



Banking  
Ombudsman  
Scheme

Annual Report 2016-17

Contributing to **better banking** for 25 years

Who we are

The Banking Ombudsman Scheme resolves and prevents disputes between customers and their banks.

We are committed to contributing to

**better  
banking**

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## What happened in 2016–17

↑ **144,228**  
Website users, up 26%

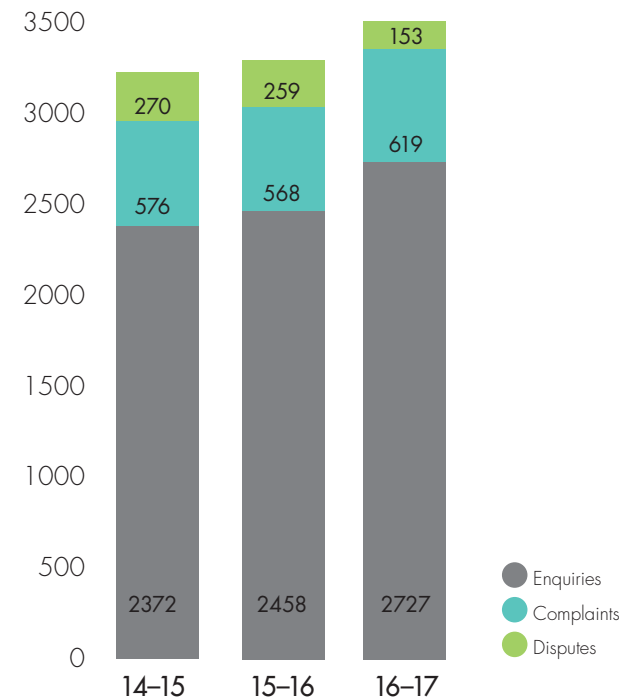
↓ **60**  
working days on average  
to resolve disputes

↑ **7%**  
Queries  
from banks

✓ **57%**  
of cases resolved by  
mutual agreement

↑ **12%**  
Queries from  
customers

Our caseload is going up,  
but problems are getting  
sorted out earlier



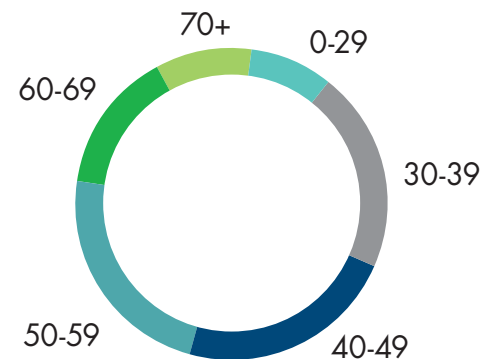
# prevent

"We are working hard to make our services accessible to all and prevent disputes from happening in the first place."

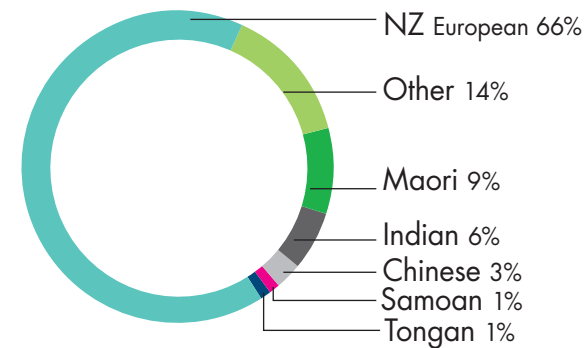


## Who uses us

### Age



### Ethnicity





**"We're sorting out more banking problems there and then and building trust and confidence in the banking sector."**

Nicola Sladden | Banking Ombudsman

# RESOLVE

How we get fair outcomes

- + Explanations
- + Apologies
- + Compensation
- + Debt reduction plans
- + Policies changed
- + Fees waived
- + Removal of credit listing

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**= Trust & confidence in banking**

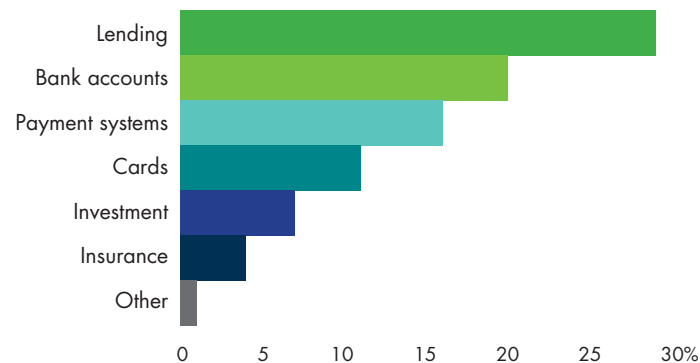
What are the issues

**Scams** **Fraud** KiwiSaver  
Low interest rates Mistaken payments  
**Early repayment charges**  
**Mortgagee sales** Insurance products  
Responsible lending **Credit card chargebacks**  
Anti-Money Laundering  
Costs incurred switching banks Bitcoin



We bring you and your bank **together**

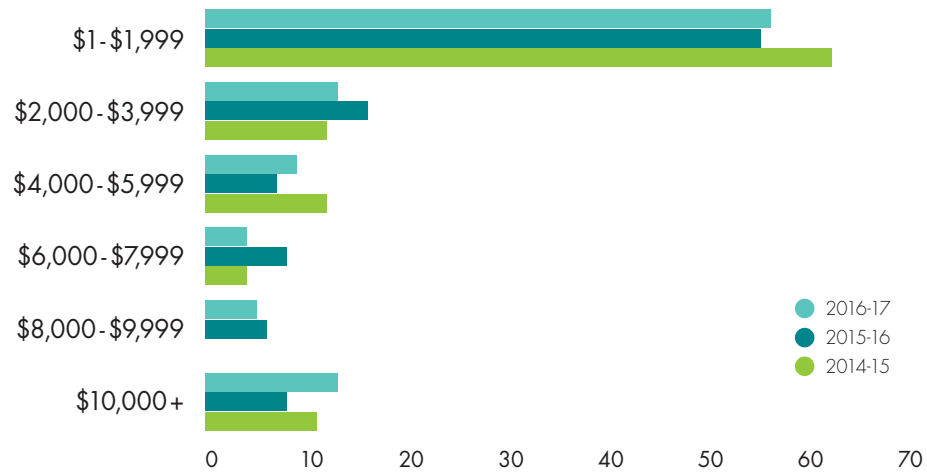
**Main issues 2016–17**



friendly  
free fair

## Compensation

### What bank customers received



#### Did you know?

We have 45 searchable quick guides on our website: [www.bankomb.org.nz](http://www.bankomb.org.nz)



Customer satisfaction,  
up from 78% to 82%

"I was surprised  
and delighted at  
the speed of the  
response."

## Cases received by bank

Scheme participant	2015-16					2016-17					% of total assets^
	Enquiry*	Complaint	Dispute	Total	%	Enquiry*	Complaint	Dispute	Total	%	
Large^											
ANZ Bank NZ	470	173	82	725	26.8	434	165	48	647	24	32.5
ASB Bank	269	74	48	391	14.5	276	91	18	385	14	18.1
BNZ	296	95	47	438	16.2	237	72	22	331	12	18.7
Westpac NZ	375	118	46	539	19.9	356	138	29	523	19	19.6
Sub-total	1410	460	223	2093	77.4	1303	466	117	1886	69	88.9
Medium^											
Citi NZ	-	-	-	-	-	1	1	-	2	0	0.4
Heartland Bank	50	7	1	58	2.1	99	10	1	110	4	0.8
HSBC NZ	11	2	3	16	0.6	19	2	-	21	1	1.0
Kiwibank	241	70	16	327	12.1	338	107	19	464	17	4.0
Rabobank NZ	9	2	1	12	0.4	6	-	3	9	0	2.8
SBS Bank	83	10	4	97	3.6	97	8	4	109	4	0.7
The Co-operative Bank	40	5	6	51	1.9	45	11	4	60	2	0.5
TSB Bank	18	9	5	32	1.2	31	7	3	41	1	1.3
Sub-total	452	105	36	593	21.9	636	146	34	816	30	11.4
Small^											
Bank of Baroda NZ	-	-	-	-	-	1	2	-	3	0	<1
Bank of China NZ	-	-	-	-	-	1	-	-	1	0	<1
Bank of India NZ	1	-	-	1	0.0	-	-	-	-	-	<1
China Construction Bank NZ	1	-	-	1	0.0	-	-	-	-	-	<1
ICBC NZ	2	-	-	2	0.1	9	-	-	9	0	<1
Nelson Building Society	4	-	-	4	0.1	8	-	1	9	0	<1
NZCU Baywide	7	3	-	10	0.4	11	5	1	17	1	<1
Sub-total	15	3	-	18	0.7	30	7	2	39	1	0.50
Total	1877	568	259	2704	100.0	1969	619	153	2741	100	

<sup>^</sup> Participants are classified according to total assets at December 2016.

\* Excludes 758 enquiries in 2016-17 where the bank wasn't identified or wasn't part of our scheme.

- 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^
	15-16	16-17	15-16	16-17	15-16	16-17	15-16	16-17	15-16	16-17	16-17
<b>Large^</b>											
ANZ Bank NZ	9	9	26	13	14	3	43	23	92	48	32.5
ASB Bank	6	4	13	5	9	1	23	12	51	22	18.1
BNZ	3	2	24	4	7	3	38	12	72	21	18.7
Westpac NZ	13	4	9	3	2	3	27	27	51	37	19.6
<b>Medium^</b>											
Citi NZ	-	-	-	-	-	-	-	-	-	-	0.4
Heartland Bank	-	-	-	-	-	-	-	2	-	2	0.8
HSBC NZ	1	-	1	-	-	-	2	-	4	-	1.0
Kiwibank	2	2	3	3	2	4	6	13	13	22	4.0
Rabobank NZ	-	1	1	-	-	-	-	2	1	3	2.8
SBS Bank	1	1	1	1	-	2	-	-	2	4	0.7
The Co-operative Bank	-	-	2	3	-	-	3	3	5	6	0.5
TSB Bank	2	1	-	1	-	-	3	1	5	3	1.3
<b>Small^</b>											
Bank of Baroda NZ	-	-	1	-	-	-	-	-	1	-	<1
Bank of China NZ	-	-	-	-	-	-	-	-	-	-	<1
Bank of India NZ	-	-	-	-	-	-	-	-	-	-	<1
China Construction Bank NZ	-	-	-	-	-	-	-	-	-	-	<1
ICBC NZ	-	-	-	-	-	-	-	-	-	-	<1
Nelson Building Society	-	-	-	-	-	-	-	-	-	-	<1
NZCU Baywide	-	-	-	-	-	-	-	1	-	1	<1
<b>Total</b>	<b>37</b>	<b>24</b>	<b>81</b>	<b>33</b>	<b>34</b>	<b>16</b>	<b>145</b>	<b>96</b>	<b>297</b>	<b>169</b>	

**“The issue was solved within a week, the processes have changed and the bank apologised. It wouldn’t have happened without your help.”**

^ Participants are classified according to total assets at 31 December 2016 as verified by participants in June 2017.

\* Includes abandoned and withdrawn disputes.

- Means no completed disputes.

**3285**  
cases received  
**297**  
disputes resolved

Enquiries increase  
New terms of reference take effect – Jan 2016  
19,000 people reached via Facebook page  
NZBA consults on a principles-based  
Code of Banking Practice  
Review of financial advisers and financial  
dispute resolution framework

**Nicola Sladden**  
Fourth Banking Ombudsman  
August 2015–present



Website users  
**144,228**  
**14** staff  
**19** scheme participants  
**3499** cases received  
**153** disputes resolved

Responsible lending Code introduced  
Office relocated after Wairarapa earthquake  
Website users double to 71,000



**3250**  
cases received  
**237**  
disputes resolved

Facilities of complaints  
lodged electronically  
Loan-to-value restrictions were  
introduced by the Reserve Bank



**Miriam Dean QC**  
Fourth Chair  
June 2013–present

Revamp of website

**1412**  
cases received  
**299**  
disputes resolved

**Anti-money laundering legislation**  
introduces stricter conditions on banks  
Formally becomes a dispute resolution scheme with  
ministerial approval  
Scheme opened to nonbank deposit takers  
Inconvenience award rises to \$9,000  
Facebook page created

**1924**  
cases received  
**715**  
disputes resolved

**21** staff

**12** staff



**Credit Contracts and Consumer**  
**Finance Act 2003 enacted**  
Third edition of NZBA Code of  
Banking Practice – Dec 2002



Decline in cheque-related  
complaints begins  
Direct loss award rises to \$120,000  
(\$150,000 for insurance-related cases)  
Inconvenience award rises to \$4,000

**Rt Hon Sir Gordon Bisson**  
Inaugural Chair of the Banking  
Ombudsman Commission  
July 1992–August 1997



**Nadja Tollemache**  
First Banking Ombudsman  
July 1992–June 1995



Power to award compensation  
of \$100,000 for direct loss  
First dispute (loss of cheque)  
resolved – 14 July 1992  
First edition of Code of Banking  
Practice – January 1992

**Consumer Guarantees Act 1993 enacted**  
**Privacy Act 1993 enacted**  
Cheques most popular payment method  
(54%), and credit cards least popular (5%)

**Hon Sir Ian Barker QC**  
Second Chair  
September 1997–June 2010



Complaints about early repayment  
charges up sharply after interest  
rate falls  
Most of Code of Banking  
Practice extended to rural farming  
customers – June 1999

**Asian financial crisis**  
Breaches worldwide  
economic disruption  
First electronic banking  
service launched  
First complaint about  
computer banking services



**Financial Transactions**  
**Reporting Act 1996 enacted**  
Inconvenience award of \$1,000 introduced  
Second edition of NZBA  
Code of Banking Practice  
– Nov 1996

**705**  
cases received  
**160**  
disputes resolved

**Liz Brown**  
Second Banking Ombudsman  
July 1995–July 2009



**6** staff  
**17** scheme participants

**348**  
cases received  
**92** disputes resolved

**Banking Ombudsman Scheme**

**25**

25-year  
statistics

**4**  
Ombudsmen

**\$38.99** million  
in compensation

**78,000**  
Number of people helped

Scheme established by the New Zealand  
banking industry on 1 July 1992.  
Complainants have access to a free and  
independent resolution service.

# Financial statements

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## DIRECTOR'S REPORT

Banking Ombudsman Scheme Limited

*For the year ended 30 June 2017.*

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 2017.

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

22 September 2017



## To the Shareholder of Banking Ombudsman Scheme Limited

### Report on the financial statements

#### Opinion

We have audited the financial statements of Banking Ombudsman Scheme Limited ("the Company") on pages 12 to 21, which comprise the statement of financial position of the Company as at 30 June 2017, 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 12 to 21 present fairly, in all material respects, the financial position of the Company as at 30 June 2017 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.

## INDEPENDENT AUDITOR'S REPORT

Chartered Accountants

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 entity 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>. This description forms part of our auditor's report.

*Ernst & Young*

22 September 2017  
Wellington

Banking Ombudsman Scheme Limited

## Statement of comprehensive income

For the year ended 30 June 2017

The accompanying notes to the financial statements on pages 16 - 21 form part of and should be read in conjunction with this statement.

	NOTE	17	16
<b>Revenue</b>			
Levies		2,525,192	2,575,500
Interest		4,020	6,481
Other Income		857	743
<b>Total revenue</b>		<b>2,530,069</b>	<b>2,582,724</b>
<b>Total operating income</b>		<b>2,530,069</b>	<b>2,582,724</b>
<b>Expenses</b>			
Audit fees		12,338	10,021
Board controlled costs		16,536	16,543
Contractors and external advice		125,104	118,435
Depreciation	5	35,624	49,801
Amortisation	6	20,137	17,419
Directors' remuneration	10	124,757	126,073
Entertainment		4,368	4,830
Loss on disposal		-	20
Office costs		93,307	93,923
Publications and promotions		45,077	31,212
Rent		143,338	144,341
Staff salaries & superannuation		1,402,640	1,605,074
Staff costs - other		40,421	81,410
Staff costs - recruitment		2,874	18,415
Technology & website costs		106,303	93,260
Travel and conferences		59,388	40,032
<b>Total expenses</b>		<b>2,232,212</b>	<b>2,450,809</b>
<b>Surplus/(deficit) before taxation</b>		<b>297,857</b>	<b>131,915</b>
<b>Taxation expense</b>			
Tax expenses	9	24,290	38,612
<b>Total taxation expense</b>		<b>24,290</b>	<b>38,612</b>
<b>Net profit after tax</b>		<b>273,567</b>	<b>93,303</b>
<b>Total comprehensive income attributable to owners of the company</b>		<b>273,567</b>	<b>93,303</b>

Banking Ombudsman Scheme Limited

## Statement of changes in equity

For the year ended 30 June 2017

The accompanying notes to the financial statements on pages 16 - 21 form part of and should be read in conjunction with this statement.

NOTE	17	16
<b>Share capital</b>		
Shareholder's capital	1	1
<b>Retained earnings</b>		
Opening retained earnings	314,303	221,000
Profit for the period	273,567	93,303
<b>Total retained earnings</b>	<b>587,870</b>	<b>314,303</b>
<b>Total equity</b>	<b>587,871</b>	<b>314,304</b>

Banking Ombudsman Scheme Limited

## Statement of financial position

As at 30 June 2017

The accompanying notes to the financial statements on pages 16 - 21 form part of and should be read in conjunction with this statement.

Signed By:



**Chair** Miriam Dean CNZM QC  
22 September 2017



**Director** Kenina Court  
22 September 2017

	NOTE	17	16
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	213,948	190,154
Trade and other receivables		61	-
GST receivable		24,325	27,141
Income tax receivable	9	46,913	6,224
Prepaid expenses		12,467	41,243
Term deposit and accrued interest		200,448	-
<b>Total current assets</b>		<b>498,162</b>	<b>264,762</b>
<b>Non-current assets</b>			
Deferred tax assets	16	-	13,094
Property, plant and equipment	5	263,373	290,404
Intangibles	6	32,052	28,199
<b>Total non-current assets</b>		<b>295,425</b>	<b>331,697</b>
<b>Total assets</b>		<b>793,587</b>	<b>596,459</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Sundry payables and accruals	14	194,698	274,376
Credit card		11,018	7,779
<b>Total current liabilities</b>		<b>205,716</b>	<b>282,155</b>
<b>Total liabilities</b>		<b>205,716</b>	<b>282,155</b>
<b>Net assets</b>		<b>587,871</b>	<b>314,304</b>
<b>Equity</b>			
Contributed equity		1	1
Accumulated revenue and expense		587,870	314,303
<b>Total equity</b>		<b>587,871</b>	<b>314,304</b>

Banking Ombudsman Scheme Limited

## Statement of cash flows

For the year ended 30 June 2017

The accompanying notes to the financial statements on pages 16 - 21 form part of and should be read in conjunction with this statement.

	17	16
<b>Cash flow</b>		
<b>Cash flows from operating activities</b>		
Cash was provided from:		
Receipts from levies	2,526,049	2,576,497
Interest and dividends	3,567	6,481
<b>Total cash was provided from:</b>	<b>2,529,616</b>	<b>2,582,978</b>
Cash was applied to:		
Payments to suppliers and employees	(2,221,353)	(2,504,725)
Taxation	(51,885)	(25,205)
<b>Total cash was applied to:</b>	<b>(2,273,238)</b>	<b>(2,529,930)</b>
<b>Total cash from operating activities</b>	<b>256,378</b>	<b>53,048</b>
<b>Cash flow from investing activities</b>		
Cash was applied to:		
Purchase of property, plant & equipment	(8,594)	(14,796)
Purchase of intangibles	(23,990)	(10,860)
Purchase of investments	(200,000)	-
<b>Total cash was applied to:</b>	<b>(232,584)</b>	<b>(25,656)</b>
<b>Total cashflow from investing activities</b>	<b>(232,584)</b>	<b>(25,656)</b>
Net increase/(decrease) in cash held	23,794	27,392
Add opening cash brought forward	190,154	162,762
Ending cash to carry forward	213,948	190,154
Bank and cash/(bank overdraft)	213,948	190,154



Banking Ombudsman Scheme Limited

## Notes to the financial statements

For the year ended 30 June 2017

### 1. Corporate information

The financial statements of the Company for the year ended 30 June 2017 were authorised for issue on 22 September 2017. 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.

Gains and losses on disposals are determined by comparing

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

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

	17	16
<b>Fittings</b>		
Fittings cost	264,254	264,254
Fittings accum dep	(81,196)	(65,285)
<b>Total fittings</b>	<b>183,058</b>	<b>198,969</b>
<b>Furniture</b>		
Furniture cost	81,907	79,660
Furniture accum dep	(37,072)	(32,247)
<b>Total furniture</b>	<b>44,835</b>	<b>47,413</b>
<b>Hardware</b>		
Hardware cost	47,469	46,230
Hardware accum dep	(35,949)	(28,348)
<b>Total hardware</b>	<b>11,520</b>	<b>17,882</b>
Office equipment		
Office equipment cost	100,313	95,205
Office equipment accum dep	(78,722)	(71,698)
<b>Total office equipment</b>	<b>21,591</b>	<b>23,507</b>
<b>Other fixed assets</b>		
Other fixed assets cost	6,676	6,676
Other fixed assets accum dep	(4,307)	(4,043)
<b>Total other fixed assets</b>	<b>2,369</b>	<b>2,633</b>
<b>Total property, plant and equipment</b>	<b>263,373</b>	<b>290,404</b>

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

Property, plant and equipment reconciliation	17	16
<b>Fittings</b>		
Opening balance	198,969	225,023
Additions	-	-
Disposals	-	-
Depreciation	(15,911)	(26,054)
<b>Total fittings</b>	<b>183,058</b>	<b>198,969</b>
<b>Furniture</b>		
Opening balance	47,411	55,303
Additions	2,247	-
Disposals	-	-
Depreciation	(4,823)	(7,892)
<b>Total furniture</b>	<b>44,835</b>	<b>47,411</b>
<b>Hardware</b>		
Opening balance	17,885	13,553
Additions	1,236	10,680
Disposals	-	(22)
Depreciation	(7,601)	(6,326)
<b>Total hardware</b>	<b>11,520</b>	<b>17,885</b>
<b>Office equipment</b>		
Opening balance	23,505	28,527
Additions	5,109	4,116
Disposals	-	-
Depreciation	(7,023)	(9,138)
<b>Total office equipment</b>	<b>21,591</b>	<b>23,505</b>
<b>Other fixed assets</b>		
Opening balance	2,634	3,024
Additions	-	-
Disposals	-	-
Depreciation	(265)	(390)
<b>Total other fixed assets</b>	<b>2,369</b>	<b>2,634</b>
<b>Total property, plant and equipment reconciliation</b>	<b>263,373</b>	<b>290,404</b>

## 6. Intangibles

	17	16
<b>Website</b>		
Website development-cost	92,359	78,674
WIP - animations	-	10,860
Website -accum depn	(76,464)	(67,099)
<b>Total website</b>	<b>15,895</b>	<b>22,435</b>
<b>Software</b>		
Software cost	105,030	83,865
Software accum dep	(88,873)	(78,101)
<b>Total software</b>	<b>16,157</b>	<b>5,764</b>
<b>Total intangibles</b>	<b>32,052</b>	<b>28,199</b>

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

<b>Intangible asset reconciliation</b>	<b>17</b>	<b>16</b>
<b>Website</b>		
Opening balance	22,435	23,150
Additions	2,825	10,860
Disposals	-	-
Amortisation	(9,365)	(11,575)
<b>Total website</b>	<b>15,895</b>	<b>22,435</b>
<b>Software</b>		
Opening balance	5,764	11,608
Additions	21,165	-
Disposals	-	-
Amortisation	(10,772)	(5,844)
<b>Total software</b>	<b>16,157</b>	<b>5,764</b>
<b>Total intangible asset reconciliation</b>	<b>32,052</b>	<b>28,199</b>

## 7. Operating leases

	17	16
Not later than one year	150,500	150,500
Later than one year and no later than five years	263,375	413,875
<b>Total operating leases</b>	<b>413,875</b>	<b>564,375</b>

## 8. Cash and cash equivalents

Cash and cash equivalents include the following components;

<b>Cash and cash equivalents</b>	<b>17</b>	<b>16</b>
Cash at bank (cheque account)	68,829	21,646
Cash at bank (savings account 1)	114,534	168,283
Cash at bank (savings account 2)	30,212	-
Petty cash	373	225
<b>Total cash and cash equivalents</b>	<b>213,948</b>	<b>190,154</b>

## 9. Income tax expense

	17	16
<b>Income tax</b>		
<b>Current tax</b>		
Current period	660	40,766
Adjustment in respect of prior period	10,536	(2,154)
<b>Total current tax</b>	<b>11,196</b>	<b>38,612</b>
<b>Deferred tax</b>		
Reversal of timing of difference	13,094	-
<b>Total deferred tax</b>	<b>13,094</b>	<b>-</b>
<b>Total income tax</b>	<b>24,290</b>	<b>38,612</b>
<b>Income tax reconciliation</b>		
Net profit (loss) per financial statements	297,857	131,915
Tax at 28%	83,400	36,936
Add non-deductible expenditure	624,314	-
Less non assessable income	(707,054)	-
Prior period adjustment	10,536	-
Derecognition of previously Recognised deferred tax	13,094	1,676
<b>Total tax effect of differences between Tax and accounting</b>	<b>24,290</b>	<b>38,612</b>

As at 1 July 2016 the Company now 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.

The impact of adopting this principle on the financial statements is primarily a reduction in the deferred tax asset recognised in the statement of financial position. As the Company is unlikely to have future taxable profits based on the mutuality principle, it is no longer probable that the related tax benefit will be realised.

## 10. Directors remuneration

The directors had remuneration due or paid during the year of \$124,757 (2016: \$126,073).

## 11. Contingent assets and liabilities

There are no contingent assets or liabilities at balance date (2016:\$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.

	17	16
<b>Loans and receivables</b>		
Accounts receivable	61	-
Bank and cash	213,948	190,154
Term deposit	200,448	-
<b>Total loans and receivables</b>	<b>414,457</b>	<b>190,154</b>
<b>Financial liabilities measured at amortised cost</b>		
Sundry payables	46,618	81,584
<b>Total financial liabilities measured at amortised cost</b>	<b>46,618</b>	<b>81,584</b>

## 14. Sundry payables and accruals

	17	16
Annual leave	53,219	61,110
Accruals	94,861	131,682
Sundry payables	46,618	81,584
<b>Total sundry payables and accruals</b>	<b>194,698</b>	<b>274,376</b>

## 15. Subsequent events

There have been no material events subsequent to balance date (2016: Nil).

## 16. Deferred Tax

	17	16
<b>The deferred tax asset consists of:</b>		
Property, plant and equipment	-	160
Accounts payable and accruals	-	12,934
<b>Movement for the year</b>		
<b>Property, plant and equipment</b>		
Opening balance	160	215
Charged or credited to the income statement	(160)	(55)
<b>Closing balance</b>	<b>-</b>	<b>160</b>
<b>Accounts payable and accruals</b>		
Opening balance	12,934	10,725
Charged or credited to the income statement	(12,934)	2,209
<b>Closing balance</b>	<b>-</b>	<b>12,934</b>
<b>Total deferred tax asset</b>	<b>-</b>	<b>13,094</b>

## DIRECTORY

## Directors

Miriam Dean CNZM QC  
 Barbara Chapman *(Ceased 31 March 2017)*  
 Anthony Healy *(Appointed 1 April 2017)*  
 Kenina Court  
 Suzanne Chetwin  
 Daryl Johnson *(Appointed 1 August 2016)*

## Banking Ombudsman

Nicola Sladden

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 Website: [www.bankomb.org.nz](http://www.bankomb.org.nz)  
 Facebook: [www.facebook.com/bankombnz](https://www.facebook.com/bankombnz)  
 Twitter: @BankombNZ

## Banker

ANZ 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