

On your side for...



ANNUAL REPORT 2009  
FOR THE YEAR ENDED 31 DECEMBER 2009

**consumer.**

● Making decisions easy

Consumer NZ works for a fair, safe and just society. Its principal aim is to benefit consumers by providing them with the knowledge to make reasoned decisions.

In a world of increasing consumer choice and often misleading information, Consumer NZ has 50 years' experience of providing trusted, independent and accurate advice. Free of advertising and commercial pressures, we serve just one audience – consumers.

The organisation also works to improve the standard of goods and services available to consumers, and to persuade governments and businesses to change laws or practices that disadvantage individuals.

Consumer NZ is a not-for-profit organisation that exists through subscription to its monthly magazine, Consumer and through its website [www.consumer.org.nz](http://www.consumer.org.nz).

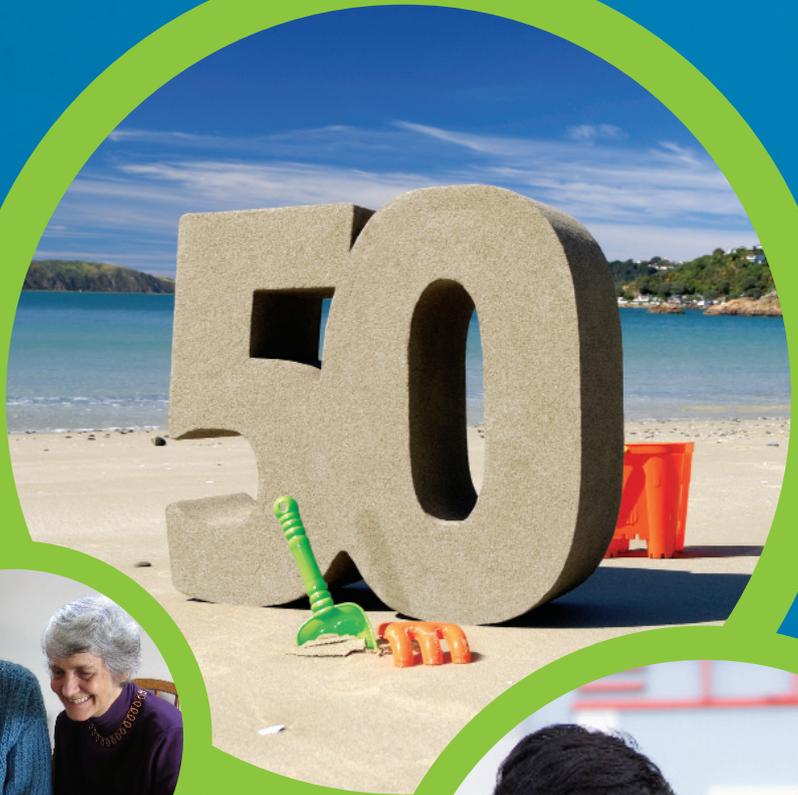
Consumer NZ has only one constituency – that's you the consumer. ■

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TWO MILESTONES WERE REACHED – WE CELEBRATED BEING ON THE SIDE OF CONSUMERS FOR 50 YEARS AND FOR THE FIRST TIME SINCE ITS LAUNCH IN THE EARLY 2000s, REVENUE FROM THE WEBSITE OVERTOOK REVENUE FROM THE MAGAZINE.



## CHAIRMAN OF THE BOARD



Consumer NZ turned 50 in 2009 in good heart having gone through one of its most testing years ever. As the economic recession deepened, Consumer NZ had to adjust the way it did business so that members, both new and existing, were getting the relevant, independent advice they sorely needed.

This was no better illustrated than the April issue of the magazine which went inside people's living costs, explaining why they weren't getting cheaper and offering tips on how to stretch the family dollar further.

During the year Consumer also significantly developed its free Powerswitch site making it even easier for consumers to make price comparisons between electricity and gas suppliers. Visits to the site increased 17 percent. Free, independent advice on electricity and gas retailers remains a critically important part of our work. The development of the site could not have been done without the assistance of the Electricity Commission and the Ministry of Consumer Affairs.

Working with agencies like the commission, ACC, the Retirement Commission, the Ministry of Economic Development and EECA became an increasingly important part of Consumer's activities. And that has continued.

The online offering was also significantly enhanced. Membership to [www.consumer.org.nz](http://www.consumer.org.nz) continued to grow and revenue from the online site overtook magazine revenue for the first time.

We rated and tested a record number of products and we've

spoken out strongly when we've had cause for concern. We undertook a major investigation into financial advisers and uncovered an industry well overdue for reform.

My thanks go to the thousands of loyal members, without whom we could not do our work.

I would also like to thank the Board for their enthusiasm and support for the work that Consumer does. The Board has actively embraced change and provided guidance through one of the most difficult periods Consumer has faced.

Sincerest thanks also go to Sue Chetwin and her dedicated team who continue to work at the coalface, providing the consumers of New Zealand our services. I am convinced that our place in society is more important than ever and on behalf of our organisation thank you again. We will not be resting on our laurels. However, we will be continuing on our mission and look forward to your continued support. Watch this space.

**Mark Bedford**  
Chairman of the Board



“Many customers cannot distinguish differences in quality. Many are susceptible to advertising claims. Consumers often enter into contracts such as hire purchase and insurance without full knowledge of the terms. Little is done to teach people how best to use and protect their earnings.”

It’s the summer of 1959 and these are the opening lines of the editorial of the first Consumer magazine. The first issue covered aspirin, Christmas tree lights, children’s shoes, standards for canned fruit, ticketing, nylon stockings (don’t wear them inside out and roll rather than pull), how to clean a camera lens and meat quality.

Of interest was that just about every product covered in that issue was made or produced here. Compare that with 50 years later and the December issue of the magazine which covered heart-rate monitors (the worried well), kids’ bikes, portable gas cookers, insect repellants, home theatre systems, hair straighteners, our best and worst awards, craft beers and bathing water quality (they needn’t have worried about that in 1959) – the only products made here being craft beers.

In 50 years the principal aim of benefiting consumers by providing them with the knowledge to make reasoned decisions remains unchanged. What has changed is the

way we deliver that message. Last year our website overtook Consumer magazine in revenue. We relaunched [www.consumer.org.nz](http://www.consumer.org.nz) in the middle of the year with many new features including more ways for consumers to interact with us. By December that all seemed a long time past and we were planning many more ways for consumers to use our services online.

With the assistance of the Electricity Commission and the Ministry of Consumer Affairs we made significant improvements to our free Powerswitch website, the country’s only independent energy comparison website. This included adding gas supply to the mix.

We also took a bold move into product endorsement. For the first time we allowed product and service providers to use our findings in their promotions, as long as they met strict criteria set by us and approved by us.

The three aims were to:

- recognise excellence in products and services;
- to get our name recognised where people were making their buying decisions;
- to provide a revenue stream for us to test more products and services.

The response has been very pleasing.

We also spent six months investigating the state of the financial advice industry. What our

mystery shoppers found shocked even us. We uncovered an industry offering poor advice, poor plans and failing to make proper disclosures. It is an industry long overdue for regulation which will thankfully be largely in place by the end of 2010 including the provision of a disputes resolution service so consumers have somewhere to take their complaints.

A financial adviser whose company’s plan was rejected by our expert panel and who was subsequently removed from her role on the Securities Commission Code Committee setting standards for the industry, accused Consumer of becoming arrogant. She said we were once humble, stalwart and unassuming. I pondered those comments for quite some time before coming to these conclusions: stalwart, absolutely, but humble and unassuming never. We’ve been fighting for consumer rights for 50 years. My predecessors David Russell and Dick Smithies were two of the feistiest consumer advocates this country has known. I’m very pleased that 50 years on the organisation is carving its own path but still following in their very well trod footsteps.

**Sue Chetwin**  
Chief Executive

## MEMBERS OF THE BOARD

From left standing

**Alexandra Sims, Auckland**

*Senior Lecturer 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.*

**Tim Brown, Palmerston North**

*Emeritus Professor of Microbiology, Massey University. Past HOD of Microbiology and Genetics at Massey. Leisure interests include writing, theatre, playing the saxophone, skiing, reading, gardening and walking.*

**Rob Crozier, Wellington**

*Rob Crozier is a former Director of the PSIS and was General Secretary of the Association of University Staff. He has been a consumer member for more than 30 years.*

**Nicola Wills, Wellington**

*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.*

From left sitting

**Peter Sutton, Wellington**

*Owner/Managing Director of furniture retail, manufacturing and upholstery company. Previously Assistant Chief Executive, Research & Testing Manager of Consumers' Institute. Left to pursue international yachting and project management. Life member of Consumers' Institute. Elected to the Board in 2004.*

**Mark Bedford, Mt Maunganui (Chairman)**

*Elected to the Board in 2002 and Chairman since 2003. Previous board experience includes 13 years on the Board of Trustees of a national polytechnic, primary and intermediate schools boards of trustees and 7 years as Chairman of Waipuna Hospice. Associate Fellow of the New Zealand Institute of Management.*

**Jo Bransgrove, Wellington (Deputy Chairman)**

*Currently, owner ORA Design Gallery Wellington, President Wellington Chamber of Commerce. Previously Group General Manager Corporate NZ Trade & Enterprise; Senior Manager & Secretary to the Commerce Commission; Senior Manager, NZ Red Cross Society; Chief Executive, Cancer Society.*





“WE HAVE NEVER BEEN DEPENDENT ON THE ADVERTISING DOLLAR, AND SO HAVE BEEN ABLE TO MAKE JUDGEMENTS AND ASSESSMENTS WITHOUT FEAR OR FAVOUR. SINCE 1989 WE HAVE BEEN INDEPENDENT OF THE GOVERNMENT AS WELL, WHICH ALLOWS US TO SUBJECT GOVERNMENT POLICY AND SERVICES TO THE SAME RIGOROUS SCRUTINY WE APPLY TO THE PRIVATE SECTOR.”

David Naulls, Consumer NZ Deputy CEO

## THE SENIOR EXECUTIVE TEAM



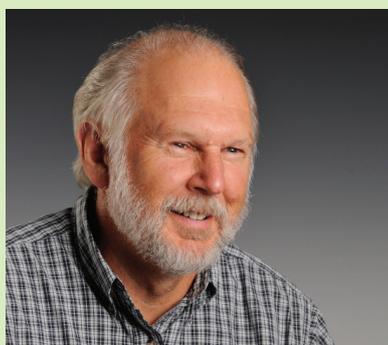
**Sue Chetwin**  
Chief Executive



**David Naulls**  
Deputy Chief Executive & Editor-in-Chief



**Mark Hughson**  
Financial Controller



**Hamish Wilson**  
Research & Testing Manager



**Scott Feehan**  
Information & Technology Manager



**Karen McDonald**  
Business Development Manager

## ON THE JOB



Five judges tasted red wines commonly stocked in supermarkets and bottle stores.

## RESEARCH AND TESTING

We continued our tradition of campaigns and investigative reporting with major articles on standards of care in rest homes, of LPG pricing and “scandalously poor” advice from financial planners.

Our mystery-shop of the financial-advice industry found huge failings – poor analysis, mysterious costs, steep fees, advisers portraying themselves as independent when they weren’t and to top those off, bad products. We continued to advocate for reform in 2010 with major submissions on law changes.

We campaigned for six months for the Ministry of Health to release the results of its investigations into 44 rest homes. When we finally got the reports, they made disturbing reading. We will continue to campaign as we don’t think the industry or the ministry is doing enough to ensure consumers get good information about standards of care.

Another campaign that has carried into 2010 is to shake up the building industry. Our target is mandatory builder licensing with a specialist building disputes body consumers can use to sort out problems.

In December we celebrated 50 years of *Consumer*, and proudly reported the publication of 76 tests plus 12 surveys of various kinds and that’s without our many user trials, buying guides and reports. In our first issue of *Consumer*, we had no tests at all! In 1989, just after independence from government, we published the results of just 21 tests and trials.

Featuring in our 2009 reports were a diverse range of appliances, like the Redshaws’ Neeco heater. Bought in 1949, this single-bar radiator is still going 60 years later. Compare that with the locally made Econergy

heat-pump water-heater which blitzed its competitors in a world-first test of this type of product. The Econergy, was at least three times more efficient than a standard electric cylinder, and is likely to out-perform solar in less sunny parts of the country.

Competitive deals were negotiated for test reports from Choice and International Consumer Research and Testing (ICRT), which gives us price stability for 2010. The ICRT contract gives us access to reports on a comprehensive range of mobile phone, printer, camera and camcorder models. We’ve never been in a better position to satisfy our members with quality reports on these products. ■

OUR MYSTERY-SHOP OF THE FINANCIAL-ADVICE INDUSTRY FOUND HUGE FAILINGS.



## CONSUMER ONLINE

Our website has become equally important as the magazine as a publishing platform and also in terms of revenue. This has led to a change in how we prepare articles for publication. During the year we moved towards more continuous publishing – particularly for test articles – so that these could be published on our website as soon as they were available, rather than waiting for the monthly magazine publishing cycle.

This meant publishing smaller batches of test results more rapidly, so giving online and premium members more timely and relevant information. Speed of information is vital and we've needed to match the expectations of our members. We will continue to refine this.

As part of the project, we've revamped our internal pre-publication processes to better reflect this change in emphasis – in particular to create more extensive profiles for some products.

Our new-look website was unveiled in June. We introduced many features to help make finding information and connecting with members easier.

Online members can now add comments to most reports and news items, and discuss issues with other members of the Consumer community. Many have taken up this opportunity with gusto, with some reports attracting well over 100 comments.

As well as building a community within our

membership, direct feedback means we can enhance the service by taking member comments and suggestions into account.

We also introduced the ability for members to review and rate products based on their experiences. These user reviews are a great add-on to our test results. They offer unique insights about specific models, including features that meet special needs and durability issues that may not show up in our tests or reliability surveys.

Other site enhancements include: the introduction of the 'shop online' link so members can head directly to an online retailer and buy the product they've chosen; new product selector tools allowing easy sorting and comparison of models in our test databases; and tools for easily sharing information via social media. ■



## CONSUMER MAGAZINE

**C**onsumer magazine continues to be our flagship publication – and has won the Qantas Media Award for best Trade and Professional Magazine for the last two years. It remains one of the larger circulating titles in the country with its mix of subscription and newsstand sales.

We continued to highlight important issues of consumer detriment and concern. The most controversial was our mystery shop of financial advisers, which received extensive media coverage and comment. We continue to campaign through submissions to the Government for better protection for ordinary investors.

We continued to look at the prices of basic commodities, and also LPG pricing as a heating and cooking fuel. These articles also investigated the cartel-type structure of much of the New Zealand economy.

The other major investigation of the year was the poor standards of care in rest homes. This information only became available after a prolonged battle with the Ministry of Health to get the names released through an Official Information Act request.

Throughout the year we published more than 80 test reports in the magazine and online. We continue to publish as many tests as possible and profile every model tested on the website as part of our product databases. ■

THROUGHOUT  
THE YEAR WE  
PUBLISHED  
MORE THAN 80  
TEST REPORTS IN  
THE MAGAZINE  
AND ONLINE.



## MARKETING



Marketing activity in 2009 was underpinned by Google search engine marketing which remains the most effective activity in delivering return on investment.

Three direct mail campaigns were conducted each targeting 469,683 households earning more than \$50k per annum. Topics covered were: easy ways to save; creating a warmer home for less and taking control of your finances. These campaigns were also rolled out to lapsed and cancelled members as win-back activity.

A television commercial aired in June targeting consumer.org.nz single report purchasers as a taster to ongoing membership. In September a television commercial promoted our three-month online membership offer with the opportunity to win a \$5000 shopping and advice day with CEO Sue Chetwin.

Welcome packs for all new Consumer subscribers were introduced and included a letter from the CEO, the latest copy of *Consumer* magazine, our fridge magnet with Consumer contact details and the healthy eating checklist.

The retention programme continued to include the home trial programme with first-time magazine members having the opportunity to taste hot chocolate and raspberry jam. Other retention offers continued on a monthly basis.

Consumer's birthday was celebrated in December with a range of promotion activity across acquisition, retention, newsstand, product endorsement, business development and PR channels.

## BUSINESS DEVELOPMENT

2009 saw the redevelopment of our free retail electricity price comparison site, Consumer Powerswitch in association with the Electricity Commission and the Ministry of Consumer Affairs. Developments included the addition of gas and dual-fuel comparisons, as well as the introduction of historic pricing data and non-price information.

The ministerial review of the electricity industry conducted during 2009 pointed to the ability of consumers to switch between retailers as a way of promoting competition. Consumer NZ provides the only independent power switching site and is working to further improve Powerswitch in 2010.

Powerswitch had 233,707 visits in 2009 compared with 199,821 in 2008.

A mystery shop of financial advisers was carried out with the assistance of the Ministry of Economic Development and the Retirement Commission.

A joint venture between the Energy Efficiency and Conservation Authority and Consumer NZ saw the first ever testing of hot water heat pumps in New Zealand.

A series of tests and articles were produced for the Electricity Commission to support their 'Rightlight' initiative to promote energy efficient lighting in the home.

Testing of eye protectors, assessment of ladder accessories and an article on scooter safety were commissioned by ACC.

Articles and tests completed in association with New Zealand Food Safety Authority included heat-and-eat meals, cooking oils, vitamin drinks, plasticisers, water in bacon and ham, and breakfast cereals.

The product endorsement programme was launched in May and the 'Consumer Recommends' landmark was subsequently used in the marketing and promotion of five products: the Sunbeam Café Latte EM5600, the Whirlpool ADP6000 dishwasher, Goodyear Excellence and Assurance 215/60R16 tyres and the Econergy HP4000 LT hot water heat pump.

## OUR ADVISERS

From queries about cars worth more than \$100,000 to over-salted savoury crackers, no two days are the same for our advisers. This year our dedicated team dealt with 2500 calls and 1600 emails and letters.

A big difference for consumers has been the increase in the amount they can claim at the Disputes Tribunal - up to \$15,000 (or \$20,000 if both parties agree).

The effects of the recession were also felt by many of our members, especially when dealing with businesses which had closed or changed hands.

Shops encouraging customers into expensive extended warranties rather than honouring the Consumer Guarantees Act continued to be a problem as did the use of overseas call centres which ignored New Zealand law.

Our advisers, who have legal qualifications and experience, provide practical plain English responses to members' inquiries. While we don't provide a full legal service, our goal is to give members the information and resources they need to resolve their problems.

Judging by the feedback, members who use the service value the advice and are able to use it to get positive outcomes.

An important role of the service is keeping us connected with our members, and many of the inquiries find their way into articles and reports. Sometimes our members let us know about examples of great service!

Another critical part of our service is the Contact Centre. The team dealt with 18,200 calls and more than 30,000 emails. ■

A BIG DIFFERENCE FOR  
CONSUMERS HAS BEEN THE  
INCREASE IN THE AMOUNT  
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DISPUTES TRIBUNAL  
- UP TO \$15,000.



## CONSUMER RECOMMENDS

The Consumer Recommends endorsement programme was launched this year to recognise excellence among manufacturers and service providers, and to help consumers buy better.

It provides consumers with at a glance information on products and services that have been awarded Consumer Recommends status and publicly rewards companies for achieving that status.

Further objectives are to promote and expand Consumer NZ's research programme, and enhance its credibility among competitors and consumers.

Our independence won't be compromised. We still select the products for testing based on market research and we continue to buy products from stores.

Our research\* shows that more than 75 percent of members and non-members feel that enabling the Consumer Recommends landmark to appear on products is a great thing for Consumer NZ to do.

This is what one manufacturer said after buying an endorsement for a dishwasher:

\* Synovate 2008, Online survey: 250 general public (aged 25 years plus), 100 pay-per-report purchasers, 100 consumer.org.nz members, 100 premium members, 100 Consumer magazine members.



“THE ENDORSEMENT PROGRAMME WENT REALLY WELL. THE PRODUCT WAS A GREAT SELLER AND I THINK THE PROGRAMME REALLY EMPHASISED THE OPPORTUNITY RETAILERS HAD IN THE MARKETPLACE. WE WILL CERTAINLY BE DOING IT AGAIN IN THE FUTURE, MARK MY WORDS!”

Troy Scragg – then General Manager Whirlpool NZ ■

## YOUR MEMBERSHIP

“Consumer NZ thanks its members, report buyers and casual magazine purchasers for their support in 2009. Without you we could not undertake the substantial testing, surveying and campaigning work we do. Many people mistakenly believe Consumer NZ is government funded. That is not so. The bulk of our funding comes from publishing the results of our research work in both the magazine and online. Without substantial membership to those services we would not survive. We look forward to and welcome your continuing support in 2010. ■

## ■ FINANCIAL STATEMENTS

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- 16 Audit Report
- 17 Financial Statements
- 19 Notes to the Financial Statements





# Grant Thornton

## Audit Report

**Grant Thornton**  
PO Box 10712  
Level 13  
AXA Centre  
80 The Terrace  
Wellington 6143  
New Zealand  
T +64 (0)4 474 8500  
F +64 (0)4 474 8509  
E info@gtwn.co.nz  
www.grantthornton.co.nz

### The Stakeholders of Consumer NZ Incorporated

We have audited the financial report on pages 17 to 23. The financial report provides information about the past financial performance of Consumer NZ Incorporated and its financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on page 20.

#### Board Responsibilities

The Board is responsible for the preparation of a financial report that fairly reflects the financial position of the Consumer NZ Incorporated as at 31 December 2009 and the results of operations for the year ended on that date.

#### Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial report presented by the Board.

#### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial report; and
- whether the accounting policies are appropriate to Consumer NZ Incorporated circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditor we have no relationship with, or interests in, Consumer NZ Incorporated.

#### Unqualified Opinion

In our opinion the financial report on pages 17 to 23 fairly reflects the financial position of Consumer NZ Incorporated as at 31 December 2009 and the results of its operations for the year ended on that date.

Our audit was completed on 26 February 2010 and our unqualified opinion is expressed as at that date.



**Grant Thornton**  
Wellington  
11 March 2010

**Business Advisers & Chartered Accountants**

Grant Thornton Wellington, an independent member firm of Grant Thornton New Zealand.  
Other independent member firms in Auckland and Christchurch. Grant Thornton New Zealand is a member of Grant Thornton International Ltd

## FINANCIAL STATEMENTS

### Statement of Financial Performance

FOR THE YEAR ENDED 31 DECEMBER 2009

OPERATING REVENUE	NOTE	2009	%	2008	%
<b>Membership subscriptions</b>		4,920,940	82%	5,076,101	85%
<b>Interest income</b>		246,894	4%	540,771	9%
<b>Other income</b>	3	841,702	14%	371,690	6%

		<b>6,009,536</b>		<b>5,988,563</b>	
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OPERATING EXPENSES	NOTE	2009	%	2008	%
<b>Production and distribution</b>		1,356,036	22%	1,330,000	22%
<b>Membership promotions</b>		1,228,162	20%	1,272,410	20%
<b>Administration:</b>					
<b>Audit fees</b>		8,411		10,712	
<b>Board fees and expenses</b>		63,535	1%	67,568	1%
<b>Depreciation</b>		249,236	4%	126,993	2%
<b>Information Technology</b>		214,898	4%	233,631	4%
<b>Loss on Disposal of Assets</b>		1,194		70,718	1%
<b>Office Premises Lease</b>		169,020	3%	171,855	3%
<b>Personnel</b>		2,211,425	37%	2,142,761	35%
<b>Other administration expenses</b>		549,372	9%	720,518	12%

		<b>6,051,289</b>		<b>6,147,166</b>	
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<b>Net Surplus (Loss) transferred to accumulated funds</b>		<b>(41,753)</b>		<b>(158,604)</b>	
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### Statement of Movements in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008 (Restated)
<b>Balance at 1 January as reported</b>	2,781,329	3,089,943
<b>Correction of Fundamental Error</b>	11	(150,010)
<b>Balance at 1 January (Restated)</b>	2,781,329	2,939,933
<b>Surplus (Loss) for the year</b>	(41,753)	(158,604)

<b>Balance at 31 December</b>	<b>2,739,576</b>	<b>2,781,329</b>
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The accompanying notes on pages 19-22 form part of the financial statements

## FINANCIAL STATEMENTS

### Statement of Financial Position

AS AT 31 DECEMBER 2009

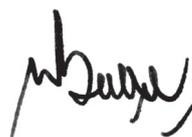
ASSETS	NOTE	2009	2008
Cash at bank	4	287,131	100,727
Accounts receivable		102,136	83,819
Accrued interest		68,007	77,031
GST Refund		-	15,833
Stock on hand	5	21,929	21,574
Prepayments		291,676	168,848
<b>Total current assets</b>		<b>770,879</b>	<b>467,832</b>
Short term deposits	6	3,950,000	5,350,000
Term investments	7	200,000	-
Fixed Assets	8	1,403,120	982,011
<b>TOTAL ASSETS</b>		<b>6,323,999</b>	<b>6,799,843</b>

LIABILITIES	NOTE	2009	2008 (Restated)
Accounts Payable		333,187	516,873
Employee entitlements	9	128,190	120,869
GST Payable		24,368	-
Other provisions and payables		81,922	41,801
<b>Total current liabilities</b>		<b>567,667</b>	<b>679,543</b>
Deferred subscriptions income	10	3,016,756	3,338,971

ACCUMULATED FUNDS	NOTE	2009	2008 (Restated)
Accumulated funds		2,739,576	2,781,329

<b>TOTAL ACCUMULATED FUNDS AND LIABILITIES</b>		<b>6,323,999</b>	<b>6,799,843</b>
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For and on behalf of the Board who approved these financial statements for issue on 26 February 2010.



M Bedford, Chair



M Hughson, Financial Controller

The accompanying notes on pages 19-22 form part of the financial statements

## ■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. Statement of Accounting Policies

#### **Reporting entity**

Consumer NZ conducts consumer advocacy and research in New Zealand.

These financial statements are for the reporting entity, Consumer NZ, an Incorporated Society registered under the Incorporated Society Act 1908 ("The Act"). Consumer NZ was formerly known as Consumers' Institute of New Zealand Incorporated. This name change was approved in 2007.

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

Consumer NZ qualifies for differential reporting exemptions as it is not large. Accordingly, it has taken advantage of all reporting exemptions allowed under the differential reporting framework.

Certain expenditure items from 2008 have been restated to aid comparison to the 2009 presentation format.

#### **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**

##### **(i) Revenue Recognition**

Membership subscription revenue is recognised on a straight line basis over the term of the subscription period as the value of the magazine despatched and/or online access provided is identical for each month of the subscription term.

##### **(ii) Non-Current Assets and Depreciation**

Non-current assets are recorded at cost less accumulated depreciation. Depreciation is 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

##### **(iii) Stocks**

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

##### **(iv) Debtors**

Debtors are recorded at net realisable value.

##### **(v) Investments**

All investments are recorded at cost.

##### **(vi) GST**

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

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Consumer NZ is registered with the Charities Commission and is exempt from income tax under the Income Tax Act 2007.

Other income comprises project activity, binder & publication sales, newstand sales and endorsement revenue.

### 4. Cash comprises cash balances held with banks in New Zealand

	2009	2008
<b>Cash at bank</b>	37,131	50,727
<b>Call deposits</b>	250,000	50,000
	<b>287,131</b>	<b>100,727</b>

	2009	2008
<b>Unsold test goods</b>	7,581	3,058
<b>Publications</b>	14,348	18,516
	<b>21,929</b>	<b>21,574</b>

### 6. Short Term Deposits

All investments mature prior to 31 December 2010.

	2009	2008
Bank of New Zealand	1,950,000	2,350,000
National Bank of New Zealand	2,000,000	1,500,000
Westpac Trust Bank	-	1,500,000
	<b>3,950,000</b>	<b>5,350,000</b>

Interest rates on investments held range from 4.60% to 6.11% per annum (2008: 5.75% to 8.91%)

### 7. Term Investments

	2009	2008
<b>Auckland City Council Bond</b> (matures 24 March 2014)	200,000	-
	<b>200,000</b>	<b>-</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

### 8. Fixed Assets

2009	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	DEPRECIATION
Computers & Software	342,590	165,338	177,250	75,295
Website Development	783,598	103,126	680,476	88,020
Motor vehicles	43,467	23,730	19,736	8,694
Furniture & Equipment	266,808	85,720	181,088	33,276
Fixtures and fittings	395,841	51,270	344,570	43,951
	<b>1,832,304</b>	<b>429,184</b>	<b>1,403,120</b>	<b>249,236</b>

2008	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	DEPRECIATION
Computers & Software	387,460	232,344	155,116	73,105
Website Development	442,635	236,982	205,653	13,941
Motor vehicles	43,467	15,036	28,431	8,693
Furniture & Equipment	258,787	52,922	205,865	23,939
Fixtures and fittings	394,261	7,315	386,946	7,315
	<b>1,526,610</b>	<b>544,599</b>	<b>982,011</b>	<b>126,993</b>

### 9. Employee Entitlements

	2009	2008
Annual Leave	76,959	67,903
Service Leave	-	1,482
Retirement Leave	4,061	10,514
Payroll Accrual	47,170	40,970
	<b>128,190</b>	<b>120,869</b>

### 10. Deferred Subscriptions Income

	2009	2008
2009	-	1,604,388
2010	1,622,580	677,381
2011	497,338	1,057,202
2012 +	896,838	-
	<b>3,016,756</b>	<b>3,338,971</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

### 11. Fundamental Error

An error interpreting the Subscription Liability Report was discovered in late 2009. This error understated deferred subscription income by \$150,010 and the entire amount has been traced back to an error occurring in the 2007 financial year. Accordingly, this has been adjusted as a fundamental error via retained earnings for 2007 which results in a restatement of the 2008 opening equity balance in the statement of movements in equity.

### 12. Related Parties

Emily Carpenter Charitable Trust is an independent entity. The Trust is governed by two elected trustees from the Consumer NZ Board (T Brown and N Wills) and one staff representative (A Hoult). Consumer NZ received \$11,500 from the Trust in 2009 to maintain a product safety database (\$17,000 received in 2008).

Consumer NZ holds one B class share in ICRT, an international testing company. This share was last valued at \$30,000 in 2002 and has yet to be paid for. Until payment is made and a current valuation is available, this shareholding has not been recorded as an investment. The \$30,000 liability has been accrued as an operating expense in the interim.

### 13. Operating Leases and Rents

	2009	2008
<b>Commitments under non-cancellable contracts:</b>		
Not later than one year	194,022	192,841
Greater than one year	1,271,554	1,456,261

A 12 year lease was signed in 2008 with Thordon 2005 Ltd for Consumer NZ's Wellington offices.

### 14. Financial Instruments

The financial assets and liabilities of Consumer NZ 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 to any significant exposure of interest or credit risk;
- exposure to foreign exchange movements on product testing conducted overseas is considered to be a minimal risk;
- 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 (2008: NIL)

### 15. Contingent liabilities and capital commitments

There were no contingent liabilities and capital commitments as at 31 December 2009 (2008: NIL).

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T. 64 4 384 7963

F. 64 4 385 8752

[consumer.org.nz](http://consumer.org.nz)

Private Bag 6996

Marion Square

Wellington 6141

New Zealand

[www.consumer.org.nz](http://www.consumer.org.nz)

