Annual Report

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

Contents

Directory

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

Directors

Miriam Dean CNZM QC
Suzanne Chetwin (Ceased Directorship 31 August 2020)
Kenina Court
Angela Mentis (Ceased Directorship 31 March 2021)
Donna Cooper
Jonathan Duffy (Appointed 31 August 2020)
Antonia Watson (Appointed 31 March 2021)

Ombudsman
Nicola Sladden

Registered Office

Level 5
Huddart Parker Building
1 Post Office Square
Wellington

Bankers

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

IRD Number

097-211-280

Directors' Report

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

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 2021.

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:

APPROVED

Miriam R Dean

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Miriam Dean CNZM QC
Chair

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Kenina Court
Director

17 September 2021
____

Date

Statement of Profit or Loss and Other Comprehensive Income

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

	NOTES	2021	2020
Income			
Levies	4	3,036,000	2,760,000
Whistleblowing service income	4	164,996	30,000
COVID-19 rent concession		-	11,149
Interest income - financial assets at amortised cost		317	7,641
Other income		997	1,128
Total Income		**3,202,310**	**2,809,918**
Total income		**3,202,310**	**2,809,918**
Expenses			
Expenses			
Audit fees		13,928	12,240
Board controlled costs		10,902	15,343
Complaints data hub expenses		327,177	298,702
Contractors and external advice		125,816	162,152
Depreciation	5	185,626	191,523
Amortisation	8	52,144	10,142
Directors' remuneration	11	144,312	155,330
Interest - lease liabilites	15	23,880	26,063
Kiwisaver/Superannuation		54,647	54,617
Loss on disposal of property, plant and equipment		773	2,550
Office costs		75,860	72,100
Publications and promotions		14,014	15,917
Low cost / short-term leases		9,114	7,177
Staff costs		60,540	58,475
Staff salaries		1,679,764	1,716,614
Technology and website costs		120,618	130,189
Travel and conferences		13,473	37,723
Whistleblowing service expenses		142,310	30,000
Total Expenses		**3,054,896**	**2,996,857**
Total Expenses		**3,054,896**	**2,996,857**
Net profit / (loss) before taxation		**147,415**	**(186,938)**
Taxation			
Income tax expense	9	118	2,100
Net profit / (loss) after taxation		**147,297**	**(189,038)**
Total comprehensive income for the year		**147,297**	**(189,038)**

The accompanying notes to the financial statements on pages 9 - 21 form part of and should be read in conjunction with this statement.

Statement of Changes in Equity

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

	2021	2020
Share capital		
Shareholder's capital	1	1
Total Share capital	**1**	**1**

	2021	2020
Retained earnings		
Opening balance	667,540	856,578
Net profit/total comprehensive income for the year	147,297	(189,038)
Total Retained earnings	**814,837**	**667,540**

	2021	2020
Equity		
Opening balance	667,541	856,579
Net profit/total comprehensive income for the year	147,297	(189,038)
Total Equity	**814,838**	**667,541**

The accompanying notes to the financial statements on pages 9 - 21 form part of and should be read in conjunction with this statement.

Statement of Financial Position

Banking Ombudsman Scheme Limited
As at 30 June 2021

	NOTES	2021	2020
Assets			
Current assets			
Cash and cash equivalents	7	517,309	318,856
Trade and other receivables		882,998	872,850
Income tax receivable	9	-	5,437
Prepaid expenses		25,180	18,066
Total Current assets		**1,425,488**	**1,215,208**
Non current assets			
Property, plant and equipment	6	194,303	229,873
Intangibles	8	270,096	192,245
Right-of-use asset	15	316,685	456,167
Work in progress - intangibles		27,385	138,279
Total Non current assets		**808,468**	**1,016,564**
Total Assets		**2,233,956**	**2,231,772**
Liabilities			
Current liabilities			
Sundry payables and accruals	13	250,618	251,484
GST payable		79,945	72,392
ANZ Credit card		-	7,009
Income tax payable	9	29	-
Income in advance		784,000	759,000
Vodafone New Zealand		-	1,056
Lease liability	15	170,277	165,381
Total Current liabilities		**1,284,869**	**1,256,323**
Non current liabilities			
Lease liability	15	134,249	307,908
Total Non current liabilities		**134,249**	**307,908**
Total Liabilities		**1,419,118**	**1,564,232**
Net Assets		**814,838**	**667,541**
Equity			
Share capital		1	1
Retained earnings		814,837	667,540
Total Equity		**814,838**	**667,541**

Signed By:

Miriam R Dean

Chair: Miriam Dean CNZM QC

Director: Kenina Court

Date: 17 September 2021

The accompanying notes to the financial statements on pages 9 - 21 form part of and should be read in conjunction with this statement.

Statement of Cash Flows

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

	NOTES	2021	2020
Cash Flow			
Cash flow from Operating Activities			
Cash was received from:			
Receipts from levies		3,036,000	2,760,000
Whistleblowing Service income		164,996	-
Other income		997	31,128
Income tax received		5,348	-
Interest		317	20,774
Total Cash inflows		**3,207,658**	**2,811,902**
Cash was applied to:			
Payments to suppliers and employees		(2,786,887)	(2,709,611)
Income tax paid		-	(10,813)
Interest portion of lease liability		(23,880)	(26,063)
Total Cash outflows		**(2,810,767)**	**(2,746,487)**
Net Cash flow from Operating Activites		**396,891**	**65,415**
Cash flow from Investing Activities			
Cash was received from:			
Funds received from term deposits maturing		-	659,494
Total Cash was received from:		**-**	**659,494**
Cash was applied to:			
Purchase of property, plant and equipment		(19,931)	(69,713)
Purchase of intangibles		(19,101)	(321,616)
Total Cash outflows		**(39,032)**	**(391,329)**
Net Cash flow from Investing Activities		**(39,032)**	**268,165**
Cash flow from Financing Activities			
Cash was applied to:			
Principal portion of lease liability		(159,406)	(115,080)
Total Cash outflows		**(159,406)**	**(115,080)**
Net Cash flow from Financing Activites		**(159,406)**	**(115,080)**
Net increase / (decrease) in cash and cash equivalents		198,453	218,500
Opening cash and cash equivalents balance		318,856	359,453
Ending cash and cash equivalents	7	517,309	318,856

The accompanying notes to the financial statements on pages 9 - 21 form part of and should be read in conjunction with this statement.

Notes to the Financial Statements

Banking Ombudsman Scheme Limited
For the year ended 30 June 2021

1. Corporate Information

The financial statements for the Banking Ombudsman Scheme Limited ("the company") for the year ended 30 June 2021 were authorised for issue on 17 September 2021.

The Company was incorporated on 19 June 2007 and is incorporated and domiciled in New Zealand under the Companies Act 1993.

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.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Company is a for-profit-entity

2. Summary of significant accounting policies

(a) Statement of Compliance and basis of preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR") and the requirements of the Companies Act 1993. The Company is eligible to apply NZ IFRS RDR because it does not have public accountability and is not a large for-profit public sector entity.

The financial statements are presented in New Zealand dollars ($) which is the Company's functional currency, rounded to the nearest dollar.

(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. Accounting Policies

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

Cash and cash equivalents

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.

Accounts receivables

Accounts receivable and other receivables are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest method. Receivables of a short-term nature are not discounted.

An allowance for impairment is established where there is objective evidence the Scheme will not be able to collect all amounts due according to the original terms of the receivable.

Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial Assets
Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Scheme's business model is to hold financial assets to collect their contractual cash flows.

Financial assets at amortised cost

The Scheme measures financial assets at amortised cost if both of the following conditions are met:

(1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
(2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments that are measured at amortised cost include cash balances, trade and other receivables and term deposits.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment testing. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Trade receivables represents the Scheme's right to an amount of consideration which is unconditional (i.e. only the passage of time is required before payment of the consideration is due). No trade receivables contain a significant financing component.

Recognition and derecognition

Financial assets are recognised when the Scheme becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Scheme recognises an allowance for expected credit losses for all financial assets amortised at cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive. Receivables of a short-term nature are not discounted.

For trade receivables, the Scheme applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial Liabilities
Trade and Other Payables

These amounts represent unsecured liabilities for goods and services provided to the Scheme prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are not discounted.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. 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 recognised as an expense in profit or loss and is measured on a straight line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost of the asset less any estimated residual value over its remaining useful life.

Furniture, Fixtures and Fittings	7%-100%
Office Equipment	10.2%-100%
Hardware	30%-67%
Other Plant & Equipment	7%-100%

The residual value, useful life, and depreciation methods of property, plant and equipment are reassessed annually.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

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 five 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.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly 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.

Income in advance

Income in advance relates to levies for the next financial year that have been invoiced to members during the current financial year.

Interest income

Income is recognised as interest accrues using the effective interest rate method.

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 liability 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.

Goods and Services Tax (GST)

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 on statement of financial position.

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

Leases

The Company is a lessee

Leases are accounted for by recognising a right-of-use asset and a lease liability.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company’s incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to exercise that option

- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease
- Initial direct costs incurred
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, or when future lease payments will change as a result of a market rent review, except that, in such circumstances, the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

4. Revenue

Recognition and Measurement

Levy revenue comprises amounts invoiced to the participating banks and non-bank deposit-takers in New Zealand ("the members"). The members are invoiced in advance, and at the end of the financial year the amounts invoiced in advance of the service being provided are recognised as income in advance in the Statement of Financial Position.

Whistleblowing Service income comprises amounts invoiced to the independent funder of the service (“the Funder”). The Funder is invoiced in advance, and at the end of the year financial year the amounts invoiced in advance of the service being provided are recognised as income in advance in the Statement of Financial Position.

Revenue 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.

Whistleblowing Service income from the Funder is recognised on an accrual basis, with the income being paid on a quarterly basis.

Disaggregation of Levy Revenue

Levy revenue is disaggregated into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

Size of member bank	2021	2020
Large	2,360,820	2,231,056
Medium	640,180	472,944
Small	35,000	56,000
Total	**3,036,000**	**2,760,000**

5. Depreciation

	2021	2020
Depreciation	55,502	48,171
Depreciation - ROU Asset (note 15)	130,124	143,352
Total Depreciation	**185,626**	**191,523**

6. Property, plant and equipment

	2021	2020
Fittings		
Fittings at cost	266,120	266,120
Fittings accumulated depreciation	(156,879)	(136,465)
Total Fittings	**109,240**	**129,655**
Furniture		
Furniture at cost	76,536	77,284
Furniture accumulated depreciation	(52,915)	(46,279)
Total Furniture	**23,620**	**31,005**
Hardware		
Hardware at cost	76,378	72,474
Hardware accumulated depreciation	(46,114)	(45,495)
Total Hardware	**30,264**	**26,979**
Other plant and equipment		
Other plant and equipment at cost	6,676	6,676
Other plant and equipment accumulated depreciation	(4,838)	(4,474)
Total Other plant and equipment	**1,838**	**2,202**
Office equipment		
Office equipment at cost	61,590	62,789
Office equipment accumulated depreciation	(32,250)	(22,757)
Total Office equipment	**29,340**	**40,032**
Total Property, plant and equipment	**194,303**	**229,873**

Property, plant and equipment reconciliation of carrying amounts

	2021	2020
Fittings		
Opening balance	129,655	150,645
Depreciation	(20,415)	(20,990)
Total Fittings	**109,240**	**129,655**
Furniture		
Opening balance	31,005	39,099
Depreciation	(7,008)	(7,144)
Disposals		
Gross cost	(749)	(2,247)
Depreciation on disposal	372	1,297
Total Disposals	**(377)**	**(950)**
Total Furniture	**23,620**	**31,005**
Hardware		
Opening balance	26,979	11,035
Additions	20,705	25,060
Depreciation	(17,420)	(9,116)
Total Hardware	**30,264**	**26,979**
Other plant and equipment		
Opening balance	2,202	2,880
Depreciation	(364)	(678)
Total Other plant and equipment	**1,838**	**2,202**
Office equipment		
Opening balance	40,032	4,672
Additions	-	47,203
Depreciation	(10,296)	(10,242)
Disposals		
Gross cost	(1,199)	(3,370)
Depreciation on disposal	804	1,769
Total Disposals	**(395)**	**(1,601)**
Total Office equipment	**29,341**	**40,032**
Total Property, plant and equipment carry amounts	**194,303**	**229,873**

7. Cash and short-term deposits

	2021	2020
Cash at bank and short-term deposits		
Cheque Account (00)	517,308	318,855
Savings Account (02)	-	-
ANZ 30 Account	1	1
Total Cash at bank and short-term deposits	**517,309**	**318,856**

Cheque Account (00)
Interest rate (debit balance): 25.60%
Interest rate (credit balance): 0.05%

Savings Account (02)
Interest rate (debit balance): 25.60%
Interest rate (credit balance): 0.05%

ANZ Account (30)
Interest rate (debit balance): 27.90%
Interest rate (credit balance): 0.05%

8. Intangibles

	2021	2020
Website		
Website at cost	13,685	13,685
Website accumulated amortisation	(13,685)	(13,685)
Total Website	**-**	**-**
Software		
Software at cost	433,408	303,413
Software accumulated amortisation	(163,311)	(111,168)
Total Software	**270,096**	**192,245**
Total Intangibles	**270,096**	**192,245**

Intangibles reconciliation

	2021	2020
Software		
Opening balance	192,245	-
Additions	129,995	202,387
Amortisation	(52,144)	(10,142)
Total Software	**270,096**	**192,245**
Total Intangibles reconciliation	**270,096**	**192,245**

	2021	2020

9. Income tax

Net profit / (loss) per financial statements		
Profit / (loss) before tax	147,415	(186,938)
Prima facie tax expense at 28%	41,276	(52,343)
Income tax effects:		
Add tax effect of non-deductible expenses	855,371	839,120
Less tax effect of non-assessable income	(896,529)	(784,677)
Total Income tax effects:	**(41,158)**	**54,443**
Current tax expense	118	2,100
Taxation movements		
Opening balance	(5,437)	3,277
Provisional tax paid	-	(1,720)
Refunds received	7,158	-
Resident withholding tax paid	(89)	(5,817)
Terminal tax paid	-	(3,277)
Tax Transfers	(1,721)	-
Total Taxation movements	**(89)**	**(7,537)**
Income tax payable / (refundable)	29	(5,437)

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.

10. Contingent assets and liabilities

There are no contingent assets or liabilities at reporting date (2020:$nil).

11. Transactions with related parties

Transactions with the Company's bank, ANZ (a Scheme participant), are conducted on normal commercial terms.

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.

The directors had remuneration due or paid during the year of $144,312 (2020: $155,330).

The Banking Ombudsman had remuneration due or paid during the year of $352,461 (2020: $321,601).

12. Financial instruments

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

	2021	2020
Financial instruments		
Financial assets measured at amortised cost		
Accounts receivable	882,998	872,850
Bank and cash	517,309	318,856
ANZ Credit Card	9,464	-
Total Financial assets measured at amortised cost	**1,409,772**	**1,191,706**
Financial liabilities measured at amortised cost		
Accounts payable	104,483	108,547
Accruals	78,844	79,151
Credit card	-	7,009
Sundry payables	-	78
Total Financial liabilities measured at amortised cost	**183,327**	**194,785**

13. Sundry payables and accruals

	2021	2020
Accounts payable	104,483	108,547
Annual Leave	67,291	63,708
Accruals	78,844	79,151
Sundry payables	-	78
Total Sundry payables and accruals	**250,618**	**251,484**

14. Subsequent events

There have been no material events subsequent to reporting date (2020: Nil).

15. Operating Leases

The Company leases its office space at Level 5, 1 Post Office Square, Wellington (Huddart Parker Building). The lease was reviewed in March 2020 and ends in March 2023.

The carrying amount of the lease liability has changed in the current period as shown below:

Lease Liability	**2021**	**2020**
Current		
Lease liabilities	170,277	165,381
Non-Current		
Lease liabilities	134,249	307,908
Total	**304,526**	**473,290**

Reconciliation of lease liabilities:

	2021	**2020**
Opening Balance	473,290	518,359
Adjustment	(9,344)	-
Interest expense	23,880	26,063
Lease payments	(183,300)	(150,090)
Adjustment due to lease modification	-	90,107
Rent concession adjustment	-	(11,149)
Closing Balance	**304,526**	**473,290**

The carrying value of the right-of-use asset has changed in the current period as shown below:

Right-of-use asset	**2021**	**2020**
Non-Current		
Right-of-use asset	316,685	456,167
Total	**316,685**	**456,167**

Reconciliation of right-of-use assets:

	2021	2020
Opening Balance	456,167	518,359
Adjustment	(9,358)	-
Adjustment for accrued rent at 30 June 2019	-	(8,947)
Balance at 1 July 2019	-	509,412
Depreciation (note 5)	(130,124)	(143,352)
Adjustment due to lease modification	-	90,107
Closing Balance	**316,685**	**456,167**

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Independent auditor's report
To the Shareholder of Banking Ombudsman Scheme Limited

Opinion

We have audited the financial statements of Banking Ombudsman Scheme Limited ("the Company") on pages 5 to 21, which comprise the statement of financial position of the Company as at 30 June 2021, and the statement of profit or loss and other 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 5 to 21 present fairly, in all material respects, the financial position of the Company as at 30 June 2021 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

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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/assurance-standards/auditors-responsibilities/audit-report-8/. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Wellington
17 September 2021