



ANNUAL RETURN

FRIENDLY SOCIETY

Friendly Societies and Credit Unions Act 1982



10059676190

This return is to be completed and sent **within three months of the end of the financial year** to the Registrar of Friendly Societies and Credit Unions, Private Bag 92061, Auckland Mail Centre.

The purpose of the return is to obtain up-to-date information, and to present certain details in a consistent manner for all friendly societies for ease of analysis. It is also used to compile overall friendly society statistics.

Please complete all sections. This return may be typed or neatly handwritten.

Organisation Number: 1802898
Name of Friendly Society: Manchester Unity Friendly Society
Name of Branch (Where applicable):
Registered Office: Level 6, 142 Lambton Quay, Wellington
Postal Address: P O Box 5083 Wellington 6145
Financial Year Ended (DD/MM/YYYY): 31 May 2010

NAMES AND ADDRESSES OF OFFICERS (as at the date of the Return; continue on separate sheet if necessary).

	Name	Residential Address	
Committee of Management	Peter John COURTNEY	66 Rawhiti Raod, One Tree Hill	AUCKLAND
	Paul Leonard HAGLUND	47 Stackhouse Avenue	CHRISTCHURCH
	Ingrid Robyn TAYLOR	7 Taunton Green	CHRISTCHURCH
	John Hayman LOWE	11 Eden Terrace	WAIPUKURAU
	Graham John ALLANSON	17 Kimbolton Road	FEILDING
	Peter William SCHUMACHER	76 Hawker Street	WELLINGTON

Trustees

Ingrid Robyn TAYLOR	7 Taunton Green	CHRISTCHURCH
John Hayman LOWE	11 Eden Terrace	WAIPUKURAU
Graham John ALLANSON	17 Kimbolton Road	FEILDING

Secretary

Peter William SCHUMACHER	76 Hawker Street	WELLINGTON
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Treasurer

MEMBERSHIP

Total number of members at beginning of year
Number who joined during year
Number who died during year
Number who left during year
Total number of members at end of year

397
1
22
376

BUSINESS & REGISTRIES
BRANCH, AUCKLAND.

02 SEP 2010

RECEIVED

STATEMENT OF FINANCIAL PERFORMANCE ("REVENUE ACCOUNT")

(in respect of all business undertaken by the society/branch during the financial year)

		(whole dollars only)
Total Members' Equity at beginning of year		<u>26,460,314</u>
Income		
Contributions or levies	2,109,580	
Funeral benefits repaid by central body		
Other transfers from a central body or branch		
1 Investment income	5,203,782	
2 Other income (specify significant items)	203,353	
Commissions	26,866	
Unrealised revaluation gains	1,026,948	
Total Income		<u>8,570,529</u>
Expenditure		
Sickness benefits	25,376	
Annuity benefits		
Funeral benefits	1,004,376	
3 Assurance benefits	2,113,425	
Medical benefits	849,729	
Management expenses	1,554,625	
Audit fees	53,000	
Expenses incurred on properties	215,663	
Asset revaluations/losses	133,498	
Levies to central body		
4 Other transfers to a central body or branch		
Taxation		
Wages & Honorarium	1,287,699	
Other expenditure (specify significant items)	8,911	
Distress and Benevolent	167,068	
Interest paid to D&L		
Revaluation of member insurance contract obligations	1,500,000	
Total Expenditure		<u>8,913,370</u>
		<u>-342,841</u>
Total Members' Equity at end of year		<u>26,117,473</u>

1 Include all interest, dividends (including United Friendly Societies Dispensary dividends), rents, etc

2 Include separately any significant items, such as revaluation of assets, profit on sale of assets, commissions, donations, etc.

3 Include all benefits paid from a Life Assurance Fund, whether upon death, maturity or surrender.

4 include separately any significant items, such as depreciation, loss on sale of assets, social expenses, etc.

STATEMENT OF FINANCIAL POSITION ("BALANCE SHEET")

ASSETS

(whole dollars only)

Land and buildings	22,369,097
Mortgages	
Government securities	4,727,400
Local Authorities and SOE securities	10,248,592
Term Deposits	8,939,720
Bank accounts and cash on hand	14,286
Furniture, fittings & other fixed assets	154,537
Sundry Debtors/ Accounts receivable	541,010
5 Society investment fund	
5 District investment fund (Promo fund)	
Other Assets	192,006
Shares	2,001,774
Bank bonds	4,632,550
Fixed interest	21,199,808
Other	
UFS	14,200
Investment-Shares/Bonds/Notes	

Total Assets

75,034,980

- Less credit union investment fund
- 6 Less branch investment fund
- Less funds held on behalf of a central body or branch

2,808,654

Total Members' Assets

72,226,326

7 LIABILITIES

- Bank loans /Overdraft
- Trade and other payables and provisions
- Member benefit fund liabilities

591,113

4,828,414

- Funeral funds

20,297,775

- Increased assurance benefit

19,948,413

- Medical services fund

250,000

- Education support plan

193,138

- Member insurance contract obligations

40,689,326

46,108,853

26,117,473

NET ASSETS

EQUITY

- Retained Earnings

2,430,036

- District & lodge relief fund

968,222

- Society Benefit emergency relief fund

713,172

- Medical services reserve

1,959,043

- Medical services fund

750,000

- Member policyholder surplus reserve

8,825,000

- General reserve

10,472,000

RESERVES

26,117,473

TOTAL LIABILITIES & RESERVES

\$72,226,326

- 5 applicable only to a branch of a central body

- 6 applicable only to a central body

- 7 include any funds in deficit as negative liabilities

I hereby certify that this Return is in accordance with the audited financial statements of the society/branch.
A signed copy of the annual financial statements and auditor's report are enclosed.

Secretary

[Signature]

Date

31/8/2010



FINANCIAL STATEMENTS
for the 12 months ended
31 May 2010

Manchester Unity Friendly Society

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Manchester Unity Friendly Society

Statement of Comprehensive Income

for the financial year ended 31 May 2010

	Note	Group 2010 \$'000	2009 \$'000	2010 \$'000	Parent 2009 \$'000
Member insurance contributions	2a	2,109	2,221	2,109	2,221
Investment income including gains and losses	2a	6,123	4,754	6,123	4,754
Other income	2a	212	253	204	246
Total revenue		8,444	7,228	8,436	7,222
Member insurance withdrawals	2b	(3,971)	(3,668)	(3,971)	(3,668)
Other expenses	2b	(3,317)	(3,624)	(3,307)	(3,617)
Revaluation of member insurance contract obligations	14a	(1,500)	(417)	(1,500)	(417)
Total income/(loss) for the year		(344)	(480)	(342)	(480)
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income/(loss) attributable to members		(344)	(480)	(342)	(480)

Manchester Unity Friendly Society

Statement of Financial Position

as at 31 May 2010

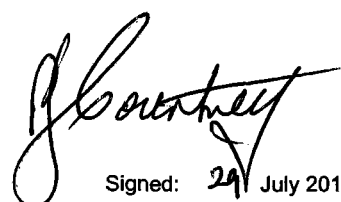
	Note	Group 2010 \$'000	Group 2009 \$'000	Parent 2010 \$'000	Parent 2009 \$'000
Assets					
Cash and cash equivalents	4	8,969	8,040	8,954	8,023
Other financial assets designated at fair value through profit or loss	5	42,824	42,364	42,824	42,364
Trade and other receivables	5	690	770	690	770
Other assets	6	30	27	43	40
Investment property	7	22,369	23,320	22,369	23,320
Property, plant & equipment	8	144	241	144	241
Intangible assets	9	10	21	10	21
Total assets		75,036	74,783	75,034	74,779
Liabilities					
Trade and other payables	10	385	485	385	485
Other liabilities - contributions in advance		155	147	155	147
Other financial liabilities					
-District, Lodge and Credit Union deposits	11	2,809	3,767	2,809	3,767
-Member benefit fund liabilities	12	4,828	4,691	4,828	4,691
Provisions	13	50	39	50	39
Member insurance contract obligations	14	40,690	39,190	40,690	39,190
Total liabilities		48,917	48,319	48,917	48,319
Net assets		26,120	26,464	26,118	26,460
Equity					
Retained earnings	15	2,433	2,330	2,431	2,327
Reserves					
Specific purpose funds					
-District and Lodge Relief Fund		968	968	968	968
-Society Benevolent and Emergency Relief Fund		713	722	713	722
Total Specific Purpose Funds		1,681	1,690	1,681	1,690
Restricted reserve					
-Member policyholder surplus reserve		8,825	10,046	8,825	10,046
Other reserves					
-Medical services reserve		1,959	1,886	1,959	1,886
-Medical services fund		750	750	750	750
-General reserve		10,472	9,761	10,472	9,761
Total Other Reserves		13,181	12,397	13,181	12,397
Total reserves	16	23,687	24,133	23,687	24,133
Total equity		26,120	26,464	26,118	26,460

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 29 July 2010
On behalf of the Board

Paul Haglund
CHAIRMAN



Peter Courtney
DIRECTOR



Signed: 29 July 2010

Manchester Unity Friendly Society

Statement of Changes in Equity

for the financial year ended 31 May 2010

	Note	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening equity		26,464	26,944	26,460	26,940
Total comprehensive income/(loss) attributable to members	15	(344)	(480)	(342)	(480)
Closing equity		26,120	26,464	26,118	26,460

Manchester Unity Friendly Society

Cash Flow Statement

for the financial year ended 31 May 2010

	Note	Group		Parent	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Member contributions-insurance contracts		2,109	2,221	2,109	2,221
Interest received		3,415	4,488	3,415	4,488
Dividends received		79	-	79	-
Rental received		1,580	1,491	1,580	1,491
Member benefit fund contributions		124	2	124	2
Other income		213	273	213	273
Member withdrawals-insurance contracts		(3,971)	(3,668)	(3,971)	(3,668)
Member benefit fund withdrawals		(282)	(168)	(282)	(168)
Payments to suppliers and employees		(2,775)	(2,780)	(2,773)	(2,778)
Interest paid		(167)	(363)	(167)	(363)
Net cash inflow/ (outflow) from operating activities	22	325	1,496	327	1,498
Cash flows from investing activities					
Proceeds from sale of leasehold properties		342	-	342	-
Proceeds from realisation of holiday home		635	-	635	-
Proceeds from realisation of financial assets designated at fair value through profit or loss		6,490	7,820	6,490	7,820
Member IAB loan repayments		57	70	57	70
Purchase of property, plant & equipment		(25)	(52)	(25)	(52)
Purchase of intangible assets		(2)	(10)	(2)	(10)
Purchase of investment properties		-	-	-	-
Purchase of financial assets		(5,923)	(16,196)	(5,923)	(16,196)
Member IAB loan advances		(12)	(24)	(12)	(24)
Deposits received from Districts, Lodges and Credit Unions		320	4,856	320	4,856
Deposit repayments to Districts, Lodges and Credit Unions		(1,278)	(6,443)	(1,278)	(6,443)
Net cash inflow/ (outflow) from investing activities		604	(9,979)	604	(9,979)
Net increase/ (decrease) in cash held		929	(8,483)	931	(8,481)
Opening cash and cash equivalents		8,040	16,523	8,023	16,504
Closing cash and cash equivalents	4	8,969	8,040	8,954	8,023

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

1. Summary of accounting policies

Reporting entity

Manchester Unity Friendly Society (Manchester Unity/the Society) is a Friendly Society registered pursuant to the Friendly Societies and Credit Unions Act 1982. Its principal purpose is to provide financial products and fraternal services for the benefit of its members. Manchester Unity is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. Its registered office is located at 142 Lambton Quay, Wellington, New Zealand.

Manchester Unity (the parent) and Unity Ltd comprise the Manchester Unity Friendly Society Group (the group).

The financial statements do not include the operations of Manchester Unity Friendly Society Districts, Lodges and Credit Unions, which are separately registered and accounted for.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-orientated entities. The financial statements comply with the International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for investment properties and those financial instruments which are measured at fair value. Cost is based on the consideration given in exchange for assets.

The functional and reporting currency used in preparation of the financial statements is New Zealand dollars, rounded to the nearest thousand.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

Principles of consolidation

The group financial statements are prepared by combining the financial statements of all the entities that comprise the group, being Manchester Unity and its subsidiary. Details of the subsidiary are in note 17.

On acquisition, the assets, and liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair value is recognised as goodwill. All intercompany balances and transactions are eliminated in full on consolidation.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

Member Insurance contracts

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Those products which expose the group to insurance risk are outlined in note 14(c). While some of these products include an insurance component and a deposit component, the Directors after obtaining advice from the Actuary, have determined that these components cannot be unbundled. Therefore the deposit components (contributions and withdrawals) and the insurance components (premiums and claims) are included in the statement of comprehensive income as contributions and withdrawals.

Contributions revenue

Contributions are recognised in the statement of comprehensive income from the attachment date in accordance with the pattern of incidence of risk expected over the term of the contract. The proportion of contribution received or receivable not earned at the reporting date is recognised in the statement of financial position as contributions in advance.

Contributions in advance

Contributions in advance includes the written contribution policies, gross of commission payable to intermediaries, attributable to subsequent periods. The change in the contributions in advance is taken to the statement of comprehensive income in order that revenue is recognised over the period of risk.

Insurance contract obligations

Withdrawals paid during the period and a liability for outstanding withdrawals are recognised as the withdrawals expense.

The insurance contract obligations are measured as the central estimate of the present value of expected future payments against claims incurred but not settled at the balance date, whether reported or not, together with the related handling costs and an additional risk margin to allow for the inherent uncertainty in the central estimate. Handling costs include all direct costs and any general administrative costs directly attributable to the withdrawals function.

Interest and dividends

For financial instruments measured at fair value, interest income is recognised on an accruals basis either daily, or on a yield to maturity basis. All other interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Dividend revenue is recognised when the right to receive payment has been established.

Rental income

Rental income from investment properties is accounted for on a straight line basis over the term of the lease.

Financial assets

Financial assets are recognised and derecognised on settlement date and are initially measured at fair value including any transaction costs.

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

Financial assets (cont'd)

Financial assets at fair value through profit or loss

The group's cash, fixed interest securities, and equity instruments are managed as one portfolio and have been determined as being held to back insurance obligations and other activities and are therefore designated as 'at fair value through profit or loss'.

They are stated at fair value, with any resultant gain or loss recognised in profit or loss, except that interest income and dividends are shown separately, and accrued interest is separated from the fair value of cash and fixed interest instruments and included in trade and other receivables. Fair value is determined in the manner described in in note 23(i).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments.

Loans and receivables

Trade and other receivables, loans, mortgages and other receivables are recorded at amortised cost less impairment.

Investment in subsidiary

The parent financial statements recognise the investment in its subsidiary at cost less impairment.

Inventory

Inventory is valued at the lower of cost and net realisable value. Cost is assigned on a first in first out basis.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Investment property

The group's investment properties have been determined as being held to back insurance obligations and other activities. They are measured at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the period in which they arise.

Unrealised gains/losses

Unrealised gains/losses on investment properties and financial assets at fair value through profit or loss are not represented by cash funds. Accordingly the Directors do not consider it appropriate to make such gains and losses available for distribution.

Gains and losses are transferred from retained earnings to the general reserve account and released to retained earnings when the asset is realised.

Property, plant & equipment

Property, plant & equipment is stated at cost less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of an item.

Depreciation is provided on items of property, plant & equipment. Depreciation is calculated on a straight line basis so as to write off the net cost over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

	Years
Plant & equipment	5
Leasehold improvements	6
Computer hardware	3
Motor vehicles	5

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

Intangibles

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over its estimated useful life of three years.

The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Impairment of assets

At each reporting date, the group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount rate.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal is treated as a revaluation increase.

Financial liabilities

Trade and other payables

Trade and other payables are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are recorded at amortised cost.

District, Lodge and Credit Union Deposits

The group manages deposits received from Districts, Lodges and Credit Unions, which are then invested on their behalf.

District, Lodge and Credit Union deposits are recognised as a financial liability upon receipt of the funds. Subsequent to initial recognition, the carrying value of the deposits is measured at amortised cost. This is equivalent to fair value as the majority of deposits are held on call or on short maturity dates (less than 1 year).

Member benefit fund obligations

Details of the funds held by the group for members are detailed in note 12.

Member benefit fund obligations are recognised as a financial liability upon receipt of the funds. As Manchester Unity does not have an unconditional right to defer payment of these funds, they are recognised at their initial value plus appropriations made. This value represents the amount that may be called.

All financial liability counterparties rank equally.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

Leases

Parent as lessee

All operating lease payments, where substantially all the risks and benefits remain with the lessor, are charged as an expense on a straight line basis over the lease term, unless another systematic method of allocation is more appropriate.

Parent as lessor

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease.

Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Inland Revenue Department is classified as an operating cash flow.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. Provisions are recognised as the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

Taxation

No taxation has been provided for in the parent financial statements on the basis that Manchester Unity is a Friendly Society and accordingly is exempt from income tax. Taxation relating to the UNITY Ltd is accounted for as follows:

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

No deferred tax has been recognised on behalf of UNITY Ltd. Deferred tax assets arising from deductible temporary differences are only recognised to the extent it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences in the foreseeable future.

Appropriations

Appropriations to insurance contract obligations and member benefit funds are made on a yearly basis by the Directors. The amount of appropriation made is based on the average balance of the funds held over the financial year.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

Reserves

Certain monies are held aside in reserves, as disclosed in note 16. Movements in these reserves are recognised as transfers to and from retained earnings.

Statement of cash flows

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities: are the principal revenue producing activities of the Society and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long term assets, deposits received from and repaid to Districts and Lodges and other investments not included in cash equivalents.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 7 - valuation of investment properties (estimation)
- Note 14 - valuation of member insurance obligations (estimation)
- Note 14 - unbundling of premiums and claims (judgement)

Standards or interpretations not yet effective

Various standards, amendments and interpretations have been issued by the Accounting Standards Review Board but have not been adopted by the group as they are not yet effective. Application of these standards, amendments and interpretations, is not expected to have a material impact on the group's financial position and results in the period of initial application.

Comparative amounts

The presentation and classification of items in the financial statements is consistent in the current period with the prior year.

Adoption of new or revised accounting standards

The revision to NZ IAS-1 has been adopted in the current year. This has resulted in the renaming some of the titles in the financial statements and other minor terminology changes.

The amendment to NZ IFRS-7 has also been adopted and has resulted in additional disclosure in note 23(k). There are no other new or revised accounting standards that impacted the Society in the current year.

Change in accounting policies

There have been no changes in accounting policies during the year.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

2. Comprehensive income attributable to members

(a) Revenue

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations consisted of the following items:				
Member insurance contributions:				
Increasing Assurance Benefit	429	470	429	470
Funeral Fund	453	430	453	430
Medical Services Fund	1,158	1,259	1,158	1,259
Education Support Plan	69	62	69	62
Total member insurance contributions	2,109	2,221	2,109	2,221
Investment and other income				
Investment properties - rental income:				
Commercial properties rental income	1,021	966	1,021	966
Leasehold properties rental income	329	290	329	290
Holiday accommodation rental income	230	235	230	235
Total rental income	1,580	1,491	1,580	1,491
Interest income:				
Bank deposits	341	1,058	341	1,058
Income from loans and receivables	19	25	19	25
Fixed interest securities	3,051	2,942	3,051	2,942
Total interest income	3,411	4,024	3,411	4,024
Dividend income	79	24	79	24
Investment gains and losses				
Revaluation of investment property	(133)	(532)	(133)	(532)
Realised gain on disposal of investment property	161	-	161	-
Change in fair value of financial assets designated at fair value through profit or loss	1,027	(253)	1,027	(253)
Total investment gains and losses	1,054	(785)	1,054	(785)
Total investment income including gains and losses	6,123	4,754	6,123	4,754
Other income:				
Unity Ltd revenue from web hosting	22	28	-	-
Management fees	-	-	14	21
Other income	189	224	189	224
Total other income	212	253	204	246

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

2. Comprehensive income attributable to members (continued)

(b) Comprehensive income before tax

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Comprehensive income for the period has been arrived at after charging the following expenses from continuing operations:				
Member insurance withdrawals:				
Increasing Assurance benefit	2,113	2,134	2,113	2,134
Funeral Fund	1,004	751	1,004	751
Medical Services Fund	850	783	850	783
Education Support Plan	4	-	4	-
Total insurance withdrawals	3,971	3,668	3,971	3,668
Other expenses				
Directors' fees and expenses	178	174	178	174
Operational plan for the future	7	12	7	12
Employee expenses	1,288	1,442	1,288	1,442
Auditors remuneration - audit fees*	53	61	53	61
- accounting advice*		2		2
Other professional fees	96	74	96	74
Fraternal Council	27		27	
Rent and other occupancy expenses	213	218	213	218
Travel expenses	67	62	67	62
Office administration	108	98	108	98
Insurance	65	64	65	64
Communications	58	78	58	78
Marketing expenses	158	187	158	187
Computer expenses	61	42	51	35
Other expenses	110	99	110	99
Interest on District, Lodge and Credit Union deposits	167	363	167	363
Direct property expenses of investment properties:				
- Commercial properties	2	18	2	18
- Leasehold properties	16	4	16	4
- Holiday accommodation properties	155	133	155	133
Depreciation (note 8)	122	124	122	124
Amortisation of software (note 9)	13	16	13	16
Society Benevolent Fund grants	9	1	9	1
Commissions expense	50	60	50	60
Appropriations to Member Benefit Fund Liabilities (note 12)	295	290	295	290
Total other expenses	3,317	3,624	3,307	3,617

*The auditor of Manchester Unity is Deloitte.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

3. Taxation

Current tax

UNITY Ltd has no current tax.

Deferred Tax

UNITY Limited has an unrecognised deferred tax asset of \$445,000 (2009; \$445,000). No transfer has been made to the statement of comprehensive income of Manchester Unity. As stated in the policy on taxation, a debit balance in the deferred tax account arising from tax differences or income tax losses is only recognised if their realisation is probable.

4. Cash and cash equivalents

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cash on hand	29	68	14	51
Short term bank deposits	8,940	7,972	8,940	7,972
Total cash and cash equivalents	8,969	8,040	8,954	8,023

The maturity profile of these assets is shown in note 23(d).

5. Other financial assets

Trade and other receivables:

Intercompany advances	-	-	-	-
Member contributions in arrears	11	23	11	23
Trade and other sundry receivables	11	4	11	4
Interest receivable	508	538	508	538
First mortgage securities	14	31	14	31
IAB loans and advances	146	174	146	174
Total trade and other receivables	690	770	690	770

Other financial assets designated at fair value through profit or loss:

Government stock	4,727	4,761	4,727	4,761
Local authority stock	4,955	4,812	4,955	4,812
Corporate stock	31,126	32,516	31,126	32,516
Total NZ fixed interest securities	40,808	42,089	40,808	42,089
NZ Equities	1,062	275	1,062	275
Australian Equities	954	-	954	-
Total financial assets designated at fair value through profit or loss	42,824	42,364	42,824	42,364

The maturity of these assets is shown in note 23(d).

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

6. Other assets

	Note	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current:					
Inventory		19	21	19	21
Prepayments		11	6	11	6
Investment in subsidiary	17	-	-	13	13
Total other assets		30	27	43	40

7. Investment property

Commercial properties:

Balance at beginning of financial year	12,200	12,650	12,200	12,650
Additions from subsequent expenditure	-	-	-	-
Other acquisitions and disposals	-	-	-	-
Net gain/(loss) from fair value adjustments	100	(450)	100	(450)
Balance at end of financial year	12,300	12,200	12,300	12,200

Leasehold properties:

Balance at beginning of financial year	5,059	4,966	5,059	4,966
Additions from subsequent expenditure	-	-	-	-
Other acquisitions and disposals	(182)	-	(182)	-
Net gain/(loss) from fair value adjustments	(262)	93	(262)	93
Balance at end of financial year	4,615	5,059	4,615	5,059

Holiday accommodation properties:

Balance at beginning of financial year	6,061	6,220	6,061	6,220
Additions from subsequent expenditure	-	15	-	15
Other acquisitions and disposals	(636)	-	(636)	-
Net gain/(loss) from fair value adjustments	29	(174)	29	(174)
Balance at end of financial year	5,454	6,061	5,454	6,061
Total investment property	22,369	23,320	22,369	23,320

The fair value of the group's investment property is determined at 31 May each year by the Directors on the basis of a valuation carried out at that date by Arthur Stewart, (FNZPI) of Darroch Ltd, independent registered valuers experienced in the New Zealand property market.

The valuation, which conforms to the New Zealand Property Institute Practice Standard 3 - Valuations for Financial Reporting Purposes, was arrived at by reference to market evidence of transaction prices for similar properties.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

8. Property, plant & equipment

	Group				
	Plant & equipment	Leasehold improvements	Computer hardware	Motor vehicles	Total
Cost:	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 June 2008	79	401	455	35	970
Additions	11	-	41	-	52
Disposals	-	(5)	(5)	-	(10)
Balance at 31 May 2009	90	396	491	35	1,012
Additions	9	-	16	-	25
Disposals	-	-	-	-	0
Balance at 31 May 2010	99	396	507	35	1,037

Accumulated depreciation and impairment:

Balance at 1 June 2008	(75)	(169)	(373)	(35)	(652)
Depreciation expense	(8)	(65)	(51)	-	(124)
Disposals	-	-	5	-	5
Balance at 31 May 2009	(83)	(234)	(419)	(35)	(771)
Depreciation expense	(5)	(70)	(47)	-	(122)
Disposals	-	-	-	-	0
Balance at 31 May 2010	(88)	(304)	(466)	(35)	(893)

Net book value:

At 31 May 2009	7	162	72	-	241
At 31 May 2010	11	92	41	-	144

	Parent				
	Plant & equipment	Leasehold improvements	Computer hardware	Motor vehicles	Total
Cost:	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 June 2008	78	401	438	35	952
Additions	11	-	41	-	52
Disposals	-	(5)	(5)	-	(10)
Balance at 31 May 2009	89	396	474	35	994
Additions	9	-	16	-	25
Disposals	-	-	-	-	0
Balance at 31 May 2010	98	396	490	35	1,019

Accumulated depreciation and impairment:

Balance at 1 June 2008	(74)	(169)	(356)	(35)	(634)
Depreciation expense	(8)	(65)	(51)	-	(124)
Disposals	-	-	5	-	5
Balance at 31 May 2009	(82)	(234)	(402)	(35)	(753)
Depreciation expense	(5)	(70)	(47)	-	(122)
Disposals	-	-	-	-	0
Balance at 31 May 2010	(87)	(304)	(449)	(35)	(875)

Net book value:

At 31 May 2009	7	162	72	-	241
At 31 May 2010	11	92	41	-	144

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

9. Intangible assets

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Software				
Cost:				
Opening balance	477	468	477	468
Additions	2	10	2	10
Disposals	-	(1)	-	(1)
Closing balance	479	477	479	477
Accumulated amortisation and impairment:				
Opening balance	(456)	(440)	(456)	(440)
Amortisation expense	(13)	(16)	(13)	(16)
Disposals	-	-	-	-
Closing balance	(469)	(456)	(469)	(456)
Net book value	10	21	10	21

10. Trade and other payables

Trade creditors and accruals	385	485	385	485
Total trade and other payables - current	385	485	385	485

Payables are paid within the credit timeframe.

11. District, Lodge and other deposits

Unsecured:				
Deposits - District and Lodges	2,800	3,767	2,800	3,767
Deposits - other	9	-	9	-
Total - District, Lodge and other deposits - current	2,809	3,767	2,809	3,767

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

12. Member benefit fund liabilities

	Member Share Funds	Educational Benefit Fund	Group and Parent Society Sickness Benefit Fund	Hawke's Bay Endowment Fund	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2010					
Opening balance	4,365	36	272	18	4,691
Contributions	122	1	1	-	124
Withdrawals	(254)	(2)	(25)	(1)	(282)
Appropriations (note 2b)	276	1	17	1	295
Closing balance - current	4,509	36	265	18	4,828
2009					
Opening balance	4,242	37	269	19	4,567
Contributions	-	1	1	-	2
Withdrawals	(148)	(3)	(15)	(2)	(168)
Appropriations (note 2b)	271	1	17	1	290
Closing balance - current	4,365	36	272	18	4,691

At 31 May 2010 the Directors declared an appropriation of 6.50% (2009; 6.50%) of balances held.

(a) Member Share Funds

A member share fund is created when a District or Lodge votes to consolidate their surplus funds and place them under the administration of Manchester Unity.

	Group and Parent	
	2010	2009
	\$'000	\$'000
Current:		
Auckland District	295	287
Banks Peninsula Branch	795	657
Egmont Lodge	1,516	1,485
Hastings Lodge	347	356
Masterton Lodge	720	727
Napier Lodge	589	593
Rose of Sharon Lodge	139	151
United Westland Lodge	91	92
Woodville Lodge	17	17
Total Member Share Funds	4,509	4,365

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

12. Member benefit fund liabilities (cont'd)

(b) Educational Benefit Fund

This fund was established for members who wished to put aside money for their children's education. The fund is administered by the Board of Directors under Rule 61 of the General Rules.

Interest is credited to the fund annually in the form of an appropriation.

The funds become available to the beneficiary on attainment of their 20th birthday.

(c) Society Sickness Benefit Fund

This fund was previously the Hawkes Bay Sickness fund. It is closed to new members and is now administered by Manchester Unity Friendly Society. It provides sickness and annuity benefits to the level of funds previously contributed plus interest. The fund is administered by the Board of Directors under General Rule 37.

(d) Hawke's Bay Endowment Fund

An endowment fund held by Society on behalf of the Hawkes Bay Lodges.

13. Provisions

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Provision for employee entitlements	50	39	50	39
Total provisions	50	39	50	39

Employee entitlements includes holiday pay and is expected to be settled within the next financial year.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

14. Member insurance contract obligations

(a) Member insurance contract obligations		Group and Parent				Total
		Medical Services Fund *	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit	
		\$'000	\$'000	\$'000	\$'000	\$'000
2010						
Opening value	Note	250	6,136	12,359	20,325	39,190
Revaluation of member insurance contract obligations	15	-	703	1,101	(377)	1,500
Closing value		250	6,839	13,460	19,948	40,690
Expected maturity						
Current		250	326	1,069	2,556	4,201
Non-current		-	6,513	12,391	17,392	36,489
Value at 31 May 2010		250	6,839	13,460	19,948	40,690
2009						
Opening value		250	6,589	12,136	19,745	38,773
Revaluation of member insurance contract obligations	15	-	(453)	223	580	417
Closing value		250	6,136	12,359	20,325	39,190
Expected maturity						
Current		250	204	905	2,035	3,394
Non-current		-	5,932	11,454	18,290	35,796
Value at 31 May 2009		250	6,136	12,359	20,325	39,190
(b) Underwriting result						
		Medical Services Fund *	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
2010						
Premium revenue		1,158	453	-	429	2,109
Direct claims expense		(850)	(373)	(631)	(2,113)	(3,971)
Acquisition costs		(235)	(4)	-	(60)	(299)
Underwriting result	15	73	76	(631)	(1,744)	(2,161)
2009						
Premium revenue		1,259	430	-	470	2,221
Direct claims expense		(783)	(290)	(461)	(2,134)	(3,668)
Acquisition costs		(248)	(6)	-	(69)	(323)
Underwriting result	15	228	134	(461)	(1,733)	(1,770)

Due to the high liquidity of the assets it is anticipated that all insurance contract obligations will be able to be met as the fall due.

* These funds are not actuarially valued

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

14. Member insurance contract obligations (cont'd)

(c) Details of member insurance contract products

Manchester Unity provides a variety of investment and insurance products and services to its members as follows:

Name of product	Description
Medical Services Fund (MSF)	Provides three tiers of health care insurance to members, primary, comprehensive, and surgical only. Administered by the Board of Directors under General Rule 34.
Funeral Fund and Increased Funeral Fund (FAB, IFAB)	Provides funeral cover up to a maximum of \$10,000. Members may join this plan up until the age of 65 years. Benefits include funeral cover taken plus bonuses. Members over 65 who wish to purchase a funeral benefit may take out a single contribution policy (prepaid benefit, no bonuses). IFAB represents the bonuses accruing to the members on their FAB. Administered by the Board of Directors under General Rules 27, 28, 29 and 30.
Increasing Assurance Benefit (IAB)	Provides short-term or long-term investment, financial protection and death cover, with a combination of savings commitment and planning flexibility. There is a choice of plans: Endowment - benefits paid after the attainment of a specified age (benefits include original cover taken plus bonuses). Whole of life - benefits paid on death but partial withdrawal of bonuses is available after age 65. Term life - benefits are paid on death, no bonuses accrue. Administered by the Board of Directors under General Rule 32.
Education Support Plan (save2learn)	The Education Support plan has been in operation since 2005. It is a pooled investment fund that permits subscribers to make provision for their children or grandchildren's education costs at secondary or tertiary level. Tertiary means university, college of education, polytechnic providers or other tertiary course approved by the New Zealand Ministry of Education. Secondary - this policy pays out when your child enters year nine of schooling or their 13th birthday whichever is later. It is designed to help cover the cost of uniforms and extra curricular activities such as music or sports trips and equipment. Tertiary - this policy pays out at the beginning of tertiary study or your child's 18th birthday whichever is the later. It is designed to help cover the cost of fees, text books and some living expenses that are involved when studying at this level. Both types of policy are eligible for bonuses the level of which will depend on the returns allocated to the fund by Manchester Unity and are not guaranteed. Administered by the Board of Directors under General Rule 62.

(d) Objectives for managing insurance risk

Manchester Unity has a Medical services reserve and a Member policyholder surplus reserve. These reserves are held for financial soundness in mitigating Manchester Unity's insurance risk. Refer to note 16.

As a result the Directors have determined that re-insurance is not required.

The insurer Manchester Unity, as a friendly society, is not required to have a credit rating.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

14. Member insurance contract obligations (cont'd)

(e) Actuarial valuation of member insurance contract obligations

The most recent actuarial valuation of the Increasing Assurance Benefit Fund, Funeral Fund and Increased Funeral Fund was carried out as at 31 May 2010.

The actuarial valuation was prepared by the appointed actuary of Manchester Unity Friendly Society, Charles Cahn BSc. FIAA. FNZSA.

The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the member insurance contracts liabilities for these Funds.

	May 2010		
	Increasing Assurance Benefit \$'000	Funeral Fund \$'000	Increased Funeral Fund \$'000
Central estimate of liability for insurance contracts	18,514	5,490	11,912
Liability for insurance contracts including risk margin	19,948	6,839	13,460
Percentage risk margin	8%	25%	13%

The risk margin has been derived by valuing the liabilities on a more conservative basis than central estimate. The basis was selected to achieve a high probability of sufficiency. No diversification of risks was allowed for.

The amount of member insurance contract obligations has been determined in accordance with the following methods and assumptions:

(i) Method of calculation

The liability of the contracts was determined by deducting the present value of future contributions less expenses from the present value of the sums assured and, for the Increasing Assurance Benefit Fund, reversionary bonuses attached at the valuation date. A reversionary bonus is a bonus payable at the end of the term of the policy (that is, at maturity) or on prior death of the life assured. Once allocated the value is guaranteed provided premiums are paid up at maturity or death.

(ii) Investment earnings/discount rate

The risk free discount rate used was the 10 year mid interbank swap rate. The rate was 5.83%pa. (2009; 6.1%pa).

(iii) Expenses

Expenses were assumed at rates consistent with recent experience.

(iv) Mortality

For the IAB the mortality tables used were based on the New Zealand Insured Lives table 2005 - 2007 for males and females (2009; New Zealand Insured Lives table 1993 - 1997).

For the Funeral Funds, the mortality table used were based on the New Zealand Life tables 2005-2007 total population tables for males and females adjusted for actual experience of the Funds.

(v) Discontinuance

Rates of discontinuance and lapse assumed were based on the actual experience.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

14. Member insurance contract obligations (cont'd)

(e) Actuarial valuation of member insurance contract obligations (cont'd)

(vi) Unbundling of Insurance premiums and claims

The Directors made the following judgement with respect to the unbundling of insurance premiums and claims.

The IAB and ESP contain both an insurance component and a deposit component. The Directors have determined that these components cannot be unbundled, therefore the deposit components (contributions and withdrawals) and the insurance components (premiums and claims) are included in the statement of comprehensive income as contributions and withdrawals.

(vii) Impact of assumption changes

The table below shows the effect of changes made to the assumptions used the previous year.

Assumption	Impact on insurance contract liabilities	Impact on profit and equity
	\$000	\$000
Mortality	(702)	702
Discount rate	911	(911)
Expenses	287	(287)
Discontinuance	414	(414)

(viii) Sensitivity analysis

The table below shows the sensitivity of member insurance contract liabilities to changes in variables that have a material impact on insurance risk. As there is no reinsurance on any of the products the sensitivities shown are the same both gross and net of reinsurance. It should be noted that sensitivities are often non-linear and larger or smaller impacts may not be easily identified from these results.

Assumption	Assumption change	Impact on insurance contract liabilities	Impact on profit and equity
		\$000	\$000
Mortality	Increase by 10.00%	606	(606)
Mortality	Decrease by 10.00%	(609)	609
Discount rates	Increase by 0.25%	(940)	940
Discount rates	Decrease by 0.25%	986	(986)
Expenses	Increase by 10.00%	939	(939)
Expenses	Decrease by 10.00%	(924)	924
Discontinuance	Increase by 10.00%	(119)	119
Discontinuance	Decrease by 10.00%	120	(120)

MANCHESTER UNITY FRIENDLY SOCIETY

Notes to the Financial Statements

for the financial year ended 31 May 2010

14. Member insurance contract obligations (cont'd)

(f) Fund transactions

The following table outlines the transactions that flow through the funds as taken into consideration by the actuary in determining the member insurance contract obligation for each product at 31 May 2010.

		Parent and Group					
		Medical Services Fund *	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit	Education Support Plan *	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010	Note						
Opening member insurance contract obligations at 31 May 2009		250	6,136	12,359	20,325	120	39,190
Opening unallocated member surplus at 31 May 2009		-	1,443	1,781	6,822	-	10,046
Members funds at 31 May 2009		250	7,579	14,140	27,147	120	49,236
Contributions		1,158	453	-	429	69	2,109
Withdrawals		(850)	(373)	(631)	(2,113)	(4)	(3,971)
Society management fees		(212)	-	-	(37)	-	(249)
Other acquisition costs		(23)	(4)	-	(23)	-	(50)
Transfers		(73)	(500)	500	-	-	(73)
Appropriations	15	-	387	739	1,379	8	2,513
Net movement for year		-	(37)	608	(365)	73	279
Members funds at 31 May 2010		250	7,542	14,748	26,782	193	49,515

This comprises:

Net liabilities before future bonuses	250	6,839	13,460	19,948	193	40,690
Unallocated actuarial surplus (member policyholder surplus reserve - refer note 16)	-	703	1,288	6,834	-	8,825
Members funds at 31 May 2010	250	7,542	14,748	26,782	193	49,515

* These funds are not actuarially valued

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

14. Member insurance contract obligations (cont'd)

(f) Fund transactions (cont'd)

The following table outlines the transactions that flow through the funds as taken into consideration by the actuary in determining the member insurance contract obligation for each product at 31 May 2009.

		Parent and Group					Total
		Medical Services Fund *	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit	Education Support Plan *	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2009	Note						
Opening member insurance contract obligations at 31 May 2008		250	6,589	12,136	19,745	54	38,774
Opening unallocated member surplus at 31 May 2008		-	855	1,326	7,675	-	9,856
Members funds at 31 May 2008		250	7,444	13,462	27,420	54	48,630
Contributions		1,259	430	-	470	62	2,221
Withdrawals		(783)	(290)	(461)	(2,134)	-	(3,668)
Society management fees		(223)	-	-	(40)	-	(263)
Other acquisition costs		(25)	(6)	-	(29)	-	(60)
Transfers		(228)	(400)	400	-	-	(228)
Appropriation	15	-	401	739	1,460	4	2,604
Net movement for year		-	135	678	(273)	66	606
Members funds at 31 May 2009		250	7,579	14,140	27,147	120	49,236
This comprises:							
Net liabilities before future bonuses		250	6,136	12,359	20,325	120	39,190
Unallocated actuarial surplus (Member policyholder surplus reserve refer - note 16)		-	1,443	1,781	6,822	-	10,046
Members funds at 31 May 2009		250	7,579	14,140	27,147	120	49,236

* These funds are not actuarially valued

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

15. Retained earnings

	Note	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at the beginning of financial year		2,330	2,442	2,327	2,438
Total comprehensive income/(loss) attributable to members		(344)	(480)	(342)	(480)
Transfer from Society Benevolent Fund	16(b)	9	1	9	1
Transfers to medical services and Member policyholder surplus reserves (notes 16(c),(d)&(e)):					
- Appropriations to insurance contracts	14(f)	(2,513)	(2,604)	(2,513)	(2,604)
- Underwriting loss	14(b)	2,161	1,770	2,161	1,770
- Actuarial revaluation of insurance contracts	14(a)	1,500	417	1,500	417
		1,148	(417)	1,148	(417)
Release of realised gain on disposal of financial assets		182	-	182	-
Revaluation of investment properties		133	532	133	532
Unrealised profit/(loss) on change in fair value of financial assets		(1,027)	253	(1,027)	253
Transfers from/(to) the general reserve	16(f)	(711)	785	(711)	785
Balance at the end of financial year		2,433	2,330	2,431	2,327

Voting rights

Voting rights are allocated to Districts and Lodges on a pro-rata basis, based on membership, in accordance with the General Rules.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

16. Reserves

		Group		Parent	
	Note	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
District and Lodge Relief Fund	16(a)	968	968	968	968
Society Benevolent and Emergency Relief Fund	16(b)	713	722	713	722
Member policyholder surplus reserve	16(c)	8,825	10,046	8,825	10,046
Medical services reserve	16(d)	1,959	1,886	1,959	1,886
Medical services fund	16(e)	750	750	750	750
General reserve	16(f)	10,472	9,761	10,472	9,761
Total reserves		23,687	24,133	23,687	24,133

(a) District and Lodge Relief Fund

Balance at the beginning of financial year		968	968	968	968
Distributions to members		-	-	-	-
Transfer to retained earnings	15	-	-	-	-
Balance at the end of financial year		968	968	968	968

The District and Lodge Relief Fund is administered by the Board of Directors under General Rule 39.

The fund exists for the purpose of assisting the Districts and Lodges.

(b) Society Benevolent and Emergency Relief Fund

Balance at the beginning of financial year		722	723	722	723
Net payments to members		(9)	(1)	(9)	(1)
Allocation of surplus		-	-	-	-
Transfer from/(to) retained earnings	15	(9)	(1)	(9)	(1)
Balance at the end of financial year		713	722	713	722

The Society Benevolent Fund is administered by the Board of Directors under General Rule 35.

The fund is held for the purpose of making grants to members of the Society and their families for such benevolent charitable, educational, philanthropic or cultural purposes as the Directors see appropriate.

(c) Member policyholder surplus reserve

Balance at the beginning of financial year		10,046	9,856	10,046	9,856
Transfers from/(to) retained earnings	15	(1,221)	190	(1,221)	190
Balance at the end of financial year	14(f)	8,825	10,046	8,825	10,046

The Member policyholder surplus reserve arises from the actuarial valuation of member insurance contract liabilities.

Surpluses above the actuarial calculation are held in reserve for these specified funds in case of future underwriting losses.

(d) Medical services reserve

Balance at the beginning of financial year		1,886	1,659	1,886	1,659
Transfers from/(to) retained earnings	15	73	227	73	227
Balance at the end of financial year		1,959	1,886	1,959	1,886

The medical services reserve was established from prior year unallocated profits.

Amounts are transferred from the reserve to retained earnings to offset liabilities incurred as and when required.

(e) Medical services fund

Balance at the beginning of financial year		750	750	750	750
Transfers from/(to) retained earnings	15	-	-	-	-
Balance at the end of financial year		750	750	750	750

The Medical services fund was set up under Rule 34 to provide three tiers of health care insurance to members, primary, comprehensive, and surgical only.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

16. Reserves (cont'd)

	Note	Group		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(f) General reserve					
Balance at the beginning of financial year		9,761	10,546	9,761	10,546
Release of realised gain on disposal of financial assets		(182)	-	(182)	-
Revaluation of investment properties		(133)	(532)	(133)	(532)
Unrealised profit/(loss) on change in fair value of financial assets		1,027	(253)	1,027	(253)
Transfer from/(to) retained earnings	15	711	(785)	711	(785)
Balance at the end of financial year		10,472	9,761	10,472	9,761

The general reserve represents unrealised gains/losses made on Manchester Unity's investment properties, equities and fixed interest securities since acquisition of the assets. The unrealised gains/losses are not represented by cash funds. Accordingly the Directors do not consider it appropriate to make the reserve available for distribution to members' funds. When the assets are realised, gains/losses made since acquisition date are transferred from the general reserve to retained earnings.

17. Investment in subsidiary

UNITY Limited commenced trading on 1 June 2000 and is a 100% owned subsidiary of Manchester Unity. Manchester Unity wrote down its investment in UNITY Limited at 31 May 2002 and 31 May 2003. Apart from website development and hosting UNITY Limited ceased trading at 30 November 2002.

Subsidiary owned at 31 May 2010

	Interest held	
	2010	2009
UNITY Limited	100%	100%
UNITY Limited is a New Zealand incorporated company.		

	2010 \$'000	2009 \$'000
UNITY Limited:		
Investment in UNITY Limited	500	500
Convertible notes issued 2002	1,127	1,127
Convertible notes issued 2003	296	296
Adjustment to carrying value 2002	(1,566)	(1,566)
Adjustment to carrying value 2003	(344)	(344)
	13	13

UNITY Limited convertible notes were issued on the following terms:

15% interest rate payable annually at the discretion of Manchester Unity, and is convertible into share capital at the option of Manchester Unity. The convertible notes do not confer on the holders any right to vote at any meeting of the company.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

18. Related Parties

Related Party Disclosures

The Directors of Manchester Unity during the financial year were:

- G J Allanson
- P J Courtney
- P L Haglund
- J H Lowe
- I R Taylor
- P W Schumacher

Manchester Unity Credit Union and the Wellington District Manchester Unity Credit Union are separate organisations from Manchester Unity Friendly Society.

Manchester Unity Friendly Society has no financial obligations with these credit unions other than funds held on deposit from time to time and interest paid on these funds during the year.

Manchester Unity does not guarantee the credit union member deposits.

Messrs Haglund and Lowe are on the Committee of Management of the Manchester Unity Credit Union.

Transactions with Directors and Director Related Entities

Since the end of the previous financial year no Director has received any benefit (other than set out below) by reason of a contract made by Manchester Unity or its subsidiary with a Director, or a firm of which the Director is a member, or with a company in which the Director has a substantial interest.

Other Transactions

During the financial year Manchester Unity provided accounting and administration services to the Manchester Unity Districts, Lodges and Credit Unions for no consideration.

During the financial year interest was paid to Manchester Unity Districts, Lodges and Credit Unions totalling \$167,000 (2009; \$363,000). The term of investment ranged from call to 4 years. Interest rates are reviewed in line with the official cash rate set by the reserve Bank of New Zealand. At balance date the weighted average of interest being paid was 5.44% (2009; 5.31%).

During the financial year management fees of \$14,000 were charged to subsidiary UNITY Limited (2009; \$21,000).

Outstanding balances with related parties are disclosed in notes 11 and 12.

All outstanding balances are repayable within 4 years.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2009:Nil)

Key Management Personnel Compensation

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short-term employee benefits	365	353	365	353
Total	365	353	365	353

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

19. Leases

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Leases as lessee				
Non-cancellable operating lease payments				
Not longer than one year	171	187	171	187
Longer than one year and less than five years	292	46	292	46
Longer than five years	-	-	-	-
	463	233	463	233

Operating leases disclosed relate to the lease of the group's Lambton Quay Offices and the Christchurch agency office. The Lambton Quay offices were leased in June 2004 for an initial term of 6 years, with the option to extend for two further terms of 3 years each. The lease agreement contains a clause that market rent reviews are to be carried out every 3 years. The group does not have the option to purchase the space at the expiry of the lease period.

The Christchurch agency premises were leased in February 2008 for an initial term of 3 years with two further terms of 3 years. The lease agreement contains a clause that market rent reviews are to be carried out every 2 years. The group has no right to purchase the space at the expiry of the lease period.

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Leases as lessor				
Non-cancellable operating lease receivables				
Not longer than one year	1,280	1,283	1,280	1,283
Longer than one year and less than five years	3,654	3,989	3,654	3,989
Longer than five years	1,670	1,694	1,670	1,694
	6,604	6,966	6,604	6,966

Operating leases relate to commercial investment properties and leasehold land. Commercial properties owned by the group have lease terms of between 2 and 20 years. With one exception all leases have rights of renewal, with renewal durations between 3 and 6 years. The lessee's do not have the right to purchase the properties at the end of the lease period.

Leasehold land is leased out on 14 year terms with rights of renewal for the same period into perpetuity. A rent review is conducted at the end of each lease term. The leaseholders do not have the right to purchase the land. From time to time, the Trustees approve the freeholding of the properties at a market value set by a registered independent valuer.

20. Contingent liabilities and contingent assets

At balance date the group has no contingent liabilities or contingent assets (2009: Nil).

21. Commitments for expenditure

Capital expenditure commitments

The group had no capital commitments at balance date (May 2009: Nil).

Lease commitments

Non-cancellable operating lease commitments are disclosed in note 19 to the financial statements.

Other commitments

The parent has a funding commitment to its subsidiary UNITY Limited for \$295,000 in convertible notes (2009: \$295,000).

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

22. Notes to the cash flow statement

	Group		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Reconciliation of net cash provided by operating activities to Comprehensive Income for the period is as follows:				
Total comprehensive income/(loss)	(344)	(480)	(342)	(480)
Add/(less) non cash items:				
-revaluation of investment property	133	532	133	532
-depreciation and amortisation	135	139	135	139
-appropriations to member benefit funds	296	290	295	290
-net change in member insurance contract obligations	1,500	417	1,500	417
-changes in fair value of financial assets through profit or loss account	(1,027)	253	(1,027)	253
Add/(less) change in operating assets:				
-movement in contributions in advance	8	(18)	8	(18)
-movement in interest accrued	30	464	30	464
-movement in accounts receivable	(7)	115	(7)	115
-movement in contributions in arrears	12	2	12	2
-movement in other assets	(3)	1	(3)	1
-movement in trade and other payables	(100)	(70)	(100)	(68)
-movement in provisions	11	16	11	16
Member benefit fund contributions less withdrawals	(158)	(164)	(158)	(164)
Add/(less) items reclassified as investing activities:				
-gain on sale of investment properties	(161)	-	(161)	-
Net cash inflow/(outflow) from operating activities:	325	1,496	327	1,498

23. Financial Instruments

(a) Capital management objectives

The group manages its activities to ensure that the group is able to continue as a going concern while maximising the return to members through the prudent investment of funds as discussed below.

(b) Financial risk management objectives

Financial risk management activities are undertaken by the group as part of their investment management, in accordance with the investment policy as approved by the Board of Directors. The investment policy is reviewed by the Directors at least annually.

The group does not enter into or trade financial instruments, for speculative purposes. The group's activities expose it primarily to the financial risk of changes in interest rates.

(c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset are disclosed in note 1 to the financial statements.

(d) Interest rate risk

The group is exposed to interest rate risk in that the future interest rate movement will affect the net market value of fixed interest securities, and that rates on short term deposits will drop. Risk management activities are undertaken by Manchester Unity in accordance with the investment policy as disclosed in note 23(b).

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

23. Financial Instruments (cont'd)

(d) Interest rate risk management (cont'd)

Maturity profile of financial instruments

The following tables detail the group's exposure to interest rate risk at 31 May 2010 and 31 May 2009 and is based on undiscounted cash flows:

	Weighted average interest rate %	Maturity dates			Total \$'000
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000	
2010					
Financial assets:					
Cash and cash equivalents	4.66%	8,930	239	-	9,169
Other financial assets designated at fair value through profit or loss:					
Government stock	6.28%	283	5,167	0	5,450
Local authority stock	6.87%	1,353	4,172	950	6,475
Corporate stock	7.57%	5,426	25,373	6,765	37,564
NZ Equity		1,062	-	-	1,062
Australian Equity		954	-	-	954
Trade and other receivables:					
First mortgage securities	9.00%	15	-	-	15
IAB Loans and advances	8.03%	46	72	155	273
Other receivables		720	-	-	720
		18,789	35,023	7,870	61,682
Financial liabilities:					
Trade and other payables		385	-	-	385
District, Lodge and Credit Union deposits	5.44%	2,756	237	-	2,993
Member benefit fund liabilities		4,828	-	-	4,828
Provisions		50	-	-	50
		8,019	237	-	8,256
2009					
Financial assets:					
Cash and cash equivalents	4.14%	8,191	-	-	8,191
Other financial assets designated at fair value through profit or loss:					
Government stock	6.28%	283	4,084	1,590	5,957
Local authority stock	6.57%	1,200	3,402	860	5,462
Corporate stock	7.73%	8,197	27,567	7,784	43,548
NZ Equity		275	-	-	275
Australian Equity		-	-	-	-
Trade and other receivables:					
First mortgage securities	9.00%	19	17	-	36
IAB Loans and advances	8.82%	68	111	142	321
Other receivables		797	-	-	797
		19,030	35,181	10,376	64,587
Financial liabilities:					
Trade and other payables		485	-	-	485
District, Lodge and Credit Union deposits	5.31%	3,136	818	-	3,954
Member benefit fund liabilities		4,691	-	-	4,691
Provisions		39	-	-	39
		8,351	818	-	9,169

Interest rate repricing is generally consistent to the maturity date for the financial instruments in the table above.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

23. Financial Instruments (cont'd)

(d) Interest rate risk management - Maturity profile of financial instruments (cont'd)

The following table details the parent's exposure to interest rate risk at 31 May 2010 and 31 May 2009:

	Weighted average interest %	Less than 1 year \$'000	Maturity dates 1-5 years \$'000	More than 5 years \$'000	Total \$'000
2010					
Financial assets:					
Cash and cash equivalents	4.66%	8,930	239	-	9,169
Other financial assets designated at fair value through profit or loss:					
Government stock	6.28%	283	5,167	0	5,450
Local authority stock	6.87%	1,353	4,172	950	6,475
Corporate stock	7.57%	5,426	25,373	6,765	37,564
NZ Equity		1,062	-	-	1,062
Australian Equity		954	-	-	954
Investment in subsidiary		13	-	-	13
Trade and other receivables:					
First mortgage securities	9.00%	15	-	-	15
IAB Loans and advances	8.03%	46	72	155	273
Other receivables		720	-	-	720
		18,802	35,023	7,870	61,695
Financial liabilities:					
Trade and other payables		385	-	-	385
District, Lodge and Credit Union deposits	5.44%	2,756	237	-	2,993
Member benefit fund liabilities		4,828	-	-	4,828
Provisions		50	-	-	50
		8,019	237	-	8,256
2009					
Financial assets:					
Cash and cash equivalents	4.14%	8,174	-	-	8,174
through profit or loss:					
Government stock	6.28%	283	4,084	1,590	5,957
Local authority stock	6.57%	1,200	3,402	860	5,462
Corporate stock	7.73%	8,197	27,567	7,784	43,548
NZ equity		275	-	-	275
Australian Equity		-	-	-	-
Investment in subsidiary		13	-	-	13
Trade and other receivables:					
First mortgage securities	9.00%	19	17	-	36
IAB Loans and advances	8.82%	68	111	142	321
Other receivables		797	-	-	797
		19,026	35,181	10,376	64,583
Financial liabilities:					
Trade and other payables		485	-	-	485
District, Lodge and Credit Union deposits	5.31%	3,136	818	-	3,954
Member benefit fund liabilities		4,691	-	-	4,691
Provisions		39	-	-	39
		8,351	818	-	9,169

Interest rate repricing is generally consistent to the maturity date for the financial instruments in the table above.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

23. Financial Instruments (cont'd)

(d) Interest rate risk management (cont'd)

Interest rate sensitivity

Manchester Unity invests in fixed interest and bank deposits in the main and it is the intention of the Directors to hold the investments to maturity. As a consequence interest rate sensitivity is limited to changes in interest rates earned on bank deposits.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties.

The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually by the Board of Directors.

The group obtains collateral to cover credit risk exposures on IAB loans and advances and mortgages and such collateral includes properties and life insurance policies. Mortgages over properties are advanced at approximately 70% of market valuation. Loans against life insurance policies are advanced at up to 90% of their surrender value. There are no financial assets that are past due or impaired, and no financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

The group has credit risk exposure to a group of counterparties having similar characteristics being New Zealand registered banks. The credit risk on liquid funds and term deposits is considered to be limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Manchester Unity invests in rated and unrated corporate bonds. The bonds rated by Standard and Poors bonds range from AAA to BBB.

The maximum exposure to credit risk on the financial assets of the group is represented by the carrying amount as recorded in the financial statements.

(f) Sensitivity and price risk

Cash and cash equivalents consist substantially of short term interest bearing bank deposits. Each 1% movement in interest rates up or down will equate to an increase/decrease in comprehensive income and equity attributable to members of \$90,000 (2009; \$80,000).

(g) Foreign exchange risk

Australian equities are held and no foreign exchange cover is in place. A 1% movement in the exchange rate between the Australian and New Zealand dollar will equate to a variation in comprehensive income and equity attributable to members of \$10,000.

(h) Liquidity risk management

Liquidity risk is the risk that the group will encounter difficulty in raising funds at short notice to meet its commitments. The group maintains sufficient funds to meet its commitments based on historical and forecasted cash flow requirements. Liquidity risk and exposure is reviewed on an ongoing basis.

(i) Fair value of financial assets and liabilities within the scope of NZ IAS-39

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Where no market price is available, a yield to maturity valuation is done based on securities of a similar type or duration.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

23. Financial Instruments (cont'd)

(j) Financial assets and financial liabilities by measurement basis

The following table details the group's financial assets and liabilities within the scope of NZ IAS-39 by measurement basis:

Designated as FVTPL: Financial instruments backing insurance obligations are designated as at fair value through profit or loss in accordance with NZ IFRS-4: *Insurance Contracts*

L&R: Loans and receivables

AC: Amortised cost

	Designated as FVTPL \$'000	L&R at AC \$'000	AC \$'000	Total \$'000
2010				
Financial assets:				
Cash and cash equivalents	8,969	-	-	8,969
Other financial assets designated at fair value through profit or loss	42,824	-	-	42,824
Trade and other receivables	-	690	-	690
Total financial assets	51,793	690		52,483
Financial liabilities:				
Trade and other payables	-	-	385	385
District, Lodge and Credit Union deposits	-	-	2,809	2,809
Member benefit fund liabilities	-	-	4,828	4,828
Total financial liabilities	-	-	8,022	8,022
2009				
Financial assets:				
Cash and cash equivalents	8,040	-	-	8,040
Other financial assets designated at fair value through profit or loss	42,364	-	-	42,364
Trade and other receivables	-	770	-	770
Total financial assets	50,404	770		51,174
Financial liabilities:				
Trade and other payables	-	-	485	485
District, Lodge and Credit Union deposits	-	-	3,767	3,767
Member benefit fund liabilities	-	-	4,691	4,691
Total financial liabilities	-	-	8,943	8,943

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

23. Financial Instruments (cont'd)

(j) Financial assets and financial liabilities by measurement basis (cont'd)

The following table details the parent's financial assets and liabilities within the scope of NZ IAS-39 by measurement basis:

Designated as FVTPL: Financial instruments backing insurance obligations are designated as at fair value through profit or loss in accordance with NZ IFRS-4: *Insurance Contracts*

L&R: Loans and receivables

AC: Amortised cost

	Designated as FVTPL \$'000	L&R at AC \$'000	AC \$'000	Total \$'000
2010				
Financial assets:				
Cash and cash equivalents	8,954	-	-	8,954
Other financial assets designated at fair value through profit or loss	42,824	-	-	42,824
Trade and other receivables	-	690	-	690
Total financial assets	51,778	690	-	52,468
Financial liabilities:				
Trade and other payables	-	-	385	385
District, Lodge and Credit Union deposits	-	-	2,809	2,809
Member benefit fund liabilities	-	-	4,828	4,828
Total financial liabilities	-	-	8,022	8,022
2009				
Financial assets:				
Cash and cash equivalents	8,023	-	-	8,023
Other financial assets designated at fair value through profit or loss	42,364	-	-	42,364
Trade and other receivables	-	770	-	770
Total financial assets	50,387	770	-	51,157
Financial liabilities:				
Trade and other payables	-	-	485	485
District, Lodge and Credit Union deposits	-	-	3,767	3,767
Member benefit fund liabilities	-	-	4,691	4,691
Total financial liabilities	-	-	8,943	8,943

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2010

23. Financial Instruments (cont'd)

(k) Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group and Parent			Total
	Level 1	Level 2	Level 3	
2010	\$'000	\$'000	\$'000	\$'000
Government bonds	4,727	-	-	4,727
Local Authority bonds	4,955	-	-	4,955
Corporate bonds	31,126	-	-	31,126
Equity Investments	2,016	-	-	2,016
	42,824	-	-	42,824

The Society's financial instruments are Level 1 as their values have been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. There were no transfers between Levels 1 and 2 during the year.

24. Segmental Reporting

Manchester Unity operates in one geographic region being New Zealand and is organised into one operating segment being insurance and other activities for which discreet financial information is available that is monitored by the Directors. The Directors assess the underwriting results of the insurance products and monitor them to ensure that surplus reserves are held to fund underwriting losses as may be necessary. Disclosures of revenues, expenses and liabilities, as disclosed in note 14(f), are the level of detail reviewed by the Directors in regards to segmental analysis.

Assets are identified as being held to back the insurance contract obligations and other activities, and are not managed separately to other investments. Investment activity is undertaken to provide a return to the members of Manchester Unity who have purchased a financial product.

Investment returns are achieved through the investment in property, term deposits, fixed interest securities and equity.

25. Subsequent events

There have been no material events subsequent to balance date.

AUDIT REPORT

TO THE MEMBERS OF MANCHESTER UNITY FRIENDLY SOCIETY

We have audited the financial statements on pages 3 to 38. The financial statements provide information about the past financial performance of Manchester Unity Friendly Society (the "Society") and Group and its financial position as at 31 May 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 12.

This report is made solely to the Society's Members, as a body, in accordance with Section 68 of the Friendly Societies and Credit Unions Act 1982. Our audit has been undertaken so that we might state to the Society's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Director's Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Society and Group as at 31 May 2010 and the results of their operations and cash flows for the year ended on that date.

Auditor's Responsibilities

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

Basis of Opinion

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

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society and Group's 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 statements are 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 statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Society or its subsidiary.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Society as far as appears from our examination of those records, and
- the financial statements on pages 3 to 38:
 - comply with generally accepted accounting practice in New Zealand,
 - comply with International Financial Reporting Standards, and
 - give a true and fair view of the financial position of the Society and Group as at 31 May 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 29 July 2010 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**