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Annual Report

Manchester Unity Friendly Society
For the period 1 June 2019 to 31 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Manchester Unity Friendly Society
For the year ended 31 May 2020

	NOTES	2020	2019
Insurance before movement in life insurance obligations			
Premiums	4	1,217,982	1,269,752
Claims paid & accrued	4	(2,950,242)	(3,217,887)
Net expense before movement in life insurance obligations		**(1,732,261)**	**(1,948,135)**
Movement in life insurance contract liabilities			
Movement in life insurance contract liabilities		(3,136,836)	327,628
Total movement in life insurance contract liabilities		**(3,136,836)**	**327,628**
Insurance (deficit) before investment activities		**(4,869,097)**	**(1,620,507)**
Investment activities			
Rental Income	4	830,191	911,195
Interest Income	4	2,054,771	2,525,850
Dividend Income	4	191,219	161,191
Investment Expenses	4	(197,718)	(250,674)
Total investment activities		**2,878,464**	**3,347,563**
Gains from revaluations and disposals			
Gains from revaluations and disposals	4	2,955,188	1,562,455
Total gains from revaluations and disposals		**2,955,188**	**1,562,455**
Operating Expenses			
Operating Expenses	5	(2,121,069)	(2,070,820)
Total operating expenses		**(2,121,069)**	**(2,070,820)**
(Deficit)/surplus after insurance, investment activities & operating expenses		**(1,156,513)**	**1,218,690**
Holiday Homes and Member Benefits			
Holiday Home Income	6	138,522	140,813
Holiday Home expenses	6	(114,911)	(101,306)
Gains/(losses) from revaluations	6	(78,260)	634,782
Member Benefit Expenses	6	(195,542)	(62,996)
Total holiday homes and member benefits		**(250,191)**	**611,293**
Fraternity			
Fraternal Income	7	272,887	274,812
Fraternal Expenses	7	(409,322)	(468,074)
Total fraternity		**(136,435)**	**(193,262)**
Other Income			
Other Income	8	99,357	233,170
Total other income		**99,357**	**233,170**

	NOTES	2020	2019
Operating (deficit)/surplus before tax		(1,443,783)	1,869,891
Income Tax Expense		-	-
Operating (deficit)/surplus after tax		(1,443,783)	1,869,891
Total (loss)/profit and other comprehensive income for the year		(1,443,783)	1,869,891

The financial statements should be read with accompanying notes on pages 7 to 43.

Consolidated Statement of Changes in Equity

Manchester Unity Friendly Society
For the year ended 31 May 2020

	NOTES	2020	2019
Retained Earnings			
Opening Balance		5,718,665	6,087,728
Movement during the year	21	3,473,193	(369,063)
Total Retained Earnings		**9,191,858**	**5,718,665**
Reserves			
Opening Balance		21,613,489	19,511,935
Movement during the year	22	(4,838,975)	2,101,554
Total Reserves		**16,774,514**	**21,613,489**
Total Equity		**25,966,372**	**27,332,154**

The financial statements should be read with accompanying notes on pages 7 to 43.

Consolidated Statement of Financial Position

Manchester Unity Friendly Society
As at 31 May 2020

	NOTES	2020	2019
Assets			
Cash & cash equivalents	10	1,255,875	534,356
Other financial assets	11	61,533,495	61,931,775
Trade and other receivables	12	61,755	55,840
Other non-financial assets	13	297,573	270,070
Right of use assets	15	198,573	-
Investment property	14	21,979,565	21,307,825
Property, plant and equipment		273,056	216,195
Total Assets		**85,599,892**	**84,316,061**
Liabilities			
Trade and other payables	16	368,848	429,299
Employee benefit liabilities	17	130,295	93,756
District & lodge deposits		1,805,791	1,817,791
Lease liabilities	18	205,227	-
Member benefit fund liabilities	19	12,314,345	12,968,682
Member insurance contract obligations	20	44,809,014	41,674,379
Total Liabilities		**59,633,520**	**56,983,907**
Net Assets		**25,966,372**	**27,332,154**
Equity			
Retained earnings	21	9,191,858	5,718,665
Reserves			
District & lodge relief fund	22	968,222	968,222
Society benevolent & emergency relief fund	22	512,753	524,298
Medical services reserve	22	2,943,725	2,732,845
Medical services fund	22	750,000	750,000
Restricted reserve - lodge reserve	22	512,750	554,750
Funeral Plan fund	22	66,513	43,769
General reserve	22	11,020,551	16,039,605
Total Reserves		**16,774,514**	**21,613,489**
Total Equity		**25,966,372**	**27,332,154**

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 30 July 2020.

On behalf of the Board:

Graham Allanson

CHAIR OF AUDIT COMMITTEE

Date: 30/7/20

Michael Ambrose

DEPUTY CHAIR OF AUDIT COMMITTEE

Date: 30/7/20

Consolidated Statement of Cash Flows

Manchester Unity Friendly Society

For the year ended 31 May 2020

	NOTES	2020	2019
Cashflow			
Cash from Operating Activities			
Cash was provided from:			
Insurance premiums		1,205,444	1,262,318
Interest received		2,256,023	2,686,650
Dividends received		191,219	161,191
Rental income		848,202	885,959
Holiday homes income		138,522	140,813
Fraternal income		223,088	218,874
Government grant income		87,007	-
Other income		78,581	90,402
Member benefit fund contributions		77,261	64,855
Total Cash was provided from:		**5,105,347**	**5,511,062**
Cash was applied to:			
Payments to suppliers and employees		(2,730,266)	(2,918,294)
Payments for claims		(2,954,782)	(3,231,091)
Payments to member benefit funds		(847,518)	(609,971)
Interest paid to district & lodges		(61,707)	(68,424)
Total Cash was applied to:		**(6,594,273)**	**(6,827,780)**
Total Cash from Operating Activities		**(1,488,926)**	**(1,316,718)**
Cash from Investing Activities			
Cash was provided from:			
Proceeds from sale of investment properties		-	305,000
Proceeds from sale of financial assets		26,329,693	29,850,666
Repayment of mortgages & loans		-	43,569
Deposits received from district & lodges		-	450,000
Total Cash was provided from:		**26,329,693**	**30,649,235**
Cash was applied to:			
Purchase of financial assets		(23,926,700)	(31,878,742)
Purchase of property, plant & equipment		(119,640)	(85,320)
Deposit repayments to district & lodges		(12,000)	(57,000)
Total Cash was applied to:		**(24,058,340)**	**(32,021,062)**
Total Cash (used in)/from Investing Activities		**2,271,353**	**(1,371,827)**
Cash from Financing Activities			
Cash was applied to:			
Repayment of borrowings and leasing liabilities		(60,908)	-
Total Cash was applied to:		**(60,908)**	**-**
Total Cash from Financing Activities		**(60,908)**	**-**

	NOTES	2020	2019
Net Increase/(Decrease) in Cash Held		721,519	(2,688,545)
Add Opening cash & cash equivalent		534,356	3,222,901
Closing cash & cash equivalents	10	1,255,875	534,356

The financial statements should be read with accompanying notes on pages 7 to 43.

Notes to the Consolidated Financial Statements

Manchester Unity Friendly Society

For the year ended 31 May 2020

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.

In April 2020 the Reserve Bank issued a modification to the Society's conditions of licence as an insurer as a response to the general market conditions and uncertainty created by COVID-19. The primary impact of this modification was to require the Society to hold a solvency margin in excess of the minimum solvency capital requirement which can range between nil and $9,000,000 depending on the daily yield of 10-year government bonds. At 31 May 2020 the Society was required to hold a minimum solvency margin of $9,000,000. At 31 May 2020 the Society held a solvency margin of $9,283,000, meeting the requirement. Management and those charged with governance continue to monitor this position and if necessary have appropriate, actionable plans to remediate any decrease in solvency margin if the need arises.

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 adopted NZ IFRS 16 with a transition date of 1 June 2019.The Group has chosen not to restate comparatives on adoption, and therefore,the revised requirements are not reflected in the prior year financial statements. Rather, the changes for NZ IFRS 16 has been processed at the date of initial application (i.e. 1 June 2019) using the Modified Retrospective Method. Details of the impact of this standard are given in Note 2.14.

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2019 but have not had a material effect on the Group and so have not been discussed in detail in the notes to the financial statements:

- NZ IFRIC 23: Uncertainty over Income Tax Treatments - details of the new policy are considered in Note 2.17;
- NZ IAS 19: Employee Benefits Amendments; and
- NZ IFRS 9: Financial Instruments Amendments

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, except for NZ IFRS 16 as detailed above.

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 Income

Premiums are recognised in the profit or loss 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 profit or loss 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 20(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 on the effective interest basis. 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.

2.7 Commission, Fraternal Income and Other Income

Commission, Fraternal Income and Other Income are recognised in the period in which the actual services are provided to the end of the reporting period as a proportion of the total services to be provided. Revenue for Commission, Fraternal Income and Other Income are recognised over time as the services are provided.

2.8 Government Grant

During the year Government grants relating to the COVID-19 pandemic were received which required specified future conditions to be performed. These have been recognised as a liability on receipt and the grants are recognised as income over the period that the specified conditions are met and the associated costs are recognised.

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 26(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 19.

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

From 1 June 2019, at the inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Group assesses whether throughout the period of use:

- the Group has the right to obtain substantially all of the economic benefits from the use of the asset, and
- the Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 June 2019.

As a lessee, the Group recognises a right of use asset and a lease liability at the lease commencement date.

Right of use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful life of the right of use assets are determined on the same basis of those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments, variable lease payments, any amount expected to be payable under a residual value guarantee, the lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and the penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, then reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change to an index or rate, a change in the lease term, if there is a change in the Groups estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise an extension or termination option.

When a lease is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use asset, or it is recorded in profit or loss if the carrying amount of the right to use asset has been reduced to zero.

Short term leases and leases of low value assets

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under NZ IAS 17

In the comparative period, the Group determined whether an arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

The Group determined that they were a lessee in operating leases. An operating lease is a lease in which a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight line basis over the period of the lease.

Transition Method and Practical Expedients Utilised

The Group adopted NZ IFRS 16 using the modified retrospective approach,with recognition of transitional adjustments on the date of initial application(1 June 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were not reassessed. The definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 June 2019.

On adoption of NZ IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

Classification under NZ IAS 17	Right-of-use assets	Lease liabilities
Operating leases	Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 June 2019.
		The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 3.44%.

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. The adoption of IFRS 16 has no impact on the recognition of rental income from investment properties.

2.15 GST

Incomes, 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 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.

In determining the amount of current and deferred tax the Society has reviewed its income tax treatments in order to determine whether NZ IFRIC 23 could have an impact on the annual financial statements. The Society has considered the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings. The Society believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors,including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the entity to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 22. 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.

- Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

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 20 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 17: *Insurance Contracts*	1 January 2023*	31 May 2024
Classification of Liabilities as Current and Non-current (Amendments to NZ IAS 1)	1 January 2022	31 May 2023

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.

*NZ IFRS 17 Insurance Contracts (effective 1 January 2023) - On 25 June 2020, the International Accounting Standard Board (IASB) issued 'Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. One of the amendments was to defer the date of initial application to annual period beginning 1 January 2023 (originally 1 January 2021). It is expected that the NZASB will release an equivalent amendment to NZ IFRS 17 in due course.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. It is anticipated that the NZASB will release an equivalent amendment to NZ IAS 1 in due course. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The Group does not believe that the amendments to IAS1 will have a significant impact on the classification of its liabilities.
The Group does not expect any other standards issued by the NZASB, but not yet effective, to have a material impact on the Group.

4. Comprehensive Income Attributable to Members

	NOTES	2020	2019
Insurance			
Premiums			
Increasing Assurance Benefit		157,218	177,388
Funeral Funds		270,861	275,651
Medical Services Fund		748,667	776,391
Education Support Plan		17,598	20,663
Funeral Plan		23,637	19,658
Total Premiums		**1,217,982**	**1,269,752**
Claims paid & provided for			
Increasing Assurance Benefit		(1,259,051)	(1,636,232)
Funeral Funds		(1,237,417)	(1,025,627)
Medical Services Fund		(388,364)	(489,606)
Education Support Plan		(49,146)	(50,208)
Funeral Plan		(893)	-
Society Sickness Benefit		(15,371)	(16,214)
Total Claims paid & provided for		**(2,950,242)**	**(3,217,887)**
Total Insurance before movement in life insurance obligations		**(1,732,261)**	**(1,948,135)**

	NOTES	2020	2019
Investment Income			
Rental Income			
Commercial Property Income		516,071	555,028
Leasehold Property Income		314,120	356,168
Total Rental Income		**830,191**	**911,195**
Interest Income			
Interest Income - financial instruments at amortised cost			
Bank Deposits		42,337	533,188
Mortgages & Loans		3,186	4,766

	NOTES	2020	2019
District & Lodge Interest Received		61,707	68,424
Total Interest Income - financial instruments at amortised cost		**107,229**	**606,378**
Interest Income - financial instruments at fair value through profit or loss			
Fixed Interest Investments		1,947,542	1,919,473
Total Interest Income - financial instruments at fair value through profit or loss		**1,947,542**	**1,919,473**
Total Interest Income		**2,054,771**	**2,525,850**
Dividend Income			
Investments at Fair Value through Profit or Loss		191,219	161,191
Total Dividend Income		**191,219**	**161,191**
Total Investment Income		3,076,181	3,598,237
Investment Expenses			
Investment Expenses			
Commercial properties		53,375	78,008
Leasehold Land		1,837	8,242
Financial Investment expenses		80,800	96,000
District & Lodge Interest Paid		61,707	68,424
Total Investment Expenses		**197,718**	**250,674**
Total Investment Expenses		**197,718**	**250,674**
Net investment income		2,878,464	3,347,563

	NOTES	2020	2019
Gains from Revaluations and Disposals			
Unrealised gains from Revaluations			
Commercial Property Revaluation	14	220,000	537,000
Leasehold Land Revaluation	14	530,000	145,000
Financial Instruments at Fair Value through Profit or Loss			
Fixed Interest Investments Revaluation		1,825,139	465,318
Equities Revaluations		(374,644)	315,557
Total Financial Instruments at Fair Value through Profit or Loss		**1,450,495**	**780,875**
Total Unrealised gains from Revaluations		**2,200,495**	**1,462,875**
Realised gain/(Losses)on disposal of investment property and financial assets			
Gain/(Loss) on Sale of Financial Assets at Fair Value through Profit or Loss		754,693	99,580
Total Realised gain/(Losses)on disposal of investment property and financial assets		**754,693**	**99,580**
Total Gains from Revaluations and Disposals		**2,955,188**	**1,562,455**

5. Operating Expenses

	NOTES	2020	2019
Operating Expenses			
Audit Fees for financial statement audit		60,600	54,000
Communications		4,033	4,237
Computer Expenses		81,943	68,639
Depreciation of non current assets		60,455	42,483

	NOTES	2020	2019
Depreciation of right of use asset		59,572	-
Directors fees and expenses		278,232	276,272
Employee Expenses		783,890	818,784
Other Employee Expenses		56,688	30,963
Insurance		35,273	35,302
Lease Liability Interest		7,991	-
Office Administration		124,093	114,437
Society Outreach Programme		171	36,990
Other expenses		177,663	88,471
Other fees paid to auditors		15,186	14,000
Other professional fees		343,540	398,697
Rent and other occupancy expenses		11,772	74,248
Travel		19,968	13,297
Total Operating Expenses		**2,121,069**	**2,070,820**

Auditor

The auditor of the Group is Deloitte Limited.

In addition to the statutory audit fee Deloitte Limited also received $9,400 (2019: $9,000) for the Reserve Bank solvency return assurance and $5,786 (2019: $5,000) for tax related compliance services.

	NOTES	2020	2019
Employee Benefits			
Salaries & Wages		758,818	786,573
Defined contribution pension cost (Kiwisaver)		21,948	32,030
Short-term employee benefits		3,124	181
Total Employee Benefits		**783,890**	**818,784**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the board members and 1 key management of the society listed in note 23.

	NOTES	2020	2019
Key management personnel compensation			
Key Management Personnel Compensation		502,056	612,333
Total Key management personnel compensation		**502,056**	**612,333**

6. Holiday Homes and Member Benefits

	NOTES	2020	2019
Holiday Homes			
Holiday Home Income		138,522	140,813
Holiday Home Expenses		(114,911)	(101,306)
Net Holiday Home Income		23,611	39,507

	NOTES	2020	2019
Gains/(losses) from Revaluations			
Holiday Home Revaluation		(78,260)	634,782
Total Gains/(losses) from Revaluations		**(78,260)**	**634,782**

	NOTES	2020	2019
Member Benefit Expenses			
Appropriations - Share Funds		18,326	-
Education Awards		44,008	40,895
Kick-Start		62,750	-
Membership Privileges & Related Communications		58,913	8,897
SBERF Payments		11,546	13,204
Total Member Benefit Expenses		**195,542**	**62,996**

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

	NOTES	2020	2019
Fraternal Income			
Lodge Management Fees		223,088	218,874
Commission - Fraternal		49,799	55,938
Total Fraternal Income		**272,887**	**274,812**

	NOTES	2020	2019
Fraternal Operating Expenses			
Council Fees		35,125	33,250
Fraternal Council Lodge Travel		19,681	5,022
Fraternal Council Meeting Costs		6,846	12,081
Grandmaster - Expenses		6,856	1,319
Lodge Expenses, Functions, Hospitality & Other		58,432	59,465
Salaries & Wages - Fraternal		205,654	279,088
Printing, Stationery & Postage - Fraternal		7,886	11,028
Rent - Fraternal		12,661	2,602
Communications - Fraternal		8,615	7,766
Travel - Fraternal		35,287	34,071
Staff Training & Support - Fraternal		2,072	4,988
Other - Fraternal		10,208	17,394
Total Fraternal Operating Expenses		**409,322**	**468,074**

	NOTES	2020	2019
8. Other Income			
Commission		26,841	33,810
Other Income		-	199,360

	NOTES	2020	2019
Government grant		72,516	-
Total Other Income		**99,357**	**233,170**

During the year the group recognised $Nil (2019: $199,360) of other income in relation to Regalia.

	NOTES	2020	2019

9. Income Tax Expense

	2020	2019
Profit before tax	(1,443,783)	1,869,890
Tax at 28%	(404,259)	523,569
Permanent differences	(44,223)	(577,245)
Deferred tax not recognised in relation to provisions	27,379	17,669
Tax losses not recognised	421,104	36,006
Tax expense (effective rate 0%)	-	-
Prior year losses carried forward	4,115,596	3,927,981
Prior year adjustment	90,257	(39,141)
Imputation credits converted to loss	116,272	98,162
Current year tax loss	1,503,943	128,594
Total losses to be carried forward	5,826,068	4,115,596

The Society has $5,826,068 (2019: $4,115,596) unrecognised tax losses to carry forward.

In addition to the above, Unity Limited has $1,650,000 (2019: $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 2020 and 31 May 2019 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;

	NOTES	2020	2019
Cash and cash equivalents			
Cash at Bank		85,884	83,074
Short term bank deposits		1,169,991	451,282
Total Cash and cash equivalents		**1,255,875**	**534,356**

	NOTES	2020	2019
11. Other Financial Assets			
Other financial assets at fair value through profit or loss			
Fixed Interest Investments		56,001,959	47,333,828
Equity Investments		3,756,746	4,136,317
Term Deposit Investments		1,760,589	10,447,430
Total Other financial assets at fair value through profit or loss		**61,519,295**	**61,917,575**
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		61,533,495	61,931,775

	NOTES	2020	2019
12. Trade and other receivables			
Trade and other sundry receivables		6,498	4,361
Medical Accrued Revenue		15,811	15,218
Mortgages		39,446	36,261
Total Trade and other receivables		**61,755**	**55,840**

	NOTES	2020	2019
13. Other Non-Financial Assets			
Prepayments		46,720	42,824
Regalia		250,853	227,246
Total Other Non-Financial Assets		**297,573**	**270,070**

	NOTES	2020	2019
14. Investment Property			
Commercial Property			
Retail			
Ngaio Road, Waikanae			
Opening Fair Value		4,100,000	4,200,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		100,000	(100,000)
Total Ngaio Road, Waikanae		**4,200,000**	**4,100,000**

	NOTES	2020	2019
Lombard Street, Palmerston North			
Opening Fair Value		595,000	485,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		(70,000)	110,000
Total Lombard Street, Palmerston North		**525,000**	**595,000**
Bridge Street, Nelson			
Opening Fair Value		990,000	908,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		(50,000)	82,000
Total Bridge Street, Nelson		**940,000**	**990,000**
Total Retail		**5,665,000**	**5,685,000**
Retail Development			
Kent Terrace, Wellington			
Opening Fair Value		3,845,000	3,400,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		240,000	445,000
Total Kent Terrace, Wellington		**4,085,000**	**3,845,000**
Total Retail Development		**4,085,000**	**3,845,000**
Total Commercial Property		**9,750,000**	**9,530,000**
Leasehold Properties			
Opening Fair Value		6,930,000	7,090,000
Acquisitions and Disposals		-	(305,000)
Fair Value Revaluation		530,000	145,000
Total Leasehold Properties		**7,460,000**	**6,930,000**
Holiday accommodation properties			
Opening Fair Value		4,847,825	4,213,043
Acquisitions and Disposals		-	-
Fair Value Revaluation		(78,260)	634,782
Total Holiday accommodation properties		**4,769,565**	**4,847,825**
Fair Value of investment property at year end		21,979,565	21,307,825

Investment Property Summary

	NOTES	2020	2019
Total balance at start		21,307,825	20,296,043
Total acquisitions / (disposals)		-	(305,000)
Total fair value revaluation		671,740	1,316,782
Total investment property at year end		21,979,565	21,307,825

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).

Two commercial properties with a total fair value of $1,465,000 (2019: $1,585,000) are held for the benefit of members of Loyal Nelson Lodge and Loyal Manawatu Lodge - refer note 22e.

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.
- Due to the impacts of COVID-19 there was reduced liquidity in the property market and this has affected the ability to purchase land and property around New Zealand. COVID-19 has affected the input factors, assumptions and other key processes used in valuing property. The valuers have noted that market activity is being impacted as a result of COVID-19 and that they are faced with an unprecedented set of circumstances on which to base a judgement.

  As a result of these circumstances, the valuers have prepared the valuations on the basis of material valuation uncertainty, and therefore less certainty - and a higher degree of caution - should be attached to the property values than would normally be the case.

  Despite these restrictions, the independent property valuers have been able to complete the valuation as at 31 May 2020 using their normal valuation approaches, with appropriate assumptions made as at 31 May 2020 for the impact of COVID-19. The reported valuations are based on market evidence including comparable capitalisation rates, property sales data and market rentals, adjusted where appropriate for the expected impact of COVID-19. The Society is satisfied that the valuation adopted at year end represent the fair value of the properties at that point in time.

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 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 2020	Range of significant unobservable inputs 31 May 2019
Retail Level 3 2020: $5,140,000 2019: $4,495,000 Level 2 2020:$525,000 2019:$595,000	Income capitalisation approach Discounted cash flow analysis Sales comparison approach	Net market rent $/m2	$90 to $380	$85 to $390
		Capitalisation rate contract rentals	7.00% - 9.00%	6.80% - 9.00%
		Capitalisation rate market rentals	7.25% - 9.00%	6.90% - 9.00%
		Discount rate	8.75%	9.00%
		Terminal capitalisation rate	8.50%	9.00%
		Rental growth rate (pa)	2.00%	2.00%
		Expenses growth rate (pa)	2.00%	2.00%
		Sales ($psm)	N/A	N/A
Redevelopment/ Retail Level 3 2020: $4,085,000 2019: $3,845,000	Income capitalisation approach Sales comparison approach	Net market rent $/psm	$155 to $314	$65 to $230
		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	$3,500	$3,300
Leasehold Properties Level 3 2020: $7,460,000* 2019: $6,930,000	Discounted cash flow	Site land values	$265,000-$320,000	$250,000-$305,000
		Discount rate	7.75%	7.75%
		Capitalisation rate initial yield	4.18%	4.39%
		Capitalisation rate effective yield	5.24%	5.15%
Holiday Accommodation Properties Level 2 2020: $4,769,565 2019: $4,847,825	Sales comparison approach	Sales ($psm)	N/A	N/A

*If a range of +/- 0.25% is included on the discount rate that is used in the valuation of leasehold properties, this would result in a value of $7,105,000 - 7,840,000.

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.

	NOTES	2020	2019
15. Right of Use Asset			
Opening Balance		258,144	-
Depreciation charge for the year		(59,572)	-
Total Right of Use Asset		**198,573**	**-**

	NOTES	2020	2019
16. Trade and Other Payables			
Trade creditors and accruals		263,266	341,280
Income in advance		15,017	-
Unearned Premiums		76,075	88,019
Government Grant liability		14,491	-
Total Trade and Other Payables		**368,848**	**429,299**

	NOTES	2020	2019
17. Employee benefit liabilities			
Accrual for annual leave		77,295	71,126
Accrual for wages, salary and bonuses		53,000	22,630
Total Employee benefit liabilities		**130,295**	**93,756**

	NOTES	2020	2019
18. Lease liabilities			
Current		59,120	-
Non-current		146,107	-
Total Lease liabilities		**205,227**	-

	NOTES	2020	2019
Amounts recognised in profit or loss:			
Depreciation of Right Of Use Assets		59,572	-
Interest on lease liabilities		7,991	-
Total Amounts recognised in profit or loss:		**67,563**	-

	NOTES	2020	2019
19. Member Benefit Fund Liabilities			
Member Share Funds			
Opening Balance		12,944,549	13,359,665
Contributions including transfers		(740)	194,855
Withdrawals		(670,302)	(609,971)
Appropriations - Share Funds		18,325	-
Total Member Share Funds		**12,291,832**	**12,944,549**
Hawke's Bay Endowment Fund		22,512	24,134
Total Member Benefit Fund Liabilities		**12,314,345**	**12,968,682**

At 31 May 2020 the Directors have declared $18,325 appropriations of balances held (2019: Nil). 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.

	NOTES	2020	2019
Member Share funds			
Antipodean Lodge		428,577	446,058
Ashburton Lodge		417,611	437,895
Auckland District		268,561	280,996
Banks Peninsula Branch		536,412	557,753
Britannia Lodge		339,466	352,769
City of Wellington Lodge		1,189,449	1,266,626

	NOTES	2020	2019
Egmont Lodge		1,369,769	1,464,771
Greytown Lodge		87,885	94,354
Hastings Lodge		746,443	778,822
Kickstart Share Fund		72,250	-
Manawatu Lodge		457,172	531,464
Manchester Lodge		69,120	71,451
Masterton Lodge		496,769	523,985
Napier Lodge		1,622,500	1,696,343
Nelson Lodge		2,398,670	2,543,686
Rangiora Lodge		988,012	1,037,289
Rose of the Valley Lodge		2,580	-
United Westland Lodge		73,154	75,811
Wanganui Lodge		698,393	755,437
Woodville Lodge		29,040	29,040
Total Member Share funds		**12,291,832**	**12,944,549**

There were no lodges which consolidated with the Society during the year (2019: No consolidation)

(b) Hawke's Bay Endowment Fund

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

20. 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 2020. Furthermore, another credit rating was issued by Fitch Ratings on 5 May 2020 that re-confirmed a BB- rating. 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 2020.

	NOTES	2020	2019
Fund Transactions			
Medical Services Fund			
Opening balance Members' Funds		200,000	200,000
Contributions/Premiums		748,667	776,475
Withdrawals/Claims		(388,364)	(489,689)
Society management fees		(132,503)	(136,655)
Other acquisition costs		(16,919)	(15,397)
Transfers		(210,880)	(134,733)
Total Medical Services Fund		**200,000**	**200,000**
Funeral Fund			
Opening balance Members' Funds		8,507,754	8,041,889
Contributions/Premiums		270,861	275,651
Withdrawal/Claims		(489,540)	(362,820)
Society management fees		(45,190)	(46,233)
Loss recognised on insurance obligations		2,214,762	599,268
Total Funeral Fund		**10,458,647**	**8,507,754**

	NOTES	2020	2019
Increased Funeral Fund			
Opening balance Members' Funds		14,959,875	14,277,925
Withdrawals/Claims		(747,877)	(662,807)
Loss recognised on insurance obligations		2,870,874	1,344,757
Total Increased Funeral Fund		**17,082,872**	**14,959,875**
Increasing Assurance Benefit			
Opening balance Members' Funds		17,417,023	18,901,429
Contributions/Premiums		157,218	177,389
Withdrawals/Claims		(1,259,052)	(1,636,232)
Society management fees		(15,164)	(16,691)
Other acquisition costs		(7,863)	(8,872)
Loss recognised on insurance obligations		233,235	-
Total Increasing Assurance Benefit		**16,525,397**	**17,417,023**
Education Support Plan			
Opening balance Members' Funds		396,942	371,672
Contributions/Premiums		17,598	20,663
Withdrawals/Claims		(49,146)	(50,208)
Loss/(gain) recognised on insurance obligations		(15,745)	54,814
Total Education Support Plan		**349,649**	**396,942**
Funeral Plan			
Contributions/Premiums		23,637	19,768
Withdrawals/Claims		(893)	-
Transfers		(22,744)	(19,768)
Total Funeral Plan		**-**	**-**
Society Sickness Benefit Fund			
Opening balance Members' Funds		192,784	208,998
Withdrawals/Claims		(15,371)	(16,214)
Loss recognised on insurance obligations		15,036	-
Total Society Sickness Benefit Fund		**192,449**	**192,784**
Total Member Insurance Contract Obligations		44,809,014	41,674,378

Summary of member insurance contract obligations

	NOTES	2020	2019
Fund transactions			
Opening balance members' funds		41,674,379	42,001,913
Contributions/ Premiums		1,217,982	1,269,946
Withdrawals/ Claims		(2,950,242)	(3,217,970)
Society management fees		(192,857)	(199,580)
Other acquisition costs		(24,782)	(24,268)
Transfers		(233,627)	(154,502)
Appropriations		-	-
Total Fund transactions		**39,490,853**	**39,675,540**
Loss Recognised on insurance obligations			
Movement in insurance obligations		5,318,161	1,998,839
Total Loss Recognised on insurance obligations		**5,318,161**	**1,998,839**
Total closing balance Member insurance contract obligations		44,809,014	41,674,379

(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 22c.

(d) Actuarial valuation of member insurance contract obligations
The valuation of member insurance contract obligations was carried out as at 31 May 2020 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. The Liability Adequacy Test 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. These present values were calculated using the best estimate discount rate (i.e. the best estimate assumption of future appropriation rates). In the past a risk free rate was used but this year the best estimate rate was lower than the risk free rate.

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 to the funds was 0.5% per annum (2019 2.0%). The discount rate used for the Liability Adequacy Test was also 0.50% per annum (2019 1.93%).

(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 0.00% of sum assured and 0.00% of existing bonus (2019: 0.12% and 0.25%).
- 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 (2019: 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 effects of COVID-19 may affect the value of the insurance funds through changes in interest rates. As interest rates decrease so do discount rates, resulting in an increase to the insurance liability which increases insurance losses for the year.

The effect is shown below:

	Change in Member Insurance Contract Obligations ($)
Discount rate down 0.5% per annum	+3,036,855
Lapse rate down 40%	+ 1,222,226
Mortality up 10%	+ 318,564

	NOTES	2020	2019
Components of member insurance contract obligations			
IAB			
Future policy benefits		17,683,332	15,968,870
Future additions		-	353,925
Future expense transfers		221,144	216,910
Future contributions		(1,379,079)	(1,381,554)
Members' unvested benefit liability		-	2,258,872
Total IAB		**16,525,397**	**17,417,023**
Funeral Funds			
Future policy benefits		30,380,502	26,055,526
Future addtions		-	-
Future expense transfers		576,835	519,840
Future contributions		(3,415,818)	(3,107,737)
Members' unvested benefit liability		-	-
Total Funeral Funds		**27,541,519**	**23,467,629**

	NOTES	2020	2019
Other Funds			
Accumulation method		742,097	789,726
Total Other Funds		**742,097**	**789,726**
Total		44,809,013	41,674,378

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.

	NOTES	2020	2019
Maturity profile member insurance contract obligations			
Current		2,699,197	2,982,225
1 - 5 years		9,212,176	9,072,939
More than 5 years		35,051,478	36,873,640
Total Maturity profile member insurance contract obligations		**46,962,851**	**48,928,804**

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 2020 the Actual Solvency Capital was $25,454,000 (2019: $26,775,000) and the Minimum Solvency Capital was $16,171,000 (2019: $20,824,000) resulting in a Solvency Margin of $9,283,000 (2019: $5,951,000) and a Current Solvency Ratio of 1.57 (2019: 1.29).

In April 2020 the Reserve Bank issued a modification to the Society's conditions of licence as an insurer as a response to the general market conditions and uncertainty created by COVID-19. The primary impact of this modification was to require the Society to hold a solvency margin in excess of the minimum solvency capital requirement which can range between nil and $9,000,000 depending on the daily yield of 10-year government bonds. At 31 May 2020 the Society was required to hold a minimum solvency margin of $9,000,000.At 31 May 2020 the Society held a solvency margin of $9,283,000, meeting the requirement. Management and those charged with governance continue to monitor this position and if necessary have appropriate, actionable plans to remediate any decrease in solvency margin if the need arises.

	NOTES	2020	2019
21. Retained Earnings			
Retained earnings			
Opening Retained Earnings		5,718,665	6,087,728
Total Retained earnings		**5,718,665**	**6,087,728**
Movement for year			
Total comprehensive income for year		(1,443,783)	1,869,891
Transfer from Society Benevolent and Emergency Relief Fund		11,545	13,204
Transfer from/(to) Medical Services Reserve		(210,880)	(134,733)
Transfer from/(to) Funeral Plan Reserve		(22,744)	(19,768)
Transfer from/(to) Restricted Reserve		42,000	(67,200)
Transfer from/(to) Member Benefit Fund Liabilities		78,000	(137,400)
Transfers from/(to) General Reserve			
Revaluation of Investment Properties		(791,740)	(1,112,182)
Unrealised (Profit)/Loss on change in fair value of financial assets		(1,506,260)	(780,874)
Unrealised Loss on Insurance Liabilities		7,317,054	-
Total Transfers from/(to) General Reserve		**5,019,054**	**(1,893,056)**
Total Movement for year		**3,473,193**	**(369,063)**
Balance at the end of the financial year		9,191,858	5,718,665

Voting rights

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

	NOTES	2020	2019
22. Reserves			
District and Lodge Relief Fund		968,222	968,222
Society Benevolent and Emergency Relief Fund		512,753	524,298
Medical Services Reserve		2,943,725	2,732,845
Medical Services Fund		750,000	750,000
Restricted Reserve - Lodge Reserve		512,750	554,750
Funeral Plan Reserve		66,513	43,769
General Reserve		11,020,551	16,039,605
Total Reserves		**16,774,514**	**21,613,489**

	NOTES	2020	2019
Summary of Reserves			
Total opening balances		21,613,489	19,511,935
Total movement		(4,838,975)	2,101,554
Total closing balances		16,774,514	21,613,489

	NOTES	2020	2019
(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.

	NOTES	2020	2019
(b) Society Benevolent and Emergency Relief Fund			
SBERF Reserve		524,298	537,502
Transfer to Retained Earnings from SBERF		(11,545)	(13,204)
Total (b) Society Benevolent and Emergency Relief Fund		**512,753**	**524,298**

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.

	NOTES	2020	2019

(c) Medical Services Reserve

Medical Services Reserves		2,732,845	2,598,112
Transfer from Retained Earnings		210,880	134,733
Total (c) Medical Services Reserve		**2,943,725**	**2,732,845**

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.

	NOTES	2020	2019

(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.

	NOTES	2020	2019

(e) Restricted Reserve - Lodge Reserves

Opening balance		554,750	487,550
Revaluation adjustment		(42,000)	67,200
Total (e) Restricted Reserve - Lodge Reserves		**512,750**	**554,750**

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 $1,465,000 (2019: $1,585,000).

	NOTES	2020	2019

(f) Funeral Plan Fund

Funeral Plan Fund			
Opening Balance		43,769	24,001
Funeral Plan Reserves		22,744	19,768
Total Funeral Plan Fund		**66,513**	**43,769**

The Funeral Plan Fund is Administered by the Board of Directors under General Rule 62. It is in place to provide funeral cover up to a maximum of $10,000 to members.

	NOTES	2020	2019

(g) General reserve

Balance at the beginning of financial year		16,039,605	14,146,549
Revaluation of Commercial Properties from Retained Earnings		340,000	332,400
Unrealised Profit/(Loss) on change in fair value of financial assets from Retained Earnings		1,506,260	780,874
Revaluation of Holiday Homes from Retained Earnings		(78,260)	634,782
Revaluation of Leaseholds from Retained Earnings		530,000	145,000

	NOTES	2020	2019
Unrealised Loss on Insurance Liabilities from Retained Earnings		(7,317,054)	-
Total (g) General reserve		**11,020,551**	**16,039,605**

The general reserve represents unrealised gains/losses made on the Group's investment properties, equities, fixed interest securities and insurance liabilities 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 22e) and the remainder to member share funds for the respective lodges (note 19).

The cumulative unrealised loss on insurance liabilities has been transferred from retained earnings to the general reserve. This has been performed to better align the financial reporting with the nature of the unrealised loss. The value of the loss transferred in the current year represents the cumulative loss from the current and prior year.

23. Related Parties

Related Party Disclosures

The Directors of Manchester Unity during the financial year were:

M G Ambrose

G J Allanson

A 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 (2019: Nil).

Other Transactions

During the financial year Manchester Unity provided accounting and administration services to the Manchester Unity Districts and Lodges for no consideration (2019: Nil consideration).

During the financial year interest on deposits held was paid to Manchester Unity Districts and Lodges totalling $61,707 (2019: $68,424). 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.

Outstanding balances with related parties are disclosed in notes 19 and 20.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2019: Nil).

24. Leases

	NOTES	2020	2019
(a) Leases as Lessee			
Not later than one year		-	69,785
Later than one year and no later than five years		-	232,617
Later than five years		-	-
Total (a) Leases as Lessee		**-**	**302,402**

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.

The operating lease is disclosed as nil for the purposes of this note due to the adoption of NZIFRS 16, refer to note 2.14 for further information.
The maturity analysis is currently reflected in the financial instruments note against the lease liability.

	NOTES	2020	2019
(b) Leases as Lessor			
Not longer than one year		774,996	803,004
Longer than one year and less than five years		2,684,373	2,836,085
Longer than five years		9,143,732	9,743,904
Total (b) Leases as Lessor		**12,603,101**	**13,382,993**

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.

	NOTES	2020	2019
25. Notes to the cashflow statement			
Profit or Loss for period is as follows:			
Total Profit or Loss for the year		(1,443,783)	1,869,891
Total Profit or Loss for period is as follows:		**(1,443,783)**	**1,869,891**

	NOTES	2020	2019
Add/(less) non cash items:			
Revaluation of investment property		(671,740)	(1,316,782)
Depreciation and amortisation		120,027	42,483
Appropriations to member benefit funds		18,325	-
Movement in Mortgages		(4,078)	(5,955)
(Profit)/loss on change in fair value of financial assets		(1,450,000)	(880,454)
Change in life insurance obligations		3,136,836	(327,628)
Total Add/(less) non cash items:		**1,149,370**	**(2,488,336)**
Add/(less) change in operating assets			
Increase/(decrease) in unearned premiums		(11,945)	(2,451)
Increase/(decrease) in interest accrued		201,252	164,486
Increase/(decrease) in accounts receivable		5,600	653
Increase/(decrease) in premiums in arrears		(593)	4,982
Increase/(decrease) in other assets		(27,504)	(172,403)
Increase/(decrease) in trade and other payables		(48,506)	(26,344)
Increase/(decrease) in provisions		36,539	(113,892)
Member benefit fund contributions less withdrawals		(594,663)	(553,304)
Total Add/(less) change in operating assets		**(439,820)**	**(698,273)**
Add/(less) items reclassified as investing activities			
Realised gain on disposal of financial assets		(754,693)	-
Total Add/(less) items reclassified as investing activities		**(754,693)**	-
Net cash inflow/(outflow) from operating activities		(1,488,926)	(1,316,718)

26. 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 26(b).

The following tables detail the group's exposure to interest rate and liquidity risk at 31 May 2020 and 31 May 2019. The table does not include equity investments of $3,770,946 as these investments are not exposed to interest rate risk.

Maturity Profile of Investments

	NOTES	2020	2019
Financial Assets			
Less than 1 year			
Cash and cash equivalents		1,255,875	516,574
Other financial assets at fair value through profit or loss:			
Government stock		-	-
Local authority stock		-	1,041,245
Corporate stock		1,824,545	3,817,263
Bank Term Deposits		1,412,447	10,101,990
Total Other financial assets at fair value through profit or loss:		**3,236,992**	**14,960,498**
Other financial assets at amortised cost			
Mortgages & Loans		39,446	36,260
Other Receivables		22,309	19,579
Total Other financial assets at amortised cost		**61,755**	**55,839**
Total Less than 1 year		**4,554,622**	**15,532,911**
1 - 5 years			
Cash and cash equivalents		-	-
Other financial assets at fair value through profit or loss:			
Government stock		-	-
Local authority stock		4,703,248	5,220,031
Corporate stock		8,804,427	21,178,425
Bank term deposits		348,141	343,283
Total Other financial assets at fair value through profit or loss:		**13,855,817**	**26,741,739**
Other financial assets at amortised cost			
Mortgages & Loans		-	-
Other Receivables		-	-
Total Other financial assets at amortised cost		-	-
Total 1 - 5 years		**13,855,817**	**26,741,739**
More than 5 years			
Cash and cash equivalents		-	-
Other financial assets at fair value through profit or loss:			
Government stock		38,171,444	13,187,382
Local authority stock		1,243,097	1,166,312
Corporate stock		1,255,199	1,723,170
Bank Term Deposits		-	-
Total Other financial assets at fair value through profit or loss:		**40,669,739**	**16,076,864**
Other financial assets at amortised cost			
Mortgages & Loans		-	-
Other Receivables		-	-
Total Other financial assets at amortised cost		-	-
Total More than 5 years		**40,669,739**	**16,076,864**
Total Financial Assets		**59,080,178**	**58,351,514**

	NOTES	2020	2019
Financial Liabilities			
Less than 1 year			
Trade and other Payables		368,848	429,299
District, Lodges and other deposits		1,505,791	1,417,791
Member benefit fund liabilities		12,314,345	12,968,682
Lease Liability		59,120	-
Total Less than 1 year		**14,248,104**	**14,815,772**
1 - 5 years			
Trade and other Payables		-	-
District, Lodges and other deposits		200,000	300,000
Member benefit fund liabilities		-	-
Lease Liability		146,107	-
Total 1 - 5 years		**346,107**	**300,000**
More than 5 years			
Trade and other Payables		-	-
District, Lodge and other deposits		100,000	100,000
Member benefit fund liabilities		-	-
Lease Liability		-	-
Total More than 5 years		**100,000**	**100,000**
Total Financial Liabilities		**14,694,211**	**15,215,772**

Weighted Average Interest Rates

	31 May 2020	31 May 2019
Financial Assets		
Cash and cash equivalents	1.76%	2.30%
Government stock	3.53%	3.59%
Local authority stock	5.42%	5.28%
Corporate stock	4.89%	4.70%
Bank term deposits	2.95%	3.49%
First mortgage securities	NA	NA
IAB loans and advances	9.00%	9.00%
Financial Liabilities		
District, Lodge and other deposits	3.11%	3.82%

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 $17,300 (2019: $109,800).

(e) Equity price risk
Manchester Unity invests in equity securities and it is the intention of the Directors to hold the investments. As a consequence equity price risk sensitivity is limited to changes in equity prices. The fair values of these investments have fallen due to the impact of COVID-19 on Global Financial Markets. Each 1% movement in equity prices up or down will equate to an increase/decrease in profit or loss and equity attributable to members of $36,400 (2019: $41,300).

(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 2 counterparties (2019: 7) 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%	50% <
31 May 2020					
AA+ - AA-	1	-	-	-	1
A+ - A-	-	-	-	-	-
BBB+	-	-	-	-	-
31 May 2019					
AA+ - AA-	2	-	1	1	-
A+ - A-	2	-	-	-	-
BBB+	1	-	-	-	-

The counterparty where the Group's investment is larger than 50% is in relation to NZ Government Bonds held at balance date. The total investment is 148% of total equity.

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:

	NOTES	2020	2019
Financial Assets			
FVTPL			
Other financial assets at fair value through profit or loss			
Fixed Interest Investments		56,001,959	47,333,828
Equity Investments		3,756,746	4,136,317
Term Deposit Investments		1,760,589	10,447,430
Total Other financial assets at fair value through profit or loss		**61,519,295**	**61,917,575**
Total FVTPL		**61,519,295**	**61,917,575**
Amortised cost			
Cash and cash equivalents		1,255,875	534,356
Trade and other receivables		61,755	55,840
United Friendly Society Shares		14,200	14,200
Total Amortised cost		**1,331,830**	**604,396**
Total Financial Assets		**62,851,124**	**62,521,971**

	NOTES	2020	2019
Financial Liabilities			
Amortised cost			
Trade and other payables		368,848	429,299
District Lodge and other deposits		1,805,791	1,817,791
Lease Liability		205,227	-
Member benefit fund liabilities		12,314,345	12,968,682
Total Amortised cost		**14,694,211**	**15,215,772**
Total Financial Liabilities		**14,694,211**	**15,215,772**

(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:

	NOTES	2020	2019
Assets at Fair value			
Level One			
Bonds		56,001,959	47,333,828
Equity Investments		3,770,946	4,150,517
Total Level One		**59,772,906**	**51,484,345**
Level Two			
Term Deposits		1,760,589	10,447,430
Total Level Two		**1,760,589**	**10,447,430**
Total Assets at Fair value		**61,533,495**	**61,931,775**

The Society's financial instruments are Level 1 and Level 2 as their values have been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

27. 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 19(a), 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.

28. COVID-19 Pandemic

In December 2019, a new virus, COVID-19 was detected in Wuhan, China. The virus was soon common in other countries and on 11 March 2020 the World Health Organization declared that the outbreak should be considered a pandemic.

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered the country into lockdown which lasted 5 weeks, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the lockdown period ended and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations and individuals.

Although the Society has been impacted by COVID-19, the board has concluded that the Society will be able to continue operating for at least 12 months from the date of signing these financial statements. That conclusion has been reached because:

- The Society has sufficient cash resources and can maintain current expenditure for at least 12 months from the date of signing these financial statements.
- The Society is funded by a portfolio of fixed rate investments, most of which are government bonds and most of which have remaining terms of at least three years.
- The Society's determined solvency margin is in excess of the minimum solvency margin imposed by the Reserve Bank of New Zealand. As the minimum solvency margin can range between nil and $9,000,000 as disclosed in Note 20, management and those charged with governance continue to monitor this position and, taking into account advice from the appointed actuary, will take action as required to remediate any decrease in solvency margin if the need arises.

29. Events after the reporting date

Subsequent to year-end the appointed actuary recommended to the Society that asset changes be made to increase the solvency margin under the modified licence conditions. The Society has, in response to those recommendations, made asset class changes which have the effect of increasing the solvency margin.

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 (2019 : Nil).

30. Contingent assets and liabilities

There are no contingent assets or liabilities at balance date (2019: Nil).

31. Commitments for expenditure

The Group had no capital commitments at balance date (2019: Nil).

32. Lease commitments

Non-cancellable operating lease commitments are disclosed in note 24 to the financial statements.

Deloitte.

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 (together the 'Society'), which comprise the consolidated statement of financial position as at 31 May 2020, and the consolidated statement of profit or loss and other 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 1 to 43, present fairly, in all material respects, the consolidated financial position of the Society as at 31 May 2020, 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.

Deloitte.

Key audit matter	How our audit addressed the key audit matter

Valuation of Member Insurance Contract Obligations (Note 20)
 	
The Society, being a provider of insurance services to its members, has recognized member insurance contract obligations of $44.8 million (2019: $41.7 million) as at 31 May 2020 accounted for in accordance with NZ IFRS 4 *Insurance Contracts*.
 	
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.
 	
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.
 	
The estimate of the liability for member insurance contract obligations is a key input into the Society's solvency calculation for measuring compliance with its license conditions and is sensitive to changes in interest rates.
 	
In April 2020 the Reserve Bank of New Zealand revised the Society's license conditions due to the persistent low interest rate environment following the outbreak of the COVID-19 pandemic. The revised license conditions require a minimum solvency margin based on the relevant 10-year government bond rate at the measurement date. As at 31 May 2020 the requirement solvency margin was at the maximum of $9,000,000.
 	
The solvency margin at 31 May 2020 was $9,283,000 (2019: $5,951,000) as disclosed in Note 20 on page 32.
	Our audit procedures included the following:
	
	• 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;
	    o The work and findings of the Society's appointed actuary; and
	    o The actuarial assumptions employed. Specifically, for the appropriate discount rate (appropriation rate), rate of mortality and lapse rate;
	• With the assistance of our internal actuarial specialists, assessing the solvency calculation prepared by the Sociey's appointed actuary;
	• Discussing with the management and those charged with governance the actions taken subsequent to balance date to increase the solvency margin; and
	• Evaluating the related disclosures about member insurance contract obligations and the solvency position in the consolidated financial statements.

Deloitte.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties (Note 14) As at 31 May 2020, the Society's investment properties comprising commercial, leasehold and holiday accommodation properties amounted to $21.9 million (2019: $21.3 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. The Society's appointed valuer takes into account property specific information such as capitalization rates, market rental, discount rates and rental growth rates to arrive at a range of valuation outcomes, from which the valuer derives a point estimate for their valuation. With New Zealand in various stages of lockdown over the months immediately preceding 31 May 2020 there were restrictions affecting the real estate market with reduced liquidity and consequently reduced transactional evidence of market prices. The valuation of investment property is a key audit matter due to the subjective judgements and assumptions in the valuation model, including those that relate to the impacts of COVID-19. The independent registered valuers have stated that they are faced with an unprecedented set of circumstances on which to base a judgement as a result of COVID-19. Consequently there is a higher degree of caution attached to their valuation than would normally be the case. The valuation have been reported on the basis of material valuation uncertainty. We draw attention to Note 14 on pages 20 to 24 of the financial statements, which discloses the fact that the property fair valuations prepared by the independent registered valuers as at 31 May 2020 are reported on the basis of material valuation uncertainty.	We read the valuation reports for the properties. We checked for any limitations of scope in the valuation reports that would impact the reliability of the valuation. A discussion was held with the valuers to confirm the valuation approach used and the market conditions as at 31 May 2020. We assessed the valuers' experience and professional accreditations. This included having each valuer confirm to us their independence, qualifications and that the scope of the work undertaken was in line with professional valuation standards and accounting standards. In addition, we considered the Society's process for reviewing and challenging the valuation report inputs to ensure they accurately reflect the individual characteristics of each property. Our audit procedures also included the following: • 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 assumptions used by the valuer in performing the valuation including comparing market commentary for comparable locations; • Evaluating the related disclosures about investment properties in the consolidated financial statements, including the disclosure in respect of valuation uncertainty.

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.

Deloitte.

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/assurance-standards/auditors-responsibilities/audit-report-1

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.

Deloitte Limited

Silvio Bruinsma, Partner
for Deloitte Limited
Wellington, New Zealand
30 July 2020

This audit report relates to the consolidated financial statements of the Manchester Unity Friendly Society (the 'Society') for the year ended 31 May 2020 included on the Society's website. The Directors are responsible for the maintenance and integrity of the Society's website. We have not been engaged to report on the integrity of the Society's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 30 July 2020 to confirm the information included in the audited consolidated financial statements presented on this website.

Greystone Consulting

Manchester Unity Friendly Society

Review of Actuarial Information In, or Used In Preparation of, the Financial Statements at 31 May 2020

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 2020.

I have provided a "Valuation Report" dated 20 July 2020, 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
11 August 2020