, OTC and Siemens in sales, marketing and public policy. Ravi is a member of the Board of the Alfred Foundation and the President of Australia India Business Council - Victoria.	Director from 22 December 2009
J P Scarlett *BA LLB (Hons)*	Jules is Director, Cross Customer and Complaint Management at Telstra. Jules has responsibility for the framework of driving customer satisfaction at Telstra as well as facilitating senior customer service reviews. Jules is also responsible cross company for complaint management Jules has worked for Telstra for over 12 years.	Director from 27 November 2009
P J Sporton *B App Sci (App Elec)*	Phill is the Executive Director of Service Delivery in Telstra Operations. This area of Telstra is responsible for the installation, connection and repair of Telstra's products, services and plant. Having started with Telstra as an engineer in 1983, Phill has spent 28 years at Telstra in a range of roles, including several positions in senior management.	Director from 27 November 2009
M L Sexton *BA, LLM, MBA (Executive)*	Louise is Group General Counsel and Company Secretary of Vodafone Hutchison Australia (VHA) and Company Secretary of Hutchison Telecommunications (Australia) Limited (HTAL). Prior to the formation of VHA in June 2009, Louise has been General Counsel and Company Secretary of HTAL since 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
B Currie	Brian retired as the General Manager of Regulatory Affairs of Vodafone Hutchison Australia. With over thirty years in the industry, Brian has broad experience and knowledge that covers telecommunication engineering, management and regulatory affairs. He has formal qualifications in engineering and management.	Alternate Director from 8 December 2009 until 30 June 2012.
J G Horan *BCom, LLB, LLM*	John is General Counsel for Primus Telecommunications (Australia). Prior to joining Primus Telecom in March 2007, John held advisory roles in legal private practice and national regulatory agencies. John has significant experience in relation to utility regulation, regulatory frameworks and competition law.	Alternate Director from 20 April 2010 to 26 July 2011
C Williams *BA, LLM*	Christine is Deputy Director, Regulatory Affairs at Telstra. Christine has performed a range of roles 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 from 25 July 2011

Directors' Report continued

Information on Company Secretary

Company Secretary	Experience	Responsibility
P J Carruthers *BA, MBA, MComLaw, MAICD*	Phillip has worked in similar roles with VicRoads and CSIRO and previously served as an officer in the Australian Army. Phillip has also been a Director on a mix of for-profit and not-for-profit boards.	Company Secretary from 5 March 2001

Meetings of Directors

The number of meetings of the company's directors (excluding meetings of committees of directors) held during the year ended 30 June 2012, and the number of meetings attended by each director were:

Number of meetings held: 7		
Full Meetings of Directors	Number Eligible to Attend	Number Attended
J F Rohan	7	7
G R Smith	0	0
J M Harvey	7	6
M J Elsegood	7	7
S J Dalby	7	5
A R Thomas	7	6
R Bhatia	7	7
J P Scarlett	7	3
P J Sporton	7	6
M L Sexton	7	5
B Currie	2	2
C Williams	3	3

It is noted that Ms Scarlett was on extended leave during 2011-12, and Ms Williams (as the alternate director for Ms Scarlett) attended Board meetings during Ms Scarlett's absence.

Auditors

Pitcher Partners continued their role as auditors of the TIO.

Auditor Independence

A copy of the auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on the following page.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

This report is made in accordance with a resolution of the directors.

J F Rohan
Director
Melbourne
21 September 2012

Auditor's Independence Declaration

to the Directors of Telecommunications Industry Ombudsman Limited

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

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 2012, 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.

S SCHONBERG
Partner

PITCHER PARTNERS
Melbourne

Date: 21 September 2012

Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners, including Johnston Rorke, is an association of independent firms
Melbourne | Sydney | Brisbane | Perth | Adelaide
An independent member of Baker Tilly International

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue			
Revenue from members	4	**29,004,061**	28,158,804
Other income	4	**672,651**	788,601
	4	**29,676,712**	28,947,405
Less: expenses			
Depreciation and amortisation expense	5	**(741,224)**	(617,115)
Employee benefits expense	5	**(23,499,421)**	(21,157,071)
Occupancy expenses	5	**(1,609,003)**	(1,589,685)
Marketing expense		**(558,769)**	(455,742)
Finance costs	5	**(201,441)**	(137,399)
Bad & Doubtful debts expense	5	**319,182**	(243,224)
Information technology expense		**(1,143,722)**	(1,059,274)
Consultancy expense		**(632,306)**	(594,433)
Legal expense		**(313,176)**	(249,960)
Travel expense		**(285,188)**	(233,899)
Telephone and faxes		**(463,574)**	(435,477)
Other expenses		**(966,724)**	(1,212,307)
Total expenses		**(30,095,366)**	(27,985,586)
Total surplus/(deficit) for the year	16	**(418,654)**	961,819

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	7	**5,653,334**	5,855,578
Receivables	8	**4,628,871**	5,582,944
Other current assets	9	**208,064**	176,680
Total current assets		**10,490,269**	11,615,202
Non-current assets			
Intangible assets	10	**3,081,302**	-
Plant and equipment	11	**1,331,849**	2,891,206
Total non current assets		**4,413,151**	2,891,206
Total assets		**14,903,420**	14,506,408
Current liabilities			
Payables	12	**1,376,410**	2,120,776
Borrowings	13,17	**2,086,526**	525,667
Provisions	14	**1,894,478**	1,577,671
Other liabilities	15	**139,997**	139,997
Total current liabilities		**5,497,411**	4,364,111
Non-current liabilities			
Borrowings	13,17	**936,255**	1,290,465
Provisions	14	**700,903**	524,331
Other liabilities	15	**513,321**	653,317
Total non current liabilities		**2,150,479**	2,468,113
Total liabilities		**7,647,890**	6,832,224
Net assets		**7,255,530**	7,674,184
Accumulated surplus			
Accumulated surplus	16	**7,255,530**	7,674,184
Total Accumulated Surplus		**7,255,530**	7,674,184

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2012

	2012 $	2011 $
Accumulated surplus		
Balance at beginning of the year	**7,674,184**	6,712,365
Movements in equity from:		
Accumulated surplus/(deficit)	**(418,654)**	961,819
Balance at the end of the year	**7,255,530**	7,674,184

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flow from operating activities			
Receipts from members		**33,666,834**	25,801,496
Payments to suppliers and employees		**(32,913,025)**	(30,230,232)
Interest received		**301,908**	382,761
Interest paid		**(201,441)**	(119,529)
Net cash provided by operating activities	20(b)	**854,276**	(4,165,504)
Cash flow from investing activities			
Payment for plant and equipment		**(92,505)**	(1,134,818)
Payment for intangible assets		**(2,170,664)**	-
Net cash used in investing activities		**(2,263,169)**	(1,134,818)
Cash flow from financing activities			
Proceeds from leases		**1,471,750**	1,016,890
Repayment of leases		**(265,101)**	(381,118)
Net cash used in financing activities		**1,206,649**	635,772
Reconciliation of cash			
Cash at beginning of the financial year		**5,855,578**	10,520,128
Net increase / (decrease) in cash held		**(202,244)**	(4,664,550)
Cash at end of financial year	20(a)	**5,653,334**	5,855,578

The accompanying notes form part of these financial statements.

Notes to Financial Statements

For the year ended 30 June 2012

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 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 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 continuing tax exempt status up to 30 June 2014 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 into 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) Plant and equipment

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

Plant and equipment

Plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

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

Notes to Financial Statements continued

For the year ended 30 June 2012

(e) Plant and equipment continued

The depreciation rates used for each class of asset are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	14%	Straight line
Plant and equipment	33%	Straight line
Furniture, fixtures and fittings	14%	Straight line
Software	40%	Straight line

(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. This lease liability is reduced on a straight line basis over 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 include 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 indicate 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.

Notes to Financial Statements continued

For the year ended 30 June 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(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 on 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) Rounding of amounts

The company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded off to the nearest $1.

(p) Intangibles

RADaR Project

All costs associated with the RADaR project were capitalised at cost. RADaR is amortised on a straight line basis over the period of 5 years from May 1 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.

Notes to Financial Statements continued

For the year ended 30 June 2012

NOTE 2: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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.

	2012 $	2011 $
NOTE 4: REVENUE		
Complaint handling fees	**29,004,061**	28,158,804
Interest income	**343,754**	417,540
Other revenue	**328,897**	371,061
	29,676,712	28,947,405

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 5: OPERATING PROFIT		
Surplus from continuing activities has been determined after:		
Expenses:		
Finance Costs	**91,446**	119,529
Bank charges	**8,106**	17,870
Leasing charges	**101,889**	28,038
	201,441	165,437
Depreciation		
- plant and equipment	**150,249**	139,372
- furniture and fittings	**247,595**	241,692
- leasehold improvements	**237,128**	236,051
Amortisation of intangibles		
- RADaR	**106,252**	-
Total depreciation and amortisation expense	**741,224**	617,115
Bad debts		
Bad and doubtful debts	**(319,182)**	243,224
Rental expense on operating leases:		
- lease payments – rent, communications, IT and other	**1,609,003**	1,589,685
Employee benefits:		
- short term benefits	**23,499,421**	21,157,071
Remuneration of auditors for:		
Pitcher Partners		
Audit and assurance services		
- Audit of the financial report	**34,500**	33,000

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION		
Compensation received by key management personnel of the company		
- short term employee benefits	**1,564,217**	1,374,462
	1,564,217	1,374,462

The names of directors who have held office during the year are listed below

All directors were in office for the full year unless otherwise noted:

Name	Appointment / resignation details
J F Rohan	
J M Harvey	
S J Dalby	
A R Thomas	
M J Elsegood	
G R Smith (alternate)	(resigned 30 April 2012)
M L Sexton	
B Currie (alternate)	(resigned 30 June 2012)
R Bhatia	
J P Scarlett	
J G Horan (alternate)	(resigned 26 July 2011)
P J Sporton	
C Williams (alternate)	(appointed 25 July 2011)

The following persons also had authority and responsibility for the planning, directing and controlling the activities of the TIO, directly or indirectly during the year;

Name	Appointment / resignation details	Position
S Cohen		Ombudsman
D Carmody		Deputy Ombudsman
P Carruthers		Company Secretary
J Zammit		Chief Financial Officer
A Dyer		Chairman of Council
G R Smith	(Appointed 1 May 2012)	Member of Council
J Matthews		Member of Council
T Corbin		Member of Council
L Kreet		Member of Council
C Lowe	(Appointed 1 July 2012)	Member of Council
C Dodds		Member of Council
P Harrison		Member of Council
W Warburton	(Departed 30 June 2012)	Member of Council
L Kreet		Member of Council
J Wilkes		Member of Council
C Dodds		Member of Council
T C Hill		Member of Council
S Sdregas	(Departed 30 April 2012)	Member of Council
R Wheeler		Member of Council

Notes to Financial Statements continued

For the year ended 30 June 2012

NOTE 7: CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash on hand	**1,100**	1,100
Cash at bank	**1,584,404**	138,349
Cash on deposit	**4,067,830**	5,716,129
	5,653,334	5,855,578

NOTE 8: RECEIVABLES

	2012 $	2011 $
CURRENT		
Trade debtors	**4,975,788**	6,414,840
Provision for doubtful debts	**(346,917)**	(834,166)
	4,628,871	5,580,674
Other receivables	**-**	2,270
	4,628,871	5,582,944

At 30 June 2012 current trade receivables had a nominal value of $4,975,788 (2011 $6,414,840). A provision for non recoverability of $346,917 (2011 - $834,166) was considered appropriate.

The ageing of these receivables is as follows:

	2012 $	2011 $
1 to 3 months	**4,547,439**	5,396,392
Greater than 3 months	**428,349**	1,018,448
	4,975,788	6,414,840

NOTE 9: OTHER ASSETS

	2012 $	2011 $
CURRENT		
Prepayments	**131,439**	141,901
Accrued income	**76,625**	34,779
	208,064	176,680

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 10: INTANGIBLE ASSETS		
RADaR Complaint Management System	**3,187,554**	-
Accumulated amortisation	**(106,252)**	-
	3,081,302	-

Project RADaR (TIO's project to implement a new complaint management system)

During the year ended 30 June 2012 $572,665 ($47,722 per month), (2011: $377,544, $47,193 per month) was expensed and included within the operating cost recovery fees charged to members in relation to RADaR project funding. This is based upon the total cost of the project being expensed and recovered evenly over 36 months, coinciding with the associated lease funding arrangements.

For statutory reporting purposes however, accounting standards required different treatment, particularly in respect of depreciation of the RADaR asset which can only commence when RADaR becomes operational. The effect of the differing treatment is to increase the total surplus reported for the year ended 30 June 2012 by $364,524 (2011: $349,510). Since RADaR became fully operational from 1 May 2012, full cost has been brought to account as an intangible asset and amortisation has commenced for the two months to 30 June 2012.

(a) Reconciliations

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

	2012 $	2011 $
Intangibles at cost - RADaR		
Opening balance	-	-
Additions	**2,170,664**	-
Amortisation expense	**(106,252)**	-
Transfers in	**1,016,890**	-
Closing balance	**3,081,302**	-

NOTE 11: PLANT AND EQUIPMENT

	2012 $	2011 $
Leasehold improvements		
At cost	**1,680,573**	1,652,341
Accumulated depreciation	**(964,955)**	(727,827)
	715,618	924,514
Plant and equipment		
Plant and equipment at cost	**609,821**	592,530
Accumulated depreciation	**(450,963)**	(301,656)
	158,858	290,874
Furniture and fittings at cost	**1,761,897**	1,715,857
Accumulated depreciation	**(1,304,524)**	(1,056,929)
	457,373	658,928
Capital works in progress	**-**	1,016,890
Total plant and equipment	**1,331,849**	2,891,206

(a) Reconciliations

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

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 11: PLANT AND EQUIPMENT CONTINUED		
Leasehold improvements		
Opening carrying amount	**924,514**	1,160,565
Additions	**28,232**	-
Depreciation expense	**(237,128)**	(236,051)
Closing carrying amount	**715,618**	924,514
Plant and equipment		
Opening carrying amount	**290,874**	32,216
Additions	**18,233**	110,857
Transfers in	**-**	287,173
Depreciation expense	**(150,249)**	(139,372)
Closing carrying amount	**158,858**	290,874
Furniture and fittings		
Opening carrying amount	**658,928**	893,549
Additions	**46,040**	7,071
Depreciation expense	**(247,595)**	(241,692)
Closing carrying amount	**457,373**	658,928
Capital works in progress		
Opening carrying amount	**1,016,890**	287,173
Additions	**-**	1,016,890
Transfers out	**(1,016,890)**	(287,173)
Closing carrying amount	**-**	1,016,890
Total plant and equipment		
Carrying amount at 1 July 2010	**2,891,206**	2,373,503
Additions	**92,505**	1,134,818
Depreciation expense	**(634,972)**	(617,115)
Transfer from property, plant and equipment	**(1,016,890)**	-
Carrying amount at 30 June 2011	**1,331,849**	2,891,206

NOTE 12: PAYABLES

	2012 $	2011 $
CURRENT		
Unsecured liabilities		
Trade creditors	**317,141**	419,728
Sundry creditors and accruals	**1,059,269**	1,701,048
	1,376,410	2,120,776

Notes to Financial Statements continued

For the year ended 30 June 2012

NOTE 13: BORROWINGS

	2012 $	2011 $
CURRENT		
Secured liabilities		
RADaR	**1,419,727**	260,566
Other	**666,799**	265,101
	2,086,526	525,667
NON CURRENT		
Secured liabilities		
RADaR	**936,255**	623,666
Other	**-**	666,799
	936,255	1,290,465

Project RADaR (TIO's project to implement a new complaint management system)

During the year ended 30 June 2012 $572,665 ($47,722 per month), (2011: $377,544, $47,193 per month) was expensed and included within the operating cost recovery fees charged to members in relation to RADaR project funding. This is based upon the total cost of the project being expensed and recovered evenly over 36 months, coinciding with the associated lease funding arrangements.

For statutory reporting purposes however, accounting standards required different treatment, particularly in respect of depreciation of the RADaR asset which can only commence when RADaR becomes operational. The effect of the differing treatment is to increase the total surplus reported for the year ended 30 June 2012 by $364,524 (2011: $349,510). Since RADaR became fully operational from 1 May 2012, full cost has been brought to account as an intangible asset and amortisation has commenced for the two months to 30 June 2012.

(a) Business Card Facility

The company has a business card facility of $300,000 (2011: $300,000) which may be utilised at any time and is subject to an annual review. All credit use is subject to approval by appropriate delegates in accordance with the TIO's policies.

(b) Overdraft Facility

The company has an overdraft facility of $150,000 which may be utilised at any time and terminated by the bank without notice. This facility is unused at balance date. The overdraft facility is secured by a charge over the assets of the company.

NOTE 14: PROVISIONS

		2012 $	2011 $
CURRENT			
Employee benefits	(a)	**1,894,478**	1,577,671
NON CURRENT			
Employee benefits	(a)	**700,903**	524,331
(a) Aggregate employee benefits liability		**2,595,381**	2,102,002
(b) Number of employees at year end		**266**	267

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 15: OTHER LIABILITIES		
CURRENT		
Unearned lease incentives	**139,997**	139,997
NON CURRENT		
Unearned lease incentives	**513,321**	653,317

NOTE 16: ACCUMULATED SURPLUS

	2012 $	2011 $
Accumulated surplus at beginning of year	**7,674,184**	6,712,365
Surplus/(deficit) for the year	**(418,654)**	961,819
Accumulated surplus at the end of the year	**7,255,530**	7,674,184

Project RADaR (TIO's project to implement a new complaint management system)

During the year ended 30 June 2012 $572,665 ($47,722 per month), (2011: $377,544, $47,193 per month) was expensed and included within the operating cost recovery fees charged to members in relation to RADaR project funding. This is based upon the total cost of the project being expensed and recovered evenly over 36 months, coinciding with the associated lease funding arrangements.

For statutory reporting purposes however, accounting standards required different treatment, particularly in respect of depreciation of the RADaR asset which can only commence when RADaR becomes operational. The effect of the differing treatment is to increase the total surplus reported for the year ended 30 June 2012 by $364,524 (2011: $349,510). Since RADaR became fully operational from 1 May 2012, full cost has been brought to account as an intangible asset and amortisation has commenced for the two months to 30 June 2012.

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2012 $	2011 $
(a) Finance leasing commitments		
Payable		
- not later than one year	**2,359,049**	677,721
- later than one year and not later than five years	**972,469**	1,427,122
Minimum lease payments	**3,331,518**	2,104,843
Less future finance charges	**(308,737)**	(288,711)
Total finance lease liability	**3,022,781**	1,816,132
Represented by:		
Current liability	**2,086,526**	525,667
Non-current liability	**936,255**	1,290,465
	3,022,781	1,816,132

The finance lease relates to the finance of the leasehold improvements and capital works in progress (Project RADaR).

Refer to Note 13 for disclosure of RADaR

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 17: CAPITAL AND LEASING COMMITMENTS CONTINUED		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	**1,940,224**	2,031,666
- later than one year and not later than five years	**7,101,320**	7,475,054
- later than five years	**991,503**	1,326,163
	10,033,047	10,832,883

NOTE 18: CONTINGENT LIABILITIES

The TIO has the following contingent liabilities:

During the 2006-2007 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, car park licence fees and GST. The amount of the guarantee is $172,870. In the event where the TIO is unable to meet its financial obligations under its lease for level 3, 595 Collins Street, Investa Nominees Pty Ltd may call on the bank guarantee held by the Commonwealth Bank of Australia.

During the 2007-2008 financial year, the TIO signed a further 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, L Sexton, and one now retired alternate director, B Currie, were employees of VHA Limited. The TIO invoiced VHA Limited and related companies $10,136,253 (2011: $7,153,160) during the year for complaint handling fees.

(ii) Two current directors, J P Scarlett and P J Sporton, and one current alternate director, C Williams, were employees of Telstra Corporation. The TIO invoiced Telstra Corporation Ltd and related entities for $10,984,711 (2011: $9,781,868) during the year for complaint handling fees. Telstra Corporation invoiced the TIO for $151,202 (2011: $145,684) for the provision for telecommunication services during the year.

(iii) Two current directors, A R Thomas and M J Elsegood, and one now retired alternate director, G R Smith, were employees of SingTel Optus Pty Ltd. The TIO invoiced SingTel Optus Pty Ltd $6,365,945 (2011: $2,119,983) during the year for complaint handling fees. SingTel Optus Pty Ltd and related entities invoiced the TIO for $366,827 (2011: $359,939) for the provision of telecommunication services during the year.

(iv) One current director, S J Dalby, was an employee of iiNet Ltd. The TIO invoiced iiNet Ltd for $254,804 (2011: $1,342,499) during the year for complaint handling fees.

(v) One current director, R Bhatia and one now retired alternate director J G Horan were employees of Primus Telecommunications Pty Ltd. The TIO invoiced Primus Telecommunications Pty Ltd $216,687 (2011: $240,621) during the year for complaint handling fees.

(vi) All of the above transactions with directors and director related entities were based on normal commercial terms and conditions.

NOTE 20: CASH FLOW INFORMATION

(a) Reconciliation of cash

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	**1,100**	1,100
Cash at bank and on hand	**1,584,404**	138,349
At call deposits with financial institutions	**4,067,830**	5,716,129
	5,653,334	5,855,578

Notes to Financial Statements continued

For the year ended 30 June 2012

	2012 $	2011 $
NOTE 20: CASH FLOW INFORMATION CONTINUED		
(b) Reconciliation of cash flow from operations with profit		
Profit from ordinary activities	**961,819**	347,897
Adjustments and non cash items		
Amortisation	**106,252**	-
Depreciation	**634,972**	617,115
Movements in provision for doubtful debts	**(319,182)**	-
Interest expense	**-**	11,442
Lease incentive through P&L	**(139,996)**	(139,996)
Changes in assets and liabilities		
(Increase) / decrease in receivables	**1,273,255**	(5,067,680)
(Increase) / decrease in other assets	**(31,384)**	50,229
Increase / (decrease) in payables	**(102,587)**	52,998
Increase / (decrease) in amounts due to members	**-**	(759,331)
Increase / (decrease) in provisions	**493,379**	302,223
Increase/ (decrease) in sundry creditors	**(641,779)**	(194,323)
	1,272,930	(5,127,323)
Cash flows from operating activities	**854,276**	(4,165,504)
(c) Credit standby arrangements with banks		
Credit facility	**300,000**	300,000
Amount utilised	**(157,000)**	(131,000)
Unused credit facility	**143,000**	169,000
(d) Loan facilities		
Loan facilities	**150,000**	150,000
Amount utilised	**-**	-
Unused loan facilities	**150,000**	150,000

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.

Notes to Financial Statements continued

For the year ended 30 June 2012

NOTE 21: FINANCIAL RISK MANAGEMENT CONTINUED

The company holds the following financial instruments:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	**5,653,334**	5,855,578
Receivables	**4,628,871**	5,582,944
	10,282,205	11,438,522
Financial liabilities		
Creditors	**317,141**	419,728
Leases	**3,022,781**	1,816,132
Other payables	**1,059,269**	1,701,048
	4,399,191	3,936,908

(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:

2012 Financial instruments	Interest bearing $	Non interest bearing $	Total carrying amount $	Weighted average effective interest rate	
Financial assets					
Cash	1,593,427	1,100	1,594,527	3.2%	Floating
Cash on deposit	4,058,807	-	4,058,807	5.3%	Floating
Trade and other receivables	-	4,628,871	4,628,871	0.0%	
	5,652,234	4,629,971	10,282,205		
2012 Financial instruments	Floating interest rate $	Non interest bearing $	Total carrying amount $	Weighted average effective interest rate	
Financial liabilities					
Trade creditors	-	317,141	317,141	0.0%	
Leases	3,022,781	-	3,022,781	11.3%	Fixed
Other payables	-	1,059,269	1,059,269	0.0%	
	3,022,781	1,376,410	4,399,191		

2011 Financial instruments	Interest bearing $	Non interest bearing $	Total carrying amount $	Weighted average effective interest rate	
Financial assets					
Cash	139,449	-	139,449	3.2%	Floating
Cash on deposit	5,716,129	-	5,716,129	4.9%	Floating
Trade and other receivables	-	3,300,775	3,300,775	0.0%	
	5,855,578	3,300,775	9,156,353		

Notes to Financial Statements continued

For the year ended 30 June 2012

NOTE 21: FINANCIAL RISK MANAGEMENT CONTINUED

2011 Financial instruments	Interest bearing $	Non interest bearing $	Total carrying amount $	Weighted average effective interest rate	
Financial liabilities					
Trade creditors	-	419,728	419,728	0.0%	
Leases	1,816,132	-	1,816,132	11.3%	Fixed
Other payables	-	1,701,048	1,701,048	0.0%	
	1,816,132	2,120,776	3,936,908		

Sensitivity

The TIO's borrowing and finance lease 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 aging 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 Articles of Association provide that it can impose a special levy on TIO member companies.

(d) Fair values

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

NOTE 22: 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:

1. The financial statements and notes, as set out on pages 5 - 29, are in accordance with the *Corporations Act 2001*:

   (a) comply with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

   (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and

   (c) give a true and fair view of the financial position as at 30 June 2012 and performance for the year ended on that date of the company.

2. 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.

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

Director: ______________________

J F Rohan

Dated this 21 day of September 2012

Independent Auditor's Report

to the members of Telecommunications Industry Ombudsman Limited

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

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 2012, 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*.

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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 2012 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

PITCHER PARTNERS

Melbourne

Date:21 September 2012

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Telecommunications
Industry
Ombudsman

Telecommunications Industry Ombudsman Limited
ACN 057 634 787

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