



## **Financial Services**

FINANCIAL STATEMENTS  
for the 12 months ended  
31 May 2015

# Manchester Unity Friendly Society

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# Manchester Unity Friendly Society

## Consolidated Statement of Comprehensive Income

for the 12 months ended 31 May 2015

	Note	2015 \$'000	2014 \$'000
<i>Insurance</i>			
Premiums received	2a	1,506	1,634
Claims paid & provided for	2a	(3,384)	(3,622)
		(1,878)	(1,988)
Movement in life insurance contract obligations	12b	253	499
Insurance operating (deficit) before investment activities		(1,625)	(1,489)
<i>Investment</i>			
Net investment income	2b	3,977	4,335
Gains/(losses) from market revaluations and disposals	2b	971	(1,404)
Investment surplus		4,948	2,931
Operating expenses	2c	(1,978)	(2,009)
Operating surplus/(deficit) after insurance & investment activities and expenses		1,345	(567)
<b>Holiday Homes and Member Benefits</b>			
Net holiday homes income	2d	2	36
Gains from market revaluations and movements	2d	136	8
Member benefit expenses	2e	(398)	(462)
Holiday homes and member benefits operating deficit		(260)	(418)
<b>Fraternity</b>			
Member management fees	2f	256	271
Fraternal operating expenses	2g	(507)	(377)
Fraternal operating deficit		(251)	(106)
Operating surplus/(deficit)		834	(1,091)
Other income	2h	65	120
Total comprehensive income/(loss) for the year		899	(971)

# Manchester Unity Friendly Society

## Consolidated Statement of Financial Position

as at 31 May 2015

	Note	2015 \$'000	2014 \$'000
<i>Assets</i>			
Cash and cash equivalents	4	714	7,129
Other financial assets designated at fair value through profit or loss	5	61,662	52,381
Trade and other receivables	5	523	1,154
Other Assets	6	38	37
Investment property	7	19,470	20,327
Property, plant & equipment		63	77
Other intangible assets		1	4
<b>Total Assets</b>		<b>82,471</b>	<b>81,109</b>
<i>Liabilities</i>			
Trade and other payables	8	418	498
District & Lodge deposits	9	2,950	3,160
Member benefit fund liabilities	10	11,468	10,466
Employee benefits	11	51	45
Member insurance contract obligations	12b	47,580	47,833
<b>Total Liabilities</b>		<b>62,467</b>	<b>62,004</b>
<b>Net Assets</b>		<b>20,004</b>	<b>19,105</b>
<i>Equity</i>			
Retained Earnings	13	5,528	5,274
<i>Reserves</i>			
District & Lodge Relief Fund	14a	968	968
Society Benevolent and Emergency Relief fund	14b	586	597
Restricted Reserve - Lodge Reserve	14e	478	480
<i>Other Reserves</i>			
Medical Services	14c	2,489	2,511
Medical Services Fund	14d	750	750
General Reserve	14f	9,204	8,525
<b>Total Reserves</b>		<b>14,476</b>	<b>13,831</b>
<b>Total Equity</b>		<b>20,004</b>	<b>19,105</b>

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 23 July 2015

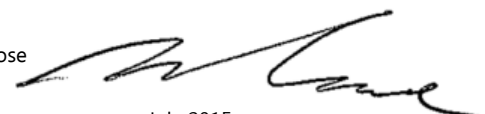
On behalf of the Board:

Ingrid Taylor  
CHAIR



Michael Ambrose  
DIRECTOR

Signed:



July 2015

## Manchester Unity Friendly Society

### Consolidated Statement of Changes in Equity

for the 12 months ended 31 May 2015

	Note	2015 \$'000	2014 \$'000
Opening equity		19,105	20,076
Net surplus for the period and total comprehensive income attributable to members	13	899	(971)
Closing equity		20,004	19,105

# Manchester Unity Friendly Society

## Consolidated Cash Flow Statement

for the 12 months ended 31 May 2015

	Note	2015 \$'000	2014 \$'000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Insurance premiums		1,460	1,634
Interest income received		2,952	3,202
Dividends received		179	168
Rental income received		1,036	1,391
Holiday homes income		130	130
Fraternal income		211	224
Other income		110	167
Member benefit fund contributions		823	494
		<b>6,901</b>	<b>7,410</b>
<i>Cash was applied to:</i>			
Interest paid to Districts and Lodges		156	164
Payments for claims		3,384	3,647
Payments to suppliers and employees		2,878	2,654
Payments to member benefit funds		578	534
		<b>6,996</b>	<b>6,999</b>
<b>Net cash flow from operating activities</b>	19	<b>(95)</b>	<b>411</b>
Cash flow from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of investment properties		838	438
Proceeds from sale of financial assets		22,244	12,976
Repayment of mortgage loans		7	19
Deposits received from District & Lodges		210	146
		<b>23,299</b>	<b>13,579</b>
<i>Cash was applied to:</i>			
Purchase of financial assets		29,580	13,317
Purchase of property, plant & equipment		24	86
Mortgage loan advances		15	10
Deposit repayments to District & Lodges		0	64
		<b>29,619</b>	<b>13,477</b>
<b>Net cash flows from investing activities</b>		<b>(6,320)</b>	<b>102</b>
Net increase/(decrease) in cash held		(6,415)	513
Opening cash & cash equivalents		7,129	6,616
<b>Closing cash &amp; cash equivalents</b>		<b>714</b>	<b>7,129</b>

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

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 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 a FMC reporting entity for the purposes of the Financial Markets Conducts Act 2013 and the Financial Reporting Act 2013 and its financial statements comply with these Acts. 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 and Lodges, 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.

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.

#### Premiums revenue

Premiums 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.

#### Unearned Premiums

Unearned Premiums relate 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 unearned premiums is taken to the statement of comprehensive income so that revenue is recognised over the period of risk.

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### **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 12(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 premiums and claims.

### **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.

### **Fair value measurement**

Fair value measurements apply to both financial instrument items and non-financial instrument items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value is an exit price regardless of whether that price is directly observable or an estimate using another valuation technique.

### **Financial assets**

Financial assets are recognised and derecognised on settlement date and are initially measured at fair value including, for those financial assets not at fair value through profit or loss, 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 profit or loss, except that interest income and dividends are shown separately. Fair value is determined in the manner described in note 20(i).

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with a maturity term of less than 90 days.

#### ***Loans and receivables***

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



# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 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 profit or loss in the period in which they arise.

#### 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 property, plant & equipment 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 Consolidated Financial Statements

for the 12 months ended 31 May 2015

### **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 and Lodge deposits***

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

District and Lodge 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 10.

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 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.

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### **Taxation**

Taxation is accounted for on the following basis:

#### ***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 balance sheet liability 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 14. 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 a maturity term of less than 90 days, 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)

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 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 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.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
NZ IFRS 9 'Financial Instruments'	1 January 2018	31 May 2019
NZ IFRS 15 'Revenue for Contracts with Customers'	1 January 2017	31 May 2018

### Comparative amounts

The presentation and classification of items have been amended for the year ended 31 May 2015 for the purpose of improving readability and the understanding of the user. The most significant change is to present the Statement of Comprehensive Income by activity and as a consequence the update of Note 2. The comparatives have been aligned with the current year presentation. There has been no impact on the total comprehensive income or total equity as a result of the reclassifications. It is not practical to provide a reconciliation of previously reported to currently reported disclosures.

### Change in accounting policies

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

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 2. Comprehensive income attributable to members

#### a Insurance

##### 12 months to 31 May 2015

Increasing Assurance Benefit	
Funeral Fund	
Medical Services Fund	
Society Sickness Benefit	
Education Support Plan	
<b>Total Insurance Operating Deficit before investment activities</b>	

Premiums Received	Claims Paid & Provided For	Surplus / (Deficit)
257	1,534	(1,277)
324	1,085	(761)
877	728	149
0	16	(16)
48	21	27
<b>1,506</b>	<b>3,384</b>	<b>(1,878)</b>

##### 12 months to 31 May 2014

Increasing Assurance Benefit	
Funeral Fund	
Medical Services Fund	
Society Sickness Benefit	
Education Support Plan	
<b>Total Insurance Operating Deficit before investment activities</b>	

Premiums Received	Claims Paid & Provided For	Surplus / (Deficit)
287	1,813	(1,526)
347	1,112	(765)
945	652	293
0	16	(16)
55	29	26
<b>1,634</b>	<b>3,622</b>	<b>(1,988)</b>

#### b Investment Income

##### Rental income

Commercial properties rental income	
Leasehold land rental income	
<b>Total rental income</b>	

##### Interest income

Bank deposits	
Income from loans and receivables	
Fixed interest securities	
<b>Total interest income</b>	

Dividend income

##### **Total investment income**

##### **Investment expenses**

Commercial property expenses	
Leasehold land expenses	
Financial investment expenses	
<b>Total investment expenses</b>	

##### **Net investment income**

##### **Unrealised gains/(losses) from market revaluations and disposals**

Commercial properties	
Leasehold land	
Un-realised gain/(loss) of financial assets designated at fair value through profit or loss	
<b>Total unrealised gains/(losses)</b>	

##### **Realised gain on disposal of investment property**

Leasehold land	
Financial assets designated at fair value through profit or loss	
<b>Total realised gains/(losses)</b>	

##### **Gains/(losses) from market revaluations and disposals**

	2015 \$'000	2014 \$'000
Commercial properties rental income	776	1,122
Leasehold land rental income	260	270
<b>Total rental income</b>	<b>1,036</b>	<b>1,392</b>
Bank deposits	712	660
Income from loans and receivables	38	38
Fixed interest securities	2,222	2,207
<b>Total interest income</b>	<b>2,972</b>	<b>2,905</b>
Dividend income	179	168
<b>Total investment income</b>	<b>4,187</b>	<b>4,465</b>
Commercial property expenses	123	46
Leasehold land expenses	3	0
Financial investment expenses	84	84
<b>Total investment expenses</b>	<b>210</b>	<b>130</b>
<b>Net investment income</b>	<b>3,977</b>	<b>4,335</b>
Commercial properties	(445)	(933)
Leasehold land	156	57
Un-realised gain/(loss) of financial assets designated at fair value through profit or loss	1,120	(528)
<b>Total unrealised gains/(losses)</b>	<b>831</b>	<b>(1,404)</b>
Leasehold land	134	0
Financial assets designated at fair value through profit or loss	6	0
<b>Total realised gains/(losses)</b>	<b>140</b>	<b>0</b>
<b>Gains/(losses) from market revaluations and disposals</b>	<b>971</b>	<b>(1,404)</b>

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 2. Comprehensive income attributable to members

	2015 \$'000	2014 \$'000
<b>c Operating expenses</b>		
Directors fees and expenses	254	229
Operational plan for the future	8	8
Employee expenses	827	948
Auditors remuneration - audit fees	58	63
Other professional fees	353	242
Rent and other occupancy expenses	109	127
Travel expenses	18	27
Office administration	76	77
Insurance	89	83
Communications	22	34
Marketing expenses	0	0
Computer expenses	33	37
Other expenses	60	65
Depreciation of non-current assets	37	36
Amortisation of software	4	0
Commissions expense	30	33
<b>Total other expenses</b>	<b>1,978</b>	<b>2,009</b>

Note A - Includes contributions to Kiwisaver and a defined contribution pension plan of \$18,000 (2014: \$21,000)

The Society has no other obligation to provide pension benefits to employees.

Note B - The auditor of Manchester Unity is Deloitte.

Note C - In addition to the statutory audit fee Deloitte also received \$9,900 (2014: \$9,000) for the Reserve

Bank solvency return assurance and \$31,000 (2014: \$48,000) for tax related advice.

<b>d Holiday homes</b>		
Holiday homes rental income	130	130
Holiday homes operating expenses	(128)	(94)
Net holiday homes income	2	36
Holiday homes market revaluations and movements	91	22
Holiday homes realised gain/(loss) on disposal	45	(14)
Gains from market revaluations and disposals	136	8
<b>e Member benefit expenses</b>		
Education grants	(5)	(5)
Education scholarships	(19)	(37)
SBERF payments	(10)	(42)
Appropriation to member share funds	(364)	(378)
Total member benefits expenses	(398)	(462)

The share funds are pooled as part of the Society's total assets. This appropriation represents the investment return allocated to member share funds as approved by the Board with the exception of ring fenced funds where the amount allocated is the actual return on the ring fenced assets. Total society investment income (inclusive of the actual income earned on share funds) is reflected in note 2b.

<b>f Fraternity</b>		
Member management fees	211	224
Consolidated Lodges - MSF/IAB Commission	45	47
	256	271
<b>g Fraternal operating expenses</b>		
Fraternal council	(42)	(37)
Fraternal support	(80)	(38)
Employee expenses	(246)	(191)
Fraternal travel	(58)	(41)
Fraternal other	(81)	(70)
Total Fraternal operating expenses	(507)	(377)
<b>h Other income</b>		
Management fee Unity Ltd	0	0
Commissions & Recoveries	65	120
	65	120

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 3. Taxation

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Net surplus for the year before taxation	899	(971)
Tax @ 28%	252	(272)
Movement in tax losses	(252)	272
Tax Expense	-	-

The Society has \$2,690,000 (2014: \$2,942,000) unrecognised tax losses to carry forward.

In addition to the above, subsidiary Unity Ltd has \$1,650,000 (2014: \$1,650,000) accumulated tax losses.

As stated in the policy on taxation, a debit balance in the deferred tax account arising from deductible temporary differences or income tax losses is only recognised if their realisation is probable. As at 31 May 2015 and 31 May 2014 this is not probable.

### 4. Cash and cash equivalents

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash on hand	26	22
Short term bank deposits	688	7,107
<b>Total cash and cash equivalents</b>	<b>714</b>	<b>7,129</b>

The maturity profile of these assets is shown in note 21(d).

### 5. Other financial assets

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

Government bonds	550	2,068
Local authority bonds	3,110	2,177
Corporate bonds	33,569	34,954
Total NZ fixed interest securities	37,229	39,199
Bank term deposits	20,128	9,280
NZ Equities	2,696	2,213
Australian Equities	1,609	1,688
<b>Total financial assets designated at fair value through profit or loss</b>	<b>61,662</b>	<b>52,380</b>

The maturity of these assets is shown in note 21(d).

#### Trade and other receivables

Member contributions in arrears	24	16
Trade and other sundry receivables	4	7
Interest receivable	0	644
First mortgage securities	397	397
IAB loans and advances	98	90
Total trade and other receivables	<b>523</b>	<b>1,154</b>

### 6. Other assets

Inventory	22	22
Prepayments	16	15
Total other assets	<b>38</b>	<b>37</b>

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 7. Investment property

The independent valuers were:

	Abbreviation
Darroch Limited	Darroch
Quotable Value NZ Ltd	QV
J P Morgan & Associates Ltd	Morgans

	Valuer	Fair value 1 June 2014 \$'000	Acquisitions & Disposals \$'000	Fair value \$'000	Fair value 31 May 2015 \$'000
<b>Commercial properties</b>					
<b>Retail</b>					
Ngaio Road, Waikanae	Darroch	3,600	-	(100)	3,500
Lombard Street, Palmerston North	Morgans	530	-	(5)	525
Bridge Street, Nelson	QV	840	-	-	840
		4,970	-	(105)	4,865
<b>Retail development</b>					
Kent Terrace, Wellington	Darroch	2,800	-	(100)	2,700
<b>Warehouse/office</b>					
Quadrant Drive, Lower Hutt	Darroch	4,940	-	(240)	4,700
		12,710	-	(445)	12,265
<b>Leasehold properties</b>					
	Darroch	4,221	(207)	156	4,170
<b>Holiday accommodation properties</b>					
	Darroch	3,396	(487)	126	3,035
		<b>20,327</b>	<b>(694)</b>	<b>(163)</b>	<b>19,470</b>

	Valuer	Fair value 1 June 2013 \$'000	Acquisitions & Disposals \$'000	Fair value Changes \$'000	Fair value 31 May 2014 \$'000
<b>Commercial properties</b>					
<b>Retail</b>					
Ngaio Road, Waikanae	Darroch	3,550	-	50	3,600
Wickstead Terrace, Wanganui		18	(18)	-	-
Lombard Street, Palmerston North	Morgans	543	-	(13)	530
Bridge Street, Nelson	Duke & Cook	850	-	(10)	840
		4,961	(18)	27	4,970
<b>Retail development</b>					
Kent Terrace, Wellington	Darroch	2,700	-	100	2,800
<b>Warehouse/office</b>					
Quadrant Drive, Lower Hutt	Darroch	6,000	-	(1,060)	4,940
		13,661	(18)	(933)	12,710
<b>Leasehold properties</b>					
	Darroch	4,164	-	57	4,221
<b>Holiday accommodation properties</b>					
	Darroch	3,809	(435)	22	3,396
		<b>21,634</b>	<b>(453)</b>	<b>(854)</b>	<b>20,327</b>

During the year there were no transfers of property between levels of fair value hierarchy.

Two commercial properties with a total fair value of \$1,365,000 (2014: \$1,370,000) are held for the benefit of members of Loyal Nelson Lodge and Loyal Manawatu Lodge - refer note 22.

The fair value of the group's investment property is determined at 31 May each year on the basis of valuations carried out at that date by independent registered valuers experienced in the New Zealand property market. These reports are based on both:

- Information provided by the Society such as lease terms and conditions, current rents etc.
- Assumptions and valuation models used by the valuers - the assumptions such as yields and discount rates are typically market related. These are based on their professional judgment and market observation.

The information provided to the valuers and the assumptions and the valuations models used by the valuers are reviewed by management. This includes a review of fair value movements over the period. On completion of this process management make a recommendation to the audit committee. The audit committee considers the valuation report as a part of their overall responsibilities.



**Notes to the Consolidated Financial Statements**

for the 12 months ended 31 May 2015

**7. Investment property (cont.)**

Class of property	Fair value hierarchy	Fair value at 31 May 2015	Valuation techniques used	Inputs used to measure fair value	Range of significant unobservable inputs	Range of significant unobservable inputs
					31 May 2015	31 May 2014
Retail	Level 3	\$4,865,000 (2014: \$4,970,000)	Income capitalisation approach Discounted cash flow	Net market rent \$/m <sup>2</sup>	\$95 to \$260	\$105 to \$295
				Capitalisation rate initial yield	8.00% to 10.25%	8.10% to 10.03%
				Capitalisation rate effective yield	8.00% to 9.75%	8.04% to 9.22%
				Other income capitalisation rate	8.50%	8.50%
				Discount rate	10.00%	10.00%
				Terminal capitalisation rate	10.5%	10.75%
				Rental growth rate (pa)	2.49%	2.49%
				Expenses growth rate (pa)	2.00%	2.25%
Retail/development potential	Level 3	\$2,700,000 (2014: \$2,800,000)	Income capitalisation approach Sales comparison approach	Net market rent \$/m <sup>2</sup>	\$60 to \$185	\$295
				Capitalisation rate - effective yield	5.5% to 5.75%	5.57%
				Discount rate	9.00%	9.00%
				Land value \$/m <sup>2</sup>	\$2,588	\$2,588
Industrial	Level 3	\$4,700,000 (2014: \$4,940,000)	Income capitalisation Discounted cash flow	Net market rent \$/m <sup>2</sup>	\$92 to \$132	\$107
				Capitalisation rate initial yield	10.73%	10.73%
				Capitalisation rate effective yield	9.25% to 9.50%	11.18%
				Other income capitalisation rate	9.00%	9.00%
				Discount rate	11.00%	11.00%
				Terminal capitalisation rate	10.00%	10.00%
				Rental growth rate (pa)	2.43%	2.50%
				Expenses growth rate (pa)	2.00%	2.25%
Leasehold properties	Level 3	\$4,170,000 (2014: \$4,013,680)	Discounted cash flow	Site land values	\$163,000 - \$205,000	\$155,000 - \$210,000
				Discount rate	9.50%	9.50%
				Capitalisation rate initial yield	6.30%	6.39%
				Capitalisation rate effective yield	6.27%	6.13%
Holiday accom. properties	Level 2	\$3,035,000 (2014: \$2,943,000)	Sales comparison approach	Sales (\$psm)	N/A	N/A

The following table shows the impact on the fair value of a change in a significant unobservable input:

Significant inputs	Fair value measurement sensitivity	
	Increase in input	Decrease in input
Net market rent per m <sup>2</sup>	Increase	Decrease
Capitalisation rate	Decrease	Increase
Other income capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase
Terminal capitalisation rate	Decrease	Increase
Rental growth rate	Increase	Decrease
Expenses growth rate	Decrease	Increase

**Valuation methodologies**

**Income capitalisation approach** The income approach (investment valuation approach) is the prime determinant of fair value for commercial properties of this nature. This approach involves capitalising the actual contract and/or potential net income at an appropriate market derived rate of return to arrive at a capitalised value. This value is then adjusted for property specific factors including inter alia: rental surplus/shortfall, vacancy, real estate agents lease commissions, inducements, refurbishment expenses, strengthening, unrecovered operating expenses and capital expenditure.

**Discounted cash flow analysis** The discounted cash flow (DCF) analysis calculates the market value of the subject property as the present value of the future cash flows from the property discounted using an appropriate risk adjusted rate of return (or discount rate). Whereas the investment approach capitalises income at a specific point in time, the DCF permits us to make allowances for such factors as vacancies, refurbishment costs and growth in rental rates over a period of time. The estimated cash flows including the reversionary value estimate in the final year of the DCF are then discounted to provide the property's net present value.

**Sales comparison approach** A valuation methodology whereby the subject property is compared to recently sold properties of a similar nature.

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

	2015 \$'000	2014 \$'000
<b>8. Trade and other payables</b>		
Trade creditors and accruals	334	401
Unearned Premiums	84	97
<b>Total trade and other payables - current</b>	<b>418</b>	<b>498</b>
Payables are paid within the credit timeframe.		
<b>9. District and Lodge deposits</b>		
<b>Unsecured:</b>		
Deposits - District and Lodges	2,950	3,160
<b>Total District and Lodge deposits</b>	<b>2,950</b>	<b>3,160</b>

### 10. Member benefit fund liabilities

	Member Share Funds \$'000	Hawkes Bay Endowment Fund \$'000	Total \$'000
<b>12 months to 31 May 2015</b>			
Opening balance	10,444	22	10,466
Contributions including transfers	1,216	-	1,216
Withdrawals	(578)	-	(578)
Appropriations	364	-	364
Closing balance - current	<b>11,446</b>	<b>22</b>	<b>11,468</b>
<b>12 months to 31 May 2014</b>			
Opening balance	10,059	21	10,080
Contributions including transfers	541	-	541
Withdrawals	(534)	-	(534)
Appropriations	378	1	379
Closing balance - current	<b>10,444</b>	<b>22</b>	<b>10,466</b>

At 31 May 2015 the Directors have declared an appropriation of 4.0% of balances held (2014: 4.0%). 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 21.

#### (a) Member Share Funds

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

	2015 \$'000	2014 \$'000
<b>Current:</b>		
Antipodean Lodge	309	-
Ashburton Branch	492	479
Auckland District	316	317
Banks Peninsula Branch	696	708
Egmont Lodge	1,604	1,611
Hastings Lodge	870	859
Manawatu Lodge	557	591
Manchester Lodge	71	71
Masterton Lodge	718	721
Napier Lodge	1,908	1,901
Nelson Lodge	2,867	2,905
Rangiora Lodge	32	-
Rose of Sharon Lodge	152	150
United Westland Lodge	89	97
Wanganui Lodge	734	-
Woodville Lodge	29	35
<b>Total Member Share Funds</b>	<b>11,446</b>	<b>10,444</b>

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 10. Member benefit fund liabilities (cont'd)

#### (b) Hawke's Bay Endowment Fund

An endowment fund held by the Society on behalf of the Hawke's Bay Lodges.

### 11. Employee Benefits

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for employee entitlements	51	45
<b>Total Provision for Employee Benefits</b>	<b>51</b>	<b>45</b>

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

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 12. 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 positive, credit rating issued by Standard and Poors on 16 April 2015.

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 management's discretion, member insurance benefits or original cover can be increased through the addition of bonuses.

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. This plan is closed to new members. Existing members are unable to increase their cover under this plan. Benefits include funeral cover taken plus 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.  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. These plans are closed to new members. 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. The plan includes provision for payment of contributions in the event of death or temporary disablement of the principal contributor. Tertiary means university, college of education polytechnic providers or other tertiary course approved by the New Zealand Ministry of Education. This plan is closed to new members. Administered by the Board of Directors under General Rule 62.

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 12. 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 Hawke's 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 2015.

	Medical Services Fund	Funeral Fund	Increased Funeral Fund	Increasing Assurance Benefit \$'000	Society Sickness Benefit Fund \$'000	Education Support Plan \$'000	Total \$'000
Members funds at 31 May 2014	200	7,928	15,725	23,308	262	410	47,833
Contributions/Premiums	877	324	-	257	-	48	1,506
Withdrawals/Claims	(728)	(413)	(672)	(1,534)	(16)	(21)	(3,384)
Society management fees	(154)	(53)	-	(23)	0	-	(230)
Other acquisition costs	(17)	-	-	(13)	-	-	(30)
Transfers	22	-	-	-	-	-	22
Appropriations	-	314	616	906	10	17	1,863
Change in life insurance contract obligations	-	172	(56)	(407)	(6)	44	(253)
Members funds at 31 May 2015	200	8,100	15,669	22,901	256	454	47,580
Members funds at 31 May 2013	200	7,737	15,811	23,947	268	369	48,332
Contributions/Premiums	945	347	-	287	-	55	1,634
Withdrawals/Claims	(652)	(408)	(704)	(1,813)	(16)	(29)	(3,622)
Society management fees	(167)	(56)	-	(26)	0	-	(249)
Other acquisition costs	(19)	-	-	(14)	-	-	(33)
Transfers	(107)	-	-	-	-	-	(107)
Appropriations	-	308	618	927	10	15	1,878
Change in life insurance contract obligations	0	191	(86)	(639)	(6)	41	(499)
Members funds at 31 May 2014	200	7,928	15,725	23,308	262	410	47,833

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 12. 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 to these obligations. Refer to note 14.

#### (d) Actuarial valuation of member insurance contract obligations

The valuation of member insurance contract obligations was carried out as at 31 May 2015 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' vested 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 the prior year noted, are summarised as follows:

##### (i) Discount Rate

The discount rate representing the assumed long term rate of appropriation to the funds was 4.0% per annum (2014: 4.5%).

##### (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.

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 12. Member insurance contract obligations (cont'd)

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

##### (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.

##### (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 1.61% of sum assured and 3.22% of existing bonus (2014: 1.88% and 3.76%).
- For the Funeral Fund and the Increased Funeral Benefit Fund, the assumed rates of supportable additions were 0.57% of the Funeral Benefit and 1.13% of the Increased Funeral Benefit (2014: 0.82% and 1.65%)

##### (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

	IAB \$'000	Funeral Funds \$'000	Other Funds \$'000	Total \$'000
<b>May 2015 Value of</b>				
Future policy benefits	17,028	22,135	-	39,163
Future additions	5,360	2,573	-	7,933
Future expense transfers	268	511	-	779
Future profit margins	-	-	-	-
Future contributions	(1,780)	(3,100)	-	(4,880)
Accumulation method	-	-	911	911
Members' unvested benefit liability	2,025	1,649	-	3,674
<b>Total</b>	<b>22,901</b>	<b>23,768</b>	<b>911</b>	<b>47,580</b>
<b>May 2014 Value of</b>				
Future policy benefits	16,654	20,932	-	37,586
Future additions	6,284	3,666	-	9,950
Future expense transfers	283	518	-	801
Future profit margins	-	-	-	-
Future contributions	(1,903)	(3,171)	-	(5,074)
Accumulation method	-	-	872	872
Members' unvested benefit liability	1,990	1,708	-	3,698
<b>Total</b>	<b>23,308</b>	<b>23,653</b>	<b>872</b>	<b>47,833</b>

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 12. 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.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	3,280	2,782
1-5 years	10,737	10,785
More than 5 years	43,063	44,186
	<b>57,080</b>	<b>57,753</b>

##### Solvency

Solvency has been calculated in accordance with the Solvency Standard for Life Insurers issued in December 2014 by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010. At 31 May 2015, the Actual Solvency Capital was \$19,513,000 (2014: \$18,614,000) and the Minimum Solvency Capital was \$12,011,000 (2014: \$7,747,000) resulting in a Solvency Margin of \$7,503,000 (2014: \$10,867,000) and a Current Solvency Ratio of 1.62 (2014: 2.40).

### 13. Retained earnings

	<b>2015</b>	<b>2014</b>
<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of financial year	5,274	4,886
Total comprehensive income/(loss) attributable to members	899	(971)
Transfer from Society Benevolent Fund	14(b) 10	46
Transfer from/(to) Medical Services Reserve	14(c) 22	(107)
Transfer from/(to) Lodge Reserve	14(e) (21)	(16)
Share Fund Appropriation from Lodge Reserve	21 23	12
Transfers from/(to) the general reserve		
- Release of realised gain on disposal of leasehold property	14(f) 110	-
- Release of realised gain on disposal of holiday homes	14(f) 132	43
- Release of realised gain on disposal of financial assets	14(f) 6	-
- Revaluation of investment properties	14(f) 193	854
- Unrealised (profit)/loss on change in fair value of financial assets	14(f) (1,120)	528
	<b>(679)</b>	<b>1,424</b>
Balance at the end of financial year	<b>5,528</b>	<b>5,274</b>

##### 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 Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 14. Reserves

		2015	2014
	Note	\$'000	\$'000
District and Lodge Relief Fund	14(a)	968	968
Society Benevolent and Emergency Relief Fund	14(b)	586	597
Medical services reserve	14(c)	2,489	2,511
Medical services fund	14(d)	750	750
Lodge reserve	14(e)	478	480
General reserve	14(f)	9,204	8,525
<b>Total reserves</b>		<b>14,476</b>	<b>13,831</b>
<b>(a) District and Lodge Relief Fund</b>			
Balance at the beginning of financial year		968	968
Distributions to members		-	-
Transfer to retained earnings	13	-	-
Balance at the end of financial period		<b>968</b>	<b>968</b>

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		597	643
Grants		(10)	(46)
Allocation of surplus		-	0
Transfer from/(to) retained earnings	13	(10)	(46)
Balance at the end of financial period		<b>586</b>	<b>597</b>

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		2,511	2,404
Transfers from/(to) retained earnings	13	(22)	107
Balance at the end of financial period		<b>2,489</b>	<b>2,511</b>

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
Transfers from/(to) retained earnings	13	-	-
Balance at the end of financial period		<b>750</b>	<b>750</b>

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.

#### (e) Lodge Reserves

Balance at the beginning of financial year		480	476
Transfer from/(to) retained earnings	13	21	16
Appropriation to share funds	21	(23)	(12)
Balance at the end of financial period	21	<b>478</b>	<b>480</b>

For details of this reserve refer to Note 22.

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 14. Reserves (cont'd)

		2015	2014
		\$'000	\$'000
<b>(f) General reserve</b>	Note		
Balance at the beginning of financial year		8,525	9,950
Release of realised gain on disposal of leasehold property	13	(110)	-
Release of realised gain on disposal of holiday homes	13	(132)	(43)
Release of realised gain on disposal of financial assets	13	(6)	-
Revaluation of investment properties	13	(193)	(854)
Unrealised profit/(loss) on change in fair value of financial assets	13	1,120	(528)
Transfer from/(to) retained earnings	13	679	(1,425)
Balance at the end of financial period		<b>9,204</b>	<b>8,525</b>

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.

#### 15. 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

##### 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 (2014: Nil).

##### Other Transactions

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

During the financial year interest on deposits held was paid to Manchester Unity Districts and, Lodges totalling \$156,000 (2014: \$164,000). The term of investments ranged from call to 5 years.

Interest rates paid on the call 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 5.44% (2014: 5.22%).

Outstanding balances with related parties are disclosed in note 9 and 10.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2014: Nil)

##### Key Management Personnel Compensation

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

	2015	2014
	\$'000	\$'000
Short-term employee benefits	469	507
<b>Total</b>	<b>469</b>	<b>507</b>

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 16. Leases

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Leases as lessee</b>		
<b>Non-cancellable operating lease payments</b>		
Not longer than one year	87	89
Longer than one year and less than five years	94	185
Longer than five years	-	-
	<b>181</b>	<b>274</b>

Operating leases disclosed relate to the lease of the group's Lambton Quay Offices. The current lease for a term of 4 years was signed in June 2013. There is an option to extend the lease for a further 4 years. The lease agreement contains a clause that market rent reviews are to be carried out every 2 years. The Society does not have the option to purchase the space at the expiry of the lease period.

#### Leases as lessor

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-cancellable operating lease receivables</b>		
Not longer than one year	755	926
Longer than one year and less than five years	1,451	1,935
Longer than five years	468	617
	<b>2,674</b>	<b>3,478</b>

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 lessees 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.

### 17. Contingent liabilities and contingent assets

At balance date the group has no contingent liabilities or contingent assets (2014 :Nil).

### 18. Commitments for expenditure

#### Capital expenditure commitments

The group had no capital commitments at balance date (2014: Nil).

#### Lease commitments

Non-cancellable operating lease commitments are disclosed in note 16 to the financial statements.

# Manchester Unity Friendly Society

## Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 19. Notes to the cash flow statement

	2015	2014
	\$'000	\$'000
<b>Reconciliation of net cash provided by operating activities to Comprehensive Income for the period is as follows:</b>		
Total comprehensive income/(loss)	899	(971)
<b>Add/(less) non cash items:</b>		
-revaluation of investment property	198	854
-depreciation and amortisation	41	35
-appropriations to member benefit funds	364	379
-changes in fair value of financial assets through profit and loss account	(1,120)	528
-change in life insurance contract obligations	(253)	(499)
<b>Add/(less) change in operating assets:</b>		
-increase/(decrease) in unearned premiums	(13)	(18)
-(increase)/decrease in interest accrued	644	(102)
-(increase)/decrease in accounts receivable	(5)	208
-(increase)/decrease in premiums in arrears	(8)	3
-(increase)/decrease in other assets	(1)	(6)
-increase/(decrease) in trade and other payables	(67)	(37)
-increase/(decrease) in provisions	6	(10)
Member benefit fund contributions less withdrawals	*** (595)	33
<b>Add/(less) items reclassified as investing activities:</b>		
-realised gain on disposal of financial assets designated at fair value through profit or loss	(6)	
-gain on sale of investment properties	(179)	14
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(95)</b>	<b>411</b>

\*\*\* The difference between this figure and that in Note 10 is the value of non cash assets transferred by Lodges.

### 20. 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, exchange rates and equity prices.

#### (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 20(b).

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 20. Financial Instruments (cont'd)

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

##### Maturity profile of financial instruments

The following tables detail the group's exposure to interest rate and liquidity risk at 31 May 2015 and 31 May 2014 and are based on undiscounted cash flows.

	Weighted average interest rate %	Maturity dates			Total \$'000
		Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000	
<b>31 May 2015</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	3.50%	714	-	-	714
Other financial assets designated at fair value through profit or loss:					
Government stock	6.00%	30	546	-	576
Local authority stock	4.92%	897	1,313	-	2,210
Corporate stock	5.95%	6,796	29,331	3,459	39,586
Bank term deposits	4.78%	16,929	3,713	-	20,642
NZ Equity		2,696	-	-	2,696
Australian Equity		1,609	-	-	1,609
Trade and other receivables:					
First mortgage securities	7.50%	427	-	-	427
IAB Loans and advances	9.00%	18	1	179	198
Other receivables		28	-	-	28
		<b>30,144</b>	<b>34,904</b>	<b>3,638</b>	<b>68,686</b>
<b>Financial liabilities:</b>					
Trade and other payables		418	-	-	418
District, Lodge and other deposits	5.32%	2,064	1,105	-	3,170
Member benefit fund liabilities		11,468	-	-	11,468
		<b>13,950</b>	<b>1,105</b>		<b>15,056</b>
<b>31 May 2014</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	4.10%	7,164	-	-	7,164
Other financial assets designated at fair value through profit or loss:					
Government stock	6.00%	1,609	576	-	2,185
Local authority stock	6.52%	729	1,609	-	2,338
Corporate stock	5.83%	5,921	24,304	12,167	42,393
Bank term deposits	4.83%	8,284	1,534	-	9,818
NZ Equity		2,213	-	-	2,213
Australian Equity		1,688	-	-	1,688
Trade and other receivables:					0
First mortgage securities	7.50%	427	-	-	427
IAB Loans and advances	7.42%	7	4	175	186
Other receivables		630	-	-	630
		<b>28,672</b>	<b>28,027</b>	<b>12,342</b>	<b>69,041</b>
<b>Financial liabilities:</b>					
Trade and other payables		395	0	0	395
District, Lodge and other deposits	5.22%	2,342	1,014	0	3,356
Member benefit fund liabilities		10,466	0	0	10,466
		<b>13,203</b>	<b>1,014</b>		<b>14,217</b>

Interest rate repricing is generally consistent to the maturity date for the financial instruments in the table above.  
All financial liability counterparties rank equally.

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 20. Financial Instruments (cont'd)

##### (d) Interest rate and liquidity risk (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 deposit. Each 1% movement in interest rates up or down will equate to an increase/decrease in profit or loss and equity attributable to members of \$203,000 (2014: \$157,000).

##### (e) Equity price risk

The group is 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 2015. If equity prices had been 5% higher/lower, the Group's profit or loss for the year ended 31 May 2015 would have been \$215,000 higher/lower and "Total equity" would similarly have been \$215,000 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 7 counterparties (2014: 8) where the groups 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	May 2015				May 2014			
	10% to	20% to	30% to	40% to	10% to	20% to	30% to	40% to
	<20%	<30%	<40%	<50%	<20%	<30%	<40%	<70%
AA+	-	-	-	-	1	-	-	-
AA	-	-	-	-	-	1	-	-
AA-	1	1	1	1	-	1	2	1
A+	-	1	-	-	1	-	-	-
A	1	-	-	-	-	-	-	-
A-	-	-	-	-	-	-	-	-
BBB+	-	-	-	-	1	-	-	-
BBB	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 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 AA+ 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 profit or loss and equity attributable to members of approximately \$149,000 (2014: \$143,000).

##### (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 Consolidated Financial Statements

for the 12 months ended 31 May 2015

### 20. 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 designated at fair value through profit or loss 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 as at fair value through profit or loss in accordance with NZ IFRS-4: <i>Insurance Contracts</i>
L&R:	Loans and receivables
AC:	Amortised cost

	Designated as FVTPL \$'000	L&R at AC \$'000	AC \$'000	Total \$'000
<b>May 2015</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	714	-	-	<b>714</b>
Other financial assets designated at fair value through profit or loss	61,662	-	-	<b>61,662</b>
Trade and other receivables	-	523	-	<b>523</b>
<b>Total financial assets</b>	<b>62,376</b>	<b>523</b>		<b>62,899</b>
<b>Financial liabilities:</b>				
Trade and other payables	-	-	418	<b>418</b>
District, Lodge and other deposits	-	-	2,950	<b>2,950</b>
Member benefit fund liabilities	-	-	11,468	<b>11,468</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>14,836</b>	<b>14,836</b>
<b>May 2014</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	7,110	-	-	<b>7,110</b>
Other financial assets designated at fair value through profit or loss	52,381	-	-	<b>52,381</b>
Trade and other receivables	-	1,154	-	<b>1,154</b>
<b>Total financial assets</b>	<b>59,491</b>	<b>1,154</b>		<b>60,645</b>
<b>Financial liabilities:</b>				
Trade and other payables	-	-	395	<b>395</b>
District, Lodge and other deposits	-	-	3,160	<b>3,160</b>
Member benefit fund liabilities	-	-	10,466	<b>10,466</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>14,021</b>	<b>14,021</b>

## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 20. Financial Instruments (cont'd)

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

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

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

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

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).

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>May 2015</b>				
Cash and cash equivalents	714	-	-	714
Bank term deposits	20,128	-	-	20,128
Government bonds	550	-	-	550
Local Authority bonds	3,110	-	-	3,110
Corporate bonds	33,569	-	-	33,569
Equity Investments	4,305	-	-	4,305
	<b>62,376</b>	-	-	<b>62,376</b>
<b>May 2014</b>				
Cash and cash equivalents	7,110	-	-	7,110
Bank term deposits	9,280	-	-	9,280
Government bonds	2,068	-	-	2,068
Local Authority bonds	2,177	-	-	2,177
Corporate bonds	34,954	-	-	34,954
Equity Investments	3,901	-	-	3,901
	<b>59,490</b>	-	-	<b>59,490</b>

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.

##### (l) 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 reduction in the discount rate which is the 10 year mid swap rate.



## Manchester Unity Friendly Society

### Notes to the Consolidated Financial Statements

for the 12 months ended 31 May 2015

#### 21. 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 \$1,365,000 (2014: \$1,370,000).

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance Lodge Reserve at beginning of year	480	476
Income included in Statement of Comprehensive Income		
- Revaluation investment property	(5)	(22)
- Commercial properties rental income	61	70
Expenses included in Statement of Comprehensive Income		
Direct property expenses of investment properties:		
- Commercial properties	(35)	(32)
Transfer from/(to) Retained earnings (Note 13)	21	16
Appropriation to Share Funds (Notes 13)	(23)	(12)
Balance Lodge Reserve at end of year (Note 14(e))	<b>478</b>	<b>480</b>

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

#### Assets and liabilities transferred on consolidation under Rule 38

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade and other receivables	-	-
Other financial assets designated at fair value through profit or loss	-	-
Investment property	-	-
Cash and cash equivalents	-	467
	<b>-</b>	<b>467</b>
Member share funds	-	467

#### 22. 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 discrete 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 12(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.

#### 23. Subsequent events

There have been no material events subsequent to balance date (2014: Nil).

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MANCHESTER UNITY FRIENDLY SOCIETY**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Manchester Unity Friendly Society and its subsidiary (the "Group") on pages 3 to 33, which comprise the consolidated statement of financial position as at 31 May 2015, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement 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. 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 Consolidated Financial Statements**

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

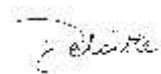
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated 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 and the provision of tax related advice, we have no relationship with or interests in Manchester Unity Friendly Society or its subsidiary UNITY Limited. These services have not impaired our independence as auditor of the Manchester Unity Friendly Society or its subsidiary UNITY Limited.

**Opinion**

In our opinion, the consolidated financial statements on pages 3 to 33 present fairly, in all material respects, the financial position of the Manchester Unity Friendly Society and its subsidiary as at 31 May 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.



**Chartered Accountants**  
23 July 2015  
Wellington, New Zealand