

Australian Consumers Association

ABN: 000 281 925

Financial Statements

For the Year Ended 30 June 2012

Contents

30 June 2012

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Directors' report

30 June 2012

Your directors present this report on the consolidated entity for the financial year ended 30 June 2012.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Jenni Mack
Rachel Dixon - resigned June 2012
Sandra Milligan – resigned June 2012
Ian Spight
Frank Muller
Peter Bray
Charles Berger – retired November 2011
Nicole Rich
William Davidson
David Marcus
Robert Antulov – elected November 2011

Directors of CHOICE SWITCH PTY LIMITED are:

Jenni Mack
Rachel Dixon
John Mickle
Janet Patterson
Nick Stace

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the entity during the financial year were consumer advocacy and the dissemination of consumer information through its website and the production of CHOICE magazine and other related publications.

Introduction

In its final year of the Company's current three-year Strategic Plan, the Company has enjoyed another year of revenue growth in spite of the surrounding economic uncertainty. While external indices including consumer confidence, building approvals and retail turnover continue to be at low levels, over 173,000 members have taken advantage of CHOICE's trust and independence to steer them through these difficult times. A profit of over \$1 million in this financial year has allowed the Company to improve its cash reserves position and will allow the Company to invest in improving its product offering as well as expanding its products and services in line with the Company's new three-year Strategic Plan commencing next financial year.

Directors' report

30 June 2012

Campaigning & Policy

The Company's doggedness in ensuring a better deal for all consumers means that the Company has launched significant campaigns across a number of industries. In this financial year, in addition to the Company's ongoing campaign with banks, the Company has worked campaigns for better, clearer food labelling and a campaign which has spanned decades – better, clearer, more transparent financial advice – is now yielding results with the introduction of reforms under federal government's Future of Financial Advice.

2012-2015 Strategic Plan

As mentioned above, this financial year represented the final year of the Company's current Strategic Plan. In addition to our ongoing work of campaigns, investigations and product testing, the Company has worked hard to formulate a strategic plan for the next three years. The Plan incorporates a combination of doing what we do now better – campaigning and delivering great content its members how and when they want it, but also expanding beyond its current business to examine opportunities that create additional revenue streams, products and services but remain within the remit of CHOICE as well as ensuring its independence.

Subsequent Events

Since the completion of the 2012-2015 Strategic Plan and the end of the 2012 Financial Year, Nick Stace resigned as CEO of the Company and his replacement, Alan Kirkland joined on 30 August 2012.

Directors' report

30 June 2012

Information on Directors

Jenni Mack

Experience

- Chair/Director
- Jenni is an experienced Director and a long serving consumer advocate. She is a director of the Financial Ombudsman Service and Food Standards Australia New Zealand and a trustee of the Travel Compensation Fund. She sits on the External Advisory Boards of the Australian Securities and Investments Commission and Chairs ASIC's Consumer Advisory Panel. Jenni is a former member of the NSW Judicial Commission and was the Deputy Legal Services Commissioner in NSW in the mid-90s. She was the executive director of the Consumers' Federation of Australia in the early 90s and has worked as a political staffer and journalist. Jenni holds a BA in Journalism and a Masters of Administrative Law and Policy.

Special Responsibilities

- Chair of the Governance Committee and member of the Policy Advisory Committee and Car Content Working Group.

Ian Spight

Experience

- Director
- Ian Spight was Managing Director of Thomas Cook's Australasian businesses and previously a Corporate Finance Director of Midland Bank (now HSBC). In his corporate career with Thomas Cook and Midland Bank, Ian held posts in London, Paris, San Francisco, New York and Sydney. Ian is now the Managing Director of a family company which operates travel agency and currency exchange services in NSW. He is a former Trustee of the Travel Compensation fund, former Director of the Australian Federation of Travel Agents and former non-Executive Director of Travelex Australia Pty Limited.

Special Responsibilities

- Chair of the Finance and Audit Committee and member of Staff Rewards Committee.

Frank Muller

Experience

- Director
- Frank Muller is a professional visiting fellow at UNSW's Institute of Environmental Studies and also a Commissioner of the National Transport Commission. He has a distinguished 37-year career in environmental, energy and land use policy in Australia and the US, working in government, universities, private consulting and the community sector. He currently lectures, writes and advises governments, business and community groups on climate change and sustainable development policy. Frank holds a Masters qualification in Public Administration from Harvard University, a Science degree from ANU and is a graduate of the Australian Institute of Company Directors.

Special Responsibilities

- Chair of the Policy Advisory Committee and member of the Car Content Working Group.

Directors' report

30 June 2012

- Peter Bray**
- Director
 - Experience
 - Peter is acknowledged as a thought leader in the marketing space, particularly in the not for profit sector. He has advised many of Australia's most recognisable not-for-profits, including Mission Australia, The Fred Hollows Foundation and The Make a Wish Foundation. He founded one of Australia's most awarded digital agencies, Clear Blue Day, where he worked with both NFP and commercial clients. A passionate consumer advocate, Peter has always emphasised the need for truth in advertising, and only worked with clients that support this philosophy. He has led a variety of marketing agencies in Australia and overseas. Peter is also the National Vice President of the Australian Interactive Media Industry Association, and is one of only three Australian members to be invited to be an Executive Academy Member of the International Academy of Digital Arts and Science. Peter holds a Bachelor of Arts (Hons) qualification.
 - Special Responsibilities
 - Special advisor to the Chief Executive Officer on Digital Marketing and member of Community Working Group.
- Nicole Rich**
- Director
 - Experience
 - Nicole Rich is Director, Research and Communications at Victoria Legal Aid. She has considerable experience developing legal research and policy and leading consumer campaigns, including most recently as Director – Policy and Campaigns at the Consumer Action Law Centre from 2007 to 2011. Nicole has practised in the private profession and community legal centres and is also a current board member of the Telecommunications Universal Service Management Agency. Nicole is committed to ensuring that the consumer interest is represented in policy debates and that consumers, particularly disadvantaged or vulnerable consumers, are given a voice on issues that affect them. Nicole holds a BA along with LLB (Honours).
 - Special Responsibilities
 - Member of the Policy Advisory Committee and the WH&S Committee.
- William (Bill) Davidson**
- Director
 - Experience
 - Bill Davidson is CEO of Job Futures, a leading social enterprise committed to finding jobs for the more disadvantaged members of our community. He is also passionate about finding ways to provide fair competition and deliver a better deal for the Australian Consumer. Previously, Bill has operated at senior management levels in the Managed Services industry, both within the Private and Public sectors. He has extensive experience in the delivery of contracted, outsourced services here in Australia, and overseas in the UK and South East Asia. Bill was also the interim CEO of CHOICE in 2008 whilst we sought a new CEO. Bill served on the Board from November 2006 until August

Directors' report

30 June 2012

		<p>2008. Following the appointment of Nick Stace in February 2009, Bill was co-opted onto the Board in November 2009, and then elected to the Board in November 2010</p>
Special Responsibilities	–	Chair of the WH&S Sub-committee and member of Staff Rewards Committee.
David Marcus	–	Director
Experience	–	David has been involved in consumer policy and advocacy since 1979 when he worked for the then Shadow Minister for Consumer Affairs as advisor on national consumer policy. After a period as a public servant, he joined CHOICE as deputy manager of the policy and advocacy department from 1987-89, leading campaigns in areas such as telecommunications, food safety and aged care. Subsequently, David is currently working as an evaluation, audit and policy consultant and worked for UNICEF New York headquarters reviewing its operations in a number of areas. He currently consults in the fields of policy development, governance, risk management, project management and Indigenous health. David holds a Bachelor of Arts (Hons) qualification.
Special Responsibilities	–	Member of the Governance Committee and Policy Advisory Committee.
Robert Antulov	–	Director
Experience	–	Rob has experience in media, technology and consumers goods sectors, as an executive, entrepreneur, consultant and corporate advisor. Currently, Bob provides strategic advisory services in media and technology with Medianext, and capital strategy and corporate advisory services as a Partner at Hall Capital, a boutique corporate advisory firm. He is co-founder of 3eep Ventures Pty Ltd, a social and digital media incubation business, and is also an advisor to, and shareholder in, a number of early stage media and technology businesses. He is on the advisory Board for Araya Pictures, a filmed entertainment production company, and for Nearmap (Ipernica Ltd), an innovative mapping technology business. Rob is a Director of the Sydney Film Festival, and of the Juvenile Diabetes Research foundation (JDRF). Rob has an MBA from the Australian Graduate School of Management in Sydney and a Bachelor of Engineering Degree (1st Class Honours, Elect) from the University of Western Australia. Rob joined the Board in November 2011.
Special Responsibilities	–	Member of the Governance Committee and Car Content and Community Working Groups and special advisor to Management on Digital Innovation.

Directors' report

30 June 2012

Meetings of Directors

During the financial year, 2012 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
J Mack	6	6
S Milligan	6	6
I Spight	6	6
R Dixon	6	5
P Bray	6	2
F Muller	6	5
C Berger	3	2
N Rich	6	5
W Davidson	6	5
D Marcus	6	6
R Antulov	3	3

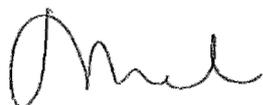
No meetings were held on behalf of CHOICE Switch Pty Ltd

The Australian Consumers Association is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$1 each towards meeting any outstanding obligations of the entity. At 30 June 2012, the total amount that members of the Company are liable to contribute if the Company is wound up is \$1.00 (2011: \$1.00).

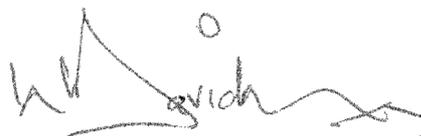
Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 24 of the financial report.

Signed in accordance with a resolution of the Board of Directors.



Jenni Mack, Director



William Davidson, Director

Dated: 7 September 2012

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	15,526,641	15,107,862
Other income	2	265,193	185,615
Cost of sales		<u>(1,706,439)</u>	<u>(1,755,410)</u>
Gross Profit		14,085,395	13,538,067
Technical and consumer research expenses		(3,045,404)	(3,156,799)
Editorial, website and content production expenses		(2,135,675)	(2,004,921)
Marketing, advertising and promotion expenses		(2,823,136)	(3,055,323)
Subscription and customer services expenses		(527,753)	(631,100)
General and administrative expenses		(3,143,486)	(3,038,418)
Campaigns & communications expenses		(716,316)	(667,184)
Other operating expenses		(519,076)	(515,288)
Profit before income tax		1,174,549	469,034
Income tax expense		-	-
Profit for the year	3	<u>1,174,549</u>	<u>469,034</u>
Total comprehensive income attributable to members of the entity		<u>1,174,549</u>	<u>469,034</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,252,819	3,542,763
Trade and other receivables	5	175,017	70,518
Inventories	6	18,788	35,814
Other assets	7	193,879	298,503
TOTAL CURRENT ASSETS		4,640,503	3,947,598
NON-CURRENT ASSETS			
Property, plant and equipment	8	10,932,307	11,711,460
Prepayments	7	-	11,540
TOTAL NON-CURRENT ASSETS		10,932,307	11,723,000
TOTAL ASSETS		15,572,810	15,670,598
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9A	1,107,885	2,209,321
Deferred revenue	9B	3,170,051	3,401,112
Provisions	10	666,392	695,339
TOTAL CURRENT LIABILITIES		4,944,328	6,305,772
NON-CURRENT LIABILITIES			
Deferred revenue	9B	155,691	178,124
Provisions	10	331,820	220,280
TOTAL NON-CURRENT LIABILITIES		487,511	398,404
TOTAL LIABILITIES		5,431,839	6,704,176
NET ASSETS		10,140,971	8,966,422
EQUITY			
Retained earnings		7,485,959	6,311,410
Reserves	16	2,655,012	2,655,012
TOTAL EQUITY		10,140,971	8,966,422

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2012

	Note	Retained Earnings	Revaluation Reserve	Total
		\$	\$	\$
Balance at 1 July 2010		5,634,030	2,655,012	8,289,042
Profit attributable to members		469,034	-	469,034
Previous year adjustment		208,346	-	208,346
Balance at 30 June 2011		6,311,410	2,655,012	8,966,422
Balance at 1 July 2011		6,311,410	2,655,012	8,966,422
Profit attributable to members		1,174,549	-	1,174,549
Balance at 30 June 2012		7,485,959	2,655,012	10,140,971

The accompanying notes form part of these financial statements.

Consolidated Statement of Cashflows
For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		17,288,039	17,123,515
Payments to suppliers and employees		(16,463,585)	(15,882,896)
Net cash generated from operating activities		824,454	1,240,619
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		141,406	133,794
Payment for property, plant and equipment		(301,304)	(1,948,336)
Proceeds from sale of property, plant and equipment		45,500	189,822
Net cash used in investing activities		(114,398)	(1,624,720)
Net increase/(decrease) in cash held		710,056	(384,101)
Cash and cash equivalents at beginning of financial year		3,542,763	3,926,864
Cash and cash equivalents at end of financial year	4	4,252,819	3,542,763

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2012

The financial statements are for the Australian Consumers Association a consolidated entity, incorporated and domiciled in Australia. The Australian Consumers Association is a company limited by guarantee. The Company consists of the Australian Consumers Association, and CHOICE Switch Pty Limited. The Australian Consumers Association has a 60% shareholding in the subsidiary.

Basis of Preparation

The Australian Consumers Association has elected to adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2012-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2011.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

a. **Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Donations and bequests are recognised as revenue when received.

All revenue is stated net of the amount of goods and services tax (GST).

b. **Inventories**

Inventories are measured at the lower of cost and current replacement cost. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

c. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FREEHOLD PROPERTY

Freehold land and buildings are shown at deemed cost.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Plant and equipment	10 – 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Each asset class's carrying amount is written down immediately to its recoverable amount if the class's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d. **Impairment of Assets**

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of assets, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a re-valued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

e. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principal repayments;
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Such assets are subsequently measured at fair value.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and bank overdrafts. Bank overdrafts, if applicable, are shown within short-term borrowings in current liabilities on the statement of financial position.

h. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

i. **Income Tax**

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

j. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. **Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

l. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

m. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. There were no critical accounting estimates or judgements applied in the financial statements.

The financial statements were authorised for issue on 7 September 2012 by the directors of the company.

Notes to the Financial Statements
For the Year Ended 30 June 2012

NOTE 2: REVENUE AND OTHER INCOME

	2012	2011
	\$	\$
Revenue		
Revenue from sale of goods	7,984,153	8,177,408
Revenue from provision of services	7,542,488	6,930,454
Total revenue	<u>15,526,641</u>	<u>15,107,862</u>
Other Income		
Interest income	174,277	180,115
Rental Income	90,416	-
Profit on sale of fixed asset	500	5,500
Total other income	<u>265,193</u>	<u>185,615</u>
Total revenue and other income	<u><u>15,791,834</u></u>	<u><u>15,293,477</u></u>

NOTE 3: PROFIT FOR THE YEAR

a. **Expenses**

Employee Benefits Expense		
– Contributions to defined contribution superannuation funds	521,630	495,669
Depreciation and amortisation:		
– land and buildings	158,262	144,400
– furniture and equipment	114,394	87,826
– software	746,312	765,187
Total depreciation and amortisation	<u>1,018,968</u>	<u>997,413</u>

b. **Significant Revenue and Expenses**

Net gain on disposals of non-current assets	500	5,500
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Notes to the Financial Statements
For the Year Ended 30 June 2012

NOTE 4: CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
CURRENT		
Cash on hand	3,000	3,000
Cash at bank	1,407,932	453,991
Term Deposits	2,841,887	3,085,772
	<u>4,252,819</u>	<u>3,542,763</u>

NOTE 5: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	77,414	41,836
Other receivables	97,603	28,682
	<u>175,017</u>	<u>70,518</u>

NOTE 6: INVENTORIES

CURRENT		
Holders & Binders - at cost:	1,178	2,211
Publications – at cost	17,610	33,603
	<u>18,788</u>	<u>35,814</u>

NOTE 7: OTHER ASSETS

CURRENT		
Prepayments	<u>193,879</u>	<u>298,503</u>
 NON CURRENT		
Prepayments	<u>-</u>	<u>11,540</u>

Notes to the Financial Statements
For the Year Ended 30 June 2012

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	\$	\$
LAND AND BUILDINGS		
Freehold land at deemed cost:	1,400,000	1,400,000
Buildings at deemed cost:	7,913,102	7,913,102
Less accumulated depreciation	(993,757)	(835,495)
Total buildings	6,919,345	7,077,607
Total land and buildings	8,319,345	8,477,607
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	7,343,425	7,049,585
Less accumulated depreciation	(4,730,463)	(3,815,732)
Total plant and equipment	2,612,962	3,233,853
Total property, plant and equipment	10,932,307	11,711,460

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year. Depreciation on motor vehicles is not expensed through the Statement of Comprehensive Income as it is included in the salary sacrifice arrangement of individual employees.

	Land and Buildings	Plant and Equipment	Total
	\$	\$	\$
2012			
Balance at the beginning of the year	8,477,607	3,233,853	11,711,460
Additions at cost	-	301,304	301,304
Additions at fair value	-	-	-
Disposals	-	(30,648)	(30,648)
Depreciation expense	(158,262)	(891,547)	(1,049,809)
Carrying amount at the end of the year	8,319,345	2,612,962	10,932,307

Notes to the Financial Statements
For the Year Ended 30 June 2012

NOTE 9A: TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
CURRENT		
Trade payables	542,690	1,829,857
Other current payables	565,195	379,464
	<u>1,107,885</u>	<u>2,209,321</u>

NOTE 9B: DEFERRED INCOME

CURRENT		
Deferred income	3,170,051	3,401,112
 NON CURRENT		
Deferred income	155,691	178,124
	<u>3,325,742</u>	<u>3,579,236</u>

NOTE 10: PROVISIONS

Opening balance at 1 July 2011	915,619	934,639
Additional provisions raised during year	527,796	431,166
Amounts used	(445,203)	(450,186)
Balance at 30 June 2012	<u>998,212</u>	<u>915,619</u>

Analysis of total provisions

Current	666,392	695,339
Non-current	331,820	220,280
	<u>998,212</u>	<u>915,619</u>

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 11: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at balance date.

NOTE 12: EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events that are likely to impact on the organisation.

NOTE 13: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

	2012	2011
	\$	\$
Key management personnel compensation	<u>986,546</u>	<u>1,208,611</u>

NOTE 14: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

There were no related party transactions during the year.

NOTE 15: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, short-term investments, credit card facilities and accounts receivable and payable. The entity does not have any derivative instruments as at 30 June 2012.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Notes to the Financial Statements
For the Year Ended 30 June 2012

NOTE 15: FINANCIAL RISK MANAGEMENT CONTINUED

	Note	2012 \$	2011 \$
Financial assets			
Cash and cash equivalents	4	4,252,819	3,542,763
Loans and receivables	5	175,017	70,518
Total financial assets		4,427,836	3,613,281
Financial liabilities			
Trade and other payables	9A	1,107,885	2,209,321
Total financial liabilities		1,107,885	2,209,321

NOTE 16: RESERVES

a. **Revaluation Surplus**

The revaluation surplus records the revaluations of non-current assets prior to 2006.

NOTE 17: PARENT ENTITY

The following information has been extracted from the books and records of the parent, Australian Consumers Association and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Australian Consumers Association has been prepared on the same basis as the consolidated financial statements.

	2012 \$	2011 \$
Statement of Financial Position		
ASSETS		
Current assets	4,814,008	3,947,597
Noncurrent assets	10,933,439	11,723,060
TOTAL ASSETS	15,747,447	15,670,657
LIABILITIES		
Current liabilities	4,842,110	6,173,771
Noncurrent liabilities	632,306	398,404
TOTAL LIABILITIES	5,474,416	6,572,175
NET ASSETS	10,273,031	9,098,482
EQUITY		
Reserves	2,655,012	2,655,012
Retained earnings	7,618,019	6,443,470
TOTAL EQUITY	10,273,031	9,098,482
Statement of Comprehensive Income		
Total comprehensive income for the year	1,174,549	469,034

Australian Consumers' Association

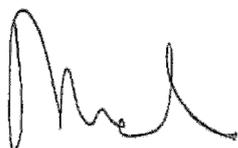
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Directors' Declaration

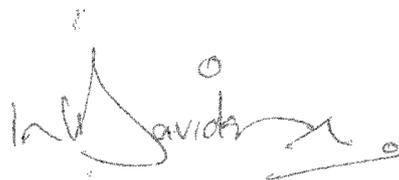
The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 7 to 22, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Jenni Mack (Chair)



William Davidson (Director)

Dated: 7 September 2012

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Australian Consumers Association

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



LAWLER PARTNERS
Chartered Accountants



CLAYTON HICKEY
Partner

Dated 7th day of September 2012

Sydney



Independent Audit Report to the members of Australian Consumers Association

Report on the Financial Report

We have audited the accompanying financial report of Australian Consumers Association, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Consumers Association, would be in the same terms if given to the directors as at the time of this auditor's report.

Independent Audit Report to the members of Australian Consumers Association

Opinion

In our opinion the financial report of Australian Consumers Association is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.



LAWLER PARTNERS
Chartered Accountants



CLAYTON HICKEY
Partner

Dated 7th day of September 2012

Sydney