



INSURANCE & FINANCIAL SERVICES  
**OMBUDSMAN**

# Financial Statements 2018

The Insurance & Financial Services Ombudsman Scheme Inc. is independent, impartial and free for consumers. We resolve complaints about insurance & financial services.

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# Financial Statements 2018

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## Directory

Insurance & Financial Services Ombudsman Scheme Inc

*For the year ended 30 June 2018*

### **Nature of Business**

The IFSO Scheme's principal powers and duties are:

- (a) to resolve Complaints arising out of the provision of Financial Services by a Participant in a way that is accessible, independent, fair, accountable, efficient and effective; and
- (b) to promote and publicise the Scheme to consumers and small businesses and to encourage and provide advice to Participants on the development and maintenance of good complaint-handling practices.

### **Address**

Level 8, Shamrock House  
79-81 Molesworth Street  
Thorndon  
Wellington

### **IRD Number**

63-250-759

### **Incorporation Number**

2541616

### **Incorporation Date**

29 October 2010

### **Chartered Accountant**

Grant Thornton New Zealand Limited

### **Auditors**

BDO Wellington

### **Bankers**

ANZ Bank Limited  
Wellington  
ASB Bank Limited  
Wellington

# Statement of Comprehensive Revenue and Expense

Insurance & Financial Services Ombudsman Scheme Inc

For the year ended 30 June 2018

<b>Revenue from Exchange Transactions</b>	<b>Notes</b>	<b>2018</b>	<b>2017</b>
Complaint Fees		276,000	220,500
Interest Received		41,691	40,136
Levies		1,920,285	1,859,360
Conference Income		18,298	18,020
Workshop Income		6,138	8,561
<b>Total Revenue from Exchange Transactions</b>		<b>2,262,412</b>	<b>2,146,576</b>
<b>Total Revenue</b>		<b>2,262,412</b>	<b>2,146,576</b>
<b>Expenses</b>			
Administration		273,315	208,025
Audit Fees		9,600	11,657
Commission		119,540	104,726
Depreciation and Amortisation		123,236	39,096
Occupancy		244,659	233,986
Professionals and Consultancy		58,645	72,102
Promotion		29,358	23,381
Staff Costs		1,414,947	1,284,926
<b>Total Expenses</b>		<b>2,273,301</b>	<b>1,977,900</b>
<b>Total Expenses</b>		<b>2,273,301</b>	<b>1,977,900</b>
<b>Net Surplus (Deficit) before Tax</b>		<b>(10,890)</b>	<b>168,677</b>
<b>Taxation</b>			
Income Tax Expense	11	11,090	10,687
<b>Total Taxation</b>		<b>11,090</b>	<b>10,687</b>
<b>Total Surplus (Deficit)</b>		<b>(21,980)</b>	<b>157,990</b>
<b>Total Comprehensive Revenue and Expense</b>		<b>(21,980)</b>	<b>157,990</b>
<b>Total Surplus/(Deficit) attributable to Members</b>		<b>(21,980)</b>	<b>157,990</b>

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

## Statement of Changes in Equity

Insurance & Financial Services Ombudsman Scheme Inc

For the year ended 30 June 2018

<b>Accumulated comprehensive revenue and expense</b>	<b>2018</b>	<b>2017</b>
<b>Opening Balance</b>	<b>1,395,115</b>	<b>1,257,129</b>
<b>Comprehensive Revenue and Expenses</b>		
Surplus for the Year	(21,980)	157,990
<b>Total Comprehensive Revenue and Expenses</b>	<b>(21,980)</b>	<b>157,990</b>
<b>Transfers out</b>		
Transfer out to Scheme Review Reserve	(20,004)	(20,004)
<b>Total Transfers out</b>	<b>(20,004)</b>	<b>(20,004)</b>
<b>Total Accumulated comprehensive revenue and expense</b>	<b>1,353,131</b>	<b>1,395,115</b>
<b>Scheme Review Reserve</b>		
<b>Opening Balance</b>	<b>80,016</b>	<b>60,012</b>
<b>Transfers in</b>		
Transfer in from accumulated revenue and expense	20,004	20,004
<b>Total Transfers in</b>	<b>20,004</b>	<b>20,004</b>
<b>Total Scheme Review Reserve</b>	<b>100,020</b>	<b>80,016</b>
<b>Total Equity</b>	<b>1,453,151</b>	<b>1,475,131</b>

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

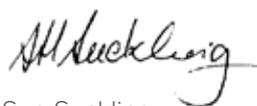
# Statement of Financial Position

Insurance & Financial Services Ombudsman Scheme Inc

As at 30 June 2018

<b>Assets</b>	<b>Notes</b>	<b>30 Jun 2018</b>	<b>30 Jun 2017</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	530,951	150,155
Receivables from exchange transactions		13,856	9,752
GST Receivable		16,395	31,664
Income Tax Receivable	11	8,878	5,283
Deferred Tax	11	58,669	69,759
Prepayments		38,024	39,136
Term Deposit	6	500,000	816,111
Interest Accrual		96	9,139
<b>Total Current Assets</b>		<b>1,166,869</b>	<b>1,130,999</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	45,827	53,441
Intangible Assets	8	428,949	517,837
<b>Total Non-Current Assets</b>		<b>474,775</b>	<b>571,278</b>
<b>Total Assets</b>		<b>1,641,645</b>	<b>1,702,277</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables		188,493	227,146
<b>Total Current Liabilities</b>		<b>188,493</b>	<b>227,146</b>
<b>Total Liabilities</b>		<b>188,493</b>	<b>227,146</b>
<b>Net Assets</b>		<b>1,453,151</b>	<b>1,475,131</b>
<b>Net assets attributable to the owners of the controlling entity</b>			
Accumulated revenue and expense		1,353,131	1,395,115
Scheme Review Reserve		100,020	80,016
<b>Total Net assets attributable to the owners of the controlling entity</b>		<b>1,453,151</b>	<b>1,475,131</b>

The notes to the financial statements form part of and should be read in conjunction with the financial statements.



Sue Suckling  
IFSO Scheme Commission Chairperson  
24 August 2018



Karen Stevens  
Insurance & Financial Services Ombudsman  
24 August 2018

# Statement of Cashflows

## Insurance & Financial Services Ombudsman Scheme Inc

For the year ended 30 June 2018

<b>Cash from Operating Activities</b>	<b>2018</b>	<b>2017</b>
<b>Cash was provided from:</b>		
Receipts from Subscriptions and Membership Fees	2,216,617	2,087,935
Interest and dividends	50,734	32,010
<b>Total Cash was provided from:</b>	<b>2,267,351</b>	<b>2,119,945</b>
<b>Cash was applied to:</b>		
Payments to Suppliers and Employees	(2,172,337)	(2,027,542)
Taxation Paid	(3,595)	3,847
<b>Total Cash was applied to:</b>	<b>(2,175,932)</b>	<b>(2,023,695)</b>
<b>Total Cash from Operating Activities</b>	<b>91,419</b>	<b>96,250</b>
<b>Cashflow from Investing Activities</b>		
<b>Cash was provided from:</b>		
Redemption of Investments	816,111	0
<b>Total Cash was provided from:</b>	<b>816,111</b>	<b>0</b>
<b>Cash was applied to:</b>		
Purchase of Property, Plant & Equipment	(7,664)	(12,554)
Purchase of Intangible Assets	(19,070)	(348,130)
Purchase of Investments	(500,000)	(16,111)
<b>Total Cash was applied to:</b>	<b>(526,734)</b>	<b>(376,795)</b>
<b>Total Cashflow from Investing Activities</b>	<b>289,377</b>	<b>(376,795)</b>
<b>Net Increase/Decrease in Cash Held</b>	<b>380,796</b>	<b>(280,545)</b>
<b>Opening cash brought forward</b>		
Add Opening Cash Brought Forward	150,155	430,700
<b>Total Opening cash brought forward</b>	<b>150,155</b>	<b>430,700</b>
Ending Cash to Carry Forward	530,951	150,155
Bank and cash/(bank overdraft)	530,951	150,155

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

# Notes to the Financial Statements

## Insurance & Financial Services Ombudsman Scheme Inc

For the year ended 30 June 2018

### 1. Reporting Entity

The Insurance & Financial Services Ombudsman Scheme Inc (“the IFSO Scheme”) is an incorporated society registered under the Incorporated Society Act 1908.

The IFSO Scheme’s principal powers and duties are:

- (a) to resolve Complaints arising out of the provision of Financial Services by a Participant in a way that is accessible, independent, fair, accountable, efficient and effective; and
- (b) to promote and publicise the IFSO Scheme to consumers and small businesses and to encourage and provide advice to Participants on the development and maintenance of good complaint-handling practices.

On the 25 June 2015 the Insurance & Financial Services Ombudsman Scheme Incorporated changed its name from the Insurance & Savings Ombudsman Scheme Incorporated.

These financial statements have been approved and were authorised for issue by the IFSO Scheme Commission on 27 August 2018.

### 2. Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”).

They comply with Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”) and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the IFSO Scheme is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Commission has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime (“RDR”) disclosure concessions.

### 3. Summary of Accounting Policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

#### 3.1 Basis of Preparation

These financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of non-derivative financial instruments and land and buildings which are measured at fair value.

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

#### 3.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the IFSO Scheme 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.

### Revenue from Non-Exchange Transactions

A non exchange transaction is one in which the IFSO Scheme either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

### Revenue from Exchange Transactions

An exchange transaction is one in which the IFSO Scheme receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

### Revenue from exchange transactions

#### Levies

Levies comprise of amounts received and receivable from Participants in the IFSO Scheme and are recognised on an accrual basis.

Levies paid for services are considered to be delivered equally over the subscription period and are therefore recognised in the period to which the levies relate.

#### Complaint Fees

Complaint fees are recognised as income in the period in which the invoice is raised.

#### Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

### 3.3 Functional and Presentational Currency

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

### 3.4 Financial Instruments

Financial assets and financial liabilities are recognised when the IFSO Scheme becomes a party to the contractual provisions of the financial instrument.

#### Financial Asset

The IFSO Scheme derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the

rights to receive cash flows from the asset have expired or are waived, or IFSO has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- The IFSO Scheme has transferred substantially all the risks and rewards of the asset; or
- The IFSO Scheme has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting revenue and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The IFSO Scheme's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans and receivables. The IFSO Scheme's financial assets include: cash and cash equivalents, short-term investments and receivables from exchange transactions.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

#### *Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment.

The IFSO Scheme's cash and cash equivalents, short-term investments and receivables from exchange transactions fall into this category of financial instruments.

### **Impairment of financial asset**

The IFSO Scheme assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cashflows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there is any objective evidence of impairment, the IFSO Scheme first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the IFSO Scheme determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial

assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

### **Financial Liabilities**

The IFSO Scheme's financial liabilities include trade and other creditors (excluding GST) and employee entitlements.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

### **3.5 Cash and cash equivalents**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **3.6 Short term Investments**

Short term investments comprise term deposits which have a term of greater than three months and therefore do not fall into the category of cash and cash equivalents.

### **3.7 Property, Plant, Equipment and Depreciation**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation is charged on a straight line basis over the useful life of the asset or using diminishing value. 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 and Fittings:  
0% - 25% Straight Line and Diminishing Value
- Office equipment:  
13% - 50% Straight Line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

### 3.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there

is an indication that the intangible asset may be impaired. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The IFSO Scheme does not hold any intangible assets that have an indefinite life.

The amortisation rates for IFSO assets are as follows:

- Website: 50% diminishing value
- CRM: 20% diminishing value

### 3.9 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

### 3.10 Employee Benefits

#### **Wages, salaries and annual leave**

Liabilities for wages and salaries and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits expected to be settled within twelve months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

### 3.11 Income Tax

Income tax comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Revenue and Expense except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

### 3.12 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

### 3.13 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is made up of the following components:

#### **Accumulated comprehensive revenue and expense**

Accumulated comprehensive revenue and expense is the IFSO Scheme's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

#### **Scheme Review Reserve**

The IFSO Scheme will undergo a scheme review in the 2019 financial year, a portion of levies are transferred to the scheme review reserve to cover the costs associated with this review.

### **4. Significant accounting judgements, estimates and assumptions**

The preparation of the IFSO Scheme's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### **Judgements**

In the process of applying the IFSO Scheme's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The IFSO Scheme based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the IFSO Scheme. Such changes are reflected in the assumptions when they occur.

### Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the IFSO Scheme are listed in Notes 3.7 and 3.8.

## 5. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2018	2017
<b>Cash and cash equivalents</b>		
ANZ Call Account	356,471	124,539
ANZ Cheque Account	2,254	25,539
ASB Cheque Account	73,772	0
ASB Savings Account	98,406	62
Petty Cash	47	15
<b>Total Cash and cash equivalents</b>	<b>530,951</b>	<b>150,155</b>

## 6. Term Deposit

	2018	2017
ASB Term Deposit	500,000	0
ANZ Term Deposit	0	816,111
<b>Total Term Deposit</b>	<b>500,000</b>	<b>816,111</b>

## 7. Property, plant and equipment

	2018	2017
<b>Furniture and fittings</b>		
Furniture & Fittings: At Cost	33,347	33,347
Furniture & Fittings: Accumulated Depreciation	(15,767)	(11,777)
<b>Total Furniture and fittings</b>	<b>17,580</b>	<b>21,570</b>
<b>Office and computer equipment</b>		
Office & Computer Equipment: At Cost	63,212	55,548
Office & Computer Equipment: Accumulated Depreciation	(34,965)	(23,678)
<b>Total Office and computer equipment</b>	<b>28,247</b>	<b>31,870</b>
<b>Total Property, plant and equipment</b>	<b>45,827</b>	<b>53,441</b>

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

	2018	2017
<b>Property, plant &amp; equipment reconciliation</b>		
<b>Furniture and fittings</b>		
Opening balance	21,570	25,120
Additions	0	1,049
Disposals	0	0
Depreciation	(3,990)	(4,599)
<b>Total Furniture and fittings</b>	<b>17,580</b>	<b>21,570</b>
<b>Office and computer equipment</b>		
Opening balance	31,871	32,376
Additions	7,664	11,506
Disposals	0	0
Depreciation	(11,287)	(12,010)
<b>Total Office and computer equipment</b>	<b>28,248</b>	<b>31,871</b>
<b>Total Property, plant &amp; equipment reconciliation</b>	<b>45,827</b>	<b>53,441</b>

## 8. Intangible Assets

	2018	2017
Intangible Assets at Cost	603,929	68,102
Intangible Assets: Accumulated Amortisation	(174,980)	(67,022)
Work in Progress – CRM	0	516,757
<b>Total Intangible Assets</b>	<b>428,949</b>	<b>517,837</b>

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

<b>Intangible asset reconciliation</b>	<b>2018</b>	<b>2017</b>
<b>Website</b>		
Opening Balance	1,080	17,070
Additions	13,670	0
Disposals	0	0
Amortisation	(3,527)	(15,990)
<b>Total Website</b>	<b>11,223</b>	<b>1,080</b>
<b>Visual Identity</b>		
Opening Balance	0	6,497
Additions	0	0
Disposals	0	0
Amortisation	0	(6,497)
<b>Total Visual Identity</b>	<b>0</b>	<b>0</b>
<b>CRM Project</b>		
Opening balance	0	0
Transfer to/from WIP	522,157	0
Additions	0	0
Disposals	0	0
Amortisation	(104,431)	0
<b>Total CRM Project</b>	<b>417,726</b>	<b>0</b>
<b>Work in Progress – CRM</b>		
Opening balance	516,757	168,627
Additions	5,400	348,130
Disposals	0	0
Transfer to/from WIP	(522,157)	0
<b>Total Work in Progress – CRM</b>	<b>0</b>	<b>516,757</b>
<b>Total Intangible asset reconciliation</b>	<b>428,948</b>	<b>517,837</b>

## 9. Related Parties

The following Commission Members of the IFSO Scheme hold positions of responsibility at the listed entities. The IFSO Scheme also received levies from these entities.

All transactions were at market value.

Related Party	Position	Entity
Dave Kibblewhite	Chief Financial, Investment and Risk Officer	Farmers Mutual Group
Victoria Werohia	Executive Manager, Risk Optimisation Project New Zealand	Suncorp New Zealand (AA Life, Asteron, Vero and Vero Liability)

## Key Management Personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body and senior management. The Commission constitutes the governing body of the IFSO Scheme. No Remuneration is paid to three of the seven members of the Commission. The aggregate remuneration of key management personnel and the number of individuals, determined on a full time equivalent basis, receiving remuneration is as follows:

	2018	2017
Number of Persons	4.5 FTE Employees	4.4 FTE Employees
Total Remuneration	\$808,293	\$751,540

Fees paid to four of the seven commissioners during the year totalled \$107,000 (2017: \$96,000)

## Remuneration and compensation provided to close family members of key personnel

During the reporting period, total remuneration and compensation of \$535 (2017: \$1,210) was provided by the IFSO Scheme to employees who are close family members of key management personnel.

## 10. Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2018	2017
<b>Loans and Receivables</b>		
Trade receivables	13,856	9,752
Bank and cash/(bank overdraft)	530,951	150,155
Term deposits	500,000	816,111
<b>Total Loans and Receivables</b>	<b>1,044,807</b>	<b>976,018</b>
<b>Financial Liabilities Held at Amortised Cost</b>		
Trade payables	188,493	227,146
<b>Total Financial Liabilities Held at Amortised Cost</b>	<b>188,493</b>	<b>227,146</b>

## 11. Income Tax Expense

	2018	2017
Net Profit (Loss) per Financial Statements	(10,890)	168,677
<b>Additions to Taxable Profit</b>		
Non-deductible expenses	2,271,217	1,975,514
<b>Total Additions to Taxable Profit</b>	<b>2,271,217</b>	<b>1,975,514</b>
<b>Deductions from Taxable Profit</b>		
Non-assessable income	2,220,721	2,106,440
Losses brought forward	249,138	287,267
<b>Total Deductions from Taxable Profit</b>	<b>2,469,859</b>	<b>2,393,707</b>
<b>Taxable Profit (Loss)</b>	<b>(209,532)</b>	<b>(249,516)</b>
<b>Tax Payable at 28%</b>	<b>–</b>	<b>–</b>
<b>Deductions from Tax Payable</b>		
Resident Withholding Tax Paid	8,878	5,282
<b>Total Deductions from Tax Payable</b>	<b>8,878</b>	<b>5,282</b>
<b>Income Tax Payable (Refund Due)</b>	<b>(8,878)</b>	<b>(5,282)</b>
<b>Tax Expense</b>		
Current tax expense	0	0
Deferred tax expense	11,090	10,687
<b>Total Tax Expense</b>	<b>11,090</b>	<b>10,687</b>
<b>Deferred Tax Asset consists of:</b>		
<b>Unused Losses</b>		
Unused Losses	58,669	69,759
<b>Total Unused Losses</b>	<b>58,669</b>	<b>69,759</b>
<b>Total Deferred Tax Asset</b>	<b>58,669</b>	<b>69,759</b>
<b>Unused Losses</b>		
Opening balance	249,138	287,267
Charged/Credit Income Statement	(39,606)	(38,128)
<b>Total Unused Losses</b>	<b>209,532</b>	<b>249,138</b>

Income tax losses available to be carried forward total \$209,532 (2017: \$249,138). The losses are subject to Inland Revenue confirmation.

## 12. Operating Leases

	<b>2018</b>	<b>2017</b>
Less than one year	210,940	197,840
Later than one year and no later than five years	70,313	263,787
Later than five years	0	0
<b>Total Operating Leases</b>	<b>281,253</b>	<b>461,627</b>

IFSO Scheme entered into a 4 year lease beginning on 1 November 2015 for \$197,840 per annum, on 1 November 2017 the operating lease increased to \$210,940 per annum. This is due to expire on 1 November 2019. The lease contains one right of renewal after 4 years on the 1st of November 2019.

## 13. Capital Commitments

There are no capital commitments at balance date (2017:\$Nil).

## 14. Contingent assets and liabilities

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

## 15. Events after the reporting date

The Commission and management are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the IFSO Scheme (2017: \$Nil).

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE INSURANCE & FINANCIAL SERVICES OMBUDSMAN SCHEME INC.**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of the Insurance & Financial Services Ombudsman Scheme Inc. ("the IFSO Scheme"), which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the IFSO Scheme as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") issued by the New Zealand Accounting Standards Board.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). 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 IFSO Scheme 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 interests in, the IFSO Scheme.

### **Commissions' Responsibilities for the Financial Statements**

The Commission is responsible on behalf of the IFSO Scheme or the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, and for such internal control as the Commission determines 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 Commission is responsible on behalf of the IFSO Scheme for assessing the IFSO Scheme'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 Commission either intends to liquidate the IFSO Scheme or to cease operations, or has 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 ISAs (NZ) 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 decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IFSO Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Commission and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IFSO Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the IFSO Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Who we Report to

This report is made solely to the IFSO Scheme's members, as a body. Our audit work has been undertaken so that we might state those matters which 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 IFSO Scheme and the IFSO Scheme's members, as a body, for our audit work, for this report or for the opinions we have formed.

*BDO Wellington Audit Limited*

**BDO Wellington Audit Limited**  
Wellington  
New Zealand  
24 August 2018



INSURANCE & FINANCIAL SERVICES  
**OMBUDSMAN**

## **The IFSO Scheme**

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