

**consumer.**



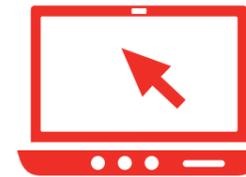
2015

Annual Report

*For the year ended 31 December 2015*

Dedicated to getting New Zealanders a fairer deal.

BY THE NUMBERS



4.4 million

visits to consumer.org.nz between January and December 2015 (up from 3.1 million visits in 2014).



366,900

the average number of visits per month. The largest number of visits was 461,200 in May 2015 - a record.



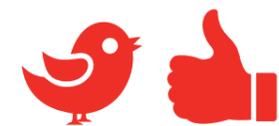
4000

consumer inquiries answered by our advisory service. Complaints ranged from "the airline has lost my luggage" to "the beauty spa I booked was unhygienic".



507,500

visits to powerswitch.org.nz, our power company price comparison site (up from 488,000 in 2014).



17,400

people follow our Facebook and Twitter feeds (up from 13,500 in 2014).



196,600

newsfeeds reached by our Facebook post about the recall of two vacuum cleaners that had caused burns and electric shocks.



93%

of people who responded to our June 2015 survey wanted Jetstar to end "opt-out pricing" (the practice of pre-checking optional extras in its online booking process).

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# Chairman's report



Key themes in 2015 were looking at ways to engage our growing membership, and bedding in substantial changes to the website and the organisation's business programmes.

The free Bronze membership level grew quickly to nearly 50,000. The paying membership (Silver and Gold) stabilised at 50,000. Nearly 100,000 members was a great platform from which to effect change. The Do Not Knock Campaign saw hundreds of thousands of stickers distributed to homes, so people could stop cold-callers trying to sell them unwanted services. From community police to local schools Consumer was inundated with requests for the stickers. A great success; now we need to press for a law change.

The Ditch the Ticks campaign called on Jetstar to stop pre-selecting boxes for optional services like seat select, luggage and insurance. On a return flight from Wellington to Auckland, pre-ticked items added more than \$40 to the fare. Consumer members got behind the campaign by using templates provided by us to email the chief executive. Early in 2016 the company backed down, following an investigation by the Commerce Commission.

It's campaigns like these, where we bring the might of our membership as well as the respected reputation of the organisation to bring about change for all consumers that give the Board confidence Consumer is on the right track. The key is our membership. Companies change when 100,000 people are pointing at them.

New digital tools allow Consumer to interact with our members and wider New Zealand better than ever. Changes to the website encourage people to give feedback and provide us ideas about where we should be focussing our attention.

Our business programmes branched out into new endorsements: People's Choice, which recognises our members' satisfaction with products and services voiced through our regular surveys, and Top Brand, achieved through a combination of test results, customer satisfaction and reliability. We continued with Consumer Trusted, which has attracted eight significant

New Zealand companies. This scheme recognises businesses that have gone beyond consumer law obligations to meet our exacting standards to provide real service. Consumer Recommends, launched five years ago, continues to show consumers out shopping which products and services our independent tests recommend. I bought a smart TV this year with my cellphone displaying the Consumer Recommends page. I told the salesperson "I want this one". I like to think the exceptional service was because the salesperson knew I was a Consumer member and not to be mucked around.

It's a common misconception Consumer is government funded. It's not. We do have contracts to provide services to entities, mainly government agencies, but that is on a commercial basis. Largely our activities are funded by paying members.

We finished the year with a deficit, but it was considerably less than budgeted and was due to the substantial investment in digital services, which we are confident will set up the organisation for the future. We have navigated challenging waters but I see calmer seas ahead because I trust membership will grow as more people realise the importance of our work. With the retail world becoming increasingly complex and a dizzying array of choices, Consumer is needed more than ever.

I thank the Board for its commitment, strategic thinking and good will in working so well together. Big thanks go to the staff. They have put in the time and passion, and worked together. They are stars. Finally a heartfelt thank you to our stellar CEO Sue Chetwin. Every ship needs a captain and Sue is a natural. She is tireless in speaking out on consumer issues through the media, lobbying government and keeping it all moving forward.

**Richard Aston**  
CONSUMER NZ BOARD CHAIR

# CEO's report



I attended the Consumers International world conference in Brasilia in November. It's held every four years. This year's theme was "Unlocking Consumer Power: A new vision for the global marketplace". The clear message was that unless we collaborate more effectively and be more multinational in our reach, consumer organisations are in danger of becoming irrelevant - overtaken by digital platforms like Facebook and Twitter that give consumers immediate voice.

We were pointed at companies like Airbnb and Uber - global disruptive forces that had reshaped markets quickly, increasing consumer choice (and importantly voice), all made possible by the internet. The discussions caused me to reflect on how well Consumer was doing on the digital innovation scorecard.

Last year we introduced a wider suite of online services, designed to benefit consumers and broaden our revenue base. This year those new services have seen membership numbers rise to nearly 100,000. A new free Bronze pool of about 50,000 members like what we do and are happy to join our campaigns. We want them to like us so much they become paying members.

We had record numbers visiting our website - more than 350,000 a month. Like all online organisations we noticed a big shift to smartphone and tablet use. Our site is designed to be responsive on these devices.

A new Consumer Trusted endorsement programme rewarding businesses that go beyond consumer law requirements by really treating their customers with respect, started to get legs. Eight businesses signed up and more are in the pipeline. Our ultimate aim is to lift the bar for all businesses transacting with Kiwi consumers. It's an online service, which we hope will also produce significant discounts for Consumer members.

An unexpected (and likely to be unseen) benefit to consumers from this programme has been a significant improvement in the terms and conditions consumers enjoy when they do business with our Trusted companies. To become accredited, businesses must have customer-friendly terms and conditions. We've looked closely at

what has been served up, mainly for potentially unfair terms. We've found lots. And removed them. We know few people read the fine print, but now when you deal with a Consumer Trusted business you know you won't need to - specially if something goes wrong.

If content is king then the research and testing team deserves a crown. They kept ahead or at least abreast of digital innovations so that our members could quickly get reviews or "first looks" at devices such as Fitbits, action cameras, smartphones, smartwatches, smart TVs, and tablets. We significantly improved our online insurance coverage as we know members find it hard to work out policies and their exemptions.

Our free online energy price comparison site Powerswitch, assisted tens of thousands of people on to cheaper power plans. When "disruptors" like Flick Electric entered the market with a wholesale price direct to consumers, we worked out a way consumers could compare its prices with more conventional retailers.

Today most of our surveys are online - unless it's a mystery shop, which of course remains a mystery! And we're using online tools to assist with our campaigns. We'll be doing a lot more of that to make sure we get our members' voice heard.

At the same time we redesigned our flagship magazine.

So how do we rate? We can always do better but I'd recommend us!

Of course none of this happens without the support of the Board and importantly the staff. All have worked tirelessly this year to ensure Consumer stays at the forefront of people's minds. Thank you.

**Sue Chetwin**  
CONSUMER NZ CEO

# Research

Our research programme covers a broad range of consumer topics from the cost of insurance to food label claims.



## SPECIAL OFFERS

"Special offers" were on our radar. Retailers use "special offers" to lure customers with the promise of a bargain. But our investigation found products can be discounted so often the claimed savings aren't all they're cracked up to be.

We tracked prices for selected products at Farmers and Briscoes for three months and found items on "special" almost every week.

Our research found there were good grounds to be sceptical about special offers. Stores routinely promoting the same items as "specials" also risk misleading consumers about the savings available and breaching the Fair Trading Act.

**It's a bargain! An \$800 espresso machine on "special" at Farmers for \$550. But don't rush out just yet. For 12 out of the 13 weeks we tracked the price of this machine, it was advertised as a "special offer".**



## SPORTS DRINKS

This year, we looked at the marketing of sports drinks, products touted as "scientifically proven" to help anyone "serious about performance".

Manufacturers claim the carbohydrates in these products "deliver energy to active muscles". But the main carbohydrate in sports drinks is sugar. One product we looked at had a whopping 15tsp in the bottle. Plain old water and sodium are the other main ingredients in these drinks.

Consumer senior research writer Luke Harrison concluded, "unless you're a high performance athlete, sports drinks won't do anything to lift your game and the extra kilojoules could do more harm than good". Drinking water before, during and after exercise is a far better bet.



## FAULTY GOODS

Member surveys are a regular feature of our research programme. This year, we asked members about their experiences with retailers when they had to return a faulty product.

Of the 9555 members who participated, 35 percent had returned an item to a retailer in the past two years because it was faulty or performed poorly.

The bright spot amidst the faulty phones and failed fridges is the Consumer Guarantees Act. The Act requires goods to be of acceptable quality. If they're not, you're entitled to ask the retailer to fix the problem.

But knowing your rights is key. Survey respondents who felt confident about the protections provided by consumer law (73 percent) were significantly more likely to get a refund or replacement when they returned a faulty good. Those who weren't confident were more likely to get a raw deal.

# Advisory service

Our advisory service receives about 4000 inquiries each year from members. Our expert advisers Maggie Edwards and Paul Doocey frequently step in to help members resolve problems with retailers.



## Case study

Consumer member Ross Murray bought a 42-inch Panasonic TV from Dick Smith in August 2012. Before the year was out, the TV stopped working and Ross took it back to the store for repair. The same fault developed in 2014 and again in 2015.

After the third failure, Ross asked Dick Smith for a replacement set, no longer confident his telly could be repaired. But when the store manager recommended it "may be more beneficial" to deal with the manufacturer, Ross contacted us for advice.

Consumer adviser Maggie Edwards said the store risked misleading Ross by suggesting he deal with Panasonic. "The Consumer Guarantees Act requires goods to be of acceptable quality. This TV had been repaired twice and had failed again. In our view, this gave Ross the right to reject the set and request a refund from Dick Smith."

Based on Maggie's advice, Ross informed Dick Smith it was the store's responsibility to put things right. This time, the store gave him a refund and Ross went shopping for a new TV.



# Testing



**800+**  
products reviewed

### Accessible technology

We tested established products such as TVs, mobile phones and printers, but we also assessed next generation digital products such as internet and mobile security software, smartwatches and fitness trackers, tablets and action cameras.

Our technology experts looked at streaming music and video services, keeping on top of global developments in licensing that affect Kiwi consumers. We were mindful of making our technology content accessible for less tech-savvy consumers, so we reviewed a selection of more basic (and less expensive) smartphones and we published a comprehensive digital living guide online.

### Testing developments

In the last year we've also seen household appliances becoming "smarter" and their uses more specific. Our testing methods have evolved to keep pace. We adapted our ovens test to report on the latest combination steam ovens that can cook by grilling, baking or steaming food. We also caught the rise of the personal blender, or "nutrition extractor" as the infomercials say, trialling several models before undertaking a full test.

A goal of testing is ensuring members receive relevant and up-to-date information. We continued to test smaller batches of many popular product types, such as TVs and dishwashers, more often. Our test results are published online as soon as possible, including evaluating existing products to update prices.

### Working for New Zealand consumers

We tested a range of home appliances, from dishwashers and barbecues, to smaller devices such as food mixers and irons. We also tested technology such as action cameras and smartwatches, travel products such as carry-on luggage and car dash-cams, and strollers, highchairs and other products for growing families.

Cost-effective arrangements with Choice (the Australian consumer organisation) and ICRT (International Consumer Research and Testing) enable us to complete such a broad test programme. We also bought dozens of products, sending some to our test partners while keeping others in-house to trial.

### Some things never change

Through our testing programme we give our members sound advice and reliable recommendations on what products to buy. There are some products we test each year that aren't glamorous, but remain popular. We doubled our car tyre testing frequency, raising capacity of this resource-intensive test to two sizes and more than 30 tyres each year. Our testing of cornering and braking grip provides essential information for consumers.

We also test to keep manufacturers honest. Our testing of laundry balls showed these products were no better at cleaning clothes than plain water. We've introduced a "Don't Buy" status awarded to products that fall short of expected performance standards. The first products to receive the "Don't Buy" label were a TV and several robot vacuum cleaners.

Our testing programme is largely funded by member subscriptions. Our advice is truly independent because we don't accept advertising or donations from businesses. We buy our test products just like a consumer does. Unlike many other publications and websites, our recommendations are based on verifiable test data.

**\$600k+**  
spent on testing



# Campaigns and advocacy

## CAMPAIGN DITCH THE TICKS



We launched our Ditch the Ticks campaign in May, calling on budget airline Jetstar to stop pre-ticking boxes for optional services. On a return flight from Wellington to Auckland, the airline's charges for pre-ticked travel insurance, seat selection and extra luggage added more than \$40 to the fare.

Consumer members got behind the campaign, writing to Jetstar's chief executive asking the company to ditch the ticks. Our member survey also found 93 percent of respondents wanted the airline to stop the practice, which risked misleading people into paying for services they didn't need or want.

Jetstar eventually backed down in early 2016 and agreed to ditch the ticks, following an investigation by the Commerce Commission.

## CAMPAIGN PLAY FAIR



17 March 2015 marked the start of a long-awaited ban on unfair terms in consumer contracts, one of the most significant changes to consumer law in the past 20 years.

To coincide with the law change, we launched our Play Fair campaign to put the heat on companies continuing to use unfair terms.

Through the campaign, we've highlighted unfair terms lurking in electricity and gym membership contracts. We've also looked at unfair terms in residential tenancy agreements and lodged complaints with the Commerce Commission when companies have failed to change their contracts.

## CAMPAIGN DO NOT KNOCK



Our Do Not Knock campaign continued in 2015, targeting door-to-door traders. We distributed more than 400,000 Do Not Knock stickers to households that want to warn these traders not to knock. Some were sent with electricity bills through a partnership with Genesis Energy, others distributed through Consumer Trusted business Resene Paints, still others to people who contacted Consumer directly.

We also investigated mobile truck shops that sell goods on credit door-to-door. These traders often advertise products as "interest free" but the goods they sell are hugely overpriced and extra "administration" fees can add significantly to the amount customers pay.

We're continuing to campaign for door-to-door selling rules to be strengthened to give consumers better protection from these traders.

## REPRESENTING CONSUMERS

During the year, we made submissions on issues ranging from the Earthquake Commission Act review to regulation of financial advisers, electricity price disclosure, taxation reform and children's nightwear labels.

We also made a submission on the Health (Protection) Amendment Bill calling for a ban on sunbeds. Our regular surveys of sunbed operators continue to show poor practices in this industry. Given New Zealand's high rate of skin cancer - and the evidence linking sunbed use to an increased skin cancer risk - we believe sunbeds should be banned.

# consumer. powerswitch



**507,000**  
visits to powerswitch.org.nz

**19%**

of visits from the Electricity Authority's What's My Number campaign

**15,000+**  
consumers initiated a switch



Our surveys show rising electricity costs are a cause of concern for many households. Consumer Powerswitch plays a significant role in helping consumers compare retailers and find the cheapest deal.

The site was launched in 1999 to ensure fair pricing for consumers. Today it is by far the most popular energy price comparison site with more than 507,000 visits. The government has heavily promoted switching campaigns. Powerswitch drives the calculator for the televised What's My Number campaign that provides people with a potential saving. The Powerswitch site informs them of the cheapest power supplier in their area and the ability to go through to a retailer to switch.

Nineteen percent of Powerswitch traffic came from the Electricity Authority's What's My Number campaign. The rest went direct to Powerswitch. More than 15,000 consumers initiated a switch.

Powerswitch is a vital tool for helping consumers navigate the market and cut through the

complexities of choosing a retailer. Five years ago there were 12 retail parent companies with 17 brands, today there are 22 retail parent companies and 33 brands. And the offerings have become more innovative as technology has allowed retailers to do things differently. From supplying electricity to consumers from the spot market, to buying electricity when you want to use it, the market has changed dramatically.

Our experience tells us that start-ups could not survive if they weren't displayed on Powerswitch. They have no ability to compete with the major players' promotional budgets. One way for them to gain recognition is by ranking well on the Consumer Powerswitch website.

Consumers can be assured when they visit Powerswitch the information is independent, accurate and free from any advertising spin. We don't run Powerswitch for profit but to provide the information Kiwis need to make smart decisions about their energy supply.

# Business programmes

Endorsement programmes and accreditations have become an increasingly important part of our activities. Four programmes use detailed and robust methodologies to recognise high standards achieved by business, services and products in the NZ market.

Brands or products that hold one or more of our endorsements can use them in marketing or PR. They pay us a licence fee to do so. This revenue is invested back into the testing and research programmes for the continued benefit of NZ consumers.

Our independence and impartiality are paramount so all testing, assessment and finalisation of results are kept separate from any licensing arrangements. If brands, products or service providers don't continue to perform to a high standard, endorsements are removed and we do this without hesitation.

Endorsements are great for consumers because they help them make informed purchase decisions at point of sale or when they are researching products or services. Consumers can rely on the fact that we have done the hard work for them.

We launched two endorsement programmes, Top Brand and People's Choice, in addition to our existing Consumer Recommends and Consumer Trusted programmes.



## CONSUMER TRUSTED

Three new businesses were accredited under the Consumer Trusted programme in 2015. WooHoo NZ Tax Refunds, Triton Hearing and Flick Electric Co. Accreditation was also renewed for 2degrees, Inspire Net, Shoe Clinic, Powershop and Resene.

To become Consumer Trusted, businesses must adhere to a strict code of conduct that focuses on the requirements of consumer law such as the Consumer Guarantees Act, the Fair Trading Act and advertising standards. We also recognise businesses that go above minimum requirements of the law. An accreditation can be removed at any time should these requirements not be met or if we believe the business is not acting appropriately.



## CONSUMER RECOMMENDS

We continued to test thousands of products across a range of categories. These tests are vigorous and aim to identify the best products in any category, and sometimes those consumers should avoid.

Some products that performed to a high standard were awarded Consumer Recommends status. When brands use the Consumer Recommends endorsement, they are highlighting to existing and potential customers that Consumer has confidence in the product and it can be relied upon.



## PEOPLE'S CHOICE

For People's Choice the methodology is based on satisfaction data received from member surveys. Licensing is conducted in the same manner as the Top Brand award.

Consumers can take confidence from the detailed and robust methodologies that each programme is based upon.

**KiwiWealth, 100% Appliances and Skinny Mobile are licensed.**



## TOP BRAND

Top Brand recognises brands that perform well across a particular category. The methodology is based on three variables, product testing results (50 percent) satisfaction data from our surveys (25 percent) and reliability data, obtained from surveys (25 percent). Surveys are completed by thousands of Consumer members.

**Sony (TVs), Fisher & Paykel (fridge-freezers) and Breville (espresso machines) are licensed to use the Top Brand award for use in marketing and PR.**

# Business development

Many organisations commission research and testing from us. And sometimes we pitch projects to organisations which we want to undertake but lack the funding for. In both cases, we produce independent, trusted and free information to consumers to drive behavioural change. Here are some examples.

## SUNBEDS

Our mystery shop of 60 sunbed operators found more than 40 percent failed to implement key safety checks. One operator also allowed a 14-year-old to use a sunbed, despite the industry's voluntary standard restricting sunbed use to people 18 years and over.

The Health (Protection) Amendment Bill will make it illegal for operators to allow under-18s to have a sunbed. The bill is waiting to be passed into law. We support it but don't think it goes far enough. We want to see a ban on sunbeds and are disappointed the Health Select Committee didn't recommend this.

› *Solaria mystery shop commissioned by Ministry of Health. Published May 2015*

## HOW TO KEEP THE HEAT IN

We found the best method for improving heat retention on non double-glazed windows was secondary glazing, and you don't need a professional to apply it! Kits, such as the one we tested, are inexpensive and available from DIY stores. Furthermore previous testing had shown secondary glazing to be almost as effective as full double-glazing.

We also found old-fashioned net curtains were effective at reducing heat loss. We think this is because the netting, which is installed close to the panes, interferes with downward air movement over the window. So net curtains are worth having - especially because they're relatively cheap.

› *Curtain thermal performance commissioned by Ministry of Health. Published March 2015*

## WHICH LIGHTBULBS?

LED lightbulbs were once confined to the display panel of your clock radio. Now they're a viable option for almost every lighting task.

They're the most efficient and durable lightbulb you can get. They use up to 80 percent less energy than incandescent bulbs, while producing the same amount of light. And they last much longer - about 15,000 hours - that's 13 years if used every day for about three hours! They're more expensive but you get what you pay for. Despite the higher upfront cost, you can expect to save money in the long run through reductions in your power bill.

› *LED lightbulb buying guide commissioned by EEC. Published April 2015*

## WHY YOU NEED UFB

Ultra-fast broadband (UFB) is the way of the future. It uses fibre that offers higher speeds and has the capacity to send more data simultaneously than ADSL broadband. The amount of information being shared on the internet is growing at a huge rate. It's not just browsing websites, but uploading photos to online storage, communicating over video, and streaming music, TV shows and movies. If you don't think you want fibre in your home right now, you probably will soon.

The government-funded roll-out of UFB is happening in stages. The first stage covers 33 towns, though some urban areas won't have fibre until 2019. While getting fibre installed into your home can be a long process, the results are worth it. Our guide explains what decisions you have to make and what's involved in installation

› *Ultra-fast Broadband (UFB) update commissioned by Crown Fibre. Published November 2015*

# The Board



**Richard Aston**  
AUCKLAND, CHAIR

CEO of Big Buddy, a social agency working with volunteer mentors. Richard comes from a business background in IT (for large corporates) and marketing. He's been on school boards and the occasional government panel. He's particularly interested in harnessing the internet power of consumers to give feedback - both good and bad - to the commercial world.



**Sue Kedgley**  
WELLINGTON, DEPUTY CHAIR

Deputy Chairperson of Consumer New Zealand, a Trustee of the Consumer Foundation, and a member of Consumer NZ's Audit and Risk Committee. She is a Wellington Regional Councillor and a Board member of Capital and Coast District Health Board. She is a former Green MP and has a long involvement in consumer issues, including as Consumer Spokesperson for the Green party and as a founder and Convenor of the Safe Food Campaign. She is a writer and former broadcaster and the author of six books.



**Oscar Alpers**  
CHRISTCHURCH

A lawyer with experience in private practice and local government. Chairman of the Port Hills Park Trust Board, a member of the Royal Forest and Bird Protection Society, and a Rotarian. Has extensive governance experience in local and central government, the voluntary sector and the commercial sector.



**Ann Court**  
KERIKERI

An elected member of the Far North District Council (15 years) holding the Regulatory and Environment portfolios. She chairs the Licensing Committee, is a representative to Local Government New Zealand Zone One, Regional Council Environmental Management and Regional Land Transport Committee. She has also been a Trustee of Top Energy Consumer Trust for 12 years.



**Jon Duffy**  
WELLINGTON

Heads Trust & Safety at Trade Me, New Zealand's largest online market place. Previously he was a senior investigator at the Commerce Commission and led the investigation of GlaxoSmithKline for misrepresenting vitamin C in Ribena. Jon also led the Complaints & Investigations team at the Real Estate Agents Authority and is a Netsafe NZ Board member.



**Paul Larson**  
DUNEDIN

Has worked as a clinical pharmacist and drug information pharmacist in hospitals. Has also worked for the National Poisons Centre. Owns pharmacies in Dunedin and Ranfurly. On various national pharmaceutical organisations including the Pharmaceutical Society, College of Pharmacists, Pharmacy Guild and is a member of the Institute of Directors.



**Marie Shroff**  
WELLINGTON

Has long experience of governance including board membership: Equal Opportunities Trust (joint business/ government body); International Board of the Commonwealth Association for Public Administration; also governance and leadership of the Office of (most recently) the Privacy Commissioner and the Cabinet Office. She has been a member of Consumer NZ since the 1970s.

## Executive Team



**Karen McDonald**  
Head Of Marketing and  
Business Development  
and Deputy CEO



**Derek Bonnar**  
General Manager  
Business Programmes



**Scott Feehan**  
Information  
Services Manager



**Paul Smith**  
Head of Testing



**Jessica Wilson**  
Head of Research



**Julie Saunders**  
Financial Controller



CONSUMER TASTING | RED WINE | DECEMBER 2015



## Financial Report

- 3 Auditor's report
- 4 Financial statements
- 5 Notes to the financial statements



## Independent Auditor's Report

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### To the Members of Consumer NZ Incorporated

#### Report on the financial statements

We have audited the financial statements of Consumer NZ Incorporated on pages 20 to 26, which comprise the statement of financial position as at 31 December 2015, and the statement of financial performance, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Committee Members' responsibilities

The committee members are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly the matters to which they relate 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

Chartered Accountants  
 Member of Grant Thornton International Ltd



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

Our firm carries out other assignments for Consumer NZ Incorporated in the area of assurance services. The firm has no other interest in the Consumer NZ Incorporated.

#### Opinion

In our opinion, the financial statements on pages 20 to 26 present fairly, in all material respects, the financial position of Consumer NZ Incorporated as at 31 December 2015, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

#### Restriction on use of our report

This report is made solely to the Committee Members. Our audit work has been undertaken so that we might state to the Committee Members 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 Committee Members for our audit work, for this report or for the opinion we have formed.

**Grant Thornton New Zealand Audit Partnership**  
 Wellington, New Zealand  
 4 March 2016

Chartered Accountants  
 Member of Grant Thornton International Ltd

## Statement of Financial Performance

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

Operating revenue	NOTE	2015	%	2014	%
Membership subscriptions		4,556,555	82%	4,859,571	81%
Interest income		117,443	2%	170,311	3%
Other income	3	910,154	16%	956,300	16%
		<b>5,584,152</b>		<b>5,986,182</b>	
<b>Operating expenses</b>	<b>NOTE</b>	<b>2015</b>	<b>%</b>	<b>2014</b>	<b>%</b>
Production and distribution	4	917,012	14%	1,078,585	16%
Marketing & promotions		996,734	16%	1,062,098	16%
Consumer Trusted costs		54,127	1%	11,122	0%
<b>Administration:</b>					
Audit fees		11,325	0%	10,941	0%
Board fees and expenses		75,823	1%	72,529	1%
Depreciation		487,290	8%	372,397	5%
Information technology		407,776	6%	333,827	5%
Loss on disposal of assets		-	0%	579	0%
Office premises lease	11	173,213	3%	173,213	3%
Personnel		2,764,895	43%	2,927,193	43%
Strategy development/new initiatives		-	0%	90,014	1%
Other administration expenses		526,681	8%	662,054	10%
		<b>6,414,875</b>		<b>6,794,550</b>	
<b>Net Surplus (Loss) transferred to accumulated funds</b>		<b>(830,723)</b>		<b>(808,368)</b>	

## Statement of Movements in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

	2015	2014
Balance at 1 January	1,943,385	2,751,753
Surplus (Loss) for the year	(830,723)	(808,368)
<b>Balance at 31 December</b>	<b>1,112,662</b>	<b>1,943,385</b>

The accompanying notes on pages 22-26 form part of the financial statements

## Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

Assets	NOTE	2015	2014
<b>Current assets</b>			
Cash at bank	5	717,398	542,291
Accounts receivable		78,448	137,430
Accrued interest		31,342	79,676
Prepayments		24,086	143,793
Short-term deposits	6	2,200,000	2,700,000
<b>Total current assets</b>		<b>3,051,275</b>	<b>3,603,190</b>
<b>Fixed assets</b>	7	<b>1,031,885</b>	<b>1,443,759</b>
<b>Total assets</b>		<b>4,083,160</b>	<b>5,046,950</b>
<b>Liabilities and accumulated funds</b>			
<b>Current liabilities</b>			
Accounts payable		231,374	202,564
Employee entitlements	8	107,272	146,081
GST payable		73,212	76,069
Other provisions and payables		94,450	117,298
		<b>506,308</b>	<b>542,013</b>
<b>Current deferred subscriptions income</b>	9	<b>1,895,207</b>	<b>2,037,185</b>
<b>Current other deferred income</b>		<b>193,738</b>	<b>72,563</b>
<b>Total current liabilities</b>		<b>2,595,252</b>	<b>2,651,761</b>
<b>Non-current deferred subscriptions income</b>	9	<b>375,245</b>	<b>451,803</b>
<b>Accumulated funds</b>		<b>1,112,663</b>	<b>1,943,385</b>
<b>Total liabilities and accumulated funds</b>		<b>4,083,160</b>	<b>5,046,950</b>

For and on behalf of the Board who approved these financial statements for issue on 4 March 2016



Richard Aston, Chair



Julie Saunders, Financial controller

The accompanying notes on pages 22-26 form part of the financial statements

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

## 1. Statement of accounting policies

### REPORTING ENTITY

Consumer NZ Incorporated conducts consumer advocacy and research in New Zealand.

Consumer NZ Incorporated is registered as a charitable entity under the Charities Act 2005. Consumer NZ Incorporated's registration number is CC35296.

These financial statements are for the reporting entity, Consumer NZ Incorporated, an Incorporated Society registered under the Incorporated Society Act 1908 ("The Act").

The financial statements of Consumer NZ Incorporated are prepared in accordance with The Act and all subsequent amendments and the Rules of Incorporation.

### STATEMENT OF COMPLIANCE

The financial statements presented have been prepared in accordance with generally accepted accounting practice in New Zealand.

They comply with Financial Reporting Standards (FRS's) and Statements of Standard Accounting Practice (SSAP's) as appropriate for entities that qualify for, and apply, differential reporting concessions.

Consumer NZ Incorporated qualifies for differential reporting exemptions as it does not have public accountability and it is not large. Accordingly, it has taken advantage of all reporting exemptions allowed under the differential reporting framework except for FRS 19, Accounting for Goods and Services Tax.

The process for the transition of the financial statements to International Public Sector Accounting Standards (IPSAS), which are applicable from the financial year ended 31 December 2016 has commenced. Consumer NZ Incorporated is considered to be a not-for-profit public benefit entity, falling into the Tier 2 category. We do not envisage any significant changes to how we currently report.

### MEASUREMENT BASE

The general accounting principles of the New Zealand Institute of Chartered Accountants for the measurement and reporting on a historical cost basis and going concern basis have been applied.

### ACCOUNTING POLICIES

#### a. Revenue recognition

##### (i) Membership subscription

Membership subscription revenue is recognised on a straight line basis over the term of the subscription period.

##### (ii) Other revenue streams

All other revenue streams are recognised in the accounting period in which the services are rendered.

##### (iii) Interest income

Interest income is recognised on a time apportioned basis using the effective interest rate method.

#### b. Non-current assets, amortisation and depreciation

Non-current assets are recorded at cost less accumulated depreciation or amortisation. Where a fixed asset is disposed of, the gain or loss is recognised in the Statement of Financial Performance and calculated as the difference between the sale price and the carrying amount of the asset. Depreciation and amortisation are both charged on a straight line basis at rates estimated to recognise the loss of service potential of the asset over its useful life.

The estimated useful lives of non-current assets are as follows:

Computer equipment	3 - 5 years
Office equipment	5 - 10 years
Office furniture, fixtures and fittings	3 - 10 years
Motor vehicles	5 years
Trademarks	10 years
Websites	4 years

#### c. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### d. Accounts receivable

Accounts Receivable are recorded at net realisable value, after providing for debt where collection is doubtful. Bad debts are written off in the period in which they are identified.

#### e. Investments

All investments are recorded at cost.

#### f. GST

All amounts are stated on a GST exclusive basis, except for receivables and payables which are stated as GST inclusive.

#### g. Subscriptions revenue and deferred income

Membership subscription revenues are initially recorded as a deferred subscriptions liability. The liability is transferred to revenue as Consumer NZ Incorporated provides the publications and/or online access required by each subscriber.

Other revenue relating to future years is recorded as deferred income.

#### h. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straightline basis over the period of the lease.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

## 1. Statement of accounting policies

(continued)

### i. Accruals

Recognition of costs for goods and services received in the financial year, with no invoice received from the supplier as at year end, are accrued for, to recognise the relevant cost.

### j. Employee entitlements

Annual Leave and Service Leave year entitlements are recorded as a liability, when an employee has provided a service in exchange for employee benefits to be paid in the future, as applicable. Due to timing of payruns, unpaid salary and wages are accrued as an expense as required.

### CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All accounting policies have been applied on the same basis as the prior year.

## 2. Taxation

Consumer NZ Incorporated is exempt from income tax under the Income Tax Act 2007.

## 3. Other income

	2015	2014
Business development	213,271	374,268
Website maintenance	215,430	181,900
Consumer Recommends	196,863	231,240
Consumer Trusted	138,555	58,535
Other business programmes	65,579	-
Newsstand	31,438	33,374
Single report sales	-	35,096
Foreign exchange gain/(loss)	(8,075)	(9,586)
Other income	57,093	51,473
	<b>910,154</b>	<b>956,300</b>

## 4. Production and distribution costs

	2015	2014
Business development expenses	64,288	153,635
Printing and distribution	297,464	336,841
Production expenses	47,348	78,866
Test and market research expenses	507,911	509,243
	<b>917,012</b>	<b>1,078,585</b>

## 5. Cash at bank

	2015	2014
Operating accounts' balances	31,879	28,695
Call deposits - NZD	308,397	510,000
Call deposits - AUD	377,122	-
Call deposits - EUR	-	3,596
	<b>717,398</b>	<b>542,291</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

## 6. Short-term deposits

All term deposits mature prior to 31 December 2016. Term deposits are held with the following:

	2015	2014
Bank of New Zealand	1,050,000	1,150,000
ASB	800,000	1,200,000
RaboDirect	350,000	-
Kiwibank	-	350,000
	<b>2,200,000</b>	<b>2,700,000</b>

Interest rates on investments held range from 3.50% to 4.45% per annum. (2014: 4.35% to 4.79%)

## 7. Fixed assets

2015	Cost	Accumulated Depreciation & impairment	Book Value	Depreciation	Impairment
Computers & software	379,984	182,992	196,992	95,090	-
Websites	1,961,218	1,321,083	640,136	315,196	-
Motor vehicles	55,477	1,190	54,287	9,016	-
Furniture & equipment	273,227	227,039	46,188	22,494	-
Fixtures & fittings	395,841	314,485	81,356	43,782	-
Trademarks	17,122	4,196	12,926	1,712	-
	<b>3,082,869</b>	<b>2,050,984</b>	<b>1,031,885</b>	<b>487,290</b>	<b>0</b>

2014	Cost	Accumulated Depreciation & impairment	Book Value	Depreciation	Impairment
Computers & software	454,644	182,304	272,340	58,691	-
Websites	1,961,218	1,005,887	955,331	239,130	-
Motor vehicles	48,819	40,993	7,826	7,826	-
Furniture & equipment	273,227	204,545	68,682	22,320	-
Fixtures & fittings	395,841	270,703	125,138	43,782	-
Trademarks	16,925	2,484	14,441	648	-
	<b>3,150,674</b>	<b>1,706,915</b>	<b>1,443,759</b>	<b>372,397</b>	<b>0</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

## 8. Employee entitlements

	2015	2014
Annual leave	88,918	113,250
Service leave	5,872	3,470
Payroll accrual	12,483	29,361
	<b>107,272</b>	<b>146,081</b>

## 9. Deferred subscriptions income

	2015	2014
<b>Current</b>		
2015	-	2,037,185
2016	1,895,207	-
	<b>1,895,207</b>	<b>2,037,185</b>
<b>Non-Current</b>		
2016	-	378,284
2017	313,000	73,519
2018+	62,245	-
	<b>375,245</b>	<b>451,803</b>
	<b>4,165,659</b>	<b>4,526,173</b>

## 10. Related parties

The Consumer Foundation incorporating the Emily Carpenter Consumer Charitable Trust (known as the Consumer Foundation) is an independent entity. The Consumer Foundation's trustees are appointed by Consumer NZ Incorporated. The trustees are Marie Shroff (Chair), Oscar Alpers, Suzanne Chetwin, David Russell, and Sue Kedgley. In 2015, Marie Shroff was appointed as a replacement for Alexandra Sims.

In 2015 Consumer NZ Incorporated received a grant of \$10,000 from the Consumer Foundation. A grant of \$10,000 was made in 2014.

## 11. Operating leases & rents

	2015	2014
<b>Commitments under non-cancellable contracts:</b>		
Not later than one year	173,213	173,213
Greater than one year	115,475	288,688
	<b>288,689</b>	<b>461,902</b>

Consumer NZ Incorporated has leased its Wellington premises until August 2020, with a right of early termination as at August 2017.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015 | CONSUMER NZ INCORPORATED

## 12. Financial instruments

The financial assets and liabilities of Consumer NZ Incorporated include bank deposits, accounts payable and accounts receivable.

The basis of recognition of the financial instruments disclosed in the accounting policies are:

- the carrying amounts of the financial assets and liabilities are considered equivalent to their fair values;
- financial instruments entered into do not expose Consumer NZ Incorporated to any significant exposure of interest or credit risk;
- exposure to foreign exchange movements on product testing conducted overseas is considered to be a low level risk. Australian Dollar and European Euro foreign currency accounts are used as required. These accounts are revalued monthly. Revaluation differences are recorded in the Statement of Financial Performance;
- no collateral or other security is required to support financial instruments;
- short-term deposits have maturity dates within one year. Interest at the time of further reinvestment will depend on the market interest rates then prevailing;
- no off balance sheet transactions were entered into during the financial year (2014: NIL).

## 13. Contingent liabilities

There were no contingent liabilities as at 31 December 2015. (2014: Nil).

## 14. Capital commitments

As at the balance date, Consumer NZ Incorporated had not entered into any agreements with suppliers to purchase capital items.

## 15. Subsequent events

There were no material events that occurred subsequent to balance date impacting these financial statements.

**consumer.**

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