

Making banking better



Banking
Ombudsman
Scheme

Annual Report

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What we do



better banking

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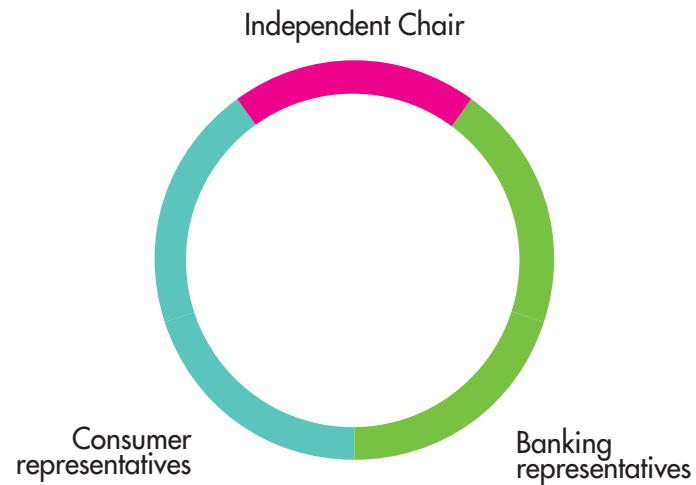
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Miriam Dean CNZM QC | Chair



A strong credible dispute prevention and resolution system is vital to a healthy banking sector.

We're independent



We are free to consumers and levy a charge to banks.

Our work at a glance

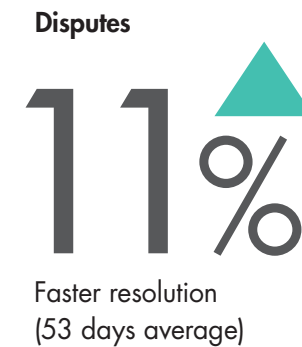
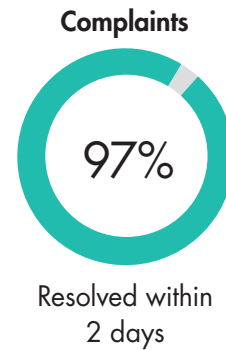
Cases

3972

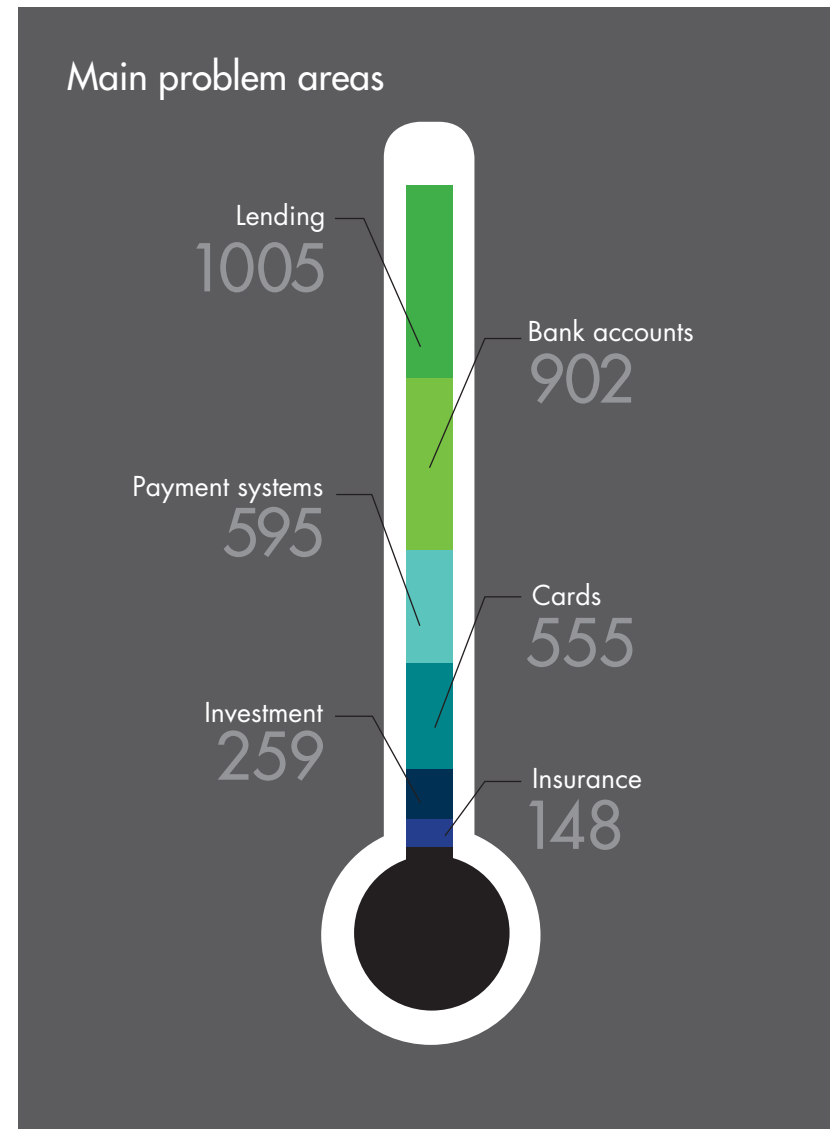
Enquiries 1263
Complaints 2565
Disputes 144

14% 
Increase in cases

Faster resolution times



We help thousands of New Zealanders with their banking problems each year - from requests for information, to helping resolve things with their bank, through to formal investigations.



Outcomes

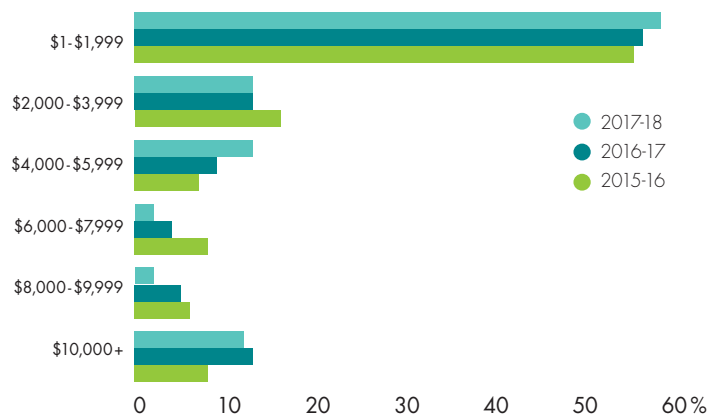


Trends



Bitcoin	70%
Binary options	50%
Fraud - scams	37%
Mistaken payments	32%
Credit card chargebacks	28%
Early repayment charges	-87%
Mortgagee sale process	-14%
Loan to value ratio	-13%

Financial compensation



More favourable outcomes for customers

▲ 8%
on last year

Scams

We saw a rise in scam cases this year, so acted quickly to protect other bank customers.

We shared insights with banks, government agencies and the telco sector, presented to consumers, and profiled our cases in news and social media.

We got fair outcomes for customers and improved bank practices.

“I just wanted an apology from the bank. When it came, along with a gift basket, I was delighted.”

Case study

Call should have raised doubts

Sarah got hold of her friend Ana’s phone banking password. She called the bank and managed to get past security questions, using vague answers.

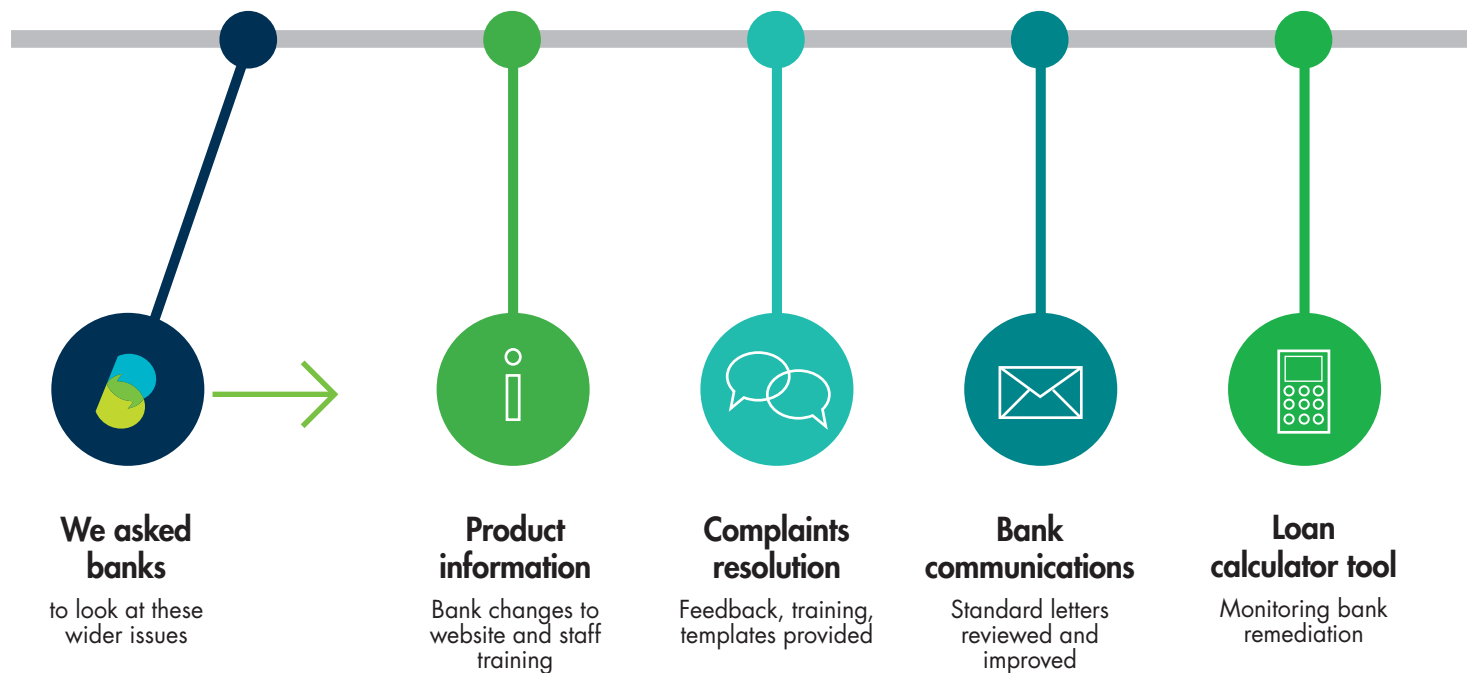
Despite this, and concern that Sarah sounded much younger than Ana’s recorded age, the staff member agreed to Sarah’s request to reset Ana’s internet banking password. Sarah then accessed Ana’s accounts and stole \$5,000. The bank said Ana caused the loss by failing to keep her password safe.

We looked into whether the nature of Sarah’s phone calls to the bank should have raised sufficient doubt that Sarah was not who she said she was. We thought the bank should not have allowed her to change the password in those circumstances. We advised the bank to meet Ana’s entire \$5,000 loss.

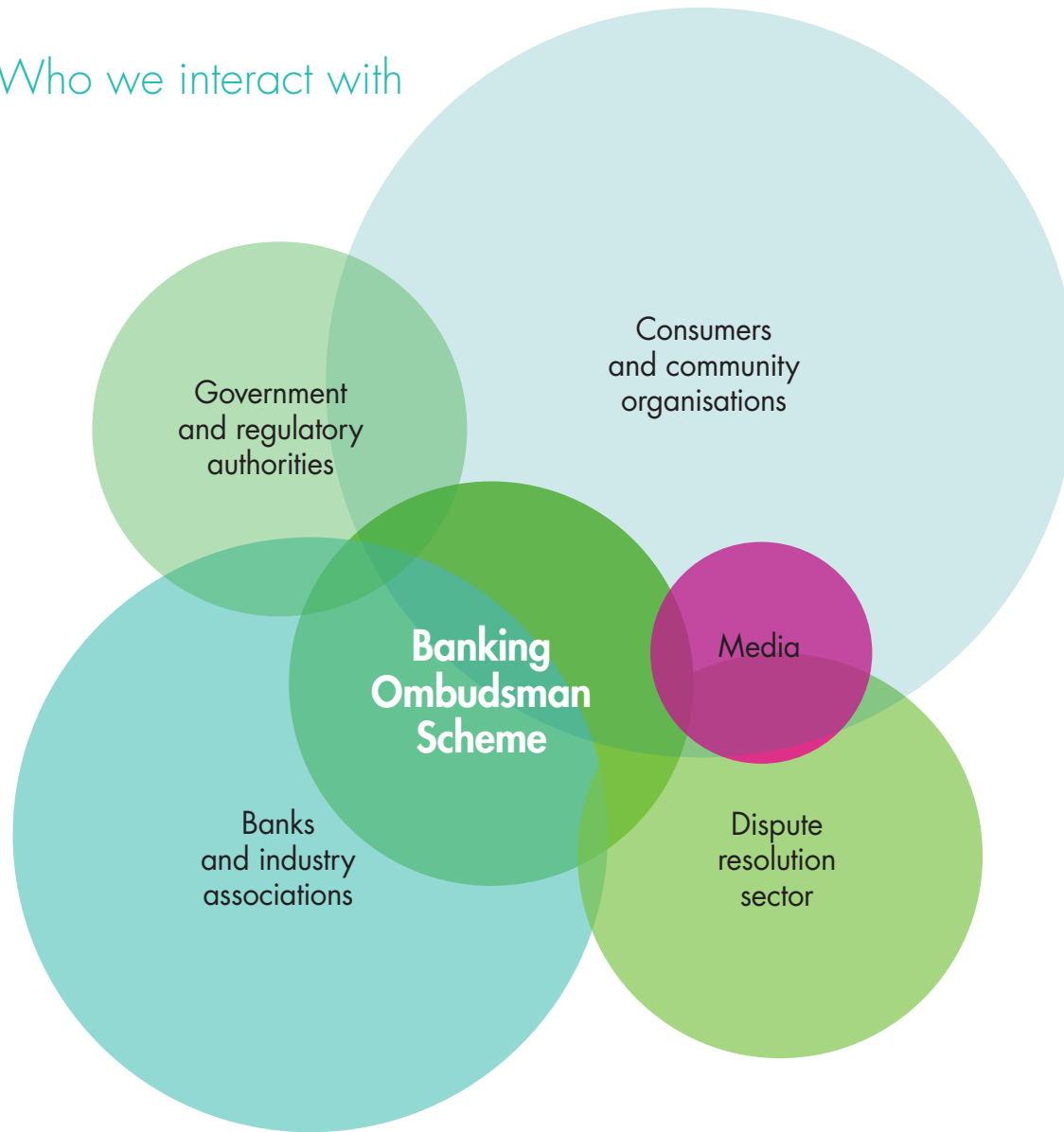
Wider issues

Acting on wider issues

When we see an issue that could affect other bank customers, we act on it to improve the system for everyone.



Who we interact with



Promoting high standards of conduct

consumers first robo advice
simplifying terminology
clear disclosures **tailored advice**
select committee **transparency**
financial services code **misuse of register**
dispute resolution rights
RBNZ dashboard **Code of Banking Practice**



Nicola Sladden | Banking Ombudsman

We are passionate about ensuring people know about us, and that we're easy to use.

Do people know about us

Raising awareness in our community



- Social media followers up
- New Instagram @Ombuddies
- National Building Financial Capability Charitable Trust (10 hui around New Zealand for budgeting services)
- Ngāi Tahu Hui-ā-iwi
- Webinar for Citizens Advice Bureaux with other financial dispute resolution schemes
- News media engagement up
- Presentations around New Zealand

Being accessible



We built a new website and visits went up

"I'd heard of the Banking Ombudsman through the radio maybe so I googled it, and you've got this cool website and you have case notes and I thought, let's ring!"

42
Quick Guides

▲ 39%
of complaints received
online

▲ 6%
153,312
Website users

10
Languages

Insights into cases

Sharing our insights

Resolving banking problems is our core task, but we have a wider role to play in preventing problems by sharing our insights from our cases.

We do this in various forms

- **Case notes and Quick Guides on our website**
- **Monthly insights to improve bank practices**
- **Alerting stakeholders to trends and developments in the sector**

Case study

Unfair for bank to hold money so long without interest

Kate and her husband Kevin received funds from the Earthquake Commission while in the middle of separating. Each gave the bank conflicting instructions about what to do with the funds.

Kate wanted the funds used to reduce their loan, while Kevin wanted the funds invested in a term deposit. The bank kept the funds in a holding account until the separation was complete, which ultimately took 18 months.

Their separation agreement said Kevin would sign over his share of the property and insurance funds to Kate. Kate believed the bank should have acted on her instruction because she would eventually become the sole owner of the property.

We thought it was reasonable that the bank did not act on either person's instructions in a relationship dispute. However, there were other options the

bank could have explored to ensure the funds were providing some benefit in the interim, but without taking sides.

For example, if the bank had put the funds into a savings account or used the funds to offset interest on the loan, Kate would have been better off. The bank agreed to compensate Kate as a result of our involvement. Given her difficult circumstances, the bank decided the more generous offset option was the fairer.

“Well done for your persistence on my behalf... it worked and I received a fair amount of compensation.”

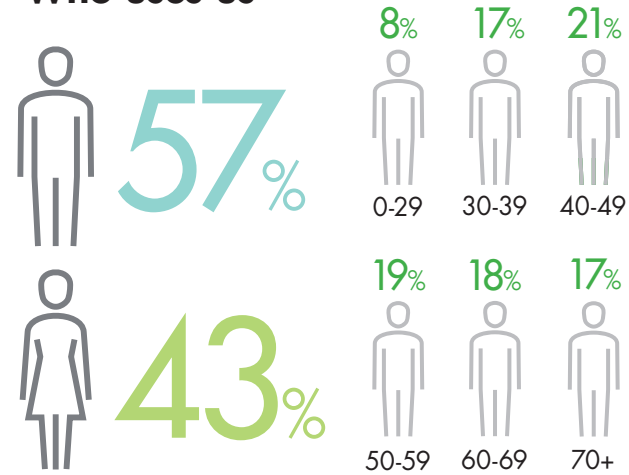
Our customers



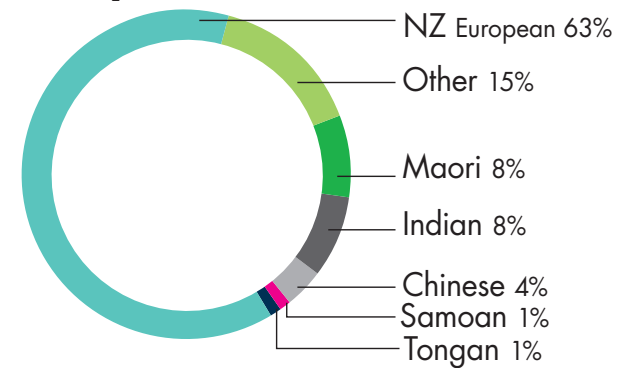
80%
Customer satisfaction

"I just felt listened to, I'd recommend the Ombudsman to anyone."

Who uses us



Ethnicity



Quick Guide snapshot

Children's accounts

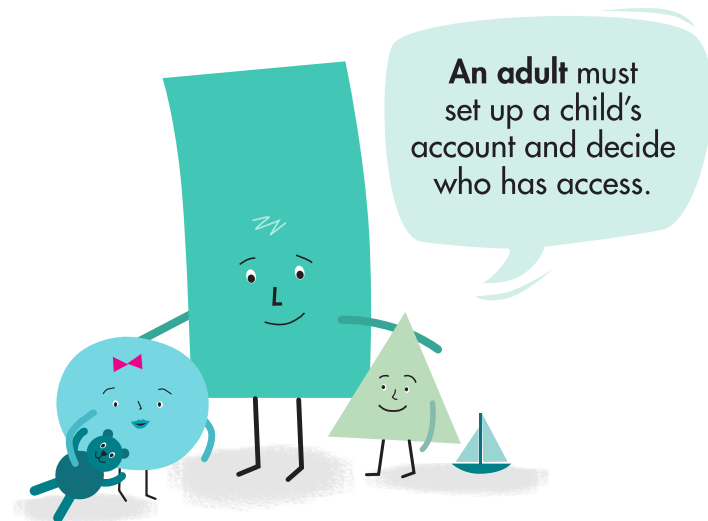
Parents have a crucial role in setting up and running their children's accounts, but their offspring have rights, too.

Children don't have unrestricted use of bank accounts. Nor are they free to open bank accounts on their own. To do that, they need an adult's involvement. The role of adults (usually the parents) is to decide what type of account would be best for the child. They also decide who can have access to the account.

The rules governing who can operate an account are set out in a document called an account mandate (also known as an account signing authority). An account mandate spells out who has access to an account and how that access will work. Parents may decide they alone will have access to the account. Or they may decide to operate the account jointly with the child. Or they may choose to give the child (depending on age) sole access.

We sometimes receive complaints from parents concerned that their child has been able to access an account without their knowledge or authority. We also receive complaints from one parent that the other (usually estranged) parent is operating their child's account in a way the first parent does not approve of. In such cases, we check the account mandate because it records the parent or parents' intentions at the time of the account's opening about how the account is to be used.

Read the full guide on our website



"Having the Ombudsman look at the issue completely objectively, from the outside, from the customer's point of view is an enormously valuable reality check."

Cases received by bank

Scheme participant	2016-17					2017-18					% of total assets [^]
	Enquiry	Complaint	Dispute	Total	%	Enquiry	Complaint	Dispute	Total	%	
Large[^]											
ANZ Bank NZ	434	165	48	647	24.0	70	578	32	680	21.4	30.7
ASB Bank	276	91	18	385	14.1	73	378	21	472	14.9	18.7
BNZ	237	72	22	331	12.0	52	338	14	404	12.7	18.7
Westpac NZ	356	138	29	523	19.1	72	454	45	571	18.0	18.6
Medium[^]											
Citi NZ	1	1	-	2	0.1	1	-	-	1	0.0	0.4
Heartland Bank	99	10	1	110	4.1	96	75	3	174	5.5	0.8
HSBC NZ	19	2	-	21	0.8	11	6	-	17	0.5	1.2
Kiwibank	338	107	19	464	17.0	108	443	18	569	17.9	3.9
Rabobank NZ	6	-	3	9	0.3	5	6	1	12	0.4	2.9
SBS Bank	97	8	4	109	4.0	80	49	4	133	4.2	0.8
The Co-operative Bank	45	11	4	60	2.3	10	47	-	57	1.8	0.5
TSB Bank	31	7	3	41	1.4	5	40	5	50	1.6	1.4
Small[^]											
Bank of Baroda NZ	1	2	-	3	0.1	-	3	1	4	0.1	<0.3
Bank of China NZ	1	-	-	1	0.0	2	-	-	2	0.1	0.3
Bank of India NZ	-	-	-	-	0.0	1	-	-	1	0.0	<0.3
China Construction Bank NZ	-	-	-	-	0.0	-	1	-	1	0.0	0.3
ICBC NZ	9	-	-	9	0.3	-	1	-	1	0.0	0.3
Nelson Building Society	8	-	1	9	0.3	6	5	-	11	0.3	<0.3
NZCU Baywide	11	5	1	17	0.6	2	9	-	11	0.3	<0.3
Total	1969	619	153	2741	100	594	2433	144	3171	100	

[^] Participants are classified according to total assets at December 2017.

- Means no cases received.

Completed disputes by bank

Scheme participant	Outside jurisdiction		Result for both parties		Result for customers		Result for banks*		Total by bank		% of total assets^
	16-17	17-18	16-17	17-18	16-17	17-18	16-17	17-18	16-17	17-18	17-18
Large^											
ANZ Bank NZ	9	4	13	12	3	-	23	21	48	37	30.7
ASB Bank	4	2	5	3	1	1	12	13	22	19	18.7
BNZ	2	3	4	6	3	-	12	6	21	15	18.7
Westpac NZ	4	2	3	13	3	3	27	18	37	36	18.6
Medium^											
Citi NZ	-	-	-	-	-	-	-	-	-	-	0.4
Heartland Bank	-	1	-	-	-	-	2	2	2	3	0.8
HSBC NZ	-	-	-	-	-	-	-	-	-	-	1.2
Kiwibank	2	6	3	4	4	2	13	4	22	16	3.9
Rabobank NZ	1	-	-	-	-	1	2	-	3	1	2.9
SBS Bank	1	-	1	2	2	1	-	1	4	4	0.8
The Co-operative Bank	-	-	3	-	-	-	3	-	6	-	0.5
TSB Bank	1	-	1	2	-	-	1	3	3	5	1.4
Small^											
Bank of Baroda NZ	-	-	-	-	-	1	-	-	-	1	<0.3
Bank of China NZ	-	-	-	-	-	-	-	-	-	-	0.3
Bank of India NZ	-	-	-	-	-	-	-	-	-	-	<0.3
China Construction Bank NZ	-	-	-	-	-	-	-	-	-	-	0.3
ICBC NZ	-	-	-	-	-	-	-	-	-	-	0.3
Nelson Building Society	-	-	-	-	-	-	-	1	-	1	<0.3
NZCU Baywide	-	-	-	-	-	-	1	-	1	1	<0.3
Total	24	18	33	42	16	9	96	69	169	138	

“The person we were dealing with was absolutely brilliant. After not having any response from our bank for months, to have it sorted within hours was the best response we could have asked for.”

^ Participants are classified according to total assets at 31 December 2017 as verified by participants in June 2018.

* Includes abandoned and withdrawn disputes.

- Means no completed disputes.

Financial statements

DIRECTOR'S REPORT

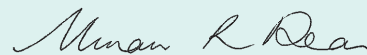
Banking Ombudsman Scheme Limited

For the year ended 30 June 2018

The Board of Directors present their annual report of Banking Ombudsman Scheme Limited, incorporating the financial statements and the independent auditors' report, for the year ended 30 June 2018.

The shareholder of the company has exercised her right under Section 211(3) of the Companies Act 1993 and agreed that the annual report of the company need not comply with paragraphs (a) and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board:



Miriam Dean CNZM QC

24 September 2018



INDEPENDENT AUDITOR'S REPORT

Chartered Accountants

To the Shareholder of Banking Ombudsman Scheme Limited Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banking Ombudsman Scheme Limited ("the Company") on pages 18 to 27, which comprise the statement of financial position of the Company as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 18 to 27 present fairly, in all material respects, the financial position of the Company as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the Company the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-reports-8/>. This description forms part of our auditor's report.

Wellington | 24 September 2018

Banking Ombudsman Scheme Limited

Statement of comprehensive income

For the year ended 30 June 2018

The accompanying notes to the financial statements on pages 22-27 form part of and should be read in conjunction with this statement.

	NOTE	18	17
Revenue			
Levies		2,400,000	2,525,192
Interest		11,627	4,020
Other income		746	857
Total revenue		2,412,373	2,530,069
Total operating income		2,412,373	2,530,069
Expenses			
Audit Fees		12,548	12,338
Board controlled costs		37,246	16,536
Contractors and external advice		112,891	125,104
Depreciation	5	37,393	35,624
Amortisation	6	20,876	20,137
Directors' remuneration	10	126,006	124,757
Entertainment		3,199	4,368
Office costs		113,123	93,307
Publications and promotions		22,114	45,077
Rent		146,338	143,338
Staff salaries & superannuation		1,311,714	1,402,640
Staff costs - other		45,348	40,421
Staff costs - recruitment		840	2,874
Technology & website costs		92,086	106,303
Travel and conferences		38,617	59,388
Website expenses		88,161	-
Total expenses		2,208,500	2,232,212
Surplus/(deficit) before taxation		203,873	297,857
Taxation expense			
Tax expenses	9	2,759	24,290
Total taxation expense		2,759	24,290
Net profit after tax		201,114	273,567
Total comprehensive income attributable to Owners of the company		201,114	273,567

Banking Ombudsman Scheme Limited

Statement of changes in equity

For the year ended 30 June 2018

The accompanying notes to the financial statements on pages 22-27 form part of and should be read in conjunction with this statement.

	NOTE	18	17
Share capital			
Shareholder's capital		1	1
Retained earnings			
Opening retained earnings		587,870	314,303
Profit for the period		201,114	273,567
Total retained earnings		788,984	587,870
Total equity		788,985	587,871

Banking Ombudsman Scheme Limited

Statement of financial position

As at 30 June 2018

The accompanying notes to the financial statements on pages 22-27 form part of and should be read in conjunction with this statement.

Signed By:



Chair Miriam Dean CNZM QC
24 September 2018



Director Kenina Court
24 September 2018

	NOTE	18	17
Assets			
Current assets			
Cash and cash equivalents	8	359,454	213,948
Trade and other receivables		690,000	61
Gst receivable		-	24,325
Income tax receivable	9	397	46,913
Prepaid expenses		34,295	12,467
Term deposit and accrued interest		355,202	200,448
Total current assets		1,439,348	498,162
Non-current assets			
Property, plant and equipment	5	231,625	263,373
Intangibles	6	11,176	32,052
Total non-current assets		242,801	295,425
Total assets		1,682,149	793,587
Liabilities			
Current liabilities			
Sundry payables and accruals	14	217,977	194,698
GST payable		65,542	-
Credit card		9,645	11,018
Income in advance		600,000	-
Total current liabilities		893,164	205,716
Total liabilities		893,164	205,716
Net assets		788,985	587,871
Equity			
Contributed equity		1	1
Accumulated revenue and expense		788,984	587,870
Total equity		788,985	587,871

Banking Ombudsman Scheme Limited

Statement of cash flows

For the year ended 30 June 2018

The accompanying notes to the financial statements on pages 22-27 form part of and should be read in conjunction with this statement.

	18	17
Cashflow		
Cash from operating activities		
Cash was provided from:		
Receipts from levies	2,400,746	2,526,049
Interest and dividends	11,271	3,567
Taxation	43,757	-
Total cash was provided from:	2,455,774	2,529,616
Cash was applied to:		
Payments to suppliers and employees	(2,150,228)	(2,221,353)
Taxation		(51,885)
Total cash was applied to:	(2,150,228)	(2,273,238)
Total cash from operating activities	305,546	256,378
Cashflow from investing activities		
Cash was provided from:		
Proceeds from sale of investments	550,000	80,000
Total cash was provided from:	550,000	80,000
Cash was applied to:		
Purchase of property, plant & equipment	(5,643)	(8,594)
Purchase of intangibles	-	(23,990)
Purchase of investments	(704,398)	(280,000)
Total cash was applied to:	(710,041)	(312,584)
Total cashflow from investing activities	(160,041)	(232,584)
Net increase/(decrease) in cash held	145,505	23,794
Add opening cash brought forward		
Add opening cash brought forward	213,948	190,154
Total add opening cash brought forward	213,948	190,154
Ending cash to carry forward	359,453	213,948
Bank and cash/(bank overdraft)	359,453	213,948

Banking Ombudsman Scheme Limited

Notes to the financial statements

For the year ended 30 June 2018

1. Corporate information

The financial statements of the Company for the year ended 30 June 2018 were authorised for issue on 24 September 2018.

The Company was incorporated on 19 June 2007 and is incorporated and domiciled in New Zealand.

The Company provides a free, independent and impartial dispute resolution mechanism for those receiving “banking services” from the participating banks and non-bank deposit-takers in New Zealand.

2. Summary of significant accounting policies

(a) Statement of Compliance and basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR'), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS.

The Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The financial statements are presented in New Zealand dollars (\$).

(b) Basis of measurement

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Company.

3. Changes in accounting policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of previous reporting period.

4. Accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied.

(a) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with a maturity term of less than 90 days.

(b) Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost. Gains or losses are recognised in profit or loss when the receivables are derecognised or impaired. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(c) Property, plant and equipment are stated at cost less accumulated depreciation. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is charged on a straight line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life.

Furniture, fixtures and fittings	7% - 21%
Office equipment	9% - 67%
Hardware	30% - 67%
Other property, plant & equipment	7% - 30%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income and expense.

(d) Intangibles

(1) Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and the expenditure attributable to the software product during its development can be reliably measured. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an approximate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which does not exceed three years.

(2) Website

Following initial recognition website development costs are carried at cost less accumulated amortisation. Amortisation rates for the website are 40% straight line.

(e) Sundry payables and accruals are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Leases - the Company leases its office premises. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(g) The financial statements have been prepared on a GST exclusive basis except for receivables and payables which are shown gross when billed.

(h) Wages, salaries and annual leave - Liabilities for wages and salaries, including non-monetary benefits and annual leave

expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to 30 June. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for sick leave are recognised when the leave is taken and are measured at the rates paid.

(i) Revenue recognition - revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

(1) Levy revenue - Revenue arises from the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

Levy revenue from members of the Scheme is recognised on an accrual basis. Levies are paid on a quarterly basis.

(2) Interest revenue - revenue is recognised as interest accrues during the life of the investment.

(j) Income tax and other taxes

The Company prepares its income tax returns by reference to the application of the principle of mutuality to the revenue and expenses, and the relevant tax jurisdiction. The principle of mutuality is a common law principle arising from the premise that individuals cannot profit from themselves. Accordingly, membership receipts from members are deemed to be mutual income and not subject to income tax, and expenses in connection with mutual activities are therefore not deductible for taxation purposes. All other receipts and payments are classified in accordance with taxation legislation.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the

laws that have been enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount GST except: when the GST incurred on the purchases of goods is not recoverable from the taxation authority, in which case GST is recognised as part of the acquisition of the asset or part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST inclusive.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

5. Property, plant and equipment	18	17
Fittings		
Fittings cost	264,254	264,254
Fittings accum dep	(97,107)	(81,196)
Total fittings	167,147	183,058
Furniture		
Furniture cost	81,907	81,907
Furniture accum dep	(42,016)	(37,072)
Total furniture	39,891	44,835
Hardware		
Hardware cost	51,103	47,469
Hardware accum dep	(42,899)	(35,949)
Total hardware	8,204	11,520
Office equipment		
Office equipment cost	101,399	100,313
Office equipment accum dep	(87,121)	(78,722)
Total office equipment	14,278	21,591
Other fixed assets		
Other fixed assets cost	6,676	6,676
Other fixed assets accum dep	(4,571)	(4,307)
Total other fixed assets	2,105	2,369
Total property, plant and equipment	231,625	263,373

Reconciliation of the carrying amount at the beginning and end of the period:

Property, plant and equipment reconciliation	18	17
Fittings		
Opening balance	183,058	198,969
Additions	-	-
Disposals	-	-
Depreciation	(15,911)	(15,911)
Total fittings	167,147	183,058
Furniture		
Opening balance	44,835	47,411
Additions	-	2,247
Disposals	-	-
Depreciation	(4,944)	(4,823)
Total furniture	39,891	44,835
Hardware		
Opening balance	11,520	17,885
Additions	4,557	1,236
Disposals	-	-
Depreciation	(7,873)	(7,601)
Total hardware	8,204	11,520
Office equipment		
Opening balance	21,591	23,505
Additions	1,086	5,109
Disposals	-	-
Depreciation	(8,399)	(7,023)
Total office equipment	14,278	21,591
Other fixed assets		
Opening balance	2,369	2,634
Additions	-	-
Disposals	-	-
Depreciation	(264)	(265)
Total other fixed assets	2,105	2,369
Total property, plant and equipment reconciliation	231,625	263,373

6. Intangibles	18	17
Website		
Website development-cost	92,359	92,359
Website - accum depn	(86,568)	(76,464)
Total website	5,791	15,895
Software		
Software cost	105,030	105,030
Software accum dep	(99,645)	(88,873)
Total software	5,385	16,157
Total intangibles	11,176	32,052

Reconciliation of the carrying amount at the beginning and end of the period:

Intangible asset reconciliation	18	17
Website		
Opening balance	15,895	22,435
Additions	-	2,825
Disposals	-	-
Amortisation	(10,104)	(9,365)
Total website	5,791	15,895
Software		
Opening balance	16,157	5,764
Additions	-	21,165
Disposals	-	-
Amortisation	(10,772)	(10,772)
Total software	5,385	16,157
Total intangible asset reconciliation	11,176	32,052

7. Operating leases	18	17
Not later than one year	153,940	150,500
Later than one year and no later than five years	109,435	263,375
Total operating leases	263,375	413,875

8. Cash and cash equivalents

Cash and cash equivalents include the following components;

Cash and cash equivalents	18	17
Cash at bank (cheque account)	65,747	68,829
Cash at bank (savings account 1)	262,483	114,534
Cash at bank (savings account 2)	30,941	30,212
Petty cash	283	373
Total cash and cash equivalents	359,454	213,948

9. Income tax expense

	18	17
Income tax		
Current tax		
Current period	2,759	660
Adjustment in respect of prior period	-	10,536
Total current tax	2,759	11,196
Deferred tax		
Reversal of timing of difference	-	13,094
Total deferred tax	-	13,094
Income tax reconciliation		
Net profit (loss) per financial statements	203,873	297,857
Tax at 28%	57,085	83,400
Add tax effect of non-deductible expenditure	618,380	624,314
Less tax effect of non-assessable income	(672,706)	(707,054)
Prior period adjustment	-	10,536
Derecognition of previously recognised deferred tax	-	13,094
Tax expense as per profit and loss	2,759	24,290
Deductions from tax payable		
Resident withholding tax paid	(3,155)	(917)
Provisional tax paid	(1)	(46,654)
Adjustment in respect of previous period	-	(23,632)
Total deductions from tax payable	(3,156)	(71,203)
Income tax (refundable) / payable	(397)	(46,913)

The Company treats income generated from members as tax exempt based on the principle of mutuality.

The principle of mutuality is a common law principle arising from the premise that individuals cannot profit from themselves. Accordingly, membership receipts from members are deemed to be mutual income and not subject to income tax, and

expenses in connection with mutual activities are therefore not deductible for taxation purposes. All other receipts and payments are classified in accordance with taxation legislation in the relevant tax jurisdiction. The Company is liable for other taxes including goods and services tax and fringe benefits tax.

The Directors consider the new policy is appropriate and consistent with other dispute resolution schemes for the treatment of income tax.

10. Directors remuneration

The directors had remuneration due or paid during the year of \$126,006 (2017: \$124,757).

11. Contingent assets and liabilities

There are no contingent assets or liabilities at balance date (2017: \$nil).

12. Transactions with related parties

Transactions with the Company's bank, ANZ (a Scheme participant), are conducted on normal commercial terms and there are no related party transactions during the year.

Key management personnel

The key management personnel are the members of the governing body which is comprised of the Board of Directors and Banking Ombudsman, which constitutes the governing body of the Company.

13. Financial instruments

The carrying amounts of categories of financial assets and liabilities are as follows.

	18	17
Loans and receivables		
Accounts receivable	690,000	61
Bank and cash	359,454	213,948
Term deposit	355,202	200,448
Total loans and receivables	1,404,656	414,457
Financial liabilities measured at amortised cost		
Sundry payables		
Accounts payable	61,482	35,600
Credit card	9,645	11,019
Total sundry payables	71,128	46,618
Total financial liabilities measured at amortised cost	71,128	46,618

14. Sundry payables and accruals

	18	17
Annual leave	55,372	53,219
Accruals	101,123	105,881
Sundry payables	61,482	35,600
Total Sundry payables and accruals	217,977	194,700

15. Subsequent events

There have been no material events subsequent to balance date (2017: Nil).

DIRECTORY

Directors

Miriam Dean CNZM QC

Anthony Healy *(Ceased 31 December 2017)*

Kenina Court

Suzanne Chetwin

Daryl Johnson *(Ceased 30 November 2017)*

Angela Mentis *(Appointed 31 December 2017)*

Lei Wang *(Appointed 1 April 2018)*

Banking Ombudsman

Nicola Sladden

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Banker

ANZ Bank New Zealand

Wellington

Auditor

Ernst & Young

Scheme participants

ANZ Bank New Zealand

ASB Bank

Bank of Baroda New Zealand

Bank of India New Zealand

Bank of China New Zealand

BNZ

China Construction Bank New Zealand

Citi New Zealand

Heartland Bank

HSBC New Zealand

ICBC New Zealand

Kiwibank

Nelson Building Society

NZCU Baywide

Rabobank New Zealand

SBS Bank

The Co-operative Bank

TSB Bank

Westpac