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Annual Report

Manchester Unity Friendly Society

For the year ended 31 May 2019

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Consolidated Statement of Comprehensive Income

Manchester Unity Friendly Society

For the year ended 31 May 2019

	NOTES	2019	2018
Insurance before movement in life insurance obligations			
Premiums	4	1,269,752	1,316,292
Claims paid & accrued	4	(3,217,887)	(3,368,263)
Total Insurance before movement in life insurance obligations		(1,948,135)	(2,051,971)
Movement in life insurance contract obligations			
Movement in life insurance contract obligations		327,628	1,562,321
Total Movement in life insurance contract obligations		327,628	1,562,321
Insurance (deficit) before investment activities		(1,620,507)	(489,650)
Investment activities			
Net investment income	4	3,347,563	3,244,369
Gains from revaluations and disposals	4	1,562,455	1,797,023
Total Investment activities		4,910,018	5,041,392
Operating Expenses			
Operating Expenses	5	(2,070,820)	(2,012,981)
Total Operating Expenses		(2,070,820)	(2,012,981)
Surplus after Insurance, Investment activities & operating expenses		1,218,690	2,538,761
Holiday Homes and Member Benefits			
Net holiday homes income	6	39,507	41,611
Gains from revaluations	6	634,782	343,478
Member Benefit Expenses	6	(62,996)	(321,045)
Total Holiday Homes and Member Benefits		611,293	64,044
Fraternity			
Fraternal Income	7	274,812	284,464
Fraternal Operating Expenses	7	(468,074)	(497,370)
Total Fraternity		(193,262)	(212,905)
Operating surplus		1,636,721	2,389,899
Other Income			
Other income	8	233,170	33,613
Total Other Income		233,170	33,613
Total comprehensive income for the year		1,869,891	2,423,512

There are no items recognised through other comprehensive income.

The financial statements should be read with accompanying notes on pages 7 to 40.

Consolidated Statement of Changes in Equity

Manchester Unity Friendly Society

For the year ended 31 May 2019

	NOTES	2019	2018
Retained Earnings			
Opening Balance		6,087,728	6,421,213
Movement during the year	18	(369,063)	(333,484)
Total Retained Earnings		5,718,666	6,087,728
Reserves			
Opening Balance		19,511,935	17,316,038
Movement during the year	19	2,101,554	2,195,897
Total Reserves		21,613,488	19,511,935
Total Equity		27,332,154	25,599,663

The financial statements should be read with accompanying notes on pages 7 to 40.

Consolidated Statement of Financial Position

Manchester Unity Friendly Society

For the year ended 31 May 2019

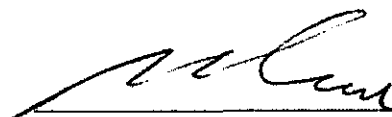
	NOTES	2019	2018
Assets			
Cash & cash equivalents	10	534,356	3,222,901
Other financial assets	11	61,931,775	59,187,650
Trade and other receivables	12	55,840	97,205
Other non-financial assets	13	270,070	97,667
Investment property	14	21,307,826	20,296,044
Property, plant and equipment		216,196	174,794
Total Assets		84,316,061	83,076,260
Liabilities			
Trade and other payables	15	429,299	458,447
Employee entitlements		93,756	207,649
District & lodge deposits		1,817,791	1,424,791
Member benefit fund liabilities	16	12,968,682	13,383,798
Member insurance contract obligations	17	41,674,379	42,001,913
Total Liabilities		56,983,907	57,476,597
Net Assets		27,332,154	25,599,663
Equity			
Retained earnings	18	5,718,666	6,087,728
Reserves			
District & lodge relief fund	19	968,222	968,222
Society benevolent & emergency relief fund	19	524,297	537,501
Medical services reserve	19	2,732,845	2,598,112
Medical services fund	19	750,000	750,000
Restricted reserve - lodge reserve	19	554,750	487,550
Funeral Plan fund	19	43,769	24,001
General reserve	19	16,039,605	14,146,549
Total Reserves		21,613,488	19,511,935
Total Equity		27,332,154	25,599,663

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 26 July 2019.

On behalf of the Board:



Graham Allanson
CHAIR OF AUDIT COMMITTEE



Michael Ambrose
DIRECTOR

The financial statements should be read with the accompanying notes on pages 7 to 40

Consolidated Statement of Cash Flows

Manchester Unity Friendly Society

For the year ended 31 May 2019

	NOTES	2019	2018
Cashflow			
Cash from Operating Activities			
Cash was provided from:			
Insurance premiums		1,262,318	1,327,810
Interest received		2,686,650	2,561,191
Dividends received		161,191	-
Rental income		885,959	824,416
Holiday homes income		140,813	145,943
Fraternal income		218,874	227,893
Other income		90,402	87,755
Member benefit fund contributions		64,855	1,358,755
Total Cash was provided from:		5,511,062	6,533,763
Cash was applied to:			
Payments to suppliers and employees		(2,918,294)	(2,672,433)
Payments for claims		(3,231,091)	(3,368,263)
Payments to member benefit funds		(609,971)	(788,374)
Interest paid to district & lodges		(68,424)	(60,860)
Total Cash was applied to:		(6,827,780)	(6,889,930)
Total Cash from Operating Activities	22	(1,316,718)	(356,167)
Cash from Investing Activities			
Cash was provided from:			
Proceeds from sale of investment properties		305,000	-
Proceeds from sale of financial assets		29,850,666	27,500,000
Repayment of mortgages & loans		43,569	378,268
Deposits received from district & lodges		450,000	-
Total Cash was provided from:		30,649,235	27,878,268
Cash was applied to:			
Purchase of financial assets		(31,878,742)	(26,801,843)
Purchase of property, plant & equipment		(85,320)	(159,205)
Deposit repayments to district & lodges		(57,000)	(94,120)
Total Cash was applied to:		(32,021,062)	(27,055,168)
Total Cash from Investing Activities		(1,371,827)	823,100
Net Increase/(Decrease) in Cash Held		(2,688,545)	466,933
Add Opening cash & cash equivalent		3,222,901	2,755,968
Closing cash & cash equivalents		534,356	3,222,901

The financial statements should be read with the accompanying notes on pages 7 to 40.

Notes to the Consolidated Financial Statements

Manchester Unity Friendly Society

For the year ended 31 May 2019

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, administered by the registered General Rules under that Act. 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 consolidated financial statements comply with these Acts. Its registered office is located at 117 Lambton Quay, Wellington, New Zealand.

Manchester Unity (the Ultimate Parent) and Unity Limited comprise the Manchester Unity Friendly Society Group (the Group).

1. Summary of accounting policies

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 International Financial Reporting Standards (IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities.

Basis of Preparation

The financial statements have been prepared using the going concern assumption and on the basis of historical cost, except for investment properties, insurance liabilities and those financial instruments which are measured at fair value. Cost is based on the consideration given in exchange for assets as to settle a liability.

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

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.

New Accounting Standards

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 June 2018.

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9. There is no restatement of prior periods as there is no material change in the recognition and measurement of financial assets or financial liabilities.

The key changes in the accounting policies from adoption of this standard relate to:

Classification and measurement of financial assets. NZ IFRS 9 contains three principal classification categories: measured at fair value through profit or loss, fair value through other comprehensive income and amortised cost. Refer 2.8 for details on the Groups financial assets and classification under NZ IFRS 9.

Impairment of financial assets. NZ IFRS 9 requires an expected credit loss model as opposed to incurred loss model under the previous standard. The expected credit loss model requires the Group to account for expected credit losses (and changes to those expected credit losses at each reporting date) rather than a credit loss event to have occurred before a loss is recognised. Given the nature of the Group's financial assets and credit quality, application of the expected credit loss model did not result in any material change to accounting for impairment losses. Expected credit losses were modelled for all financial assets with the loss negligible.

IFRS 15 Revenue from Contracts with Customers

The Group has applied NZ IFRS 15 using the cumulative method. NZ IFRS 15 provides principles and a comprehensive framework for determining whether, how much and when revenue is recognised. There has been no material impact on financial line items on application of this new standard. Refer note 2 for more information on the Groups revenue recognition.

2. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

2.1 Principles of Consolidation

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being Manchester Unity and its subsidiary, Unity Limited.

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.

2.2 Premiums Revenue

Premiums are recognised in the consolidated statement of comprehensive income from the attachment date in accordance with the pattern of incidence of risk expected over the term of the contract.

2.3 Unearned Premiums

Unearned premiums relate only to the medical services fund and include the written contribution policies, gross of commission payable to intermediaries, attributable to subsequent periods. The change in unearned premiums is taken to the consolidated statement of comprehensive income so that revenue is recognised over the period of risk.

2.4 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 PS-20, 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 17(c). While some of these products include an insurance component and a deposit component, the Directors, after obtaining advice from the Actuary, have determined that these components cannot be unbundled. Therefore the deposit components (contributions and withdrawals) and the insurance components (premiums and claims) are included in the consolidated statement of comprehensive income as premiums and claims.

2.5 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.

2.6 Rental Income

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

2.8 Fraternal Income

Fraternal income is recognised on an accruals basis.

2.9 Fair Value Measurements

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.

2.10 Financial Assets

Financial assets at fair value through profit or loss:

Fixed interest assets (including term deposits) and investments in Equities are initially recognised at fair value and subsequently measured at fair value at each reporting date. Fair value gain or loss excludes interest and dividend income. These assets are determined to be held to back member insurance obligations.

Fair value is determined in the manner described in note 23(h).

Financial assets at amortised cost:

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 from date of acquisition, and which are subject to insignificant risk of changes in value.

Other receivables

Trade and other receivables, loans, mortgages and other receivables are recorded at amortised cost less allowance for expected credit loss.

Impairment of financial assets is assessed via the expected credit loss model and considers credit quality, credit risk and change in credit risk from initial recognition. The expected credit losses on above assets have been assessed as negligible.

2.11 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.

2.12 Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of an item. Property, plant and equipment do not back insurance liabilities.

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 methods are 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

2.13 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 initially recorded at fair value less transaction costs that are directly attributable, and are subsequently 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 are measured at amortised cost. This is considered to be equivalent to fair value.

Member benefit fund liabilities

Details of the individual benefit funds held by the Group for members are detailed in note 16.

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.

2.14 Leases

Group 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.

Group as lessor

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

2.15 GST

Revenues, expenses and assets are recognised exclusive of GST except for receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the consolidated statement of cash flows 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.

2.16 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.

2.17 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 and unused tax losses 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.

2.18 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.

2.19 Reserves

Certain monies are held aside in reserves, as disclosed in note 19. Movements in these reserves are recognised as transfers to and from retained earnings.

2.20 Consolidated Statement of Cash Flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and term deposit investments with a maturity term of less than 90 days. The following terms are used in the consolidated statement of cash flows:

- **Operating activities:** are the principal revenue producing activities of the Group and other activities that are not investing 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.

2.21 Changes in Accounting Policies

Other than adoption of the new NZ IFRS as required as noted above in section 1, there have been no changes in accounting policies during the year.

3. Critical Accounting Estimates and Judgments

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

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

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

Area of estimate:

Valuation of insurance contract liabilities (Note 17 Member Insurance Contract Obligations)
Valuation of Investment Properties (Note 14 Investment Property)

Area of judgement:

Classification of holiday homes as investment properties (Note 14 Investment Property)

Standards or interpretations not yet effective

In the current year, the Group has applied all relevant Standards, Amendments and Interpretations to NZ IFRSs issued by the External Reporting Board ('XRB') that are mandatorily effective. The adoption of these Standards, Amendments and Interpretations have no material impact to the consolidated financial statements.

Various Standards, Amendments and Interpretations have been issued by the XRB at the date of these financial statements but have not been adopted by the Group as they are not yet effective. The table below sets out the Standards which are considered to be relevant to the Group upon their effective date. It is not practicable to determine the impact of these Standards on adoption as the Directors of the Society are in process of completing their impact assessment.

Standard Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZIFRS 16 'Leases'	1 January 2019	31 May 2020
NZIFRS 17 'Insurance Contracts'	1 January 2022	31 May 2023
Amendments to IFRS 9 'Financial Instruments'	1 January 2019	31 May 2020
Amendments to NZ IAS 19 'Employee Benefits'	1 January 2019	31 May 2020
NZ IFRIC 23 'Uncertainty over tax treatments'	1 January 2019	31 May 2020

Note

NZ IFRS 16 *Leases*, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The expected impact of the standard is to recognise right of use asset and lease liabilities on the balance sheet for those leases that the Society are committed to as lessee (as disclosed in note 21(a)).

NZ IFRS 17 *Insurance Contracts* was issued by the New Zealand Accounting Standards board ('NZASB') of the XRB on the 10 August 2017. This will supersede current accounting for insurance contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts to ensure that an entity provides relevant information that faithfully represents those contracts. The impact of this standard is currently being assessed although is expected to be material.

4. Comprehensive Income Attributable to Members

	2019	2018
Insurance		
Premiums		
Increasing Assurance Benefit	177,388	196,306
Funeral Funds	275,651	292,903
Medical Services Fund	776,391	787,366
Education Support Plan	20,663	24,320
Funeral Plan	19,658	15,396
Total Premiums	1,269,752	1,316,292
Claims paid & provided for		
Increasing Assurance Benefit	(1,636,232)	(1,537,728)
Funeral Funds	(1,025,627)	(1,172,369)
Medical Services Fund	(489,606)	(579,091)
Education Support Plan	(50,208)	(54,533)
Society Sickness Benefit	(16,214)	(24,542)
Total Claims paid & provided for	(3,217,887)	(3,368,263)
Total Insurance before movement in life insurance obligations	(1,948,135)	(2,051,971)

	2019	2018
Investment Income		
Rental Income		
Commercial Property Income	555,028	559,974
Leasehold Property Income	356,168	290,479
Total Rental Income	911,195	850,452
Interest Income		
Bank Deposits	533,188	691,057
Fixed Interest Investments	1,919,473	1,859,003
Mortgages & Loans	4,766	26,134
District & Lodge Interest Received	68,424	60,860
Total Interest Income	2,525,850	2,637,055
Dividend Income		
Investments	161,191	-
Total Dividend Income	161,191	-
Total Investment Income	3,598,237	3,487,507
Investment Expenses		
Investment Expenses		
Commercial properties	78,008	82,811
Leasehold Land	8,242	3,467
Financial Investment expenses	96,000	96,000
District & Lodge Interest Paid	68,424	60,860
Total Investment Expenses	250,674	243,139
Total Investment Expenses	250,674	243,139
Net investment income	3,347,563	3,244,369

	2019	2018
Gains from Revaluations and Disposals		
Unrealised gains from Revaluations		
Commercial Property Revaluation	537,000	933,000
Leasehold Land Revaluation	145,000	1,000,000
Fixed Interest Investments Revaluation	465,318	(135,977)
Equities Revaluations	315,557	-
Total Unrealised gains from Revaluations	1,462,875	1,797,023
Realised gain/(Losses) on disposal of investment property and financial assets		
Gain/(Loss) on Sale of Financial Assets	99,580	-
Total Realised gain/(Losses) on disposal of investment property and financial assets	99,580	-
Total Gains from Revaluations and Disposals	1,562,455	1,797,023

5. Operating Expenses

	2019	2018
Operating Expenses		
Audit Fees for financial statement audit	54,000	53,405
Communications	4,237	9,470
Computer Expenses	68,639	78,637
Depreciation of non current assets	42,483	37,727
Directors fees and expenses	276,272	285,899
Employee Expenses	849,747	787,287
Insurance	35,302	82,024
Office Administration	114,437	103,446
Society Outreach Programme	36,990	2,655
Other expenses	88,471	117,383
Other fees paid to auditors	14,000	10,904
Other professional fees	398,697	346,553
Rent and other occupancy expenses	74,248	88,289
Travel	13,297	9,301
Total Operating Expenses	2,070,820	2,012,980

Employee expenses

Includes contributions to Kiwisaver of \$32,030 (2018: \$23,399). The Society has no other obligation to provide pension benefits to employees.

Auditor

The auditor of the Group is Deloitte Limited.

In addition to the statutory audit fee Deloitte Limited also received \$9,000 (2018: \$5,000) for the Reserve Bank solvency return assurance and \$5,000 (2018: \$5,904) for tax related compliance services.

6. Holiday Homes and Member Benefits

	2019	2018
Holiday Homes		
Holiday Home Income	140,813	145,943
Holiday Home Expenses	(101,306)	(104,332)
Net Holiday Home Income	39,507	41,611
Gains from Revaluations		
Holiday Home Revaluation	634,782	343,478
Total Gains from Revaluations	634,782	343,478

	2019	2018
Member Benefit Expenses		
Education Grants	-	5,106
Education Awards	40,895	32,270
Membership Privileges & Related Communications	8,897	59,612
SBERF Payments	13,204	15,084
Appropriations - Share Funds	-	208,972
Total Member Benefit Expenses	62,996	321,045

The share funds are pooled as part of the Group's total assets. Appropriations- Share funds represents the investment return allocated to member share funds as approved by the Board. Total investment income (inclusive of the actual income earned on share funds) is reflected in note 4 with the exception of ring fenced funds where the amount allocated is the actual return on the ring-fenced assets.

7. Fraternity

	2019	2018
Fraternal Income		
Lodge Management Fees	218,874	227,893
Commission - Fraternal	55,938	56,571
Total Fraternal Income	274,812	284,464

	2019	2018
Fraternal Operating Expenses		
Council Fees	33,250	40,958
Fraternal Council Lodge Travel	5,022	7,952
Fraternal Council Meeting Costs	12,081	10,686
Grandmaster - Expenses	1,319	3,291
Lodge Expenses, Functions, Hospitality & Other	59,465	96,537
Salaries & Wages - Fraternal	279,088	274,688
Printing, Stationery & Postage - Fraternal	11,028	25,606
Rent - Fraternal	2,602	517
Communications - Fraternal	7,766	2,718
Travel - Fraternal	34,071	19,250
Staff Training & Support - Fraternal	4,988	5,816
Meeting Expenses	-	15
Other - Fraternal	17,394	9,335
Total Fraternal Operating Expenses	468,074	497,370

	2019	2018
8. Other Income		
Commission	33,810	33,613
Other Income	199,360	-
Total Other Income	233,170	33,613

During the year the group recognised \$199,360 of other income in relation to Regalia.

	2019	2018
9. Income Tax Expense		
Profit before tax	1,869,890	2,423,512
Tax at 28%	523,569	678,583
Permanent differences	(577,245)	(902,440)
Deferred tax not recognised in relation to provisions	17,669	25,592
Tax losses not recognised	36,006	198,265
Tax expense (effective rate 0%)	-	-
 Tax losses not recognised:		
Prior year losses carried forward	3,927,981	3,350,792
Prior year adjustment	(39,141)	-
Imputation credits converted to loss	98,162	-
Current year tax loss	128,594	577,189
Total losses to be carried forward	4,115,596	3,927,981

The Society has \$4,115,596 (2018: \$3,927,981) unrecognised tax losses to carry forward.

In addition to the above, Unity Limited has \$1,650,000 (2018: \$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 2019 and 31 May 2018 this is not probable because there will not be sufficient taxable profits against which to utilise the benefits of the temporary differences and tax losses in the foreseeable future.

10. Cash and cash equivalents

Cash and cash equivalents include the following components;

	2019	2018
Cash and cash equivalents		
Cash at Bank	83,074	62,005
Short term bank deposits	451,282	3,160,896
Total Cash and cash equivalents	534,356	3,222,901

	2019	2018
11. Other Financial Assets		
Other financial assets at fair value through profit or loss		
Fixed Interest Investments	47,333,828	41,491,859
Equity Investments	4,136,317	-
Term Deposit Investments	10,447,430	17,681,591
Total Other financial assets at fair value through profit or loss	61,917,575	59,173,450
Other financial assets at amortised cost		
United Friendly Society Shares	14,200	14,200
Total Other financial assets at amortised cost	14,200	14,200
Total Other Financial Assets	61,931,775	59,187,650

	2019	2018
12. Trade and other receivables		
Trade and other sundry receivables	4,361	10,785
Medical Accrued Revenue	15,218	10,236
Interest Receivable	-	1,369
Mortgages	36,261	74,816
Total Trade and other receivables	55,840	97,205

	2019	2018
13. Other Non-Financial Assets		
Prepayments	42,824	75,170
Regalla	227,246	22,497
Total Other Non-Financial Assets	270,070	97,667

	2019	2018
14. Investment Property		
Commercial Property		
Retail		
Ngaio Road, Waikanae		
Opening Fair Value	4,200,000	3,450,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	(100,000)	750,000
Total Ngaio Road, Waikanae	4,100,000	4,200,000
Lombard Street, Palmerston North		
Opening Fair Value	485,000	510,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	110,000	(25,000)
Total Lombard Street, Palmerston North	595,000	485,000
Bridge Street, Nelson		
Opening Fair Value	908,000	865,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	82,000	43,000
Total Bridge Street, Nelson	990,000	908,000
Total Retail	5,685,000	5,593,000
Retail Development		
Kent Terrace, Wellington		
Opening Fair Value	3,400,000	3,235,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	445,000	165,000
Total Kent Terrace, Wellington	3,845,000	3,400,000
Total Retail Development	3,845,000	3,400,000
Total Commercial Property	9,530,000	8,993,000
Leasehold Properties		
Opening Fair Value	7,090,001	6,090,001
Acquisitions and Disposals	(305,000)	-
Fair Value Revaluation	145,000	1,000,000
Total Leasehold Properties	6,930,001	7,090,001
Holiday accommodation properties		
Opening Fair Value	4,213,043	3,869,565
Acquisitions and Disposals	-	-
Fair Value Revaluation	634,782	343,478
Total Holiday accommodation properties	4,847,825	4,213,043
Fair Value of investment property at year end	21,307,826	20,296,044
	2019	2018
Investment Property Summary		
Total balance at start	20,296,044	18,019,566
Total acquisitions / (disposals)	(305,000)	-
Total fair value revaluation	1,316,782	2,276,478
Total investment property at year end	21,307,826	20,296,044

The independent valuers were:

Darroch Limited

Quotable Value NZ Limited

Investment properties are measured at fair value and classified into the three levels of the fair value hierarchy as outlined below:

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).

There was one Retail property transferred from level 3 of the hierarchy to level 2 due to a change in the methodology adopted. This is explained further in the table below.

Two commercial properties with a total fair value of \$1,585,000 (2018: \$1,393,000) are held for the benefit of members of Loyal Nelson Lodge and Loyal Manawatu Lodge - refer note 19e.

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; and
- 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 judgement and market observation.

The information provided to the valuers and the assumptions and the valuation 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.

Holiday Homes are intended to provide annual returns and realise a capital gain upon sale, and are therefore classified as investment properties.

Class of Property Fair Value Hierarchy Fair Value 31 May	Valuation techniques used	Inputs used to measure fair value	Range of significant unobservable inputs 31 May 2019	Range of significant unobservable inputs 31 May 2018
Retail Level 3 2019: \$5,090,000 2018: \$5,593,000	Income capitalisation approach Discounted cash flow analysis Sales comparison approach	Net market rent \$/m2	\$85 to \$390	\$34 to \$323
		Capitalisation rate contract rentals	6.80% - 9.00%	7.00% - 9.00%
		Capitalisation rate market rentals	6.90% - 9.00%	7.25% - 9.00%
		Discount rate	9.00%	9.00%
		Terminal capitalisation rate	9.00%	9.50%
		Rental growth rate (pa)	2.00%	2.20%
		Expenses growth rate (pa) Sales (\$psm)	2.00% N/A	2.00% N/A
Redevelopment/ Retail Level 3 2019: \$3,845,000 2018: \$3,400,000	Income capitalisation approach Sales comparison approach	Net market rent \$/psm	\$65 to \$230	\$58 to \$203
		Capitalisation rate market rentals	5.00% - 5.25%	5.00% - 5.25%
		Discount rate - rental	8.00%	8.00%
		Shortfall/Holding Income Land value \$/psm	\$3,300	\$2,900
Leasehold Properties Level 3 2019: \$6,930,000 2018: \$7,090,000	Discounted cash flow	Site land values	\$250,000-\$305,000	\$250,000-\$305,000
		Discount rate	7.75%	7.75%
		Capitalisation rate initial yield	4.39%	4.37%
		Capitalisation rate effective yield	5.15%	5.06%
Holiday Accommodation Properties Level 2 2019: \$4,847,825 2018: \$4,213,043	Sales comparison approach	Sales (\$psm)	N/A	N/A

* During the year the Lombard Street Commercial Property valuation was transferred from level 3 in the fair value hierarchy to level 2 on the basis the valuation methodology adopted was the sales comparison approach in line with market trends.

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

Fair value measurement sensitivity

Significant inputs	Increase in input	Decrease in input
Gross market rent per m2	Increase	Decrease
Core capitalisation rate	Decrease	Increase
Other income capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase
Terminal capitalisation rate	Decrease	Increase
Rental growth rate (per annum)	Increase	Decrease
Expenses growth rate (per annum)	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 cashflow analysis

The discounted cashflow (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 with fair value determined through the application of positive and negative adjustments for their differing attributes.

	2019	2018
15. Trade and Other Payables		
Trade creditors and accruals	341,280	367,975
Unearned Premiums	88,019	90,471
Total Trade and Other Payables	429,299	458,447

	2019	2018
16. Member Benefit Fund Liabilities		
Member Share Funds		
Opening Balance	13,359,665	12,453,522
Contributions including transfers	194,855	1,351,753
Withdrawals	(609,971)	(773,290)
Appropriations - Share Funds	-	327,679
Total Member Share Funds	12,944,549	13,359,665
Hawkes Bay Endowment Fund	24,134	24,134
Total Member Benefit Fund Liabilities	12,968,682	13,383,798

At 31 May 2019 the Directors have declared nil appropriations of balances held (2018: 3.0%). Lodges that have consolidated with "ring-fenced" assets have the appropriation to their share fund adjusted (via contributions) to take account of the earnings of those "ring-fenced" assets.

(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.

	2019	2018
Member Share funds		
Antipodean Lodge	446,058	456,345
Ashburton Lodge	437,895	454,525
Auckland District	280,996	292,333
Banks Peninsula Branch	557,753	587,585
Britannia Lodge	352,769	353,355
City of Wellington Lodge	1,266,626	1,293,471
Egmont Lodge	1,464,771	1,512,466
Greytown Lodge	94,354	103,331
Hastings Lodge	778,822	802,904
Manawatu Lodge	531,464	501,313
Manchester Lodge	71,451	71,451
Masterton Lodge	523,985	577,887
Napier Lodge	1,696,343	1,799,644
Nelson Lodge	2,543,686	2,568,712
Rangiora Lodge	1,037,289	1,073,154
United Westland Lodge	75,811	80,888
Wanganui Lodge	755,437	801,261
Woodville Lodge	29,040	29,040
Total Member Share funds	12,944,549	13,359,665

There were no lodges which consolidated with the Society during the year (2018: The Loyal City of Wellington Lodge consolidated with the Society).

(b) Hawkes Bay Endowment Fund

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

17. 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 Fitch Ratings on 20 March 2019. 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 61.
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.
Funeral Plan	Provides funeral cover up to a maximum of \$10,000. Administered by the Board of Directors under General Rule 62.
Medical Insurance Plan	Provides three levels of affordable medical insurance to members, Basic, Premier and Wellness. Administered by the Board of Directors under General Rule 34.

(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 2019.

	2019	2018
Fund Transactions		
Medical Services Fund		
Opening balance Members' Funds	200,000	200,000
Contributions/Premiums	776,475	787,366
Withdrawals/Claims	(489,689)	(579,091)
Society management fees	(136,655)	(143,799)
Other acquisition costs	(15,397)	(16,068)
Transfers	(134,733)	(48,408)
Total Medical Services Fund	200,000	200,000
Funeral Fund		
Opening balance Members' Funds	8,041,889	7,991,372
Contributions/Premiums	275,651	292,903
Withdrawal/Claims	(362,820)	(430,490)
Society management fees	(46,233)	(48,452)
Appropriations	-	236,556
Loss recognised on insurance obligations	599,268	-
Total Funeral Fund	8,507,754	8,041,889
Increased Funeral Fund		
Opening balance Members' Funds	14,277,925	14,593,829
Withdrawals/Claims	(662,807)	(741,879)
Appropriations	-	425,975
Loss recognised on insurance obligations	1,344,757	-
Total Increased Funeral Fund	14,959,875	14,277,925
Increasing Assurance Benefit		
Opening balance Members' Funds	18,901,429	19,701,481
Contributions/Premiums	177,389	196,306
Withdrawals/Claims	(1,636,232)	(1,537,728)
Society management fees	(16,691)	(18,362)
Other acquisition costs	(8,872)	(9,818)
Appropriations	-	569,550
Total Increasing Assurance Benefit	17,417,023	18,901,429
Education Support Plan		
Opening balance Members' Funds	371,672	401,885
Contributions/Premiums	20,663	24,320
Withdrawals/Claims	(50,208)	(54,533)
Loss recognised on insurance obligations	54,814	-
Total Education Support Plan	396,942	371,672

	2019	2018
Funeral Plan		
Contributions/Premiums	19,768	15,396
Transfers	(19,768)	(15,396)
Total Funeral Plan	-	-
Society Sickness Benefit Fund		
Opening balance Members' Funds	208,998	227,061
Withdrawals/Claims	(16,214)	(24,542)
Appropriations	-	6,478
Total Society Sickness Benefit Fund	192,784	208,998
Total Member Insurance Contract Obligations	41,674,379	42,001,913

	2019	2018
Summary of member insurance contract obligations		
Fund transactions		
Opening balance members' funds	42,001,913	43,115,628
Contributions/ Premiums	1,269,946	1,316,292
Withdrawals/ Claims	(3,217,970)	(3,368,263)
Society management fees	(199,580)	(210,614)
Other acquisition costs	(24,268)	(25,886)
Transfers	(154,502)	(63,804)
Appropriations	-	1,238,559
Total Fund transactions	39,675,539	42,001,913
Loss Recognised on Insurance obligations	1,998,839	-
Total closing balance Member insurance contract obligations	41,674,379	42,001,913

(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 the Society, and the financial risks are substantially borne by the Society. Assets are comingled and available for paying out all funds.

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; and
- 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 19c.

(d) Actuarial valuation of member insurance contract obligations

The valuation of member insurance contract obligations was carried out as at 31 May 2019 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).

For each product a Liability Adequacy Test was required. This tested the member insurance contract obligations as determined above against the liability obtained by deducting the present value of future contributions less expenses from the present value of the sums assured and supportable additions, all calculated using a risk-free rate as the discount rate. Where the liability of the Liability Adequacy Test valuation was a higher amount than the amount of the fund, the difference creates a loss to be recognised.

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 below and there were no changes to these during the year:

Related Product Group	Valuation Method
Increasing Assurance Benefit Fund (Discretionary)	Projection
Funeral Fund and the Increased Funeral Fund (Discretionary)	Projection
Society Sickness Benefit Fund (Discretionary)	Accumulation
Education Support Plan (Discretionary)	Accumulation
Funeral Plan (Non 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 of the funds was 2.0% per annum (2018: 3.0%).

(ii) Expenses

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

(iii) Taxation

The Society has no tax payable due to prior years tax losses being carried forward, 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 as this allows for the mortality to be in line with this type of product.
- 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 0.12% of sum assured and 0.25% of existing bonus (2018: 0.80% and 1.60%).
- For the Funeral Fund and the Increased Funeral Benefit Fund, the assumed rates of supportable additions were 0.00% of the Funeral Benefit and 0.00% of the Increased Funeral Benefit (2018: 0.00% and 0.00%)

(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

The member insurance contract obligations are the total values of the insurance funds. Therefore, assumption changes have an impact only to the extent that they affect a liability adequacy test.

The effect is shown below:

	Change in Member Insurance Contract Obligations (\$)	
Discount rate down 0.5% per annum	+1,540,410	
Lapse rate down 40%	+ 730,734	
Mortality up 10%	+ 416,150	

	2019	2018
Components of member insurance contract obligations		
IAB		
Future policy benefits	15,968,870	15,509,049
Future additions	353,925	2,344,746
Future expense transfers	216,910	220,408
Future contributions	(1,381,554)	(1,418,962)
Members' unvested benefit liability	2,258,872	2,246,188
Total IAB	17,417,023	18,901,429
Funeral Funds		
Future policy benefits	26,055,526	23,642,821
Future additions	-	-
Future expense transfers	519,840	497,590
Future contributions	(3,107,737)	(2,996,036)
Members' unvested benefit liability	-	1,175,439
Total Funeral Funds	23,467,629	22,319,814
Other Funds		
Accumulation method	789,726	780,670
Total Other Funds	789,726	780,670
Total	41,674,378	42,001,913

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.

	2019	2018
Maturity profile member insurance contract obligations		
Current	2,982,225	3,104,622
1 - 5 years	9,072,939	9,378,405
More than 5 years	36,873,640	38,747,018
Total Maturity profile member insurance contract obligations	48,928,804	51,230,045

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 2018 the Actual Solvency Capital was \$26,775,000 (2018: \$25,113,000) and the Minimum Solvency Capital was \$20,824,000 (2018: \$14,935,000) resulting in a Solvency Margin of \$5,951,000 (2018: \$10,178,000) and a Current Solvency Ratio of 1.29 (2018: 1.68).

	2019	2018
18. Retained Earnings		
Retained earnings		
Opening Retained Earnings	6,087,728	6,421,213
Total Retained earnings	6,087,728	6,421,213
Movement for year		
Total comprehensive income for year.	1,869,891	2,423,512
Appropriations to Insurance Funds	-	(448,693)
Appropriations to Share Fund	-	(118,707)
Transfer from Society Benevolent and Emergency Relief Fund	13,204	14,708
Transfer from/(to) Medical Services Reserve	(134,733)	(48,408)
Transfer from/(to) Funeral Plan Reserve	(19,768)	(15,396)
Transfers from/(to) General Reserve		
Revaluation of Investment Properties	(1,316,782)	(2,276,478)
Unrealised (Profit)/Loss on change in fair value of financial assets	(780,874)	135,977
Total Transfers from/(to) General Reserve	(2,097,656)	(2,140,501)
Total Movement for year	(369,063)	(333,484)
Balance at the end of the financial year	5,718,666	6,087,728

Voting rights

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

	2019	2018
19. Reserves		
District and Lodge Relief Fund	968,222	968,222
Society Benevolent and Emergency Relief Fund	524,297	537,501
Medical Services Reserve	2,732,845	2,598,112
Medical Services Fund	750,000	750,000
Restricted Reserve - Lodge Reserve	554,750	487,550
Funeral Plan Reserve	43,769	24,001
General Reserve	16,039,605	14,146,549
Total Reserves	21,613,488	19,511,935

	2019	2018
Summary of Reserves		
Total opening balances	19,511,935	17,316,038
Total movement	2,101,553	2,195,897
Total closing balances	21,613,488	19,511,935

	2019	2018
(a) District and Lodge Relief Fund		
District and Lodge Relief Reserve	968,222	968,222
Total (a) District and Lodge Relief Fund	968,222	968,222

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.

	2019	2018
(b) Society Benevolent and Emergency Relief Fund		
SBERF Reserve	537,501	552,209
Transfer to Retained Earnings from SBERF	(13,204)	(14,708)
Total (b) Society Benevolent and Emergency Relief Fund	524,297	537,501

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.

	2019	2018
(c) Medical Services Reserve		
Medical Services Reserves	2,598,112	2,549,704
Transfer from Retained Earnings	134,733	48,408
Total (c) Medical Services Reserve	2,732,845	2,598,112

The medical services reserve was established from historic unallocated profits.

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

	2019	2018
(d) Medical Services Fund		
Medical Services Fund Reserve	750,000	750,000
Total (d) Medical Services Fund	750,000	750,000

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.

	2019	2018
(e) Restricted Reserve - Lodge Reserves		
Opening balance	487,550	481,250
Revaluation adjustment	67,200	6,300
Total (e) Restricted Reserve - Lodge Reserves	554,750	487,550

Two Lodges have transferred land and buildings to the Society with a requirement that 35% of capital gains and losses, on those "ring-fenced" assets be held for the benefit of their Lodge members until such a time as the Lodge Trustees agree to distribution. At balance date the fair value of these "ring-fenced" assets was \$1,585,000 (2018: \$1,393,000).

	2019	2018
(f) Funeral Plan Fund		
Opening Balance	24,001	8,605
Transfer to Funeral Plan Reserve	19,768	15,396
Total (f) Funeral Plan Fund	43,769	24,001

	2019	2018
(g) General reserve		
Balance at the beginning of financial year	14,146,549	12,006,048
Revaluation of Commercial Properties from Retained Earnings	332,400	933,000
Unrealised Profit/(Loss) on change in fair value of financial assets from Retained Earnings	780,874	(135,977)
Revaluation of Holiday Homes from Retained Earnings	634,782	343,478
Revaluation of Leaseholds from Retained Earnings	145,000	1,000,000
Total (g) General reserve	16,039,605	14,146,549

The general reserve represents unrealised gains/losses made on the Group'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.

Revaluation movements on ring-fenced assets (commercial properties) are transferred from the general reserve with a proportion being transferred to the restricted reserve (note 19e) and the remainder to member share funds for the respective lodges (note 16).

20. Related Parties

Related Party Disclosures

The Directors of Manchester Unity during the financial year were:

G J Allanson

M G Ambrose

D Haak

J H Lowe

B Robinson

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 (2018: Nil).

Other Transactions

During the financial year Manchester Unity provided accounting and administration services to the Manchester Unity Districts and Lodges for no consideration (2018: Nil consideration).

During the financial year interest on deposits held was paid to Manchester Unity Districts and Lodges totalling \$68,424 (2018: \$60,860). 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 3.82% (2018: 4.16%).

Outstanding balances with related parties are disclosed in notes 16 and 17.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2018: Nil).

Key Management Personnel Compensation

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

	2019	2018
Key Management Personnel Compensation		
Key Management Personnel Compensation	612,333	580,687
Total Key Management Personnel Compensation	612,333	580,687

Key management personnel comprises board members and 1 key management.

21. Leases

	2019	2018
(a) Leases as Lessee		
Not later than one year	69,785	69,785
Later than one year and no later than five years	232,617	279,140
Later than five years	-	23,262
Total (a) Leases as Lessee	302,402	372,187

Operating leases disclosed relate to the lease of the Group's Lambton Quay premises. The current lease relating to level 10, 117 Lambton Quay is, for a term of 6 years was signed in November 2016.

The lease agreement for Level 10, 117 Lambton Quay contains a clause that market rent reviews is to be carried out on the third anniversary from commencement of the lease.

The Society does not have the option to purchase the space at the expiry of the lease period.

	2019	2018
(b) Leases as Lessor		
Not longer than one year	803,004	837,820
Longer than one year and less than five years	2,836,085	3,103,656
Longer than five years	9,743,904	10,512,721
Total (b) Leases as Lessor	13,382,993	14,454,197

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 lease holders do not have the right to purchase the land. From time to time the Directors approve the freeholding of the properties at a market value set by a registered independent valuer.

	2019	2018
22. Notes to the cashflow statement		

Comprehensive Income for period is as follows:

Total Comprehensive income for the year	1,869,891	2,423,512
Total Comprehensive Income for period is as follows:	1,869,891	2,423,512

Add/(less) non cash items:

Revaluation of investment property	(1,316,782)	(2,276,478)
Depreciation and amortisation	42,483	37,327
Appropriations to member benefit funds	-	208,972
Movement in Accounts Receivable	(5,955)	14,956
(Profit)/loss on change in fair value of financial assets	(880,454)	135,977
Change in life insurance obligations	(327,628)	(1,562,321)
Total Add/(less) non cash items:	(2,488,336)	(3,441,567)

	2019	2018
Add/(less) change in operating assets		
Increase/(decrease) in unearned premiums	(2,451)	(6,244)
Increase/(decrease) in interest accrued	164,486	(52,250)
Increase/(decrease) in accounts receivable	653	(2,430)
Increase/(decrease) in premiums in arrears	4,982	17,762
Increase/(decrease) in other assets	(172,403)	(51,838)
Increase/(decrease) in trade and other payables	(26,344)	120,786
Increase/(decrease) in provisions	(113,892)	74,337
Member benefit fund contributions less withdrawals	(553,304)	561,764
Total Add/(less) change in operating assets	(698,273)	661,888
Net cash inflow/(outflow) from operating activities	(1,316,718)	(356,167)

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, 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 the Group in accordance with the investment policy as disclosed in note 23(b).

The following tables detail the group's exposure to interest rate and liquidity risk at 31 May 2019 and 31 May 2018.

	2019	2018
Maturity Profile of Investments		
Financial Assets		
Less than 1 year		
Cash and cash equivalents	516,574	3,222,901
Other financial assets at fair value through profit or loss:		
Government stock	-	1,022,021
Local authority stock	1,041,245	-
Corporate stock	3,817,263	6,243,085
Bank Term Deposits	10,101,990	16,804,813
Total Other financial assets at fair value through profit or loss:	14,960,498	24,069,919
Other financial assets at amortised cost		
Mortgages & Loans	36,260	42,898
Other Receivables	19,579	22,389
Total Other financial assets at amortised cost	55,839	65,287
Total Less than 1 year	15,532,911	27,358,107

	2019	2018
1 - 5 years		
Cash and cash equivalents	-	-
Other financial assets at fair value through profit or loss:		
Government stock	-	3,503,998
Local authority stock	5,220,031	3,277,567
Corporate stock	21,178,425	18,342,626
Bank term deposits	343,283	876,780
Total Other financial assets at fair value through profit or loss:	26,741,739	26,000,971
Other financial assets at amortised cost		
Mortgages & Loans	-	31,918
Other Receivables	-	-
Total Other financial assets at amortised cost	-	31,918
Total 1 - 5 years	26,741,739	26,032,889
More than 5 years		
Cash and cash equivalents	-	-
Other financial assets at fair value through profit or loss:		
Government stock	13,187,382	1,144,712
Local authority stock	1,166,312	3,894,107
Corporate stock	1,723,170	4,077,941
Bank Term Deposits	-	-
Total Other financial assets at fair value through profit or loss:	16,076,864	9,116,760
Other financial assets at amortised cost		
Mortgages & Loans	-	-
Other Receivables	-	-
Total Other financial assets at amortised cost	-	-
Total More than 5 years	16,076,864	9,116,760
Total Financial Assets	58,351,514	62,507,756
Financial Liabilities		
Less than 1 year		
Trade and other Payables	429,299	666,096
District, Lodges and other deposits	1,417,791	924,791
Member benefit fund liabilities	12,968,682	13,383,798
Total Less than 1 year	14,815,772	14,974,685
1 - 5 years		
Trade and other Payables	-	-
District, Lodges and other deposits	300,000	200,000
Member benefit fund liabilities	-	-
Total 1 - 5 years	300,000	200,000
More than 5 years		
Trade and other Payables	-	-
District, Lodge and other deposits	100,000	300,000
Member benefit fund liabilities	-	-
Total More than 5 years	100,000	300,000
Total Financial Liabilities	15,215,772	15,474,685

Weighted Average Interest Rates

	31 May 2019	31 May 2018
Financial Assets		
Cash and cash equivalents	2.30%	2.30%
Government stock	3.59%	4.64%
Local authority stock	5.28%	5.38%
Corporate stock	4.70%	5.09%
Bank term deposits	3.49%	4.35%
First mortgage securities	NA	5.20%
IAB loans and advances	9.00%	9.00%
Financial Liabilities		
District, Lodge and other deposits	3.82%	4.21%

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

Interest rate sensitivity

Manchester Unity invests in fixed interest securities and bank deposits 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 profit or loss and equity attributable to members of \$109,800 (2018: \$208,425).

(e) Equity price risk

The Group is not exposed to equity price risks arising from equity investments.

(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 (2018: 9) 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	10% < 20%	20% < 30%	30% < 40%	40% < 50%
31 May 2019				
AA+ - AA-	2	1	-	1
A+ - A-	2	-	-	-
BBB+	1	-	-	-
31 May 2018				
AA+ - AA-	5	-	-	1
A+ - A-	2	-	-	-
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 Poor's 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) Liquidity risk management

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

(h) Fair value of financial assets and liabilities

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; and
- Where no market price is available, a yield to maturity valuation is done based on securities of a similar type or duration.

(i) Financial assets and financial liabilities by measurement basis

The following table details the Group's financial assets and liabilities:

	2019	2018
Financial Assets		
FVTPL		
Other financial assets at fair value through profit or loss		
Fixed Interest Investments	47,333,828	41,491,859
Equity Investments	4,136,317	-
Term Deposit Investments	10,447,430	17,681,591
Total Other financial assets at fair value through profit or loss	61,917,575	59,173,450
Total FVTPL	61,917,575	59,173,450
Amortised cost		
Cash and cash equivalents	534,356	3,222,901
Trade and other receivables	55,840	97,205
United Friendly Society Shares	14,200	14,200
Total Amortised cost	604,396	3,334,306
Total Financial Assets	62,521,971	62,507,756
	2019	2018
Financial Liabilities		
Amortised cost		
Trade and other payables	429,299	666,095
District Lodge and other deposits	1,817,791	1,424,791
Member benefit fund liabilities	12,968,682	13,383,798
Total Amortised cost	15,215,722	15,474,685
Total Financial Liabilities	15,215,722	15,474,685

(j) Fair value measurements recognised in the Consolidated 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:

	2019	2018
Assets at Fair value		
Level One		
Bonds	47,333,828	41,491,859
Equity Investments	4,150,517	14,200
Total Level One	51,484,345	41,506,059
Level Two		
Term Deposits	10,447,430	17,681,591
Total Level Two	10,447,430	17,681,591
Total Assets at Fair value	61,931,775	59,187,650

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.

24. Segmental Reporting

Manchester Unity operates in one geographic region being New Zealand and is organised into one operating segment being insurance and other activities for which 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 17(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.

25. Events after the reporting date

There are no other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Group (2018 : Nil).

26. Contingent assets and liabilities

There are no contingent assets or liabilities at balance date (2018: Nil).

27. Commitments for expenditure

The Group had no capital commitments at balance date (2018: Nil).

28. Lease commitments

Non-cancellable operating lease commitments are disclosed in note 21 to the financial statements.



Independent Auditor's Report

To the Members of Manchester Unity Friendly Society

Opinion

We have audited the consolidated financial statements of Manchester Unity Friendly Society and its subsidiary (the 'Society'), which comprise the consolidated statement of financial position as at 31 May 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 40, present fairly, in all material respects, the consolidated financial position of the Society as at 31 May 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Society in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for Manchester Unity Friendly Society in the area of tax related compliance services and a reasonable assurance report for the Reserve Bank of New Zealand Solvency Return. These services have not impaired our independence as auditor of the Society. In addition to this, partners and employees of our firm deal with the Society on normal terms within the ordinary course of trading activities of the business of the Society. The firm has no other relationship with, or interest in, the Society.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Member Insurance Contract Obligations (Note 17)</p> <p>The Society, being a provider of insurance services to its members, has recognised member insurance contract obligations of \$41,7 million (2018: \$42,0 million) as at 31 May 2019 accounted for in accordance with NZ IFRS 4 <i>Insurance Contracts</i>.</p> <p>On an annual basis, the Society's appointed actuary performs a valuation of the member insurance contract obligations. The valuation is subject to assumptions which are inherently subjective. The assumptions include the discount rate (appropriation rate), mortality and lapse rates.</p> <p>We consider the valuation of member insurance contract obligations as a key audit matter due to the significance of the obligation and the subjective assumptions inherent in the valuation performed by the Society's appointed actuary.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Evaluating the key controls implemented by the Society over member insurance contract obligations and accuracy of information provided to the appointed actuary for purposes of actuarial valuation of said obligations; • Confirming the information used by the actuary agrees to the Society's underlying records; • Evaluating the competence, capabilities, objectivity and expertise of the Society's appointed actuary; • Engaging our internal actuarial specialists to assist us to understand, evaluate and challenge: <ul style="list-style-type: none"> ◦ The work and findings of the Society's appointed actuary; and ◦ The actuarial assumptions employed. Specifically, for the appropriate discount rate (appropriation rate), rate of mortality and lapse rate; • Evaluating the related disclosures about member insurance contract obligations in the consolidated financial statements.
<p>Valuation of Investment Properties (Note 14)</p> <p>As at 31 May 2019, the Society's investment properties comprising commercial, leasehold and holiday accommodation properties amounted to \$21,3 million (2018: \$20,3 million). These investment properties are held to back the Society's member insurance contract obligations and are fair valued annually by the Society's appointed valuer.</p> <p>The Society's appointed valuer takes into account property specific information such as capitalisation rates, market rental, discount rates and rental growth rates to arrive at a range of valuation outcomes, from which the valuer derive a point estimate for their valuation.</p> <p>We consider valuation of investment properties with respect to commercial and leasehold properties as a key audit matter due to the existence of significant estimation uncertainty and the magnitude of the balance.</p>	<p>Our audit procedures included the following with respect to commercial and leasehold properties:</p> <ul style="list-style-type: none"> • Obtaining, reading and understanding the valuation reports for all investment properties in order to assess the changes in key assumptions, and considered the Society's process for challenging the valuation reports to ensure that they accurately reflect individual characteristics of the particular properties; • Comparing, on a sample basis, the base assumptions used in the valuation reports to tenancy agreements and current rental rates charged by the Society; • Evaluating the significant estimates used by the valuer in performing the valuation including comparing market effective yield to independent market commentary for comparable locations; • Evaluating the competence, capabilities, objectivity and expertise of the appointed valuer; • Evaluating the related disclosures about investment properties in the consolidated financial statements.

Other Information

The directors are responsible on behalf of the Society for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.



Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Society for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Society for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5>

This description forms part of our auditor's report.

Restriction on use

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.

**Silvio Bruinsma, Partner
for Deloitte Limited**
Wellington, New Zealand
26 July 2019

Greystone Consulting

Manchester Unity Friendly Society

Review of Actuarial Information In, or Used In Preparation of, the Financial Statements at 31 May 2019

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 2019.

I have provided a "Valuation Report" dated 19 July 2019, 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 obligations (referred to in the Standard as Policy Liability).
- The members' unvested benefit liability. (referred to in the Standard as unvested policyholder benefits liability).
- Note 17(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.

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 20 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.



Charles Cahn
FIAA FNZSA
Appointed Actuary
27 July 2018

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Post your completed form to: Registrar of Friendly Societies and Credit Unions, Private Bag 92061, Victoria Street West, Auckland 1142

Annual return – Friendly society

Friendly Societies and Credit Unions Act 1982

Name of friendly society

Manchester Unity Friendly Society

Organisation number

1802898

Financial year ended

31 / 05 / 2019

Name of branch (where applicable)

IMPORTANT

- › This form is used for friendly societies, benevolent societies and fidelity insurance societies, registered under Part II of the Friendly Societies and Credit Unions Act 1982 ('the Act'). A separate form is available for UFS dispensaries and working men's clubs registered under the Act.
- › Section 70 of the Act requires you to file the annual return, duly completed, together with a copy of your financial statements and audit report (where applicable), within 3 months of the end of the financial year of your society or branch.

A. Names and addresses of officers

As at the date of the return; continue on a separate sheet if necessary

	Name	Residential address
Committee of management	Michael George Ambrose	6E Pope Street, Christchurch 8011
	Graham John Allanson	109 East Street, Feilding 4702
	John Hayman Lowe	11 Eden Terrace, Waipukurau 4200
	Blair Robinson	63 Napier Terrace, Hospital Hill, Napier 4110
	Anton David Haak	133A Tangaroa Road, Whangamata 3620
Trustees	Graham John Allanson	109 East Street, Feilding 4702
	Blair Robinson	63 Napier Terrace, Hospital Hill, Napier 4110
	Michael George Ambrose	6E Pope Street, Christchurch 8011
Secretary	Philippa McLean	29 Rosebank Avenue, Avalon, Lower Hutt 5011
Treasurer	Karl Edmonds	57 Rodrigo Road, Kilbirnie, Wellington 6022

B. Membership

Total number of members at beginning of year

594

Number who joined during year

14

Number who died during year

13

Number who left during year

12

Total number of members at end of year

583

Name of friendly society

Manchester Unity Friendly Society

Organisation number

1802898

C. Organisation addresses

Address of registered office

*This must be a physical address in New Zealand and must not be a PO Box or Private Bag address*Level 10
117 Lambton Quay
Wellington 6011

Postal address for communication

*Postal address (e.g. PO Box) to which communications from the Registrar may be sent*PO Box 5083
Wellington 6140

Email address for communication

The Registrar may contact the society via email – this email address will not be publicly available

namalv@manchesterunity.org.nz

D. Financial statements and auditor's report

Please select 1 of the following options:

- ☒ A signed copy of the financial statements and auditor's report (where applicable) are enclosed because the society/branch is;
- ☒ an FMC reporting entity/ issuer (section 61); or
- ☐ a specified not-for-profit (section 62).

OR

- ☐ Financial statements have not been prepared because the society/branch has opted out in accordance with section 64.

OR

- ☐ Financial statements and auditor's report (where applicable) have been prepared in accordance with this society's rules.

E. Certification

I certify that the particulars of this annual return are correct.



Signature of Secretary or Treasurer

Date: 23/08/2019

Form completed by:

Name: Namal Vasanthathilake

Address:

Level 10
117 Lambton Quay
Wellington 6011

Email address: namalv@manchesterunity.org.nz

Telephone number: 04-474 8798

Fax number (if any): 04-471 2256

Guidance notes for completing an annual return for a friendly society

Section 70 of the Act requires you to file the annual return, duly completed, together with a copy of your financial statements and audit report (where applicable).

Financial statements

Annual financial statements must be prepared unless the society or branch has opted out, by way of a resolution of a majority of the members at a meeting of the society or branch, held within 6 months from the start of the financial year, in accordance with section 64 of the Act.

NOTE

A society or branch cannot opt out where:

- › *the rules expressly provide that section 64 does not apply (section 64(1)); or*
- › *in respect of a financial year if, in each of the 2 preceding financial years, the total operating expenditure of the society or branch is \$30 million or more (section 64(2)).*

Where financial statements are prepared, the statement of financial position in the annual financial statements should include all items which the society, or branch, owns on behalf of its members. In respect of consolidated funds administered by a central body, and for which a branch acts only as an agent for the transfer of levies and benefits between members and the central body, the central body should fully account for all of the funds and revenue, and the branch should exclude all such items.

Audit of financial statements

Section 64A of the Act requires a society or branch to appoint an auditor to audit its financial statements where the society or branch:

- › is a specified not-for-profit (NFP) entity (section 64A(1)); or
- › is not a specified NFP and the rules of the society require (section 64A).

NOTE

An entity is a specified NFP entity in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating payments of the entity are \$125,000 or more.

Societies with separately registered branches

For societies with branches there are 2 acceptable ways of filing annual returns:

1. A separate annual return may be completed for each society and for each branch. The basic filing fee for each return would be determined separately (see below); or
2. One annual return may be completed, under section 70(4) of the Act, covering the society and all or some of its registered branches. What this means is that, for the branches so comprised in the society return, the membership, statement of financial performance and statement of financial position details are added together and included with those for the society itself, as a consolidated group.

A separate sheet of paper for each branch so comprised should be included showing details of the place of the registered office, the postal address, and a list of the names and addresses and designations of officers. The separate financial statements and audit report (where applicable) for each branch are also required.

Please state in an accompanying letter which branches have been comprised in the society (or district) annual return. If the financial statements of some branches are not available when the society annual return is being completed, those branches may be omitted and filed separately at a later date (and a separate filing fee would apply).

At times in this note, the terms 'central body' and 'branch' are used to encompass the relationships of a society and a lodge, a society and a district, and a district and a lodge, as appropriate.

Membership figures in the annual return should avoid double counting, where members belong to both a central body and a branch. Only members covered for any financial benefits should be included in the membership count – social members should not.

Branch assets are frequently invested in a society or district investment fund. Where this occurs, the statement of financial performance in the annual return(s) should avoid double counting the investment income (i.e. in the central body as well as the branch). Where separate annual returns are filed for a society and a branch, the society should exclude investment earnings to the extent they are paid to branches; and the branch should include those earnings in its own annual return.

Any transfers of funds to and from a central body investment fund should be excluded from both the central body and branch statements of financial performance, because they are not revenue or expenditure.

NOTE

A change of trustees, change of name and amendments to registered rules should be notified using the relevant form(s). Please contact us on 0508 266 726 for further assistance