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FINANCIAL STATEMENTS
for the 12 months ended
31 May 2013

Manchester Unity Friendly Society

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Manchester Unity Friendly Society

Statement of Comprehensive Income

for the financial year ended 31 May 2013

	Note	Group 2013 \$'000	2012 \$'000	2013 \$'000	Parent 2012 \$'000
Income and Expenses					
Investment income including gains and losses	2a	4,989	5,738	4,989	5,738
Other income	2a	272	403	265	394
Other expenses	2b	(2,743)	(2,725)	(2,736)	(2,716)
		2,518	3,416	2,518	3,416
Interest on District and Lodge deposits		(139)	(128)	(139)	(128)
Appropriations to Member Benefit Fund Liabilities	12	(377)	(526)	(377)	(526)
		2,002	2,762	2,002	2,762
Insurance Funds					
Member insurance contributions	2a	1,739	1,928	1,739	1,928
Member insurance withdrawals and claims	2b	(3,824)	(4,593)	(3,824)	(4,593)
Change in life insurance contract obligations					
- Contributions		(1,739)	(1,928)	(1,739)	(1,928)
- Withdrawals		3,824	4,593	3,824	4,593
- Society management fees		259	224	259	224
- Other acquisition costs		35	44	35	44
- Transfers		204	26	204	26
- Appropriations		(1,671)	(2,631)	(1,671)	(2,631)
	14b	913	328	913	328
Net surplus for the year		830	425	830	425
Other comprehensive income		-	-	-	-
Total comprehensive income attributable to members		830	425	830	425

The accompanying notes form an integral part of these financial statements.

Manchester Unity Friendly Society

Statement of Financial Position

as at 31 May 2013

	Note	2013 \$'000	Group 2012 \$'000	2013 \$'000	Parent 2012 \$'000
Assets					
Cash and cash equivalents	4	6,619	4,461	6,597	4,445
Other financial assets designated at fair value through profit or loss	5	52,596	51,284	52,596	51,284
Trade and other receivables	5	1,273	1,239	1,272	1,239
Other assets	6	30	33	43	46
Investment property	7	21,634	23,588	21,634	23,588
Property, plant & equipment	8	19	53	19	53
Intangible assets	9	8	12	8	12
Total assets		82,179	80,670	82,169	80,667
Liabilities					
Trade and other payables	10	440	290	432	290
Other liabilities - contributions in advance		115	134	115	134
Other financial liabilities					
-District, Lodge and other deposits	11	3,078	2,052	3,078	2,052
-Member benefit fund liabilities	12	10,080	9,654	10,080	9,654
Provisions	13	55	46	55	46
Member insurance contract obligations	14(b)	48,332	49,245	48,332	49,245
Total liabilities		62,101	61,422	62,093	61,421
Net assets		20,078	19,248	20,076	19,246
Equity					
Retained earnings	15	4,888	2,938	4,886	2,936
Reserves					
-District and lodge relief fund		967	968	967	968
-Society benevolent and emergency relief fund		643	669	643	669
Restricted reserves					
-Lodge reserve	24	476	482	476	482
Other reserves					
-Medical services reserve		2,404	2,200	2,404	2,200
-Medical services fund		750	750	750	750
-General reserve		9,950	11,242	9,950	11,242
Total Other Reserves		13,103	14,192	13,104	14,192
Total reserves	16	15,190	16,311	15,190	16,311
Total equity		20,078	19,248	20,076	19,246

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 25 July 2013

On behalf of the Board

Ingrid Taylor
CHAIR

Michael Ambrose
DIRECTOR

Signed: 25 July 2013

The accompanying notes form an integral part of these financial statements.

Manchester Unity Friendly Society

Statement of Changes in Equity

for the financial year ended 31 May 2013

	Note	Group		Parent	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Opening equity		19,248	18,823	19,246	18,821
Net surplus for the year and total comprehensive income attributable to members	15	830	425	830	425
Closing equity		20,078	19,248	20,076	19,246

The accompanying notes form an integral part of these financial statements.

Manchester Unity Friendly Society

Cash Flow Statement

for the financial year ended 31 May 2013

	Note	Group		Parent	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash flows from operating activities					
Member contributions-insurance contracts		1,731	1,918	1,731	1,918
Interest received		3,314	3,408	3,314	3,408
Dividends received		159	169	156	169
Rental received		1,538	1,623	1,538	1,623
Member benefit fund contributions		369	56	369	56
Other income		109	431	81	403
Member withdrawals-insurance contracts		(3,824)	(4,593)	(3,824)	(4,593)
Member benefit fund withdrawals		(440)	(436)	(440)	(436)
Payments to suppliers and employees		(2,382)	(2,745)	(2,357)	(2,717)
Interest paid		(139)	(128)	(139)	(128)
Net cash inflow/ (outflow) from operating activities	22	435	(297)	429	(297)
Cash flows from investing activities					
Proceeds from sale of leasehold properties		703	521	703	521
Proceeds from sale of holiday homes		1,145	-	1,145	-
Proceeds from realisation of financial assets designated at fair value through profit or loss		7,986	8,075	7,986	8,075
Member IAB loan repayments		36	11	36	11
Purchase of bank term deposits		(5,530)	(9,400)	(5,530)	(9,400)
Purchase of property, plant & equipment		-	(17)	-	(17)
Purchase of intangible assets		(8)	-	(8)	-
Purchase of investment properties		-	(8)	-	(8)
Purchase of financial assets		(3,626)	(5,267)	(3,626)	(5,267)
Member IAB loan advances		(10)	(27)	(10)	(27)
Deposits received from Districts, Lodges and Credit Unions		1,144	75	1,144	75
Deposit repayments to Districts, Lodges and Credit Unions		(117)	(113)	(117)	(113)
Net cash inflow/ (outflow) from investing activities		1,723	(6,150)	1,723	(6,150)
Net increase/ (decrease) in cash held		2,158	(6,447)	2,152	(6,447)
Opening cash and cash equivalents		4,461	10,908	4,445	10,892
Closing cash and cash equivalents	4	6,619	4,461	6,597	4,445

The accompanying notes form an integral part of these financial statements.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

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, including insurance 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 Union, 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. 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.

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.

Contributions in advance

Contributions in advance relates only to the medical services fund and 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.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

Member insurance contract obligations

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.

The Society's member insurance contracts obligations are accounted for in accordance with NZ IFRS 4 - Insurance Contracts Appendix C - "Life Insurance Entities".

The valuation of insurance contract obligations is calculated using the Margin on Services ("MoS") methodology in accordance with New Zealand Society of Actuaries Professional Standard 3, Determination of Life Insurance Policy Liabilities. MoS is designed to recognise profits on insurance contracts as services are provided to policyholders.

Profits are deferred and amortised over the life of policies, while losses are recognised immediately as they arise.

Those products which expose the group to insurance risk are outlined in note 14(a). 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.

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 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 member insurance contract 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 comprehensive income, 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.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

Financial assets (cont'd)

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 member insurance contract 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

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.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

Impairment of assets (cont'd)

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 and Lodges 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 considered to be 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 liabilities

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

Member benefit fund liabilities 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.

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 comprehensive income 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.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

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.

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

Manchester Unity's investment policy is for all funds to be invested in a mix of asset classes including investment properties, fixed interest securities, equities and short term cash deposits. The investment income, excluding any unrealised gains or losses, and other income (after deduction of management, administrative, fraternal, property, interest and other expenses) is available for appropriation to member insurance contract obligations, member share funds, other member benefit funds and reserves. In accordance with the Board Charter the Directors will determine the appropriations to these funds and the transfers to reserves on an annual basis.

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 term deposit investments with less than 90 days to maturity, 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 - unbundling of premiums and claims (judgement)

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

Standards or interpretations not yet effective

Various standards, amendments and interpretations have been issued by the External Reporting 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. The revised NZ IFRS 13 Fair Value Measurements standard will increase the disclosures in relation to assets held at fair value.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 'Financial Instruments'	1 January 2015	31 May 2016
*Revised NZ IFRS 9 'Financial Instruments'	1 January 2015	31 May 2016
NZ 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.

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 2013

2. Comprehensive income attributable to members

(a) Revenue

	Group		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations consisted of the following items:				
Member insurance contributions:				
Increasing Assurance Benefit	302	353	302	353
Funeral Fund	381	426	381	426
Medical Services Fund	997	1,081	997	1,081
Society Sickness Benefit	1	1	1	1
Education Support Plan	58	67	58	67
Total member insurance contributions	1,739	1,928	1,739	1,928
Investment and other income				
Investment properties - rental income:				
Commercial properties rental income	1,081	1,109	1,081	1,109
Leasehold properties rental income	283	298	283	298
Holiday accommodation rental income	173	216	173	216
Total rental income	1,538	1,623	1,538	1,623
Interest income:				
Bank deposits	700	536	700	536
Income from loans and receivables	40	39	40	39
Fixed interest securities	2,474	2,827	2,474	2,827
Total interest income	3,214	3,402	3,214	3,402
Dividend income	159	169	159	169
Investment gains and losses				
Revaluation of investment property	(316)	561	(316)	561
Realised gain on disposal of investment property	197	281	197	281
Realised gain/(loss) on sale of financial assets designated at fair value through profit or loss	47	(37)	47	(37)
Change in fair value of financial assets designated at fair value through profit or loss	151	(261)	151	(261)
Total investment gains and losses	78	544	78	544
Total investment income including gains and losses	4,989	5,738	4,989	5,738
Other income:				
Unity Ltd revenue from web hosting	20	26	-	-
Management fee Unity Ltd	-	-	13	17
Member management fees	136	143	136	143
Other income	116	234	116	234
Total other income	272	403	265	394

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

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

(b) Comprehensive income before tax

Comprehensive income for the period has been arrived at after charging the following expenses from continuing operations:

Member insurance withdrawals and claims:

	Group		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Increasing Assurance Benefit	2,058	2,682	2,058	2,682
Funeral Fund	1,087	1,040	1,087	1,040
Medical Services Fund	648	840	648	840
Society Sickness Benefit	13	14	13	14
Education Support Plan	19	17	19	17
Total insurance withdrawals and claims	3,824	4,593	3,824	4,593

Other expenses

Directors' fees and expenses	216	195	216	195
Operational plan for the future	3	9	3	9
Employee expenses	1,149	1,155	1,149	1,155
Auditors remuneration - audit fees*	84	75	84	75
Other professional fees	260	201	260	201
Fraternal Council	127	133	127	133
Rent and other occupancy expenses	206	219	206	219
Travel expenses	30	31	30	31
Office administration	130	117	130	117
Insurance	84	85	84	85
Communications	46	48	46	48
Marketing expenses	6	6	6	6
Computer expenses	42	49	35	40
Other expenses	72	98	72	98
Direct property expenses of investment properties:				
- Commercial properties	67	28	67	28
- Leasehold properties	1	3	1	3
- Holiday accommodation properties	122	149	122	149
Depreciation (note 8)	28	52	28	52
Amortisation of software (note 9)	8	9	8	9
Society Benevolent Fund grants	26	21	26	21
Commissions expense	35	44	35	44
Total other expenses	2,743	2,725	2,736	2,716

*The auditor of Manchester Unity is Deloitte.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

3. Taxation

Current tax

As it has tax losses available to offset taxable income Unity Ltd has no current tax.

Deferred Tax

Unity Ltd has an unrecognised deferred tax asset of \$445,000 (2012; \$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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash on hand	18	29	(4)	13
Short term bank deposits	6,601	4,432	6,601	4,432
Total cash and cash equivalents	6,619	4,461	6,597	4,445

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

5. Other financial assets

Trade and other receivables:

Member contributions in arrears	19	14	19	14
Trade and other sundry receivables	216	172	215	172
Interest receivable	542	530	542	530
First mortgage securities	400	400	400	400
IAB loans and advances	96	122	96	122
Total trade and other receivables	1,273	1,239	1,272	1,239

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

Government stock	2,157	4,830	2,157	4,830
Local authority stock	3,675	3,798	3,675	3,798
Corporate stock	28,093	30,067	28,093	30,067
Total NZ fixed interest securities	33,925	38,694	33,925	38,694
Bank term deposits	15,130	9,600	15,130	9,600
NZ equities	1,899	1,530	1,899	1,530
Australian equities	1,642	1,460	1,642	1,460
Total financial assets designated at fair value through profit or loss	52,596	51,284	52,596	51,284

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 2013

6. Other assets

		Group		Parent	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current:					
Inventory		20	23	20	23
Prepayments		10	10	10	10
Investment in subsidiary	17	-	-	13	13
Total other assets		30	33	43	46

7. Investment property

Commercial properties:

Balance at beginning of financial year	13,848	13,368	13,848	13,368
Additions from subsequent expenditure	13	-	13	-
Other acquisitions and disposals	-	345	-	345
Net gain/(loss) from fair value adjustments	(200)	135	(200)	135
Balance at end of financial year	13,661	13,848	13,661	13,848

Leasehold properties:

Balance at beginning of financial year	4,446	4,274	4,446	4,274
Other acquisitions and disposals	(394)	(240)	(394)	(240)
Net gain/(loss) from fair value adjustments	112	412	112	412
Balance at end of financial year	4,164	4,446	4,164	4,446

Holiday accommodation properties:

Balance at beginning of financial year	5,294	5,272	5,294	5,272
Additions from subsequent expenditure	-	9	-	9
Other acquisitions and disposals	(1,257)	-	(1,257)	-
Net gain/(loss) from fair value adjustments	(228)	13	(228)	13
Balance at end of financial year	3,809	5,294	3,809	5,294

Total investment property

	21,634	23,588	21,634	23,588
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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.

There are two commercial properties with a total fair value of \$1,392,600 (2012; \$1,380,000) that are held for the benefit of members of Loyal Nelson Lodge and Loyal Manawatu Lodge - refer note 24.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

8. Property, plant & equipment

	Plant & equipment	Leasehold improvements	Group Computer hardware	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:					
Balance at 31 May 2011	98	396	524	35	1,053
Additions	4	-	13	-	17
Disposals	-	-	(163)	-	(163)
Balance at 31 May 2012	102	396	374	35	907
Additions	0	0	0	0	0
Disposals	(35)	(76)	0	(35)	(146)
Balance at 31 May 2013	67	320	374	0	761

Accumulated depreciation and impairment:

Balance at 31 May 2011	(91)	(340)	(499)	(35)	(965)
Additions	(4)	(30)	(18)	-	(52)
Disposals	-	-	163	-	163
Balance at 31 May 2012	(95)	(370)	(354)	(35)	(854)
Additions	(15)	(5)	(8)	0	(28)
Disposals	50	55	0	35	140
Balance at 31 May 2013	(60)	(320)	(362)	0	(742)

Net book value:

At 31 May 2012	7	26	20	-	53
At 31 May 2013	7	-	12	-	19

	Plant & equipment	Leasehold improvements	Parent Computer hardware	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:					
Balance at 31 May 2011	97	396	507	35	1,035
Additions	4	-	13	-	17
Disposals	-	-	(163)	-	(163)
Balance at 31 May 2012	101	396	357	35	889
Additions	0	0	0	0	0
Disposals	(35)	(76)	0	(35)	(146)
Balance at 31 May 2013	66	320	357	0	743

Accumulated depreciation and impairment:

Balance at 31 May 2011	(90)	(340)	(482)	(35)	(947)
Additions	(4)	(30)	(18)	-	(52)
Disposals	-	-	163	-	163
Balance at 31 May 2012	(94)	(370)	(337)	(35)	(836)
Additions	(15)	(5)	(8)	0	(28)
Disposals	50	55	0	35	140
Balance at 31 May 2013	(59)	(320)	(345)	0	(724)

Net book value:

At 31 May 2012	7	26	20	-	53
At 31 May 2013	7	-	12	-	19

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

9. Intangible assets

Software

Cost:

Opening balance
Additions
Disposals
Closing balance

Accumulated amortisation and impairment:

Opening balance
Amortisation expense
Disposals
Closing balance

Net book value

10. Trade and other payables

Trade creditors and accruals

Total trade and other payables - current

Payables are paid within the credit timeframe.

11. District, Lodge and other deposits

Unsecured:

Deposits - District and Lodges
Deposits - other

Total - District, Lodge and other deposits - current

Group		Parent	
2013	2012	2013	2012
\$'000	\$'000	\$'000	\$'000
268	500	268	500
8	-	8	-
(12)	(232)	(12)	(232)
264	268	264	268
(256)	(479)	(256)	(479)
(8)	(9)	(8)	(9)
8	232	8	232
(256)	(256)	(256)	(256)
8	12	8	12
440	290	432	290
440	290	432	290
3,078	2,040	3,078	2,040
-	12	-	12
3,078	2,052	3,078	2,052

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

12. Member benefit fund liabilities

	Member share funds	Group and Parent Educational benefit fund	Hawke's Bay endowment fund	Total
	\$'000	\$'000	\$'000	\$'000
2013				
Opening balance	9,599	35	20	9,654
Contributions	524	-	-	524
Withdrawals	(440)	(35)	-	(475)
Appropriations	376	-	1	377
Closing balance - current	10,059	-	21	10,080
2012				
Opening balance	8,758	39	19	8,816
Contributions	747	1	-	748
Withdrawals	(430)	(6)	-	(436)
Appropriations	524	1	1	526
Closing balance - current	9,599	35	20	9,654

At 31 May 2013 the Directors declared an appropriation of 3.50% (2012; 5.50%) 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.

	2013	2012
	\$'000	\$'000
Current:		
Auckland District	313	314
Banks Peninsula Branch	717	748
Egmont Lodge	1,623	1,613
Hastings Lodge	859	344
Manawatu Lodge	630	667
Manchester Lodge	57	55
Masterton Lodge	725	713
Napier Lodge	1,899	1,898
Nelson Lodge	2,963	2,973
Rose of Sharon Lodge	144	145
United Westland Lodge	96	96
Woodville Lodge	34	33
Total Member share funds	10,059	9,599

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

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) Hawke's Bay endowment fund

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

13. Provisions

	Group		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Provision for employee entitlements	55	46	55	46
Total provisions	55	46	55	46

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 2013

14. Member insurance contract obligations

(a) Details of member insurance contract products

Manchester Unity Friendly Society is a licenced insurer under the Insurance (Prudential Supervision) Act 2010. Manchester Unity Friendly Society has a BB-, outlook stable, credit rating issued by Standard and Poors on 18 June 2013. Manchester Unity provides a variety of discretionary and non-discretionary investment and insurance products and services to its members. Discretionary funds are policies where at managements discretion, member insurance benefits or original cover can be increased through the addition of bonuses.

Name of product	Description
Medical Services Fund (MSF)	<p>Provides three tiers of health care insurance to members, primary, comprehensive, and surgical only.</p> <p>Administered by the Board of Directors under General Rule 34.</p>
Funeral Fund and Increased Funeral Fund (FAB, IFAB)	<p>Provides funeral cover up to a maximum of \$10,000.</p> <p>Members may join this plan up until the age of 65 years. Benefits include funeral cover taken plus bonuses.</p> <p>Members over 65 who wish to purchase a funeral benefit may take out a single contribution policy (prepaid benefit, no bonuses).</p> <p>IFAB represents the bonuses accruing to the members on their FAB.</p> <p>Administered by the Board of Directors under General Rules 27, 28, 29 and 30.</p>
Increasing Assurance Benefit (IAB)	<p>Provides short-term or long-term investment, financial protection and death cover.</p> <p>There is a choice of plans:</p> <p>Endowment - benefits paid after the attainment of a specified age (benefits include original cover taken plus bonuses).</p> <p>Whole of life - benefits paid on death but partial withdrawal of bonuses is available after age 65.</p> <p>Term life - benefits are paid on death, no bonuses accrue.</p> <p>Administered by the Board of Directors under General Rule 32.</p>
Education Support Plan (save2learn)	<p>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. The plan includes provision for payment of contributions in the event of death or temporary disablement of the principal contributor. Tertiary means university, college education polytechnic providers or other tertiary course approved by the New Zealand Ministry of Education.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Administered by the Board of Directors under General Rule 62.</p>

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

14. Member insurance contract obligations (cont'd)

(a) Details of member insurance contract products

Name of product	Description
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.

Administered by the Board of Directors under General Rule 37.

(b) Fund transactions

The Society is exempt from the Insurance (Prudential Supervision) Act 2010 requirement to hold assets backing the member insurance contract obligations in a separate statutory fund. The assets supporting the member insurance contract obligations are comingled with the Society's other assets and managed as a single investment portfolio.

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 2013.

		Medical Services Fund *	Funeral Fund	Parent and Group Increased Funeral Fund	Increasing Assurance Benefit	Society Sickness Benefit	Education Support Plan *	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2013	Note							
Members funds at 31 May 2012		250	7,565	15,936	24,905	271	318	49,245
Contributions		997	381	-	302	1	58	1,739
Withdrawals		(648)	(416)	(671)	(2,058)	(13)	(19)	(3,824)
Society management fees		(175)	(57)	-	(27)	-	-	(259)
Other acquisition costs		(20)	-	-	(15)	-	-	(35)
Transfers		(204)	-	-	-	-	-	(204)
Appropriations		-	264	546	840	9	12	1,671
Change in life insurance contract obligations		-	172	(125)	(958)	(3)	51	(913)
Members funds at 31 May 2013		200	7,737	15,811	23,947	268	369	48,332

		Medical Services Fund *	Funeral Fund	Parent and Group Increased Funeral Fund	Increasing Assurance Benefit	Society Sickness Benefit	Education Support Plan *	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012	Note							
Members funds at 31 May 2011		250	7,374	15,501	25,926	269	253	49,573
Contributions		1,081	426	-	353	1	67	1,928
Withdrawals		(840)	(384)	(656)	(2,682)	(14)	(17)	(4,593)
Society management fees		(193)	-	-	(31)	-	-	(224)
Other acquisition costs		(22)	(1)	-	(21)	-	-	(44)
Transfers		(26)	(250)	250	-	-	-	(26)
Appropriations	15	-	400	841	1,360	15	15	2,631
Change in life insurance contract obligations		-	191	435	(1,021)	2	65	(328)
Members funds at 31 May 2012		250	7,565	15,936	24,905	271	318	49,245

* These funds are not actuarially valued

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

14. Member insurance contract obligations (cont'd)

(c) Objectives for managing insurance risk

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant benefits to a wide range of scenarios, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investment held by Society, and the financial risks are substantially borne by the Society.

Discretionary business

Insurance risk is managed and mitigated by the following:

- The Society can adjust bonus rates and other additions to member insurance contracts, appropriation rates to member funds and surrender values where payable.
- The broad geographical spread of members means there is no concentration of insurance risk.
- For life insurance the amount of sum insured that can be issued under any policy is limited.

Having reviewed the above the Board has agreed that reinsurance is not required for the insurance portfolio.

Medical Services Fund

For medical products insurance risk is managed by ensuring underwriting procedures adequately identify potential risk, that claims management practices are well controlled and by limiting each policy term to one year

The Society has a Medical Services Reserve which is held for financial soundness in mitigating the Society's insurance risk with regards these obligations. Refer to note 16.

(d) Actuarial valuation of member insurance contract obligations

The valuation of member insurance contract obligations was carried out as at 31 May 2013 by independent actuary Charles Cahn BSc. FIAA. FNZSA. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the insurance contract obligations.

Method of Valuation and Profit Carrier

For products valued by the projection method, the member insurance contract obligations were determined by deducting the present value of future contributions less expenses from the present value of the sums assured and supportable additions. For discretionary products, the member insurance contract obligations also includes the members' unvested benefit liability.

For products valued by the accumulation method, the member insurance contract obligations are either the fund value (discretionary products) or the value of outstanding claims (non discretionary products).

As there are no transfers of profits to retained earnings, from discretionary funds, profit carriers are not needed.

The valuation methods for the various related product groups are given below:

Related Product Group	Valuation Method
Increasing Assurance Benefit Fund (Discretionary)	Projection
Funeral Fund and the Increased Funeral Benefit Fund (Discretionary)	Projection
Sick Fund (Discretionary)	Accumulation
Education Support Plan (Discretionary)	Accumulation
Medical Services Fund (Non Discretionary)	Accumulation

Disclosure of Assumptions

The key assumptions used in the calculation of the member insurance contract obligations, with changes from last year noted, are summarised as follows:

(i) Discount Rate

The discount rate representing the assumed long term rate of appropriation to the funds was 4.00% per annum (2012; 4.00%).

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

14. Member insurance contract obligations (cont'd)

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

(ii) Expenses

Expenses were assumed at rates consistent with the rules for management transfers from the funds.

(iii) Taxation

The Society pays no tax therefore no allowance for taxation has been made.

(iv) Mortality

- For the Increasing Assurance Benefit Fund the mortality tables used were based on the New Zealand Insured Lives table 2005 – 2007 for males and females. This allows for the mortality to be in line with market experience.
- For the Funeral Fund and the Increased Funeral Benefit Fund, the mortality tables used were based on the New Zealand Life tables 2010 – 2012 total population tables for males and females, adjusted for the actual experience of the Funds. In 2013 100% of this table was adopted (2012; 90% of NZLT 2007-09).

(v) Discontinuance

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

(vi) Surrender Values

Surrender values were assumed in accordance with the current actual surrender basis.

(vii) Rates of future supportable additions

- For the Increasing Assurance Benefit Fund the assumed rates of supportable bonus were 1.62% of sum assured and 3.24% of existing bonus (2012; 1.59% and 3.17%).
- For the Funeral Fund and the Increased Funeral Benefit Fund, the assumed rates of supportable additions were 0.50% of the Funeral Benefit and 1.00% of the Increased Funeral Benefit (2012; 0.52% and 1.04%).

(viii) Crediting policy

It has been assumed that the existing approach to appropriations which is based on the average balance of the funds held over the financial year will continue.

Sensitivity to Changes in Assumptions

Assumption changes have no impact on the member insurance contract obligations as the member insurance contract obligations are the total values of the insurance funds.

Components of member insurance contract obligations

2013 Value of	IAB \$'000	Funeral Funds \$'000	Other Funds \$'000	Total \$'000
Future policy benefits	18,106	22,321	-	40,427
Future additions	5,904	2,428	-	8,332
Future expense transfers	247	798	-	1,045
Future profit margins	-	-	-	-
Future contributions	(2,190)	(3,529)	-	(5,719)
Accumulation method	-	-	836	836
Members' unvested benefit liability	1,881	1,530	-	3,411
Total	23,948	23,548	836	48,332

2012 Value of	IAB \$'000	Funeral Funds \$'000	Other Funds \$'000	Total \$'000
Future policy benefits	19,275	22,508	-	41,783
Future additions	6,195	2,602	-	8,797
Future expense transfers	276	824	-	1,100
Future profit margins	-	-	-	-
Future contributions	(2,476)	(3,755)	-	(6,231)
Accumulation method	-	-	839	839
Members' unvested benefit liability	1,635	1,322	-	2,957
Total	24,905	23,501	839	49,245

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

14. Member insurance contract obligations (cont'd)

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

Maturity profile member insurance contract obligations

The following table details the estimated timing of the undiscounted net cash outflows in relation to the member insurance contract obligations.

	2013 \$'000	2012 \$'000
Current	2,822	3,115
1-5 years	10,343	10,313
More than 5 years	46,541	48,493
	<u>59,706</u>	<u>61,921</u>

Solvency

Solvency has been calculated in accordance with the Solvency Standard for Life Insurers issued in August 2011 by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010. At 31 May 2013, the Actual Solvency Capital was \$19,583,000 (2012; \$18,643,000) and the Minimum Solvency Capital was \$12,295,000 (2012; \$15,546,000) resulting in a Solvency Margin of \$7,287,000 (2012; \$3,097,000) and a Current Solvency Ratio of 1.59 (2012; 1.20).

15. Retained earnings

		Group		Parent	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance at beginning of financial year		2,938	2,692	2,936	2,689
Total comprehensive income/(loss) attributable to members		830	425	830	425
Transfer from Society Benevolent Fund	16(b)	26	21	26	21
Transfers from/(to) Medical Services Reserve	16(c)	(204)	(26)	(204)	(26)
Transfer from/(to) Lodge Reserve	16(e)	(72)	(204)	(72)	(204)
Share Fund Appropriation from Lodge Reserve	24	78	106	78	106
Transfers from/(to) the General Reserve					
- Release of realised gain on disposal of leasehold property	16(f)	374	224	374	224
- Release of realised gain on disposal of holiday homes	16(f)	753	-	753	-
- Revaluation of investment properties		316	(561)	316	(561)
- Unrealised profit/(loss) on change in fair value of financial assets		(151)	261	(151)	261
	16(f)	<u>1,293</u>	<u>(76)</u>	<u>1,293</u>	<u>(76)</u>
Balance at the end of financial year		<u>4,888</u>	<u>2,938</u>	<u>4,886</u>	<u>2,936</u>

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 2013

16. Reserves

	Note	Group		Parent	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
District and Lodge Relief Fund	16(a)	968	968	968	968
Society Benevolent and Emergency Relief Fund	16(b)	643	669	643	669
Medical Services Reserve	16(c)	2,404	2,200	2,404	2,200
Medical Services Fund	16(d)	750	750	750	750
Lodge Reserve	16(e)	476	482	476	482
General Reserve	16(f)	9,950	11,242	9,950	11,242
Total reserves		15,190	16,311	15,190	16,311

(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		669	690	669	690
Net payments to members		(26)	(21)	(26)	(21)
Allocation of surplus		-	-	-	-
Transfer from/(to) retained earnings	15	(26)	(21)	(26)	(21)
Balance at the end of financial year		643	669	643	669

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) Medical Services Reserve

Balance at the beginning of financial year		2,200	2,174	2,200	2,174
Transfers from/(to) retained earnings	15	204	26	204	26
Balance at the end of financial year		2,404	2,200	2,404	2,200

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.

(d) 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 2013

16. Reserves (cont'd)

	Note	Group		Parent	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(e) Lodge Reserves					
Balance at the beginning of financial year		482	384	482	384
Transfer from/(to) retained earnings	15	72	204	72	204
Appropriation to share funds	24	(78)	(106)	(78)	(106)
Balance at the end of financial year	24	476	482	476	482

For details of this reserve refer to Note 24.

(f) General reserve

Balance at the beginning of financial year		11,242	11,166	11,242	11,166
Release of realised gain on disposal of leasehold property	15	(374)	(224)	(374)	(224)
Release of realised gain on disposal of holiday homes	15	(753)	-	(753)	-
Revaluation of investment properties		(316)	561	(316)	561
Unrealised profit/(loss) on change in fair value of financial assets		151	(261)	151	(261)
Transfer from/(to) retained earnings	15	(1,293)	76	(1,293)	76
Balance at the end of financial year		9,950	11,242	9,950	11,242

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 2012

	Interest held	
	2013	2012
UNITY Limited	100%	100% Website development and hosting provider.

UNITY Limited is a New Zealand incorporated company.

	2013 \$'000	2012 \$'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 2013

18. Related parties

Related Party Disclosures

The Directors of Manchester Unity during the financial year were:

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

Wellington District Manchester Unity Credit Union is a separate organisation from Manchester Unity Friendly Society. Manchester Unity Friendly Society has no financial obligation with this credit union other than funds held on deposit from time to time and interest paid on these funds.

Manchester Unity does not guarantee the credit union member deposits.

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 \$139,000 (2012; \$128,000). The term of investments ranged from call to 6 years. Interest rates paid on these deposits are reviewed in line with the deposit rates received by Manchester Unity from financial institutions. At balance date the weighted average annual interest rate being paid was 5.39% (2012; 6.04%).

During the financial year management fees of \$12,500 were charged to subsidiary UNITY Limited (2012; \$17,000).

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 (2012: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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Short-term employee benefits	422	403	422	403
Total	422	403	422	403

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

19. Leases

	Group		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Leases as lessee				
Non-cancellable operating lease payments				
No longer than one year	92	200	92	200
Longer than one year and less than five years	95	51	95	51
Longer than five years	-	-	-	-
	187	251	187	251

Operating leases disclosed relate to the lease of the group's Lambton Quay Offices. These 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.

	Group		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Leases as lessor				
Non-cancellable operating lease receivables				
Not longer than one year	1,255	1,152	1,255	1,152
Longer than one year and less than five years	2,159	2,805	2,159	2,805
Longer than five years	831	1,237	831	1,237
	4,245	5,194	4,245	5,194

Operating leases relate to commercial investment properties and leasehold land. Commercial properties owned by the group have lease terms of between 1 and 10 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 in 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 (2012: Nil).

21. Commitments for expenditure

Capital expenditure commitments

The group had no capital commitments at balance date (May 2012: 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 (2012: \$295,000).

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

22. Notes to the cash flow statement

	Group		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Reconciliation of net cash provided by operating activities to net surplus for the period is as follows:				
Total comprehensive income	830	425	830	425
Add/(less) non cash items:				
-revaluation of investment property	316	(561)	316	(561)
-depreciation and amortisation	36	61	36	61
-appropriations to member benefit funds	377	526	377	526
-changes in fair value of financial assets through profit or loss account	(151)	261	(151)	261
-change in life insurance contract obligations	(913)	(328)	(913)	(328)
Add/(less) change in operating assets:				
-movement in contributions in advance	(19)	(13)	(19)	(13)
-movement in interest receivable	(12)	6	(12)	6
-movement in accounts receivable	(43)	(169)	(43)	(169)
-movement in contributions in arrears	(5)	3	(5)	3
-movement in other assets	3	114	3	114
-movement in trade and other payables	149	(163)	143	(163)
-movement in provisions	11	(11)	11	(11)
Member benefit fund contributions less withdrawals ***	99	(204)	99	(204)
Add/(less) items reclassified as investing activities:				
-realised loss/(gain) on disposal of financial assets designated at fair value through profit or loss	(47)	37	(47)	37
-gain on sale of investment properties	(197)	(281)	(197)	(281)
Net cash inflow/(outflow) from operating activities:	435	(297)	429	(297)

*** 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 2013

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 2013 and 31 May 2012 and are based on undiscounted cash flows:

	Weighted average interest rate %	Maturity dates			
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000	Total \$'000
2013					
Financial assets:					
Cash and cash equivalents	4.15%	6,636	-	-	6,636
Other financial assets designated at fair value through profit or loss:					
Government stock	6.00%	120	2,185	-	2,305
Local authority stock	6.69%	2,125	2,338	30	4,492
Corporate stock	6.29%	7,223	16,828	8,013	32,064
Bank term deposits	4.46%	13,924	1,867	-	15,792
NZ Equity		1,899	-	-	1,899
Australian Equity		1,642	-	-	1,642
Trade and other receivables:					
First mortgage securities	7.50%	30	430	-	460
IAB Loans and advances	7.68%	10	18	163	191
Other receivables		777	-	-	777
		34,386	23,666	8,205	66,257
Financial liabilities:					
Trade and other payables		432	-	-	432
District, Lodge and other deposits	5.39%	1,985	1,173	210	3,368
Member benefit fund liabilities		10,080	-	-	10,080
		12,497	1,173	210	13,880
2012					
Financial assets:					
Cash and cash equivalents	4.38%	4,466	-	-	4,466
Other financial assets designated at fair value through profit or loss:					
Government stock	6.28%	2,762	1,789	516	5,067
Local authority stock	6.69%	293	4,258	234	4,785
Corporate stock	7.18%	10,122	18,197	6,069	34,388
Bank term deposits	4.73%	8,779	1,295	-	10,074
NZ Equity		1,530	-	-	1,530
Australian Equity		1,460	-	-	1,460
Trade and other receivables:					
First mortgage securities	7.50%	30	460	-	490
IAB Loans and advances	8.01%	34	32	159	225
Other receivables		716	-	-	716
		30,192	26,031	6,978	63,201
Financial liabilities:					
Trade and other payables		290	-	-	290
District, Lodge and other deposits	6.04%	652	1,559	222	2,433
Member benefit fund liabilities		9,654	-	-	9,654
		10,596	1,559	222	12,378

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. All financial liability counterparties rank equally.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

23. Financial Instruments (cont'd)

(d) Interest rate and liquidity 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. Each 1% movement in interest rates up or down will equate to an increase/decrease in comprehensive income and equity attributable to members of \$210,000 (2012; \$140,000).

(e) Equity price risk

The parent and group are exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. Equity investments are not actively traded.

The equity price sensitivity analysis below has been determined based on the exposure to equity prices at 31 May. If equity prices had been 5% higher/lower, the Group and Parent's Comprehensive income for the year ended 31 December would have been \$150,000 higher/lower and "Total equity" would similarly have been \$150,000 higher/lower.

The Group and Parent's sensitivity to equity prices has not changed significantly during the year.

(f) 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 8 counterparties (2012; 8) where the group's investment was greater than 10% of Total Equity. The number of counterparties, their credit rating and the level of exposure is set out in the table below:

Credit Rating	2013			2012		
	10% to <20%	20% to <30%	30% to <40%	10% to <20%	20% to <30%	30% to <40%
AA+	1	-	-	-	1	-
AA	1	-	-	1	-	-
AA-	-	2	2	-	4	-
A-	1	-	-	1	-	-
BBB+	1	-	-	1	-	-

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.

(g) 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 approximately \$140,000 (2012; \$146,000).

(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 on-going basis.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

23. Financial Instruments (cont'd)

(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 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.

(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 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
2013				
Financial assets:				
Cash and cash equivalents	6,619	-	-	6,619
Other financial assets designated at fair value through profit or loss	52,596	-	-	52,596
Trade and other receivables	-	1,273	-	1,273
Total financial assets	59,215	1,273		60,488
Financial liabilities:				
Trade and other payables	-	-	440	440
District, Lodge and other deposits	-	-	3,078	3,078
Member benefit fund liabilities	-	-	10,080	10,080
Total financial liabilities	-	-	13,598	13,598
2012				
Financial assets:				
Cash and cash equivalents	4,461	-	-	4,461
Other financial assets designated at fair value through profit or loss	51,284	-	-	51,284
Trade and other receivables	-	1,239	-	1,239
Total financial assets	55,745	1,239		56,984
Financial liabilities:				
Trade and other payables	-	-	290	290
District, Lodge and other deposits	-	-	2,052	2,052
Member benefit fund liabilities	-	-	9,654	9,654
Total financial liabilities	-	-	11,997	11,997

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 2013

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
2013				
Cash and cash equivalents	6,619	-	-	6,619
Bank term deposits	-	15,130	-	15,130
Government bonds	2,157	-	-	2,157
Local Authority bonds	3,675	-	-	3,675
Corporate bonds	28,093	-	-	28,093
Equity Investments	3,541	-	-	3,541
	44,085	15,130	-	59,215
2012				
Cash and cash equivalents	4,461	-	-	4,461
Bank term deposits	-	9,600	-	9,600
Government bonds	4,830	-	-	4,830
Local Authority bonds	3,798	-	-	3,798
Corporate bonds	30,067	-	-	30,067
Equity Investments	2,990	-	-	2,990
	46,145	9,600	-	55,745

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.

(k) Solvency risk

There is a risk that a significant adverse change could result in the Society not meeting Reserve Bank of New Zealand solvency benchmark. The most likely such change is a further reduction in the discount rate which is the 10 year mid swap rate.

Manchester Unity Friendly Society

Notes to the Financial Statements

for the financial year ended 31 May 2013

24. Lodge reserve

Two Lodges have transferred land and buildings to Society with a requirement that all income, including capital gains and losses, on those "ring-fenced" assets be held for the benefit of their 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 \$1,392,600 (2012; \$1,380,000).

	Group and Parent	
	2013	2012
	\$'000	\$'000
Balance Lodge Reserve at beginning of year	482	384
Income included in Statement of Comprehensive Income		
- Revaluation investment property	-	185
- Commercial properties rental income	60	61
- Realised gain/(loss) on sale of financial assets designated at fair value through profit or loss	47	(42)
- Dividend income	-	20
- Change in fair value of financial assets designated at fair value through profit or loss	-	-
Expenses included in Statement of Comprehensive Income		
Direct property expenses of investment properties:		
- Commercial properties	(35)	(20)
Transfer from/(to) Retained earnings (Note 15)	72	204
Appropriation to Share Funds (Notes 15)	(78)	(106)
Balance Lodge Reserve at end of year (Note 16(e))	476	482

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

Assets and liabilities transferred on consolidation under Rule 38

	2013	2012
	\$'000	\$'000
Hastings		
Trade and other receivables	-	63
Other financial assets designated at fair value through profit or loss	-	-
Investment property	-	344
Cash and cash equivalents	518	340
	518	747
Member share funds	518	747

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(b), 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 (2012; 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 (the "Society") and Group on pages 3 to 35, which comprise the consolidated and separate statement of financial position as at 31 May 2013, and the consolidated and separate statements of comprehensive income, statements of changes in equity and cash flow statements 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 is 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 Society'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 Society'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 or its subsidiary UNITY Limited.

Opinion

In our opinion, the financial statements on pages 3 to 35;

- 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 and Group as at 31 May 2013, and their financial performance and 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 2013:

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

A handwritten signature in black ink, appearing to be "Deloitte", written over a horizontal line.

Chartered Accountants
25 July 2013
Wellington, New Zealand

Greystone Consulting

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22 August 2013

Peter Schumacher
Chief Executive
Manchester Unity Friendly Society
PO Box 5083
Wellington

Dear Peter

Report Under Sections 77 and 78 of the Insurance (Prudential Supervision) Act

As requested, I attach my report to comply with sections 77 and 78 of the Act.

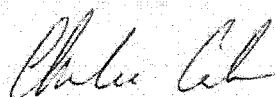
Reliance and Limitations

This letter and attached report is for the use of the Society for the purposes set out above. No use may be made of this letter and attached report by the Society for any other purpose. No use may be made of this letter by any third party for any purpose.

I will not accept any liability or responsibility to any third party recipients of my letter or attached report under any circumstances.

No onwards distribution of this letter by the Society to third parties other than as required by law is permitted. I understand that the attached report will be available as a public document.

Yours sincerely



Charlie Cahn

Greystone Consulting

Manchester Unity Friendly Society

Review of Actuarial Information In, or Used In Preparation of, the Financial Statements at 31 May 2013

This report is to provide certain information and certification as required under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010 (the Act). This information is actuarial information in, or used in the preparation of, the financial statements as at 31 May 2013.

I have provided a "Valuation Report" dated 15 July 2013, which contains detailed advice on actuarial information for the financial statements,

The Solvency Standard for Life Insurance Business issued under the Act (the Standard) specifies which is actuarial information.

I have reviewed the following actuarial information:

- The member insurance contract liabilities (referred to in the Standard as Policy Liability).
- The members' unvested benefit liability.(referred to in the Standard as unvested policyholder benefits liability).
- Note 14(d) to the financial statements containing valuation method, disclosure of assumptions, components of member insurance contract obligations, maturity profile of member insurance contract obligations, and solvency, and note 23(k) to the financial statements containing solvency risk..

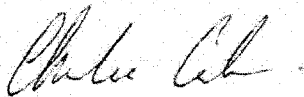
The Society has no reinsurance and no deferred tax or deferred acquisition assets.

I can advise as follows:

- There were no limitations or restrictions placed on me in carrying out this work, and I have obtained all the information and explanation that I required.
- My relationship with or interest in the Society is limited to that of Appointed Actuary.
- It is the Society's established policy to seek my advice on actuarial information and to adopt my advice in the financial statements.
- The actuarial information provided by me has been prepared in accordance with the New Zealand Equivalent of International Financial Reporting Standard 4, and Professional Standard 3 of the New Zealand Society of Actuaries
- The actuarial information contained in, and used in the preparation of, the financial statements has been appropriately included and used.
- In my opinion, and from an actuarial perspective, the Society is maintaining, at the balance date, the solvency margin as required under the Act.
- The Society has an exemption from the requirement to maintain statutory funds.

Greystone Consulting

Subsequent to the issue of the financial statements the solvency position was reassessed. This has resulted in an improvement in the solvency position. The Solvency Margin has reduced from \$7,287,000 to \$7,261,000. The Current Solvency Ratio is unchanged at 1.59.



Charles Cahn
FIAA FNZSA
Appointed Actuary

22 August 2013