



consumer.

2014 Annual Report

FOR THE YEAR ENDED
31 DECEMBER 2014



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By the numbers


3.1 million
 The number of visits to **consumer.org.nz**
 New 'responsive design' website allows members to easily access information on the go.


488,000
 The number of visits to **powerswitch.org.nz** up on 430,000 in 2013.


540,000
 The number of visits to **consumerbuild.org.nz**
 A record number of visits to our site.


33%
 of visits were via a mobile or tablet device.


82,000
 The number of visits to **telme.org.nz**


More than 100,000 household stickers
 were distributed for our 'Do Not Knock' campaign.


2500 social media followers added
 Consumer now has more than 13,500 followers via Facebook and Twitter.



Chairman's Report

This was the year we tipped the organisation on its head. There was no part of our operation we didn't poke to see if we couldn't do better. It gave us a few headaches - not least of which was the decision to make a large investment in developing new services, which we hope will pay off over the next few years.

For a small organisation it was a massive undertaking but it was achieved on time and on budget. Out of it came:

- a new responsive website making it easier for members to compare products and services
- a free membership level to encourage people to give Consumer a go
- a new business trusted programme designed to lift the game of all businesses dealing with consumers
- a speedy disputes resolution service for any business that achieves the Consumer Trusted status
- a strengthened advocacy team to work on behalf of all New Zealanders.

By year-end five significant businesses - 2Degrees, Resene ColorShop, Inspire Net, Shoe Clinic and Powershop - had partnered with Consumer NZ in the Trusted programme. More are in the pipeline.

All have signed up to our key principles relating to exceptional customer service. In this way we hope to encourage membership, offer a sales opportunity for those partners and lift the game of all businesses dealing with consumers.

It's a different way of looking at the consumer world. But if the organisation is to survive, it needs to look at all the ways we can help consumers to make informed decisions. We've been testing products and services since 1959. Now we are testing whole businesses to see if they can step up to the mark.

It was a credit to the organisation that while all this change was happening, the bread and butter of Consumer NZ's activities - research and testing - continued unabated. In research, exposing

misleading claims was a focus. And there was plenty to expose. Our reports on health supplements, free-range eggs and manuka honey found product claims were not backed by hard evidence.

We also took a particular interest in house insurance and the extra costs consumers were facing following the shift to sum-insured house insurance. A mystery shop of five companies offering insurance valuations found large differences in the calculations provided. For a house in Wellington, the difference was more than \$475,000; in Auckland it was more than \$400,000. We think the industry needs to do more to assist customers to determine a realistic sum-insured figure and regulation of the professionals who provide estimates needs to be on the agenda.

During the year Nicola Wills resigned as chair to take up a position in the public sector.

I'd like to thank the Board for the careful way it has considered and monitored the operation of Consumer's new services, and the staff for showing the courage and commitment to make change.

While our roots go all the way back to 1959 we are leaning in to the challenge of an ever-changing world, ensuring we remain relevant to today's consumers.

Richard Aston
CONSUMER NZ BOARD CHAIR



CEO's Report

When we set about "revolutionising" our organisation this year the word that kept cropping up was "trusted". Our research showed Consumer NZ had a high level of trust, but retailers and service providers not so much.

The Consumer Trusted programme, launched mid-year, was born out of the premise that by recognising businesses consumers could trust to do right by them we would lift the game of all businesses.

The Trusted badge would be tough to achieve. Every business that obtained the Consumer Trusted accreditation would need to go through a rigorous programme of checking, so that when we recommended them to our members and wider New Zealand, people could really put their trust in them.

We also encourage those Trusted businesses to offer deals to our members, providing a sales channel for them and a reason to become a Consumer member for us. It's early days but the five New Zealand companies - 2degrees, Powershop, Shoe Clinic, Inspire Net and Resene ColorShop - that have cleared the hurdles, we're very pleased to have on board. You could say they represent the best of Kiwi customer service.

At the other end of the spectrum are businesses we expose for quite different reasons. Consumer member Bernardine Vester was phoned by a company called Air Force One saying her heat pump was due for a service. The cost, \$150. But she had only bought the heat pump the year before and no mention was made then of an annual service.

Our advisers reckon getting a professional to service a heat pump might be required every two years. It transpired Air Force One cold-called people out of the phone book. Another of its heat pump companies collapsed in March owing the IRD \$504,000. She turned the company rep away at the door.

Not everyone is as savvy as Bernardine - and cold-callers know this. Our Do Not Knock campaign against dodgy door-to-door sellers was extremely popular. We printed 200,000 stickers for people to put on their letter boxes, front doors, anywhere prominent to stop cold-callers in their tracks. The stickers marched out the door. We'd like sellers who ignore these stickers to be fined and we continue to push for a law change to allow this.

It was a big year of change for the organisation. None of it could have been achieved without the outstanding dedication of the leadership team and staff. At the heart of everything we've done is a commitment to driving the best outcomes for consumers.

Sue Chetwin
CONSUMER NZ CEO

Consumer Trusted

Consumer has been testing products for more than 50 years. Now we're testing businesses as well.

The Consumer Trusted accreditation programme, launched in July, is designed to deliver new standards of customer service and consumer confidence.

At the heart of the programme are the nine key principles of the Consumer NZ Code of Conduct. The principles ensure shoppers can buy from a Consumer Trusted business safe in the knowledge they're dealing with a market leader that puts the consumer first.

Businesses are assessed against all the standards under each principle. When all standards are met, a business is awarded accreditation.

The programme rules govern how the code is assessed and compliance monitored.

Ultimately the programme will:

- Assist businesses to meet their obligations under consumer law
- Lead the way in raising standards
- Inspire businesses to up their game
- Recognise businesses providing exceptional customer experiences
- Promote confidence in Consumer Trusted businesses
- Support Consumer Trusted businesses to maintain and improve their performance.

Our Advisory Service deals with about 4000 complaints and inquiries each year - and that's just the tip of consumer dissatisfaction. We're aiming to do something about it.

What about Consumer's independence?

The accreditation process is extremely robust. An Expression of Interest has to be accepted before a business can progress to the assessment stage. Any standards not met at assessment have to be addressed and met within three months of the assessment for accreditation to be awarded. If problems emerge once a business is accredited, it is given the opportunity to fix these within strict timelines. We have the right to withdraw a Consumer Trusted accreditation where there's evidence of non-compliance with our Code of Conduct and won't hesitate to do so.



Businesses accredited during 2014 were:

2DEGREES, POWERSHOP, INSPIRE NET, SHOE CLINIC, AND RESENE COLORSHOP.



“Consumer is all about trust, and trust is one of the reasons we launched Powershop. Consumer provides Kiwis with the most trusted information they need to get a fair deal and we know it'll only back companies that also have consumers' interests at heart.”

HAMISH WILKIE, POWERSHOP

More than the law

All businesses are required to meet consumer law. This is set out in key legislation - the Consumer Guarantees Act (CGA), the Fair Trading Act (FTA) and the Credit Contracts and Consumer Finance Act (CCCFA).

All Consumer Trusted businesses are required to deliver over and above the law. These requirements are clearly labelled in our Code of Conduct. Some examples are:

- Where a business sells products it also manufactures, it must tell you and maintain the integrity of the advice it provides to you.
- All voluntary industry codes and any technical and professional industry standards must be met.
- Customers who change their mind about a product can exchange

or return it for a full refund within a set time period (for example, 30 days) provided goods are non-perishable and returned in as new condition. Exceptions are noted in the refund policy.

We also ask Consumer Trusted businesses to nominate other areas in which they commit to go above the law. Some examples are:

- Warranties on replacement products run from the date of replacement, not from the original purchase date.
- A price guarantee is in place for goods purchased over \$100. If the same item goes on sale within a certain period, the sale price will be matched and a refund for the difference given.

CONSUMER TRUSTED BUSINESSES CAN BE RECOGNISED VIA THE CONSUMER TRUSTED BRANDMARK.



Campaigns

More than 100,000 “Do Not Knock” stickers distributed to warn door-to-door sellers not to knock



Do Not Knock

We launched our nationwide Do Not Knock campaign in November

We launched this campaign because of the serious complaints we continue to get about the hard-sell and exploitative tactics used by door-to-door sellers. Many complaints involve elderly or vulnerable people being pressured to buy products they don't want and can't afford.

We've distributed more than 100,000 “Do Not Knock” stickers for people to put on their letter box or front door to warn door-to-door sellers not to knock. We've also called for changes to the Fair Trading Act to make it an offence for sellers to ignore a “Do Not Knock” sign, following similar law changes in Australia.

Our survey of Consumer members found 70 percent disliked door-to-door salespeople and wanted them to stop calling. More than 60 percent dubbed these traders “annoying” and “intrusive”.



Food labelling

We've been campaigning for better food labelling for years.

In June, the government announced it would follow Australia's lead and back the health star rating system. The star ratings range from half a star to five stars and are designed to give consumers at-a-glance information about the nutritional value of packaged food.

The ratings should help consumers make more informed decisions about what they buy. But the scheme remains voluntary. If manufacturers don't take up the star ratings, we've called for the government to introduce mandatory requirements for front-of-pack labelling.

89% of members surveyed agreed electricity price transparency needed to be improved

Consumer protection

Ahead of the 2014 general election, we asked political parties for their policies on five key consumer rights issues. We also surveyed Consumer members for their views. Of the 4965 members who participated, the overwhelming majority wanted action to improve consumer protection.

- 89 percent agreed electricity price transparency needed to be improved so consumers could judge whether prices were reasonable.
- 87 percent agreed an independent inquiry into aged care was needed.
- 83 percent agreed a mandatory code of conduct was needed for supermarkets.



Rest homes

We've been reporting on shortfalls in rest home care since 2009.

This year, we reviewed audit reports for 123 rest homes. Only 14 homes met all criteria they were assessed against. Some shortfalls were minor but there were many instances of disturbing failures in basic care. The majority of homes had one or more shortfall, which auditors assessed as being of “moderate risk” to residents.

Evidence of continuing problems calls into question whether existing regulation of the sector is working. We believe an independent inquiry is needed to investigate the regulations and funding required to ensure rest homes provide consistent high-quality care.



Representing consumers

During the year, we prepared submissions on issues ranging from credit law to insurance, food packaging, electricity, transport, waste and property valuations. We also made submissions on the development of the Responsible Lending Code, which will take effect from June 2015.

Research

Only 48 percent of members thought energy companies were delivering value for money



Misleading claims

Investigating misleading claims remains a key focus. The Fair Trading Act has been in force for more than 20 years but we continue to find companies pushing the boundaries of the law.

Our reports on health supplements, free-range eggs and manuka honey examined cases where product claims weren't backed by hard evidence.

Our research also detects unsafe products that shouldn't be on the market.

What has a slightly bitter taste, smells like damp earth and costs more than a bottle of champagne? A 500g jar of manuka honey. Despite the high price, our report found many health claims for this honey don't stack up.

In March, we reported on a children's face paint that contained extremely high levels of lead. Young children are particularly at risk from exposure to lead, which can cause serious developmental and health problems.

This face paint claimed to meet EU toy-safety standards but it should never have been on sale. As a result of our findings, it was withdrawn.

Out of 15 face paints, we found nine were unlikely to comply with required standards. One contained a restricted preservative and several failed to meet basic labelling requirements of the Cosmetic Products Group Standard. All the products claimed to be "safe" or "non-toxic".

Betting the house

Insurance is an increasing cost for consumers. In addition to our regular reports on premiums, we looked into the extra costs homeowners face as a result of the shift to sum-insured house insurance.

Insurers have put the onus on consumers to estimate the cost of rebuilding their homes. But we found that's no easy task, even if you hire a professional to help.

Our mystery shop of five companies offering insurance valuations found large differences in the calculations provided. For a house in Wellington, the difference was more than \$475,000. For an Auckland property, it was more than \$400,000.

We've called for the insurance industry to step up and assist their customers determine a realistic sum-insured figure. Regulation of the professionals who provide rebuild estimates also needs to be on the agenda.

Our research programme covers issues from green product claims to the cost of insurance

Satisfaction not guaranteed

Our regular surveys provide valuable information about customer satisfaction in key service industries from banking to electricity.

In July, we published the results of our annual survey of satisfaction with energy companies. More than 5000 Consumer NZ members took part.

Not surprisingly, as prices rose ahead of winter the cost of electricity was a cause of complaint. Just 48 percent of members thought companies were delivering value for money and only 14 percent agreed companies charged households fairly.

Overall satisfaction with energy retailers scarcely moved, sitting at 73 percent compared with 72 percent in 2013. Contact and Genesis, the two largest retailers, managed a score of only 65 percent. Both companies have scored below average in our satisfaction surveys every year since 2010.

Testing

Our testing programme is truly independent because we don't accept advertising. Unlike many other publications and websites, our recommendations are based on verifiable test data. Our testing programme is largely funded by member subscriptions. We keep manufacturers honest and give our members sound advice, and reliable recommendations on what products to buy.

We tested more than 800 products and delivered more than 80 tests in print or online



Our tests give members reliable recommendations on which products to buy



Comprehensive testing

We tested a wide range of home appliances from major purchases, like ovens and fridges, to smaller gadgets, such as blenders and espresso machines. We tested seasonal products like barbecues and lawnmowers, items for growing families such as strollers and high chairs, and transport essentials like car tyres.

We are able to complete such a broad programme because of cost-effective arrangements with Choice (the Australian consumer organisation) and ICRT (the International Consumer Research and Testing programme in Europe). We tested more than 800 products and delivered more than 80 tests in print or online.

Moving with the times

We ensure members receive accurate and up-to-date information. We now test smaller batches of popular product types more frequently. For example, we tested six batches of TVs and four batches of washing machines, while mobile phones were subject to a bi-monthly test programme. All newly tested products were added to our online databases.

Changes in product technology and end use caused us to review and evolve some of our test methods. To reflect user feedback, we added a measurement of dirt collection after just a few strokes of a vacuum cleaner in addition to our usual 10-stroke test. We also changed our TV test to include viewing fast-moving sports footage and dropped the soft food test for hand-held blenders due to improvements in product performance.

The rise of the robots

A constant challenge is keeping on top of hi-tech advances. In the technology area we've seen large shifts in the type of products available - we used to test in-car GPS devices, but in 2014 we tested more smartphone navigation apps than dedicated devices.

Even for classic products like whiteware we are seeing new features, such as wireless connectivity, being used to differentiate products. We tested our first robot vacuum cleaners, a product area we expect to grow, using the same criteria we apply to our vacuum cleaner tests.

Keeping the heat on

Choosing the best way to stay warm during winter is a significant decision for many Kiwis. The cost of keeping toasty can be high and choosing the best products to suit your needs can be a challenge. We tested heaters, dehumidifiers and electric blankets. We also maintain extensive databases for woodburners, heat pumps, ventilation systems and insulation.

Our tests give members reliable recommendations on which products to buy and our comprehensive Winter Heating Guide offers advice on the most efficient and cost-effective options on beating the chill.

Advisory Service

One of our most important but unsung services is the advice we give members to help them sort out problems. Our advisers, all with legal backgrounds, dealt with more than 4000 inquiries during the year, mainly by phone and email.

The service was extended this year to our Trusted businesses that were not already part of an approved Disputes Resolution programme. We are now set up to quickly deal with any complaints.

It would be great to say the number of member complaints relating to breaches of the Consumer Guarantees Act or the Fair Trading Act was reducing. But that is not the case. Many retailers and manufacturers are still largely unaware of their obligations even though the legislation, recently reformed, has been around for more than 20 years.

Typical of the complaints is wrong information given to consumers about warranties, the benefits of extended warranties and who has to pay for repairs when a product is faulty.



OUR ADVISORS DEALT WITH MORE THAN 4000 INQUIRIES



Case study

Daily deal site 1-day got it wrong when it told a customer she couldn't send back a faulty computer because it was out of warranty.

Just over a year after Consumer member Julie bought a tablet, the charger for it started smoking when she turned it on. She contacted 1-day. The customer service rep said the 12-month warranty had expired and the company would not take it back to assess. The rep suggested Julie pay for the repair at an electronics firm.

This advice was unhelpful and potentially misleading. The Consumer Guarantees Act requires goods to be of acceptable quality. This includes being durable and safe. If your 13-month-old tablet is faulty and you haven't caused the problem, the retailer has an obligation to put it right.

Our adviser Maggie Edwards told Julie of her rights. This time 1-Day apologised to Julie and assessed the tablet. She was given a refund.

LEGAL POINTS

- Companies risk breaching the Fair Trading Act if they mislead consumers about their legal rights.
- Consumers' rights don't end when the manufacturer's warranty does. If a company tries to tell you this, it is wrong.
- When a product has a minor fault, the CGA gives the company the option of repairing or replacing the item or providing a refund. But if the fault is substantial or can't be fixed, you have the right to reject the product and choose either a replacement of the same type and similar value or a refund of the purchase price.

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

A media and communications consultant, consumer advocate and writer. Has extensive management experience. Twelve years as a Green Party Member of Parliament, three of those chairing Parliament's Health Select Committee. Wellington City Councillor for eight years. Past experience includes television reporter and director, Director of Communications for the Ministry of Agriculture, and Executive Director of Independent Producers and Directors Guild. Author of *Eating Safely in a Toxic World*.



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.



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.



ALEXANDRA SIMS
AUCKLAND

Associate Professor in Commercial Law in the Faculty of Business and Economics, University of Auckland. Has taught IT Law at undergraduate and postgraduate levels. Experience on boards and committees within the university, and the wider community. Chairs the Interim Consumer Foundation Board.

Executive Team



SCOTT FEEHAN
INFORMATION SERVICES
MANAGER



MARK HUGHSON
FINANCIAL CONTROLLER



KAREN MCDONALD
HEAD OF MARKETING AND
BUSINESS DEVELOPMENT



PAUL SMITH
HEAD OF TESTING



JESSICA WILSON
HEAD OF RESEARCH



consumer.

2014 Financial Report

**FOR THE YEAR ENDED
31 DECEMBER 2014**

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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 2014, and the statement of comprehensive income, statement of changes 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.



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

Other than in our capacity as auditor we have no relationship with, or interests in 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 2014, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Grant Thornton New Zealand Audit Partnership
 Wellington, New Zealand
 27 February 2015

Statement of Financial Performance

For the year ended 31 December 2014 | CONSUMER NZ INCORPORATED

Operating revenue	Note	2014	%	2013	%
Membership subscriptions		4,859,571	81%	5,091,670	83%
Interest income		170,311	3%	234,791	4%
Other income	3	956,300	16%	787,986	13%
		5,986,182		6,114,448	

Operating expenses	Note	2014	%	2013	%
Production and distribution	4	1,078,585	16%	1,157,110	18%
Marketing & promotions		1,062,098	16%	971,732	15%
Consumer Trusted costs		11,122	0%	-	0%
Administration:					
Asset impairment expense		-	0%	138,461	2%
Audit fees		10,941	0%	9,500	0%
Board fees and expenses		72,529	1%	74,633	1%
Depreciation		372,397	5%	445,634	7%
Information technology		333,827	5%	178,627	3%
Loss on disposal of assets		579	0%	-	0%
Office premises lease		173,213	3%	173,213	3%
Personnel		2,927,193	43%	2,420,251	38%
Strategy development/new initiatives		90,014	1%	212,985	3%
Other administration expenses		662,054	10%	646,547	10%
		6,794,550		6,428,693	
Net Surplus (Loss) transferred to accumulated funds		(808,368)		(314,245)	

Statement of Movements in Equity

For the year ended 31 December 2014 | CONSUMER NZ INCORPORATED

	2014	2013
Balance at 1 January	2,751,753	3,065,999
Surplus (Loss) for the year	(808,368)	(314,245)
Balance at 31 December	1,943,385	2,751,753

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

Statement of Financial Position

For the year ended 31 December 2014 | CONSUMER NZ INCORPORATED

Assets	Note	2014	2013
Current assets			
Cash at bank	5	542,291	430,098
Accounts receivable		137,430	90,283
Accrued interest		79,676	96,560
Prepayments		143,793	408,246
Short term deposits	6	2,700,000	3,900,000
Total current assets		3,603,190	4,925,187
Fixed assets	7	1,443,759	1,437,121
Total Assets		5,046,949	6,362,308

Liabilities and accumulated funds

Current liabilities			
Accounts payable		202,564	310,522
Employee entitlements	8	146,081	151,544
GST Payable		76,069	24,241
Other provisions and payables		117,298	53,452
Total current liabilities		542,013	539,759
Deferred subscriptions income	9	2,488,988	3,003,692
Other deferred income		72,563	67,104
Accumulated funds		1,943,385	2,751,753
Total Accumulated Funds And Liabilities		5,046,949	6,362,308

For and on behalf of the Board who approved these financial statements for issue on 27 February 2015



Richard Aston
CHAIR



Mark Hughson
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 2014 | 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2014 | CONSUMER NZ INCORPORATED

1 Statement of Accounting Policies (continued)

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. Deferred Subscriptions

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.

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.

Changes in Accounting Policies

Membership subscription revenue is now recognised on a day-by-day basis, rather than a month-by-month basis, following the introduction of a new member management software.

The value apportionment of premium membership liability has been altered from 50/50 online/magazine to 75/25 to more accurately reflect the relative value of each component.

2 Taxation

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

3 Other income	2014	2013
Business development	374,268	348,617
Website maintenance	181,900	153,625
Endorsements	231,240	157,065
Business accreditation	58,535	-
Newsstand	33,374	43,562
Single report sales	35,096	76,741
Foreign exchange gain / (loss)	(9,586)	(23,918)
Other income	51,473	32,295
	956,300	787,986

4 Production and distribution costs	2014	2013
Business development expenses	153,635	205,859
Printing and distribution	336,841	370,277
Production expenses	78,866	87,032
Test and survey expenses	509,243	493,943
	1,078,585	1,157,110

Notes to the Financial Statements

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5 Cash at bank	2014	2013
Operating accounts' balances	28,695	65,541
Call deposits - NZD	510,000	310,000
Call deposits - AUD	-	165
Call deposits - EUR	3,596	54,391
	542,291	430,098

6 Short-term deposits

All term deposits mature prior to 31 December 2015. Term deposits are held with the following:

	2014	2013
Bank of New Zealand	1,150,000	1,850,000
ASB	1,200,000	1,450,000
Kiwibank	350,000	400,000
Auckland City Council Bond (matured 24 March 2014)	-	200,000
	2,700,000	3,900,000

Interest rates on investments held range from 4.35% to 4.79% per annum (2013: 4.10% to 4.49%).

7 Fixed assets

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	-
W.I.P. Mahout & Nellie Projects	-	-	-	-	-
	3,150,674	1,706,915	1,443,759	372,397	0

2013	Cost	Accumulated Depreciation & Impairment	Book Value	Depreciation	Impairment
Computers & Software	395,029	344,475	50,554	49,824	-
Websites	1,609,233	1,428,901	180,332	317,775	138,461
Motor vehicles	48,819	33,167	15,652	7,826	-
Furniture & equipment	271,319	182,226	89,093	25,777	-
Fixtures & fittings	395,841	226,921	168,920	43,784	-
Trademarks	6,475	1,836	4,639	648	-
W.I.P. Mahout & Nellie Projects	927,930	-	927,930	-	-
	3,654,646	2,217,524	1,437,121	445,634	138,461

Notes to the Financial Statements

For the year ended 31 December 2014 | CONSUMER NZ INCORPORATED

8 Employee entitlements	2014	2013
Annual leave	113,250	96,323
Service leave	3,470	11,714
Payroll Accrual	29,361	43,508
	146,081	151,544

9 Deferred subscriptions income

	2014	2013
2014	-	2,477,998
2015	2,037,185	429,824
2016	378,284	95,870
2017+	73,519	-
	2,488,988	3,003,692

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 Alexandra Sims (Chair), Oscar Alpers, Suzanne Chetwin, David Russell, and Sue Kedgley. Sue Kedgley was appointed as replacement for Gail Powell.

In 2014 Consumer NZ Incorporated received a grant of \$10,000 from the Consumer Foundation. No grants were made in 2013.

11 Operating leases & rents

	2014	2013
Commitments under non-cancellable contracts:		
Not later than one year	173,213	173,213
Greater than one year	288,688	461,901
	461,902	635,115

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

12 Financial instruments

The financial assets and liabilities of Consumer NZ Incorporated include bank deposits 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 (2013: NIL).

Notes to the Financial Statements

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13 Contingent liabilities

There were no contingent liabilities as at 31 December 2014. (2013: Nil).

14 Capital commitments

As at balance date, Consumer NZ Incorporated had entered into agreements with suppliers to purchase the following capital items:

	2014	2013
consumer.org.nz website redevelopment (Mahout)	-	175,360
Member management system replacement (Nellie)	-	50,400
	-	225,760

As at balance date, Consumer NZ Incorporated had committed to purchase AUD176,800 from the Bank of New Zealand on 27 January at a rate of 0.9015. The commitment was honoured on that date.

