

2013 annual report

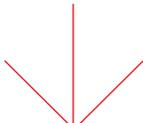
**FOR THE YEAR ENDED
31 DECEMBER 2013**

consumer.



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15
FINANCIAL
REPORT



online stats



3.4 MILLION

consumer.org.nz

consumer.org.nz recorded over 3.4 million visits up on 3.1 million in 2012. The site managed more than 24,000 transactions. Tablet and mobile sessions increased to 24% of all sessions.



430,000

powerswitch.org.nz

The What's My Number advertising campaign to encourage people to visit our free power switching website continued to provide high traffic - 430,000 visits.

86,000

telme.org.nz

Our free telecommunications price comparison website had 86,000 visits. The site allows comparisons across home phone, internet, mobile, tv and mobile broadband technologies. Landline and internet comparisons were the most popular comparisons followed by mobile.

320,000

consumerbuild.org.nz

The site had a record 320,000 visits and 750,000 page views.



57,000

BLOGS

Topics were broad - from milk to energy and telecommunications. Readership doubled to 57,000 from 2010.





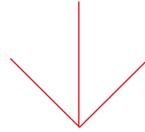
chairman's report

In many respects 2013 was a good year for Consumer NZ the organisation and for consumers generally. The Consumer Law Reform Bill finally passed its third reading in Parliament just weeks before Christmas. Consumer NZ had been campaigning for it to get over this final hurdle. And it was rewarded.

For all consumers it means better protection, particularly when buying online. No longer can traders hide behind auctions as a means of avoiding their Consumer Guarantees Act (CGA) obligations. If you buy from a trader (and they will need to identify themselves), regardless of whether you purchase using the options of "buy now" or auction, you will have all the protections afforded by the Act.

Other consumer improvements in the Act include proper explanations of one of our particular bugbears - extended warranties. No more will the salesman be able to palm you off with patter about how you need to have expensive extra warranties when you buy something (usually a big-ticket item). Now the salesman will have to explain to you in plain English what benefits the warranty offers over and above the CGA. Rarely will it pay you to purchase one.

Consumer NZ itself had a good year - member revenue was \$211,000 ahead of the previous year. However, a deficit was recorded largely because of the investment in new digital services to be launched in 2014. A big chunk of the year was devoted to looking at ways the organisation could become more relevant, attract a bigger audience and deliver the services people most wanted. Behind the scenes staff have



The advisory service, an unsung hero of the organisation, continued to deal with up to 400 complaints or inquiries a month. The advisors provide an extraordinary service to members, sometimes saving them tens of thousands of dollars when a transaction has turned sour.

been extraordinarily busy developing those services. A new website will be launched mid next year and with it a new membership management system. I am confident that with these new services Consumer NZ will be delivering on its mandate to get a fair deal for all New Zealanders.

At the same time existing online services continued to grow and the magazine was consistently of a high standard. Consumer.org.nz attracted record numbers of visitors - averaging 290,000 a month. Our Powerswitch website, which provides information on the cheapest electricity and gas retailer in any particular area, continued to attract tens of thousands of visitors.

The advisory service, an unsung hero of the organisation, continued to deal with up to 400 complaints or inquiries a month. The advisors provide an extraordinary service to members, sometimes saving them tens of thousands of dollars when a transaction has turned sour.

I'd like to thank the Board for the way it has wrestled with some tough decisions over the past year, also the staff for showing the commitment and foresight to see through two very complex digital projects on time and on budget.

→ **Nicola Wills** CHAIRMAN



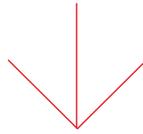
ceo's report

How much value can be placed on a Consumer NZ membership? Peter Manderson and his partner Catherine might provide the best answer. They won a \$6700 refund in the Disputes Tribunal after seeking advice from our advisory service when their new carpet developed “shading”.

The retailer refused a refund, so did the manufacturer. But our advisor thought differently. Her view, matched subsequently by the tribunal, was the couple should have been told before the purchase about the potential for shading. The fault was serious and they were entitled to a refund.

Our consumer protection laws were given a much needed makeover as 2013 drew to a close. Now buyers will be much better protected when they buy online through auction sites like Trade Me. And there will be much better policing of unfair contract terms in standard form contracts (except for insurance contracts). All this is good news for consumers.

But it is of little value if you don't know about your rights or how to exercise them. Our advisors deal with up to 400 calls, emails and letters a month. They largely involve sales of either services or products that have gone wrong. In the vast majority of cases, the consumer has been misled as to their rights - sometimes inadvertently, often through ignorance of the law. The classic line is the product is out of warranty so the retailer is no longer liable for fixing, replacing or refunding the money spent on it. But the Act is really clear that items must be fit for purpose and durable. A 12-month warranty does not absolve a retailer from



Another typical example of a regular breach is notices in shops which tell customers that sale items cannot be returned. That is absolutely not correct, unless the item is on sale because it is faulty and that fault is pointed out to the customer prior to purchase.

responsibility if an expensive item breaks down after that time through no fault of the owner.

Another typical example of a regular breach is notices in shops which tell customers that sale items cannot be returned. That is absolutely not correct, unless the item is on sale because it is faulty and that fault is pointed out to the customer prior to purchase. I pointed this out to a shoe shop owner recently when I saw such a notice pinned to the back of the till. The assistant stared at me blankly, and said she would let the owner know. Was this ignorance or flouting the law?

Peter and Catherine, at least had the benefit of being Consumer members and of being able to seek our advice. If you are a member and you have a problem please contact our advisors. They really do get results!

Work on Consumer Law Reform consumed a big chunk of this year's campaigning activities. Without our members we couldn't have done it. Thank you.

→ **Sue Chetwin** CEO

campaigns



consumer law reform

Long overdue changes to consumer protection laws are finally passed.

Major wins include:

- New protections for consumers who buy from traders in online auctions like Trade Me. Now whether you choose to bid or “buy now”, if you’re buying from a business you will be protected from faulty products and shonky service. And businesses will have to identify themselves.
- A ban on unfair contract terms. These are the standard forms like gym contracts, where the seller knows a lot more than the buyer.
- Safeguards against retailers who push extended warranties. Now they will have to tell you in plain English what your rights are under the Consumer Guarantees Act and what better protections (if there are any), the warranty provides.



sunbeds

Two-thirds of sunbed operators in our survey didn’t meet all safety requirements.

We’ve been reporting on this industry for more than a decade and it’s depressing reading. When our mystery shoppers visited sunbed salons this year, they found operators were continuing to ignore the voluntary safety standard. New Zealand has one of the highest rates of melanoma in the world and this industry should be regulated. Using a sunbed increases the chances of getting this cancer by 15%.

Finally, the Minister has agreed under-18-year-olds will be banned, but no regulation has yet been passed. The whole industry should be banned but stopping young people doing potentially serious damage to themselves is a good place to start. We’ll be continuing to push for change.

LESS
THAN
10%
of rest homes fully
meet required
health-care criteria.



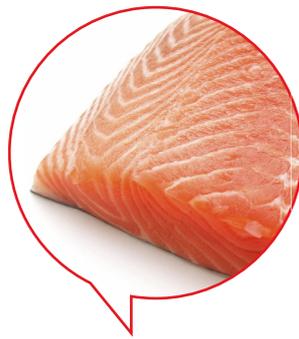


rest homes

Less than 10% of rest homes fully meet required health-care criteria – our review of summary audits found.

Rest homes are responsible for caring for some of our most vulnerable citizens. But our investigations continue to find disturbing failures of care in this industry.

The Government has finally started to release full rest home audits but only for a trial period. We want the reports to be available permanently. We'll also keep pushing for details of complaints and inspections to be published so consumers have access to better information about the quality of care in rest homes.



misleading claims

Environmental claims for farmed salmon featured in our investigations this year.

Farmed salmon is promoted as a healthy, sustainable choice. But the production of this fish relies on intensive farming processes which sit at odds with the “natural” claims made for products in store.

Our investigation also found omega-3 claims made for some farmed salmon products overstated the omega-3 levels in the fish.

Companies promoting their products as “green” or “natural” need to have good evidence to back any claims. We continue to find products where this isn't the case.



electricity prices

Electricity prices are rising and satisfaction with electricity companies is falling. Just 46 percent of our members think their electricity company offers competitive pricing and only 55 percent are happy with the company's customer service. As prices go up, evidence is also emerging that power companies are taking a harder line with consumers who are having difficulty paying their bills. Over 40,000 households had their electricity disconnected last year. Electricity is an essential service. Our priority is to ensure all consumers get access to this service at a reasonable price.

research & testing

Our testing programme is truly independent because we don't accept advertising or donations from businesses. Unlike many other publications and websites, our recommendations are based on verifiable test data. Our testing programme is largely funded by member subscriptions. The testing programme keeps manufacturers honest and gives our members sound and reliable recommendations on what products to buy.

1

comprehensive testing

Our 2013 testing programme covered a wide range of home appliances, from toasters to fridge-freezers. Our online databases ensure members have the latest information on tested models which are still available.

We also brought members test results on popular consumer electronics such as mobile phones and tablets, digital cameras, and TVs.

In total, we published over 80 tests either in the magazine or online. We are able to offer this level of testing because of our cost-effective arrangements with Choice (the Australian consumer organisation) and ICRT (the International Consumer Research and Testing programme in Europe). This year we offered a record number of test results.



2

survey results

Our member surveys provide a wealth of information on everyday products and services. We regularly survey members about their satisfaction with energy providers, banks and ISPs. This year we also ran a survey on Kiwisaver which found big differences in customer-satisfaction with providers.

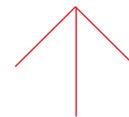
Results from our annual appliance reliability survey continue to provide vital data for our testing programme and remain popular with members. We also published a new report on appliance life expectancy this year. This report brings together data from our regular member survey and a separate survey of manufacturers.



3

keeping up with technology

The explosion of interest in e-readers and tablet computers (fuelled by the iPad) continues. We regularly test these products - and the number of tablets on the market is growing exponentially. There's also an increasing range of audio-visual products to test from AV receivers, to wireless speakers through to dock and speaker systems for Apple and Android mobile products.



80

TESTS WERE
PUBLISHED
EITHER IN THE
MAGAZINE OR
ONLINE

4

new ground

Children's products remain an important part of the test programme. We currently have 15 test reports on children's products - and most of these are continuing test programmes. One of the disappointing outcomes of the test programme is the number of products that fail the relevant Australia/New Zealand standard. Many of these standards are voluntary in this country but it is still disquieting that so many products can't pass all our safety tests. For example the pass rates in the following tests were: three out of six products for change tables; one out of 10 for baby walkers; three out of 10 for strollers; and two out of six for portable cots.



5

keeping the heat on

Apart from our test programme for heaters and dehumidifiers we also maintain some extensive databases - particularly for woodburners, heat pumps and ventilation systems. Heat pumps and woodburners each have more than 100 models in their databases.

online & in print



Consumer magazine continues to be the organisation's flagship publication, but increasingly our website consumer.org.nz is how people access our information. There was an average 284,000 visits a month to the website - well over 3 million for the year.

greater responsiveness through online

We're making use of social media such as Facebook and Twitter to lead discussions on consumer issues and we continue to write blogs on topics of the day. We plan to become more active in social media and topical news activities when we re-launch consumer.org.nz in the second half of 2014.

Full specifications for products are free on the website - so that magazine readers can access this additional information. The website continues to publish exclusive tests - particularly for computers and personal electronic devices. We can also report on many more models online than we can fit into a monthly magazine.

responding to social issues

Rest homes are another sector where we continue to push for better standards - and our article this year highlighted more serious shortcomings in rest-home standards of care. We now have a database on consumer.org.nz of rest homes that have had a complaint officially investigated.

This year we also looked at the legal protections around retirement villages if something goes wrong.

We investigated why electricity prices keep on rising despite a flat residential electricity market - and the

growing number of disconnections for consumers who can't pay their bills.

A multi-part series on retirement savings was published throughout the year. These articles made extensive use of case studies and detailed personal budgets for different stages of people's retirement saving life cycles.

working for consumers

We looked at the growing problem of food marketing to children - how companies suck children into becoming in-home marketers for food products that are frequently high in fats, sugar and salt.

Our article on salmon farming highlighted the environmental costs of this industry and the artificial nature of this type of intensive farming. The salmon are fed a diet quite unlike what they would eat in the wild to simulate the health-giving properties of that wild diet. Most people would be surprised to find the salmon they buy had been raised largely on abattoir by-products.

We tested sunscreens again this year - and found that all 10 we tested gave reasonable protection and met their SPF30 claim. We found three products that provided "very high" protection and we recommended them.

our guides

We produced three digital guides providing practical, straightforward, advice on home heating, getting the most out of digital technology at home and smart shopping. They were also used in our marketing campaigns to attract new members.

Welcome Winter Home

In May we published our popular guide to keeping healthy, warm and cosy through winter - how to keep the heat in and the damp out, the cheapest and cleanest heating fuels, how to get the best out of heating appliances and much more.



Digital Living

In August we covered getting connected at home - how to transmit information between devices, surf the net from a TV, control a game console from a tablet, share photos and video chat with friends and family around the world.



Shop Smarts

Our November shoppers' guide to the silly season helped people through the 'giving' season and hopefully demystified the ins and outs of vouchers and warranties, and helped with buying online and avoiding rip-offs.

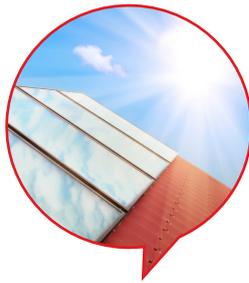


business development

We worked with a range of government agencies in 2013 to bring consumers information we thought they could usefully use.



We partnered with the Ministry of Health to publish our sunscreen test in time for the holiday season. We found three top sunscreens offered very high protection, were water resistant for four hours and available in supermarkets for a reasonable price.



In association with the Energy Efficiency and Conservation Authority (EECA), in September we looked at why solar water heaters are unlikely to live up to the claims often made about them. We followed up in November with a report on grid-tied solar photovoltaic systems and whether or not they made economic sense. We also tested CFL bulbs finding good-quality CFLs are brighter, last far longer and use much less electricity than old-school incandescent bulbs.



WE CONTINUED TO BRING YOU ELECTRICITY AND GAS PRICE COMPARISONS ON POWERSWITCH.ORG.NZ AND TELECOMMUNICATIONS PRICE COMPARISONS ON TELME.ORG.NZ



consumer recommends

The Consumer Recommends endorsement programme allows manufacturers, distributors and service providers to use the Consumer Recommends landmark in advertising and promotional activities.

The landmark can only be used for those products and services which have been awarded Consumer Recommends status, subject to meeting licence conditions. This year more than 40 licences were awarded covering everything from lawnmowers, wine and laundry detergents to showerheads and barbecues.



It gave our retailers extra confidence and helped consumers make informed decisions by backing up the claims of what our retailers were saying.

luke staunton
NZ SALES AND MARKETING MANAGER | WEBER



advisory service



case study

The advisors dealt with an average 80 inquiries per week - two thirds of them by phone. Although there is information online, members like to discuss their issues with an actual person.

Members call mainly about their legal rights - both before and after they encounter a problem. Some retailers and manufacturers are still unaware of their obligations under the Consumer Guarantees Act, even though it is 20 years old.

The changes in house insurance from replacement costs to actual sum insured resulted in a steady stream of calls. The changes to contactless credit cards also resulted in many inquiries as people were concerned about security.

Many of the complaints we receive relate to problems with faulty phones and who should pay. This is a typical case.

Consumer member Peter Jamieson and daughter Rachelle took her \$800 phone back to Dick Smith when it failed two months out of the 12-month manufacturer's warranty. They wanted it repaired but were told it was out of warranty and they would need to pay a \$92 service charge.

Peter says the store insisted repairs were his responsibility and refused to accept the Consumer Guarantees Act (CGA) obliged the store to fix it.

Our advisor Maggie Edwards took a different view. She spoke to the store manager who refused to budge. Even if the CGA did apply, he said, he did not have the authority to give a refund. Maggie advised Peter to take the matter to the Commerce Commission but also contacted

Dick Smith head office in Australia. The company agreed with her. The situation had not been dealt with properly. It contacted Peter and arranged a refund of the \$92 service charge.

legal points:

- Your rights under the CGA are on top of any manufacturer's warranty and don't end when the warranty does
- The Act requires goods to be of acceptable quality. If a product is faulty and you haven't caused the fault, you have the right to ask the retailer to fix it
- Where it's a minor fault, the retailer can repair the product or replace it with an identical model or give you your money back
- If the fault is major, it up to you whether you choose a replacement, or a refund.
- Don't accept the 'out of warranty' brush off.

40000 *inquiries dealt with throughout 2013*

the board



NICOLA WILLS
WELLINGTON CHAIR

A Wellington barrister, Nicola has expertise in consumer and competition law, and has prosecuted for the Commerce Commission. She is currently an Adjudicator for the Motor Vehicle Disputes Tribunal.



RICHARD ASTON
AUCKLAND DEPUTY 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.



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.



SUE KEDGLEY
WELLINGTON

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*.



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.



GAIL POWELL
CARTERTON

Twenty years' experience as a senior manager in the public service. Was the first Executive Director of the Broadcasting Standards Authority. Worked at Consumers' Institute in the mid 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



DAVID NAULLS
DEPUTY CHIEF EXECUTIVE
& EDITOR-IN-CHIEF



HAMISH WILSON
RESEARCH & TESTING
MANAGER



MARK HUGHSON
FINANCIAL
CONTROLLER



SCOTT FEEHAN
INFORMATION &
TECHNOLOGY MANAGER



KAREN MCDONALD
MARKETING & BUSINESS
DEVELOPMENT MANAGER



2013 financial report

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Independent Auditor's Report

To the Members of Consumer NZ Incorporated

Report on the financial statements

We have audited the financial statements of Consumer NZ Incorporated on pages 18 to 24, which comprise the statement of financial position as at 31 December 2013, 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.

Board responsibilities

The board 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 board 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 18 to 24 present fairly, in all material respects, the financial position of Consumer NZ Incorporated as at 31 December 2013 and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

A handwritten signature in blue ink that reads "Grant Thornton".

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
28 February 2014

statement of financial performance

FOR THE YEAR ENDED 31 DECEMBER 2013

CONSUMER NZ INCORPORATED

Operating revenue	Note	2013	%	2012	%
Membership subscriptions		5,091,670	83%	4,880,834	79%
Interest income		234,791	4%	244,382	4%
Other income	3	787,986	13%	1,029,092	17%
		6,114,448		6,154,308	

Operating expenses	Note	2013	%	2012	%
Production and distribution	4	1,157,110	18%	1,188,574	18%
Marketing & promotions		971,732	15%	1,136,439	17%
Administration:					
Asset impairment expense		138,461	2%	-	0%
Audit fees		9,500	0%	9,211	0%
Board fees and expenses		74,633	1%	75,392	1%
Depreciation		445,634	7%	522,030	8%
Information technology		178,627	3%	245,812	4%
Office premises lease		173,213	3%	173,213	3%
Personnel		2,420,251	38%	2,288,934	35%
Strategy development		212,985	3%	309,575	5%
Other administration expenses		646,547	10%	662,303	10%
		6,428,693		6,611,483	
Net Surplus (Loss) transferred to accumulated funds		(314,245)		(457,175)	

statement of movements in equity

FOR THE YEAR ENDED 31 DECEMBER 2013

CONSUMER NZ INCORPORATED

	2013	2012
Balance at 1 January	3,065,999	3,523,173
Surplus (Loss) for the year	(314,245)	(457,175)
Balance at 31 December	2,751,753	3,065,999

The accompanying notes on pages 20-24 form part of the financial statements

statement of financial position

AS AT 31 DECEMBER 2013

CONSUMER NZ INCORPORATED

Assets	Note	2013	2012
Current assets			
Cash at bank	5	430,098	213,078
Accounts receivable		90,283	180,664
Accrued interest		96,560	108,687
Prepayments		408,246	97,038
Short term deposits	6	3,900,000	4,900,000
Total current assets		4,925,187	5,499,467
Term investments	7	-	200,000
Fixed assets	8	1,437,121	1,045,933
Total Assets		6,362,308	6,745,400

Liabilities and accumulated funds

Current liabilities			
Accounts payable		310,522	316,112
Employee entitlements	9	151,544	158,246
GST Payable		24,241	59,713
Other provisions and payables		53,452	39,626
Total current liabilities		539,759	573,697
Deferred subscriptions income	10	3,003,692	3,073,203
Other deferred income		67,104	32,502
Accumulated funds		2,751,753	3,065,998
Total Accumulated Funds And Liabilities		6,362,308	6,745,400

For and on behalf of the Board who approved these financial statements for issue on 28 February 2014



nicola wills. CHAIR



mark hughson. FINANCIAL CONTROLLER

The accompanying notes on pages 20-24 form part of the financial statements

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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.

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 as the value of the magazine dispatched and/or online access provided is identical for each month of the subscription term.

(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. 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 on 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. Stock on hand

Stocks are valued at the lower of historic cost, first in first out basis, or net realisable value.

e. Accounts Receivable

Accounts Receivable are recorded at net realisable value.

f. Investments

All investments are recorded at cost.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

CONSUMER NZ INCORPORATED

1 Statement of Accounting Policies (continued)

g. GST

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

h. 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.

i. 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 straight-line basis over the period of the lease.

Changes in Accounting Policies

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

2 Taxation

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

3 Other income	2013	2012
Business development	348,617	678,138
Website maintenance	153,625	126,275
Endorsements	157,065	76,668
Newsstand	43,562	44,382
Single report sales	76,741	71,903
Foreign exchange gain / (loss)	(23,918)	(11,221)
Other income	32,295	42,946
	787,986	1,029,092

4 Production and distribution costs	2013	2012
Business development expenses	205,859	166,572
Printing and distribution	370,277	404,877
Production expenses	87,032	84,374
Test and survey expenses	493,943	532,751
	1,157,110	1,188,574

5 Cash at bank	2013	2012
Operating accounts' balances	65,541	59,191
Call deposits - NZD	310,000	140,000
Call deposits - AUD	165	22
Call deposits - EUR	54,391	13,865
	430,098	213,078

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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6 Short term deposits

All term deposits mature prior to 31 December 2014. Term deposits are held with the following:

	2013	2012
Bank of New Zealand	1,850,000	2,050,000
ASB	1,450,000	1,800,000
Rabodirect	-	500,000
Kiwibank	400,000	550,000
Auckland City Council Bond (matures 24 March 2014)	200,000	-
Interest rates on investments held range from 4.10% to 4.49% per annum (2012: 4.20% to 4.75%).	3,900,000	4,900,000

7 Term investments

	2013	2012
Auckland City Council Bond (matures 24 March 2014)	-	200,000

This investment is stated at its cost price which is considered to be its fair value.

8 Fixed assets

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

2012	Cost	Accumulated Depreciation & Impairment	Book Value	Depreciation	Impairment
Computers & Software	385,866	332,841	53,025	46,720	-
Websites	1,609,233	972,664	636,568	385,548	-
Motor vehicles	48,819	25,341	23,478	8,473	-
Furniture & equipment	304,547	189,677	114,870	36,859	-
Fixtures & fittings	395,841	183,137	212,704	43,782	-
Trademarks	6,475	1,188	5,287	648	-
	2,750,781	1,704,848	1,045,933	522,030	-

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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9 Employee entitlements	2013	2012
Annual leave	96,323	64,876
Service leave	11,714	11,843
Payroll Accrual	43,508	79,461
	151,544	156,181

10 Deferred subscriptions income	2013	2012
2013	-	2,532,655
2014	2,477,998	452,107
2015	429,842	88,440
2016+	95,870	-
	3,003,692	3,073,203

11 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, Nicola Wills and Gail Powell, the latter being appointed on 19 April 2013.

12 Operating leases & rents	2013	2012
Commitments under non-cancellable contracts:		
Not later than one year	173,213	173,213
Greater than one year	461,901	635,114
	635,115	808,327

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 2013

CONSUMER NZ INCORPORATED

13 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 (2012: NIL).

14 Contingent liabilities

There were no contingent liabilities as at 31 December 2013. (2012: Nil).

15 Capital commitments

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

	2013	2012
consumer.org.nz website redevelopment (Mahout)	175,360	-
Member management system replacement (Nellie)	50,400	-
	225,760	-

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consumer.org.nz

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