

10060562289



ANNUAL RETURN

FRIENDLY SOCIETY

Friendly Societies and Credit Unions Act 1982

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 2011

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 Road, One Tree Hill	AUCKLAND
	Paul Leonard HAGLUND	47 Stackhouse Avenue	CHRISTCHURCH
	Ingrid Robyn TAYLOR	19 Taylors Avenue	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	19 Taylors Avenue	CHRISTCHURCH
	John Hayman LOWE	11 Eden Terrace	WAIPUKURAU
	Graham John ALLANSON	17 Kimbolton Road	FEILDING
Secretary	Peter William SCHUMACHER	76 Hawker Street	WELLINGTON
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

	376
	8
BUSINESS & REGISTRIES	35
BRANCH AUCKLAND	333
31 AUG 2011	
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>26,117,473</u>
Income		
Contributions or levies	2,041,630	
Funeral benefits repaid by central body		
Other transfers from a central body or branch		
1 Investment income	5,728,563	
2 Other income (specify significant items)	262,721	
Commissions	35,527	
Unrealised revaluation gains	1,075,858	
Total Income		<u>9,144,299</u>
Expenditure		
Sickness benefits	14,283	
Annuity benefits		
Funeral benefits	1,037,640	
3 Assurance benefits	2,607,993	
Medical benefits	734,983	
Management expenses	1,802,694	
Audit fees	54,000	
Expenses incurred on properties	240,534	
Asset revaluations/losses		
Levies to central body		
4 Other transfers to a central body or branch		
Taxation		
Wages & Honorarium	1,197,697	
Other expenditure (specify significant items)		
Distress and Benevolent	23,343	
Interest paid to D&L	140,611	
Revaluation of member insurance contract obligations	518,000	
Total Expenditure		<u>8,371,778</u>
		<u>772,521</u>
Total Members' Equity at end of year		<u>26,889,994</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	22,914,060	
Mortgages	400,000	
Government securities	4,754,150	
Local Authorities and SOE securities	16,492,731	
Term Deposits	10,450,000	
Bank accounts and cash on hand	642,392	
Furniture, fittings & other fixed assets	108,017	
Sundry Debtors/ Accounts receivable	680,717	
5 Society investment fund		
5 District investment fund (Promo fund)		
Other Assets	541,961	
Shares	3,655,908	
Bank bonds	9,463,696	
Fixed interest	10,180,438	
Other		
UFS	14,200	
Investment-Shares/Bonds/Notes		
	Total Assets	80,298,270

Less credit union investment fund		
6 Less branch investment fund		
Less funds held on behalf of a central body or branch	2,421,123	
	Total Members' Assets	77,877,147

7 LIABILITIES

Bank loans /Overdraft		
Trade and other payables and provisions		693,556
Member benefit fund liabilities		9,086,139
Funeral funds	21,476,466	
Increased assurance benefit	19,228,415	
Medical services fund	250,000	
Education support plan	252,577	
Member insurance contract obligations		41,207,458
		50,987,153
		26,889,994

NET ASSETS

EQUITY

Retained Earnings		2,660,967
District & lodge relief fund		968,222
Society Benefit emergency relief fund		689,830
Medical services reserve		2,174,213
Medical services fund		750,000
Member policyholder surplus reserve		8,096,000
Restricted Lodge reserve		384,762
General reserve		11,166,000
RESERVES		26,889,994

- 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

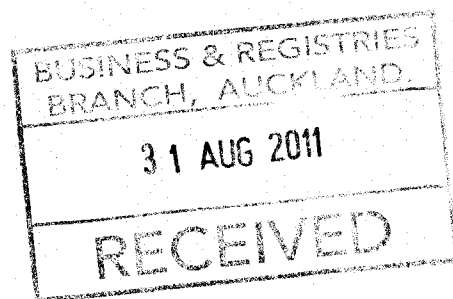
Mr. Schumann

Date

29/8/2011



FINANCIAL STATEMENTS
for the 12 months ended
31 May 2011



Manchester Unity Friendly Society

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Manchester Unity Friendly Society

Statement of Comprehensive Income

for the financial year ended 31 May 2011

	Note	Group 2011 \$'000	2010 \$'000	2011 \$'000	Parent 2010 \$'000
Income and Expenses					
Investment income including gains and losses	2a	6,803	6,125	6,803	6,123
Other income	2a	308	212	299	204
Other expenses	2b	(2,780)	(2,855)	(2,771)	(2,845)
		4,331	3,482	4,331	3,482
Interest on District and Lodge deposits		(141)	(167)	(141)	(167)
Appropriations to Member Benefit Fund Liabilities	12	(534)	(295)	(534)	(295)
		3,657	3,020	3,657	3,020
Insurance Funds					
Member insurance contributions	2a	2,041	2,109	2,041	2,109
Member insurance withdrawals and claims	2b	(4,381)	(3,971)	(4,381)	(3,971)
Movement in member insurance contract obligations	14a	(518)	(1,500)	(518)	(1,500)
		(2,858)	(3,362)	(2,858)	(3,362)
Net surplus/(deficit) for the year		799	(342)	799	(342)
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income/(loss) attributable to members		799	(342)	799	(342)

Manchester Unity Friendly Society

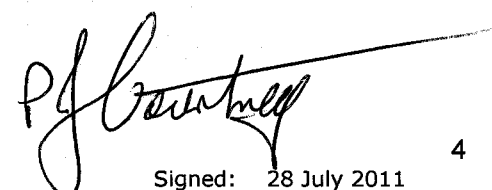
Statement of Financial Position

as at 31 May 2011

	Note	Group		Parent	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	4	11,108	8,969	11,092	8,954
Other financial assets designated at fair value through profit or loss	5	44,961	42,824	44,961	42,824
Trade and other receivables	5	1,062	690	1,062	690
Other assets	6	147	30	160	43
Investment property	7	22,914	22,369	22,914	22,369
Property, plant & equipment	8	88	144	88	144
Intangible assets	9	21	10	21	10
Total assets		80,302	75,036	80,299	75,034
Liabilities					
Trade and other payables	10	453	385	453	385
Other liabilities - contributions in advance		147	155	147	155
Other financial liabilities					
-District, Lodge and other deposits	11	2,433	2,809	2,433	2,809
-Member benefit fund liabilities	12	9,085	4,828	9,085	4,828
Provisions	13	57	50	57	50
Member insurance contract obligations	14(a)	41,208	40,690	41,208	40,690
Total liabilities		53,383	48,917	53,383	48,917
Net assets		26,919	26,120	26,917	26,118
Equity					
Retained earnings	15	2,692	2,433	2,689	2,431
Reserves					
Specific purpose funds					
-District and Lodge Relief Fund		968	968	968	968
-Society Benevolent and Emergency Relief Fund		690	713	690	713
Total Specific Purpose Funds		1,658	1,681	1,658	1,681
Restricted reserves					
-Member policyholder surplus reserve		8,096	8,825	8,096	8,825
-Lodge reserve	24	384	-	384	-
Total Restricted Reserves		8,480	8,825	8,480	8,825
Other reserves					
-Medical services reserve		2,174	1,959	2,174	1,959
-Medical services fund		750	750	750	750
-General reserve		11,166	10,472	11,166	10,472
Total Other Reserves		14,090	13,181	14,090	13,181
Total reserves	16	24,228	23,687	24,228	23,687
Total equity		26,919	26,120	26,917	26,118

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 28 July 2011
On behalf of the Board


Paul Haglund
CHAIRMAN

Peter Courtney
DIRECTOR

Signed: 28 July 2011

Manchester Unity Friendly Society

Statement of Changes in Equity

for the financial year ended 31 May 2011

	Note	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening equity		26,120	26,464	26,118	26,460
Net surplus/(deficit) for the year and total comprehensive income/(loss) attributable to members	15	799	(344)	799	(342)
Closing equity		26,919	26,120	26,917	26,118

Manchester Unity Friendly Society

Cash Flow Statement

for the financial year ended 31 May 2011

	Note	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities					
Member contributions-insurance contracts		2,041	2,109	2,041	2,109
Interest received		3,430	3,415	3,430	3,415
Dividends received		134	79	134	79
Rental received		1,621	1,580	1,621	1,580
Member benefit fund contributions		1,049	124	1,049	124
Other income		318	213	299	213
Member withdrawals-insurance contracts		(4,381)	(3,971)	(4,381)	(3,971)
Member benefit fund withdrawals		(497)	(282)	(497)	(282)
Payments to suppliers and employees		(3,223)	(2,775)	(3,205)	(2,773)
Interest paid		(141)	(167)	(141)	(167)
Net cash inflow/ (outflow) from operating activities	22	351	325	350	327
Cash flows from investing activities					
Proceeds from sale of leasehold properties		815	342	815	342
Proceeds from sale of holiday home		-	635	-	635
Proceeds from realisation of financial assets designated at fair value through profit or loss		4,032	6,490	4,032	6,490
Member IAB loan repayments		79	57	79	57
Purchase of property, plant & equipment		(17)	(25)	(17)	(25)
Purchase of intangible assets		(21)	(2)	(21)	(2)
Purchase of investment properties		(49)	-	(49)	-
Purchase of financial assets		(3,080)	(5,923)	(3,080)	(5,923)
Member IAB loan advances		(25)	(12)	(25)	(12)
Deposits received from Districts, Lodges and Credit Unions		473	320	473	320
Deposit repayments to Districts, Lodges and Credit Unions		(419)	(1,278)	(419)	(1,278)
Net cash inflow/ (outflow) from investing activities		1,788	604	1,788	604
Net increase/ (decrease) in cash held		2,139	929	2,138	931
Opening cash and cash equivalents		8,969	8,040	8,954	8,023
Closing cash and cash equivalents	4	11,108	8,969	11,092	8,954

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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, affordable holiday accommodation 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-oriented 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 and insurance obligations.

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 2011

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 2011

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 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 total income for 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 2011

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 other 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 2011

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 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 member 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 2011

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.

Cash flow statement

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 cash flow statement:

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 on going 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. . The table below sets out the standards, amendments and interpretations which are considered to be relevant to the Society and Group but are not expected to have a material impact on the Society or Group's financial position and results in the period of initial application.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZ IAS 24 'Related Party Disclosures'	1 January 2011	31 May 2012
NZ IFRS 9 'Financial Instruments'	1 January 2013	31 May 2014
*Revised NZ IFRS 9 'Financial Instruments'	1 January 2013	31 May 2014
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010	1 January 2011	31 May 2012
Amendments to NZ IFRS 7 'Financial Instruments: Disclosures'	1 July 2011	31 May 2013
Amendments to NZ IFRS 7 – Appendix E	1 April 2011	31 May 2012
IFRS 13 Fair Value Measurements	1 January 2013	31 May 2014

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

There were no new or revised accounting standards that impacted the Society or Group 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 2011

2. Comprehensive income attributable to members

(a) Revenue

	Group		Parent	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations consisted of the following items:				
Member insurance contributions:				
Increasing Assurance Benefit	380	429	380	429
Funeral Fund	416	453	416	453
Medical Services Fund	1,184	1,158	1,184	1,158
Education Support Plan	61	69	61	69
Total member insurance contributions	2,041	2,109	2,041	2,109
Investment and other income				
Investment properties - rental income:				
Commercial properties rental income	1,074	1,021	1,074	1,021
Leasehold properties rental income	337	329	337	329
Holiday accommodation rental income	217	230	217	230
Total rental income	1,628	1,580	1,628	1,580
Interest income:				
Bank deposits	391	341	391	341
Income from loans and receivables	34	19	34	19
Fixed interest securities	3,036	3,051	3,036	3,051
Total interest income	3,461	3,411	3,461	3,411
Dividend income	134	79	134	79
Investment gains and losses				
Revaluation of investment property	259	(133)	259	(133)
Realised gain on disposal of investment property	413	161	413	161
Realised gain on sale of financial assets designated at fair value through profit or loss	91	-	91	-
Change in fair value of financial assets designated at fair value through profit or loss	816	1,027	816	1,027
Total investment gains and losses	1,580	1,055	1,580	1,055
Total investment income including gains and losses	6,803	6,125	6,803	6,125
Other income:				
Unity Ltd revenue from web hosting	19	22	-	-
Management fee Unity Ltd	-	-	10	14
Member management fees	108	22	108	22
Other income	180	167	180	167
Total other income	308	212	299	204

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

2. Comprehensive income attributable to members (cont'd)

(b) Comprehensive income before tax

	Group		Parent	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Comprehensive income for the period has been arrived at after charging the following expenses from continuing operations:				
Member insurance withdrawals and claims:				
Increasing Assurance Benefit	2,595	2,113	2,595	2,113
Funeral Fund	1,038	1,004	1,038	1,004
Medical Services Fund	735	850	735	850
Education Support Plan	13	4	13	4
Total insurance withdrawals and claims	4,381	3,971	4,381	3,971
Other expenses				
Directors' fees and expenses	199	178	199	178
Operational plan for the future	54	7	54	7
Employee expenses	1,198	1,288	1,198	1,288
Auditors remuneration - audit fees*	54	53	54	53
Other professional fees	125	96	125	96
Fraternal Council	68	27	68	27
Rent and other occupancy expenses	208	213	208	213
Travel expenses	38	67	38	67
Office administration	107	108	107	108
Insurance	80	65	80	65
Communications	51	58	51	58
Marketing expenses	25	158	25	158
Computer expenses	55	61	46	51
Other expenses	129	110	129	110
Direct property expenses of investment properties:				
- Commercial properties	18	2	18	2
- Leasehold properties	5	16	5	16
- Holiday accommodation properties	217	155	217	155
Depreciation (note 8)	73	122	73	122
Amortisation of software (note 9)	10	13	10	13
Society Benevolent Fund grants	23	9	23	9
Commissions expense	44	50	44	50
Total other expenses	2,780	2,855	2,771	2,845

*The auditor of Manchester Unity is Deloitte.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

3. Taxation

Current tax

Unity Ltd has no current tax.

Deferred Tax

Unity has an unrecognised deferred tax asset of \$445,000 (2010; \$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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash on hand	13	29	(3)	14
Short term bank deposits	11,096	8,940	11,096	8,940
Total cash and cash equivalents	11,108	8,969	11,092	8,954

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

5. Other financial assets

Trade and other receivables:

Member contributions in arrears	17	11	17	11
Trade and other sundry receivables	3	11	3	11
Interest receivable	536	508	536	508
First mortgage securities	400	14	400	14
IAB loans and advances	106	146	106	146
Total trade and other receivables	1,062	690	1,062	690

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

Government stock	4,754	4,727	4,754	4,727
Local authority stock	5,258	4,955	5,258	4,955
Corporate stock	31,279	31,126	31,279	31,126
Total NZ fixed interest securities	41,291	40,808	41,291	40,808
NZ equities	1,933	1,062	1,933	1,062
Australian equities	1,694	954	1,694	954
International equities	43	-	43	-
Total financial assets designated at fair value through profit or loss	44,961	42,824	44,961	42,824

Included in the above table are Equities with a book value of \$478,000 are being held on behalf of the members of Nelson Lodge - see note 24.

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 2011

6. Other assets

		Group		Parent	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Current:					
Inventory		23	19	23	19
Prepayments		124	11	124	11
Investment in subsidiary	17	-	-	13	13
Total other assets		147	30	160	43

7. Investment property

Commercial properties:

Balance at beginning of financial year	12,300	12,200	12,300	12,200
Other acquisitions and disposals	639	-	639	-
Net gain/(loss) from fair value adjustments	429	100	429	100
Balance at end of financial year	13,368	12,300	13,368	12,300

Leasehold properties:

Balance at beginning of financial year	4,615	5,059	4,615	5,059
Other acquisitions and disposals	(402)	(182)	(402)	(182)
Net gain/(loss) from fair value adjustments	61	(262)	61	(262)
Balance at end of financial year	4,274	4,615	4,274	4,615

Holiday accommodation properties:

Balance at beginning of financial year	5,454	6,061	5,454	6,061
Additions from subsequent expenditure	48	-	48	-
Other acquisitions and disposals	-	(636)	-	(636)
Net gain/(loss) from fair value adjustments	(230)	29	(230)	29
Balance at end of financial year	5,272	5,454	5,272	5,454

Total investment property

Total investment property	22,914	22,369	22,914	22,369
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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 Jon Parker, (ANZIV) of Darroch Ltd, independent registered valuers experienced in the New Zealand property market.

The independent valuation, which conforms to The Property Institute of New Zealand, New Zealand Valuation Guidance Note 1 - Valuations for use in New Zealand Financial Reports and IVS3: Valuation Reporting, was arrived at by reference to market evidence of transaction prices for similar properties.

One commercial property with a fair value of \$850,000 (2010; NIL) is held for the benefit of members of Loyal Nelson Lodge - refer note 24.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

8. Property, plant & equipment

	Plant & equipme \$'000	Leasehold improvements \$'000	Group Computer hardware \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
Balance at 1 June 2009	90	396	491	35	1,012
Additions	9	-	16	-	25
Disposals	-	-	-	-	-
Balance at 31 May 2010	99	396	507	35	1,037
Additions	-	-	17	-	17
Disposals	(1)	-	-	-	(1)
Balance at 31 May 2011	98	396	524	35	1,053
Accumulated depreciation and impairment:					
Balance at 1 June 2009	(83)	(234)	(419)	(35)	(771)
Depreciation expense	(5)	(70)	(47)	-	(122)
Disposals	-	-	-	-	-
Balance at 31 May 2010	(88)	(304)	(466)	(35)	(893)
Depreciation expense	(4)	(36)	(33)	-	(73)
Disposals	1	-	-	-	1
Balance at 31 May 2011	(91)	(340)	(499)	(35)	(965)
Net book value:					
At 31 May 2010	11	92	41	-	144
At 31 May 2011	7	56	25	-	88

	Plant & equipme \$'000	Leasehold improvements \$'000	Parent Computer hardware \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
Balance at 1 June 2009	89	396	474	35	994
Additions	9	-	16	-	25
Disposals	-	-	-	-	-
Balance at 31 May 2010	98	396	490	35	1,019
Additions	-	-	17	-	17
Disposals	(1)	-	-	-	(1)
Balance at 31 May 2011	97	396	507	35	1,035
Accumulated depreciation and impairment:					
Balance at 1 June 2009	(82)	(234)	(402)	(35)	(753)
Depreciation expense	(5)	(70)	(47)	-	(122)
Disposals	-	-	-	-	-
Balance at 31 May 2010	(87)	(304)	(449)	(35)	(875)
Depreciation expense	(4)	(36)	(33)	-	(73)
Disposals	1	-	-	-	1
Balance at 31 May 2011	(90)	(340)	(482)	(35)	(947)
Net book value:					
At 31 May 2010	11	92	41	-	144
At 31 May 2011	7	56	25	-	88

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

9. Intangible assets

	Group		Parent	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Software				
Cost:				
Opening balance	479	477	479	477
Additions	21	2	21	2
Disposals	-	-	-	-
Closing balance	500	479	500	479
Accumulated amortisation and impairment:				
Opening balance	(469)	(456)	(469)	(456)
Amortisation expense	(10)	(13)	(10)	(13)
Disposals	-	-	-	-
Closing balance	(479)	(469)	(479)	(469)
Net book value	21	10	21	10

10. Trade and other payables

Trade creditors and accruals	453	385	453	385
Total trade and other payables - current	453	385	453	385

Payables are paid within the credit timeframe.

11. District, Lodge and other deposits

Unsecured:				
Deposits - District and Lodges	2,421	2,800	2,421	2,800
Deposits - other	12	9	12	9
Total - District, Lodge and other deposits - current	2,433	2,809	2,433	2,809

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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
2011					
Opening balance	4,509	36	265	18	4,828
Contributions	4,219	1	-	-	4,220
Withdrawals	(482)	-	(15)	-	(497)
Appropriations	512	2	19	1	534
Closing balance - current	8,758	39	269	19	9,085
2010					
Opening balance	4,365	36	272	18	4,691
Contributions	122	1	1	-	124
Withdrawals	(254)	(2)	(25)	(1)	(282)
Appropriations	276	1	17	1	295
Closing balance - current	4,509	36	265	18	4,828

At 31 May 2011 the Directors declared an appropriation of 7.50% (2010; 6.50%) of balances held. Lodges that have consolidated with "ring-fenced" assets have the appropriation to their share fund adjusted to take account of the earnings of those "ring-fenced" assets - refer note 24.

(a) Member Share Funds

A member share fund is created when a District or Lodge votes to consolidate their surplus funds pursuant to Rule 38 and place them under the administration of Manchester Unity.

	Group and Parent	
	2011	2010
	\$'000	\$'000
Current:		
Auckland District	308	295
Banks Peninsula Branch	764	795
Egmont Lodge	1,569	1,516
Hastings Lodge	361	347
Masterton Lodge	704	720
Napier Lodge	1,868	589
Nelson Lodge	2,926	-
Rose of Sharon Lodge	150	139
United Westland Lodge	94	91
Woodville Lodge	14	17
Total Member Share Funds	8,758	4,509

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Provision for employee entitlements	57	50	57	50
Total provisions	57	50	57	50

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 2011

14. Member insurance contract obligations

		Group and Parent				
		Medical Services Fund *	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit	Education Support Plan *
		\$'000	\$'000	\$'000	\$'000	\$'000
(a) Member insurance contract obligations						
2011						
Opening value	Note	250	6,839	13,460	19,948	193
Movement in member insurance contract obligations	15	-	156	1,021	(719)	60
Closing value		250	6,995	14,481	19,229	253
Expected maturity						
Current		250	321	1,129	2,383	-
Non-current		-	6,674	13,352	16,846	253
Value at 31 May 2011	14(f)	250	6,995	14,481	19,229	253
2010						
Opening value		250	6,136	12,359	20,325	120
Movement in member insurance contract obligations	15	-	703	1,101	(377)	73
Closing value		250	6,839	13,460	19,948	193
Expected maturity						
Current		250	326	1,069	2,556	-
Non-current		-	6,513	12,391	17,392	193
Value at 31 May 2010	14(f)	250	6,839	13,460	19,948	193
(b) Underwriting result						
		Medical Services Fund *	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit	Education Support Plan *
		\$'000	\$'000	\$'000	\$'000	\$'000
2011						
Premium revenue		1,184	416	-	380	61
Direct claims expense		(735)	(382)	(656)	(2,595)	(13)
Acquisition costs		(234)	(1)	-	(52)	-
Underwriting result	15	215	33	(656)	(2,267)	48
2010						
Premium revenue		1,158	453	-	429	69
Direct claims expense		(850)	(373)	(631)	(2,113)	(4)
Acquisition costs		(235)	(4)	-	(60)	-
Underwriting result	15	73	76	(631)	(1,744)	65

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

* These funds are not actuarially valued

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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 currently required to have a credit rating. To operate as an insurer in the future will require Manchester Unity to be licenced under the Insurance (Prudential Supervision) Act 2010. To obtain a licence a credit rating from an approved rating agency will be required.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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 2011.

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.

	Increasing Assurance Benefit \$'000	Funeral Fund \$'000	Increased Funeral Fund \$'000
May 2011			
Central estimate of liability for insurance contracts	18,384	6,073	13,423
Liability for insurance contracts including risk margin	19,229	6,995	14,481
Percentage risk margin	5%	15%	8%
May 2010			
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 liability for insurance contracts includes a risk margin. 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 5.24%pa. (2010; 5.83%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 the same as 2010.

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 the same as 2010.

(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 2011

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	on insurance contract \$000	Impact on profit and equity \$000
Mortality	No change	No change
Discount rate	2,280	(2,280)
Expenses	(1,512)	1,512
Discontinuance	No change	No change

(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 \$000	Impact on profit and equity \$000
Mortality	by 10.00%	624	(624)
Mortality	by 10.00%	(682)	682
Discount rates	by 0.25%	(997)	997
Discount rates	by 0.25%	1,046	(1,046)
Expenses	by 10.00%	814	(814)
Expenses	by 10.00%	(804)	804
Discontinuance	by 10.00%	(129)	129
Discontinuance	by 10.00%	130	(130)

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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 2011.

		Medical Services Fund *	Funeral Fund	Parent and Group		Education Support Plan *	Total
		\$'000	\$'000	Increased Funeral Fund	Increasing Assurance Benefit	\$'000	\$'000
2011	Note						
Opening member insurance contract obligations at 31 May 2010		250	6,839	13,460	19,948	193	40,690
Opening unallocated member surplus at 31 May 2010		-	703	1,288	6,834	-	8,825
Members funds at 31 May 2010		250	7,542	14,748	26,782	193	49,515
Contributions		1,184	416	-	380	61	2,041
Withdrawals		(735)	(382)	(656)	(2,595)	(13)	(4,381)
Society management fees		(210)	-	-	(33)	-	(243)
Other acquisition costs		(24)	(1)	-	(19)	-	(44)
Transfers		(215)	(600)	600	-	-	(215)
Appropriations	15	-	399	809	1,411	12	2,631
Net movement for year		-	(168)	753	(856)	60	(211)
Members funds at 31 May 2011		250	7,374	15,501	25,926	253	49,304
This comprises:							
Net liabilities before future bonuses	14(a)	250	6,995	14,481	19,229	253	41,208
Unallocated actuarial surplus (member policyholder surplus reserve - refer note 16)		-	379	1,020	6,697	-	8,096
Members funds at 31 May 2011		250	7,374	15,501	25,926	253	49,304

* These funds are not actuarially valued

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

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 2010.

		Medical Services Fund *	Funeral Fund	Parent and Group		Education Support Plan *	Total
		\$'000	\$'000	Increased Funeral Fund	Increasing Assurance Benefit	\$'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)
Appropriation	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	14(a)	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 2011

15. Retained earnings

	Note	Group		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at beginning of financial year		2,433	2,330	2,431	2,327
Total comprehensive income/(loss) attributable to members		799	(342)	799	(342)
Transfers to medical services and Member policyholder surplus reserves (notes 16(c),(d)&(e)):					
- Appropriations to insurance contracts	14(f)	(2,631)	(2,513)	(2,631)	(2,513)
- Underwriting loss	14(b)	2,627	2,161	2,627	2,161
- Actuarial revaluation of insurance contracts	14(a)	518	1,500	518	1,500
		514	1,148	514	1,148
Transfer from Society Benevolent Fund	16(b)	23	9	23	9
Transfer from/(to) Lodge Reserve	16(f)	(416)		(416)	
Share Fund Appropriation from Lodge Reserve	24	32		32	
Transfers from/(to) the general reserve					
- Release of realised gain on disposal of leasehold property		382	182	382	182
- Revaluation of investment properties		(259)	133	(259)	133
- Unrealised profit/(loss) on change in fair value of financial assets		(816)	(1,027)	(816)	(1,027)
	16(g)	(693)	(711)	(693)	(711)
Balance at the end of financial year		2,692	2,433	2,689	2,431

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 2011

16. Reserves

		Group		Parent	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
	Note				
District and Lodge Relief Fund	16(a)	968	968	968	968
Society Benevolent and Emergency Relief Fund	16(b)	690	713	690	713
Member policyholder surplus reserve	16(c)	8,096	8,825	8,096	8,825
Medical services reserve	16(d)	2,174	1,959	2,174	1,959
Medical services fund	16(e)	750	750	750	750
Lodge reserve	16(f)	384	-	384	-
General reserve	16(g)	11,166	10,472	11,166	10,472
Total reserves		24,228	23,687	24,228	23,687

(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		713	722	713	722
Net payments to members		(23)	(9)	(23)	(9)
Allocation of surplus		-	-	-	-
Transfer from/(to) retained earnings	15	(23)	(9)	(23)	(9)
Balance at the end of financial year		690	713	690	713

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		8,825	10,046	8,825	10,046
Transfers from/(to) retained earnings	15	(729)	(1,221)	(729)	(1,221)
Balance at the end of financial year	14(f)	8,096	8,825	8,096	8,825

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		1,959	1,886	1,959	1,886
Transfers from/(to) retained earnings	15	215	73	215	73
Balance at the end of financial year		2,174	1,959	2,174	1,959

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 contributing members being primary, comprehensive, and surgical only.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

16. Reserves (cont'd)

		Group		Parent
		2011	2010	2011
		\$'000	\$'000	\$'000
(f) Lodge Reserves	Note			
Balance at the beginning of financial year		-	-	-
Transfer from/(to) retained earnings		416	-	416
Appropriation to share funds	24	(32)	-	(32)
Balance at the end of financial year	24	384	-	384

For details of this reserve refer to Note 24.

(g) General reserve

Balance at the beginning of financial year		10,472	9,761	10,472	9,761
Release of realised gain on disposal of leasehold property		(382)	(182)	(382)	(182)
Revaluation of investment properties		259	(133)	259	(133)
Unrealised profit/(loss) on change in fair value of financial assets		816	1,027	816	1,027
Transfer from/(to) retained earnings	15	694	711	694	711
Balance at the end of financial year		11,166	10,472	11,166	10,472

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 it's 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 2011

	Interest held	
	2011	2010
UNITY Limited	100%	100% Website development and hosting provider.
UNITY Limited is a New Zealand incorporated company.		

	2011	2010
	\$'000	\$'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 2011

18. Related Parties

Related Party Disclosures

The Directors of Manchester Unity during the financial year were:

- P J Courtney
- G J Allanson
- 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 on deposits held was paid to Manchester Unity Districts and, Lodges totalling \$141,000 (2010; \$167,000). The term of investment ranged from call to 6 years. Interest rates are reviewed in line with the deposit rates received by Manchester Unity from financial institutions. At balance date the weighted average of interest being paid was 5.61% (2010; 5.44%).

During the financial year management fees of \$10,000 were charged to subsidiary UNITY Limited (2010; \$14,000).

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

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2010:Nil)

Key Management Personnel Compensation

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

	Group		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Short-term employee benefits	385	365	385	365
Total	385	365	385	365

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

19. Leases

	Group		Parent	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Leases as lessee				
Non-cancellable operating lease payments				
No longer than one year	187	171	187	171
Longer than one year and less than five years	229	292	229	292
Longer than five years	-	-	-	-
	416	463	416	463

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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Leases as lessor				
Non-cancellable operating lease receivables				
Not longer than one year	1,240	1,280	1,240	1,280
Longer than one year and less than five years	2,433	3,654	2,433	3,654
Longer than five years	1,355	1,670	1,355	1,670
	5,028	6,604	5,028	6,604

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 (2010: Nil).

21. Commitments for expenditure

Capital expenditure commitments

The group had no capital commitments at balance date (May 2010: 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 (2010: \$295,000).

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

22. Notes to the cash flow statement

	Group		Parent	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Reconciliation of net cash provided by operating activities to Net surplus/(deficit) for the period is as follows:				
Total comprehensive income/(loss)	799	(342)	799	(342)
Add/(less) non cash items:				
-revaluation of investment property	(259)	133	(259)	133
-depreciation and amortisation	83	135	83	135
-appropriations to member benefit funds	534	295	534	295
-net change in member insurance contract obligations	518	1,500	518	1,500
-changes in fair value of financial assets through profit or loss account	(816)	(1,027)	(816)	(1,027)
Add/(less) change in operating assets:				
-movement in contributions in advance	(8)	8	(8)	8
-movement in interest receivable	(28)	30	(28)	30
-movement in accounts receivable	7	(7)	7	(7)
-movement in contributions in arrears	(6)	12	(6)	12
-movement in other assets	(117)	(3)	(117)	(3)
-movement in trade and other payables	68	(100)	68	(100)
-movement in provisions	7	11	7	11
Member benefit fund contributions less withdrawals ***	73	(158)	73	(158)
Add/(less) items reclassified as investing activities:				
-realised gain on disposal of financial assets designated at fair value through profit or loss	(91)	-	(91)	-
-gain on sale of investment properties	(413)	(161)	(413)	(161)
Net cash inflow/(outflow) from operating activities:	350	325	350	325

*** The difference between this figure and that in Note 12 is the value of non cash assets transferred by Lodges.

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 and liquidity 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 2011

23. Financial Instruments (cont'd)

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

Maturity profile of financial instruments

The following tables detail the group's exposure to interest rate and liquidity risk at 31 May 2011 and 31 May 2010 and is based on undiscounted cash flows:

	Weighted average interest rate	Maturity dates			
		Less than 1 year	1-5 years	More than 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000
2011					
Financial assets:					
Cash and cash equivalents	4.62%	11,183	224	-	11,407
Other financial assets designated at fair value through profit or loss:					
Government stock	6.28%	766	4,401	0	5,167
Local authority stock	6.82%	1,310	4,023	763	6,096
Corporate stock	7.56%	6,277	25,251	5,624	37,152
NZ Equity		1,062	-	-	1,062
Australian Equity		954	-	-	954
Trade and other receivables:					
First mortgage securities	9.00%	414	-	-	414
IAB Loans and advances	8.03%	18	35	161	214
Other receivables		556	-	-	556
		22,540	33,934	6,548	63,022
Financial liabilities:					
Trade and other payables		453	-	-	453
District, Lodge and other deposits	5.61%	1,422	879	311	2,612
Member benefit fund liabilities		9,085	-	-	9,085
		10,960	879	311	12,150
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	-	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 other deposits	5.44%	2,756	237	-	2,993
Member benefit fund liabilities		4,828	-	-	4,828
		7,969	237	-	8,206

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

In both asset and liability tables the parent amounts are materially the same as the group reported amounts.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

23. Financial Instruments (cont'd)

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

Interest rate sensitivity

Manchester Unity invests in fixed interest securities 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.

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 \$111,000 (2010; \$90,000).

(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. At balance date there were 5 counterparties (2010; 5) where the group's investment was between 10% and 20% of Total equity. All 5 counterparties have an AA credit rating or better.

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) Foreign exchange risk

Overseas equities are held and no foreign exchange cover is in place. A 10% movement in the exchange rate between the Foreign currency the shares are denominated in and New Zealand dollar will equate to a variation in comprehensive income and equity attributable to members of \$370,000 (2010; \$100,000).

(g) 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 on-going basis.

(h) 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 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 2011

23. Financial Instruments (cont'd)

(i) 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:

L&R:

AC:

Financial instruments backing insurance obligations are designated as at fair value through profit or loss in accordance with NZ IFRS-4: *Insurance Contracts*
Loans and receivables
Amortised cost

	Designated as FVTPL \$'000	L&R at AC \$'000	AC \$'000	Total \$'000
2011				
Financial assets:				
Cash and cash equivalents	11,108	-	-	11,108
Other financial assets designated at fair value through profit or loss	44,961	-	-	44,961
Trade and other receivables	-	1,062	-	1,062
Total financial assets	56,070	1,062		57,132
Financial liabilities:				
Trade and other payables	-	-	453	453
District, Lodge and Credit Union deposits	-	-	2,433	2,433
Member benefit fund liabilities	-	-	9,085	9,085
Total financial liabilities	-	-	11,971	11,971
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

In both asset and liability tables the parent amounts are materially the same as the group reported amounts.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

23. Financial Instruments (cont'd)

(j) 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			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2011				
Government bonds	4,754	-	-	4,754
Local Authority bonds	5,258	-	-	5,258
Corporate bonds	31,279	-	-	31,279
Equity Investments	3,670	-	-	3,670
	44,961	-	-	44,961
2010				
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. Lodge Reserve

A Lodge has transferred certain assets to Society with a requirement that all income, including capital gains and losses, on those "ring-fenced" assets be held for the benefit of Lodge members until such time as the Lodge Trustees agree to distribution. At balance date the fair value of the these "ring-fenced" assets was \$850,000 Investment Properties and \$478,000 in Equities (2010; NIL).

	Group and Parent	
	2011	2010
	\$'000	\$'000
Balance Lodge Reserve at beginning of year	-	-
Income included in Statement of Comprehensive Income		
- Revaluation investment property	229	-
- Commercial properties rental income	52	-
- Realised gain on sale of financial assets designated at fair value through profit or loss	56	-
- Dividend income	26	-
- Change in fair value of financial assets designated at fair value through profit or loss	61	-
Expenses included in Statement of Comprehensive Income		
Direct property expenses of investment properties:		
- Commercial properties	(8)	-
Transfer from/(to) Retained earnings (Note 15)	416	-
Appropriation to Share Funds (Notes 15)	(32)	-
Balance Lodge Reserve at end of year (Note 16(f))	384	-

Normal Society appropriations to Lodge share funds are adjusted to reflect this arrangement.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2011

24. Lodge Reserve (cont'd)

Assets and liabilities transferred on consolidation under Rule 38

	2011 \$'000 Napier	2011 \$'000 Nelson
Trade and other receivables	400	35
Other financial assets designated at fair value through profit or loss	-	1,797
Investment property	450	621
Cash and cash equivalents	423	571
Trade and other payables	(40)	(43)
	1,233	2,981
Member share funds	1,233	2,981

25. 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 equities.

26. Subsequent events

There have been no material events subsequent to balance date (2010; NIL).

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MANCHESTER UNITY FRIENDLY SOCIETY****Report on the Financial Statements**

We have audited the financial statements of Manchester Unity Friendly Society and Group (the "Society"), on pages 3 to 37, which comprise the consolidated and separate statement of financial positions as at 31 May 2011, and the statements of comprehensive income and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Other than in our capacity as auditor, we have no relationship with or interests in Manchester Unity Friendly Society.

Opinion

In our opinion, the financial statements on pages 3 to 37:

- 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 Manchester Unity Friendly Society as at 31 May 2011, its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 May 2011:

- we have obtained all the information and explanations we have required
- in our opinion proper accounting records have been kept by the Society as far as appears from our examination of those records.



Chartered Accountants
28 July 2011
Wellington, New Zealand