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Annual Report 2021

Manchester Unity Friendly Society
For the period 1 June 2020 to 31 May 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Manchester Unity Friendly Society
For the year ended 31 May 2021

	NOTES	2021	2020
Insurance before movement in life insurance obligations			
Premiums	4	1,134,170	1,217,982
Claims paid & accrued	4	(2,868,940)	(2,950,242)
Net expense before movement in life insurance obligations		**(1,734,770)**	**(1,732,261)**
Movement in life insurance contract liabilities			
Movement in life insurance contract liabilities		4,083,102	(3,136,836)
Total movement in life insurance contract liabilities		**4,083,102**	**(3,136,836)**
Insurance (deficit) before investment activities		**2,348,332**	**(4,869,097)**
Investment activities			
Rental Income	4	873,423	830,191
Interest Income	4	1,933,407	2,054,771
Dividend Income	4	113,732	191,219
Investment Expenses	4	(200,612)	(197,718)
Total investment activities		**2,719,950**	**2,878,464**
Gains from revaluations and disposals			
Gains from revaluations and disposals	4	(149,977)	2,955,188
Total gains from revaluations and disposals		**(149,977)**	**2,955,188**
Operating Expenses			
Operating Expenses	5	(2,725,148)	(2,121,069)
Total operating expenses		**(2,725,148)**	**(2,121,069)**
(Deficit)/surplus after insurance, investment activities & operating expenses		**2,193,157**	**(1,156,513)**
Holiday Homes and Member Benefits			
Holiday Home Income	6	158,096	138,522
Holiday Home expenses	6	(113,344)	(114,911)
Gains/(losses) from revaluations	6	1,326,088	(78,260)
Member Benefit Expenses	6	(226,291)	(195,542)
Total holiday homes and member benefits		**1,144,549**	**(250,191)**
Fraternity			
Fraternal Income	7	273,751	272,887
Fraternal Expenses	7	(383,794)	(409,322)
Total fraternity		**(110,043)**	**(136,435)**
Other Income			
Other Income	8	38,037	99,357
Total other income		**38,037**	**99,357**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Manchester Unity Friendly Society

For the year ended 31 May 2021

	NOTES	2021	2020
Operating (deficit)/surplus before tax		**3,265,700**	**(1,443,783)**
Income Tax Expense		-	-
Operating (deficit)/surplus after tax		**3,265,700**	**(1,443,783)**
Other Comprehensive Income for the Year		-	-
Total (loss)/profit and other comprehensive income for the year		**3,265,700**	**(1,443,783)**

The Financial Statements should be read in conjunction with the Notes to the Financial Statements and the Auditor's Report.

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Consolidated Statement of Changes in Equity

Manchester Unity Friendly Society
For the year ended 31 May 2021

	NOTES	2021	2020
Retained Earnings			
Opening Balance		9,191,858	5,718,665
Movement during the year	22	1,648,859	3,473,193
Total Retained Earnings		**10,840,717**	**9,191,858**
Reserves			
Opening Balance		16,774,513	21,613,489
Movement during the year	23	1,577,639	(4,838,975)
Total Reserves		**18,352,152**	**16,774,514**
Total Equity		**29,192,869**	**25,966,372**

The Financial Statements should be read in conjunction with the Notes to the Financial Statements and the Auditor's Report.

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Consolidated Statement of Financial Position

Manchester Unity Friendly Society
As at 31 May 2021

	NOTES	2021	2020
Assets			
Cash & cash equivalents	10	598,036	1,255,875
Other financial assets	11	53,824,523	61,533,495
Trade and other receivables	12	84,158	61,755
Other non-financial assets	13	294,955	297,573
Right of use assets	16	177,680	198,573
Investment property	14	29,045,654	21,979,566
Property, plant and equipment	15	330,352	273,056
Total Assets		**84,355,358**	**85,599,892**
Liabilities			
Trade and other payables	17	568,438	368,848
Employee benefit liabilities	18	103,892	130,295
District & lodge deposits		1,675,000	1,805,791
Lease liabilities	19	185,171	205,227
Member benefit fund liabilities	20	11,904,076	12,314,345
Member insurance contract obligations	21	40,725,912	44,809,014
Total Liabilities		**55,162,489**	**59,633,520**
Net Assets		**29,192,869**	**25,966,372**
Equity			
Retained earnings	22	10,840,717	9,191,858
Reserves			
District & lodge relief fund	23	968,222	968,222
Society benevolent & emergency relief fund	23	510,832	512,753
Medical services reserve	23	3,082,498	2,943,725
Medical services fund	23	750,000	750,000
Restricted reserve - lodge reserve	23	551,250	512,750
Funeral Plan fund	23	92,847	66,513
General reserve	23	12,396,503	11,020,551
Total Reserves		**18,352,152**	**16,774,514**
Total Equity		**29,192,869**	**25,966,372**

Consolidated Statement of Financial Position

Manchester Unity Friendly Society

As at 31 May 2021

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 29 July 2021.

On behalf of the Board:

Graham Allanson	**Michael Ambrose**
CHAIR OF AUDIT COMMITTEE	**CHAIRMAN OF BOARD**
Date: 29/07/2021	**Date:** 29/07/2021

The Financial Statements should be read in conjunction with the Notes to the Financial Statements and the Auditor's Report.

Consolidated Statement of Cash Flows

Manchester Unity Friendly Society

For the year ended 31 May 2021

	NOTES	2021	2020
Cashflow			
Cash from Operating Activities			
Cash was provided from:			
Insurance premiums		1,105,790	1,205,444
Interest received		1,965,608	2,256,023
Dividends received		113,732	191,219
Rental income		860,367	848,202
Holiday homes income		158,096	138,522
Fraternal income		227,145	223,088
Government grant income		-	87,007
Other income		70,079	78,581
Member benefit fund contributions		-	77,261
Total Cash was provided from:		**4,500,817**	**5,105,347**
Cash was applied to:			
Payments to suppliers and employees		(3,271,448)	(2,730,266)
Payments for claims		(2,633,082)	(2,954,782)
Payments to member benefit funds		(589,208)	(847,518)
Interest paid to district & lodges		(43,062)	(61,707)
Total Cash was applied to:		**(6,536,800)**	**(6,594,273)**
Total Cash from Operating Activities		**(2,035,983)**	**(1,488,926)**
Cash from Investing Activities			
Cash was provided from:			
Proceeds from sale of financial assets		40,308,263	26,329,693
Deposits received from district & lodges		75,000	-
Total Cash was provided from:		**40,383,263**	**26,329,693**
Cash was applied to:			
Purchase of financial assets		(38,512,770)	(23,926,700)
Purchase of property, plant & equipment		(206,596)	(119,640)
Deposit repayments to district & lodges		(205,790)	(12,000)
Total Cash was applied to:		**(38,925,156)**	**(24,058,340)**
Total Cash (used in)/from Investing Activities		**1,458,107**	**2,271,353**

Consolidated Statement of Cash Flows

Manchester Unity Friendly Society

For the year ended 31 May 2021

	NOTES	2021	2020
Cash from Financing Activities			
Cash was applied to:			
Repayment of borrowings and leasing liabilities		(79,963)	(60,908)
Total Cash was applied to:		**(79,963)**	**(60,908)**
Total Cash from Financing Activities		**(79,963)**	**(60,908)**
Net Increase/(Decrease) in Cash Held		(657,839)	721,518
Add Opening cash & cash equivalent		1,255,875	534,356
Closing cash & cash equivalents	10	598,036	1,255,875

The Financial Statements should be read in conjunction with the Notes to the Financial Statements and the Auditor's Report.

Notes to the Consolidated Financial Statements

Manchester Unity Friendly Society

For the year ended 31 May 2021

Reporting Entity

Manchester Unity Friendly Society ("Manchester Unity"/the "Society") is a Friendly Society registered pursuant to the Friendly Societies and Credit Unions Act 1982, administered by the registered General Rules under that Act. Its principal purpose is to provide financial products, including insurance products, affordable holiday accommodation and fraternal services for the benefit of its members. Manchester Unity is a FMC reporting entity for the purposes of the Financial Markets Conducts Act 2013 and the Financial Reporting Act 2013 and its consolidated financial statements comply with these Acts. Its registered office is located at 117 Lambton Quay, Wellington, New Zealand.

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

1. Summary of accounting policies

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities.

Basis of Preparation

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

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

New Accounting Standards

The following new standards, amendments and interpretations are effective for the first time for the period ended 31 May 2021 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 IFRS 16: Covid-19-Related Rent Concessions – Amendment to NZ IFRS 16 (from reporting period beginning on or after 1 June 2020)
• FRS-44: Going Concern Disclosures Amendments (applicable to annual periods ending on or after 30 September 2020)

2. Significant Accounting Policies

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

2.1 Principles of Consolidation

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

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair value is recognised as goodwill. All intercompany balances and transactions are eliminated in full on consolidation.

2.2 Premiums 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 21(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.

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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 prior year Government grants relating to the COVID-19 pandemic were received which required specified future conditions to be performed. These were recognised as a liability on receipt and the grants recognised as income over the period that the specified conditions were met and the associated costs 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 27(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.

IAB Maturities Payable are policies that have matured in relation to the IAB Insurance Fund. IAB Maturities are recognised as a financial liability upon maturity of the policy and 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 20.

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

The lease is for the premises at Level 10, 117 Lambton Quay, Wellington, which is currently paid on a monthly basis. The expiry of the initial term is 1 October 2023.

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 Society's incremental borrowing rate. The determination of the incremental borrowing rate is an estimate based on a rate which a lessee would have to pay to borrow over a similar term to the lease term, and with a similar security, the funds necessary to obtain the office of a similar value in a similar economic environment. The incremental borrowing rate is estimated to be 3.44%. Generally the Society uses its incremental borrowing rate as the discount rate.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease assumes the variable element will remain unchanged throughout the lease term. Lease payments included in the measurement of the lease liability comprise of fixed payments, any amount expected to be payable under a residual value guarantee, the lease payments in an optional renewal period if the Society is reasonably certain to exercise an extension option and the penalties for early termination of a lease unless the Society is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. 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 Society's estimate of the amount expected to be payable under a residual value guarantee or if the Society 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.

The lease liability is initially measured on the assumption that the lease term will continue for an expected amount of time. It is assumed that this period of time is from the inception of the lease to the initial expiry term of the lease. The lease term is estimated to be 72 months.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right of use asset

If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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 amortised 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, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-to-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Society renegotiates the contractual terms of the lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the

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above policy.
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

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.

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.

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: Uncertainty over Income Tax Treatments 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 23. 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 21 Member Insurance Contract Obligations)
Valuation of Investment Properties (Note 14 Investment Property)

The determination of lease term for the premises lease contract in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options (Note 2.14 Leases)

The determination of the incremental borrowing rate used to measure lease liabilities (Note 2.14 Leases)

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 2023	31 May 2024

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 20 August 2020, the XRB issued the 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).

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. In March 2021 the XRB issued an equivalent amendment to NZ IAS 1. 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	2021	2020
Insurance			
Premiums			
Increasing Assurance Benefit		153,358	157,218
Funeral Funds		255,231	270,861
Medical Services Fund		685,233	748,667
Education Support Plan		14,015	17,598
Funeral Plan		26,333	23,637
Total Premiums		**1,134,170**	**1,217,982**
Claims paid & provided for			
Increasing Assurance Benefit		(1,346,899)	(1,259,051)
Funeral Funds		(1,037,129)	(1,237,417)
Medical Services Fund		(409,340)	(388,364)
Education Support Plan		(61,031)	(49,146)
Funeral Plan		-	(893)
Society Sickness Benefit		(14,541)	(15,371)
Total Claims paid & provided for		**(2,868,940)**	**(2,950,242)**
Total Insurance before movement in life insurance obligations		**(1,734,770)**	**(1,732,261)**

	NOTES	2021	2020
Investment Income			
Rental Income			
Commercial Property Income		548,341	516,071
Leasehold Property Income		325,082	314,120
Total Rental Income		**873,423**	**830,191**
Interest Income			
Interest Income - financial instruments at amortised cost			
Bank Deposits		21,570	42,337
Interest Received - IAB Maturities		23,598	-
Mortgages & Loans		1,711	3,186
District & Lodge Interest Received		43,061	61,707
Total Interest Income - financial instruments at amortised cost		**89,940**	**107,229**
Interest Income - financial instruments at fair value through profit or loss		1,843,467	1,947,542
Total Interest Income		**1,933,407**	**2,054,771**
Dividend Income			
Investments at Fair Value through Profit or Loss		113,732	191,219
Total Dividend Income		**113,732**	**191,219**
Total Investment Income		2,920,563	3,076,181

	NOTES	2021	2020
Investment Expenses			
Investment Expenses			
Commercial Properties		66,803	53,375
Leasehold Legal		3,264	1,837
Financial Investment Expenses		87,485	80,800
District & Lodge Interest Paid		43,061	61,707
Total Investment Expenses		**200,613**	**197,718**
Total Investment Expenses		**200,613**	**197,718**
Net investment income		2,719,950	2,878,464

	NOTES	2021	2020
Gains from Revaluations and Disposals			
Unrealised gains from Revaluations			
Commercial Property Revaluation		1,602,703	220,000
Leasehold Land Revaluation		4,105,000	530,000
Financial Instruments at Fair Value through Profit or Loss			
Fixed Interest Investments Revaluation		(8,218,165)	1,825,139
Equities Revaluations		656,417	(374,644)
Total Financial Instruments at Fair Value through Profit or Loss		**(7,561,748)**	**1,450,495**
Total Unrealised gains from Revaluations		**(1,854,045)**	**2,200,495**
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		1,704,068	754,693
Total Realised gain/(Losses)on disposal of investment property and financial assets		**1,704,068**	**754,693**
Total Gains from Revaluations and Disposals		**(149,977)**	**2,955,188**

5. Operating Expenses

	NOTES	2021	2020
Operating Expenses			
Audit fees for financial statement audit		51,315	60,600
Depreciation		182,994	120,026
Directors fees and expenses		275,567	278,232
Employee expenses		887,207	783,890
Publication and growth		231,791	67,184
Other fees paid to auditors		12,335	15,186
Professional fees		493,528	343,540
Other operations and administration expenses		590,410	452,410
Total Operating Expenses		**2,725,148**	**2,121,069**

Auditor

The current auditor of the Group is PKF Goldsmith Fox Audit Limited.

In addition to the statutory audit fee PKF Goldsmith Fox Audit Limited also received $5,500 (2020: $9,400) for the Reserve Bank solvency return assurance and the former auditors, Deloitte Limited, received $6,835 (2020: $5,786) for tax related compliance services.

	NOTES	2021	2020
Employee Benefits			
Salaries & Wages		860,806	758,818
Defined contribution pension cost (Kiwisaver)		26,171	21,948
Short-term employee benefits		230	3,124
Total Employee Benefits		**887,207**	**783,890**

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 personnel of the society listed in note 24.

	NOTES	2021	2020
Key management personnel compensation			
Key Management Personnel Compensation		601,879	502,056
Total Key management personnel compensation		**601,879**	**502,056**

6. Holiday Homes and Member Benefits

	NOTES	2021	2020
Holiday Homes			
Holiday Home Income		158,096	138,522
Holiday Home Expenses		(113,344)	(114,911)
Net Holiday Home Income		44,752	23,611

	NOTES	2021	2020
Gains/(losses) from Revaluations			
Holiday Home Revaluation		1,326,088	(78,260)
Total Gains/(losses) from Revaluations		**1,326,088**	**(78,260)**

	NOTES	2021	2020
Member Benefit Expenses			
Appropriations - Share Funds		-	18,326
Education Awards		51,442	44,008
Kick-Start		120,500	62,750
Membership Privileges & Related Communications		52,430	58,913
SBERF Payments		1,919	11,546
Total Member Benefit Expenses		**226,291**	**195,542**

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	2021	2020
Fraternal Income			
Lodge Management Fees		227,145	223,088
Commission - Fraternal		46,606	49,799
Total Fraternal Income		**273,751**	**272,887**

	NOTES	2021	2020
Fraternal Operating Expenses			
Council Fees		38,137	35,125
Fraternal Council Travel/ Mileage expenses		22,001	19,681
Fraternal Council Accom & meal expenses		17,286	6,846
Grandmaster - Expenses		5,430	6,856
Lodge Expenses, Functions, Hospitality & Other		74,809	58,432
Salaries & Wages - Fraternal		143,777	205,654
Printing, Stationery & Postage - Fraternal		10,712	7,886
Rent - Fraternal		10,995	12,661
Communications - Fraternal		10,066	8,615
Travel - Fraternal		40,315	35,287
Staff Training & Support - Fraternal		1,956	2,072
Other - Fraternal		8,309	10,208
Total Fraternal Operating Expenses		**383,794**	**409,322**

	NOTES	2021	2020

8. Other Income

Commission		23,546	26,841
Government grant		14,491	72,516
Total Other Income		**38,037**	**99,357**

	NOTES	2021	2020

9. Income Tax Expense

Profit before tax		3,265,700	(1,443,783)
Tax at 28%		914,396	(404,259)
Permanent differences		(1,716,774)	(44,223)
Deferred tax not recognised in relation to provisions		175	27,379
Tax losses not recognised		802,203	421,104
Tax expense (effective rate 0%)		-	-
Prior year losses carried forward		5,826,068	4,115,596
Prior year adjustment		(213,834)	90,257
Imputation credits converted to loss		-	116,272
Current year tax loss		2,865,012	1,503,943
Total losses to be carried forward		8,477,245	5,826,068

The Society has $8,477,245 (2020: $ 5,826,068) unrecognised tax losses to carry forward. In addition to the above, Unity Limited has $1,650,000 (2020: $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 2021 and 31 May 2020 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. The Society has $83,796 (2020: $60,026) imputation credits available for use in subsequent reporting periods.

10. Cash and cash equivalents

Cash and cash equivalents include the following components;

	NOTES	2021	2020
Cash and cash equivalents			
Cash at Bank		112,915	85,884
Short term bank deposits		485,122	1,169,991
Total Cash and cash equivalents		**598,036**	**1,255,875**

	NOTES	2021	2020
11. Other Financial Assets			
Other financial assets at fair value through profit or loss			
Fixed Interest Investments		47,564,159	56,001,959
Equity Investments		4,413,163	3,756,746
Term Deposit Investments		1,833,000	1,760,589
Total Other financial assets at fair value through profit or loss		**53,810,323**	**61,519,295**
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		53,824,523	61,533,495

	NOTES	2021	2020
12. Trade and other receivables			
Trade and other sundry receivables		6,717	6,498
Medical Accrued Revenue		12,686	15,811
Interest Receivable		23,598	-
Mortgages		41,157	39,446
Total Trade and other receivables		**84,158**	**61,755**

	NOTES	2021	2020
13. Other Non-Financial Assets			
Prepayments		44,292	46,720
Regalia		250,663	250,853
Total Other Non-Financial Assets		**294,955**	**297,573**

14. Investment Property

	NOTES	2021	2020
Commercial Property			
Retail			
Ngaio Road, Waikanae			
Opening Fair Value		4,200,000	4,100,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		960,000	100,000
Total Ngaio Road, Waikanae		**5,160,000**	**4,200,000**
Lombard Street, Palmerston North			
Opening Fair Value		525,000	595,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		90,000	(70,000)
Total Lombard Street, Palmerston North		**615,000**	**525,000**
Bridge Street, Nelson			
Opening Fair Value		940,000	990,000
Acquisitions and Disposals		32,297	-
Fair Value Revaluation		(12,297)	(50,000)
Total Bridge Street, Nelson		**960,000**	**940,000**
Total Retail		**6,735,000**	**5,665,000**
Retail Development			
Kent Terrace, Wellington			
Opening Fair Value		4,085,000	3,845,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		565,000	240,000
Total Kent Terrace, Wellington		**4,650,000**	**4,085,000**
Total Retail Development		**4,650,000**	**4,085,000**
Total Commercial Property		**11,385,000**	**9,750,000**
Leasehold Properties			
Opening Fair Value		7,460,000	6,930,000
Acquisitions and Disposals		-	-
Fair Value Revaluation		4,105,000	530,000
Total Leasehold Properties		**11,565,000**	**7,460,000**
Holiday accommodation properties			
Opening Fair Value		4,769,565	4,847,825
Acquisitions and Disposals		-	-
Fair Value Revaluation		1,326,088	(78,260)
Total Holiday accommodation properties		**6,095,653**	**4,769,565**
Fair Value of investment property at year end		29,045,654	21,979,566

	NOTES	2021	2020
Investment Property Summary			
Total balance at start		21,979,566	21,307,826
Total acquisitions / (disposals)		32,297	-
Total fair value revaluation		7,033,791	671,740
Total investment property at year end		29,045,654	21,979,566

The independent valuers were:

Quotable Value NZ Limited trading as Darroch

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 $1,575,000 (2020: $1,465,000) are held for the benefit of members of Loyal Nelson Lodge and Loyal Manawatu Lodge - refer note 23e.

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

- Information provided by the Society such as lease terms and conditions, current rents etc; and

- Assumptions and valuation models used by the valuers - the assumptions such as yields and discount rates are typically market related. These are based on their professional judgement and market observation.

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

Holiday Homes are intended to provide annual returns, and 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 2021	Range of significant unobservable inputs 31 May 2020
Retail Level 3 2021: $5,610,000 2020: $5,140,000 Level 2 2021:$615,000 2020:$525,000	Income capitalisation approach Discounted cash flow analysis Sales comparison approach	Net market rent $/m2	$195 to $305	$90 to $380
		Capitalisation rate contract rentals	7.00% - 7.25%	7.00% - 9.00%
		Capitalisation rate market rentals	4.75% - 7.00%	7.25% - 9.00%
		Discount rate	8.50%	8.75%
		Terminal capitalisation rate	8.50%	8.50%
		Rental growth rate (pa)	2.00%	2.00%
		Expenses growth rate (pa)	2.00%	2.00%
		Sales ($psm)	N/A	N/A
Redevelopment/ Retail Level 3 2021: $4,650,000 2020: $4,085,000	Income capitalisation approach Sales comparison approach	Net market rent $/psm	$155 to $314	$155 to $314
		Capitalisation rate market rentals	4.75%	5.00% - 5.25%
		Discount rate - Rental Shortfall/Holding Income	6.00%	8.00%
		Land value $/psm	$4,600	$3,500
Leasehold Properties Level 3 2021: $11,565,000 2020: $7,460,000	Discounted cash flow	Site land values	$360,000-$420,000	$265,000-$320,000
		Discount rate	7.25%	7.75%
		Capitalisation rate initial yield	3.05%	4.18%
		Capitalisation rate effective yield	4.85%	5.24%
Holiday Accommodation Properties Level 2 2021: $6,095,653 2020: $4,769,565	Sales comparison approach	Sales ($psm)	N/A	N/A

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

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	2021	2020
15. Property, plant and equipment			
Commercial Property Fixture & Fittings			
Opening balance		26,322	5,328
Additions		-	23,319
Disposals		-	-
Depreciation		(3,653)	(2,325)
Total Commercial Property Fixture & Fittings		**22,669**	**26,322**
Accumulated depreciation on Commercial Property Fixture & Fittings		(8,196)	(4,543)
Office Fixture & Fittings			
Opening balance		3,555	5,146
Additions		1,786	1,950
Disposals		-	-
Depreciation		(3,016)	(3,541)
Total Office Fixture & Fittings		**2,325**	**3,555**
Accumulated depreciation on Office Fixture & Fittings		(644,869)	(641,853)

	NOTES	2021	2020
Holiday Homes Fixture & Fittings			
Opening balance		224,556	182,881
Additions		23,044	79,124
Disposals		-	-
Depreciation		(54,382)	(37,450)
Total Holiday Homes Fixture & Fittings		**193,217**	**224,556**
Accumulated depreciation on Holiday Homes & Fittings		(140,759)	(86,377)
Computer Hardware & Software			
Opening balance		18,624	22,841
Additions		149,870	15,247
Disposals		(402)	-
Depreciation		(55,951)	(19,464)
Total Computer Hardware & Software		**112,141**	**18,624**
Accumulated depreciation on Computer Hardware & Software		(290,173)	(234,222)
Total Property, plant and equipment		**330,532**	**273,056**

16. Right of Use Asset

	NOTES	2021	2020
Opening Balance		198,573	258,144
Remeasurement		48,350	-
Depreciation charge for the year		(69,242)	(59,572)
Total Right of Use Asset		**177,680**	**198,573**

17. Trade and Other Payables

	NOTES	2021	2020
Trade creditors and accruals		269,458	263,266
Income in advance		-	15,017
Unearned Premiums		68,086	76,075
Government Grant liability		-	14,491
IAB Maturities Payable		230,894	-
Total Trade and Other Payables		**568,438**	**368,848**

18. Employee benefit liabilities

	NOTES	2021	2020
Accrual for annual leave		75,892	77,295
Accrual for wages, salary and bonuses		28,000	53,000
Total Employee benefit liabilities		**103,892**	**130,295**

19. Lease liabilities

	NOTES	2021	2020
Current		77,545	59,120
Non-current		107,625	146,107
Total Lease liabilities		**185,171**	**205,227**

Goldsmith Fox Audit PKF

	NOTES	2021	2020
Amounts recognised in profit or loss:			
Depreciation of right of use assets		69,242	59,572
Interest on lease liabilities		7,024	7,991
Total Amounts recognised in profit or loss:		**76,267**	**67,563**

	NOTES	2021	2020
20. Member Benefit Fund Liabilities			
Member Share Funds			
Opening Balance		12,291,832	12,944,549
Contributions including transfers		178,636	(740)
Withdrawals		(588,905)	(670,302)
Appropriations - Share Funds		-	18,325
Total Member Share Funds		**11,881,563**	**12,291,832**
Hawke's Bay Endowment Fund		22,512	22,512
Total Member Benefit Fund Liabilities		**11,904,076**	**12,314,345**

At 31 May 2021 the Directors have declared $Nil appropriations of balances held (2020: $18,325). 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	2021	2020
Member Share funds			
Antipodean Lodge		416,152	428,577
Ashburton Lodge		415,052	417,611
Auckland District		253,545	268,561
Banks Peninsula Branch		516,227	536,412
Britannia Lodge		326,447	339,466
City of Wellington Lodge		1,076,297	1,189,449
Egmont Lodge		1,337,920	1,369,769
Greytown Lodge		83,953	87,885
Hastings Lodge		705,690	746,443
Kickstart Share Fund		192,750	72,250
Manawatu Lodge		473,465	457,172
Manchester Lodge		65,164	69,120
Masterton Lodge		458,139	496,769
Napier Lodge		1,547,067	1,622,500
Nelson Lodge		2,284,880	2,398,670
Rangiora Lodge		950,821	988,012

Goldsmith Fox PKF Audit

	NOTES	2021	2020
Rose of the Valley Lodge		-	2,580
United Westland Lodge		70,668	73,154
Wanganui Lodge		678,287	698,393
Woodville Lodge		29,040	29,040
Total Member Share funds		**11,881,563**	**12,291,832**

There were no lodges which consolidated with the Society during the year (2020: No consolidation)

(b) Hawke's Bay Endowment Fund

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

21. 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 25 April 2021. 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 2021.

	NOTES	2021	2020
Fund Transactions			
Medical Services Fund			
Opening balance Members' Funds		200,000	200,000
Contributions/Premiums		685,233	748,667
Withdrawals/Claims		(409,340)	(388,364)
Society management fees		(122,391)	(132,503)
Other acquisition costs		(14,729)	(14,719)
Transfers		(138,772)	(210,880)
Total Medical Services Fund		**200,000**	**200,000**
Funeral Fund			
Opening balance Members' Funds		10,458,647	8,507,754
Contributions/Premiums		255,231	270,861
Withdrawal/Claims		(393,740)	(489,540)
Society management fees		(43,161)	(45,190)
(Gain)/loss recognised on insurance obligations		(783,760)	2,214,762
Total Funeral Fund		**9,493,217**	**10,458,647**
Increased Funeral Fund			
Opening balance Members' Funds		17,082,872	14,959,875
Withdrawals/Claims		(643,389)	(747,877)
(Gain)/loss recognised on insurance obligations		(975,181)	2,870,874
Total Increased Funeral Fund		**15,464,302**	**17,082,872**

	NOTES	2021	2020
Increasing Assurance Benefit			
Opening balance Members' Funds		16,525,397	17,417,023
Contributions/Premiums		153,358	157,218
Withdrawals/Claims		(1,346,899)	(1,259,052)
Society management fees		(14,104)	(15,164)
Other acquisition costs		(7,229)	(7,863)
(Gain)/loss recognised on insurance obligations		(233,235)	233,235
Total Increasing Assurance Benefit		**15,077,288**	**16,525,397**
Education Support Plan			
Opening balance Members' Funds		349,649	396,942
Contributions/Premiums		14,015	17,598
Withdrawals/Claims		(61,031)	(49,146)
(Gain)/loss recognised on insurance obligations		19,848	(15,745)
Total Education Support Plan		**322,481**	**349,649**
Funeral Plan			
Contributions/Premiums		26,333	23,637
Withdrawals/Claims		-	(893)
Transfers		(26,333)	(22,744)
Total Funeral Plan		**-**	**-**
Society Sickness Benefit Fund			
Opening balance Members' Funds		192,449	192,784
Withdrawals/Claims		(14,541)	(15,371)
(Gain)/loss recognised on insurance obligations		(9,284)	15,036
Total Society Sickness Benefit Fund		**168,624**	**192,449**
Total Member Insurance Contract Obligations		40,725,912	44,809,014

Summary of member insurance contract obligations

	NOTES	2021	2020
Fund transactions			
Opening balance members' funds		44,809,014	41,674,379
Contributions/ Premiums		1,134,170	1,217,982
Withdrawals/ Claims		(2,868,940)	(2,950,242)
Society management fees		(179,656)	(192,857)
Other acquisition costs		(21,959)	(24,782)
Transfers		(165,106)	(233,627)
Appropriations		-	-
Total Fund transactions		**42,707,523**	**39,490,853**
Loss Recognised on insurance obligations			
Movement in insurance obligations		(1,981,611)	5,318,161
Total Loss Recognised on insurance obligations		**(1,981,611)**	**5,318,161**
Total closing balance Member insurance contract obligations		40,725,912	44,809,014

(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 23c.

(d) Actuarial valuation of member insurance contract obligations
The valuation of member insurance contract obligations was carried out as at 31 May 2021 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:

Goldsmith Fox PKF Audit

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 1.0% per annum (2020 0.5%). The discount rate used for the Liability Adequacy Test was also 1.0% per annum (2020 0.5%).

(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 2017 — 2019 (2020: 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 (2020: 0.00% and 0.00%).
- 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 (2020: 0.00% and 0.00%)

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

Sensitivity to Changes in Assumptions

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

The effect is shown below:

	Change in Member Insurance Contract Obligations ($)
Discount rate down 0.5% per annum	+2,125,365
Lapse rate down 40%	+ 784,147
Mortality up 10%	+ 289,666

	NOTES	2021	2020
Components of member insurance contract obligations			
IAB			
Future policy benefits		15,682,308	17,683,332
Future additions		-	-
Future expense transfers		190,319	221,144
Future contributions		(1,180,855)	(1,379,079)
Members' unvested benefit liability		385,516	-
Total IAB		**15,077,288**	**16,525,397**

	NOTES	2021	2020
Funeral Funds			
Future policy benefits		27,224,179	30,380,502
Future addtions		-	-
Future expense transfers		476,645	576,835
Future contributions		(2,743,305)	(3,415,818)
Members' unvested benefit liability		-	-
Total Funeral Funds		**24,957,519**	**27,541,519**
Other Funds			
Future policy benefits		521,664	586,868
Future contributions		(30,559)	(44,771)
Accumulation method		200,000	200,000
Total Other Funds		**691,105**	**742,097**
Total		40,725,912	44,809,013

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	2021	2020
Maturity profile member insurance contract obligations			
Current		2,665,417	2,699,197
1 - 5 years		9,279,654	9,212,176
More than 5 years		32,975,789	35,051,478
Total Maturity profile member insurance contract obligations		**44,920,860**	**46,962,851**

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 2021, the Actual Solvency Capital was $28,615,000 (2020: $25,454,000) and the Minimum Solvency Capital was $13,981,000 (2020: $16,171,000), resulting in a Solvency Margin of $14,634,000 (2020: $9,283,000) and a Solvency Ratio of 2.05 (2020: 1.57).

The Reserve Bank of New Zealand modified the Society's licence on 21 February 2020, 28 April 2020 and again on 16 September 2020. This latter modification was for a minimum Solvency Margin that varies with the current yield on 10 year government bonds. The figure at the balance date is nil.

22. Retained Earnings

	NOTES	2021	2020
Retained earnings			
Opening Retained Earnings		9,191,858	5,718,665
Total Retained earnings		**9,191,858**	**5,718,665**
Movement for year			
Total comprehensive income for year.		3,265,700	(1,443,783)
Transfer from Society Benevolent and Emergency Relief Fund		1,919	11,546
Transfer from/(to) Medical Services Reserve		(138,772)	(210,880)

	NOTES	2021	2020
Transfer from/(to) Funeral Plan Reserve		(26,333)	(22,744)
Transfer from/(to) Restricted Reserve		(38,500)	42,000
Transfer from/(to) Member Benefit Fund Liabilities		(39,203)	78,000
Transfers from/(to) General Reserve			
Revaluation of Investment Properties		(6,956,088)	(791,740)
Unrealised (Profit)/Loss on change in fair value of financial assets		7,561,747	(1,506,260)
Unrealised (Gain)/Loss on Insurance Liabilities		(1,981,611)	7,317,054
Total Transfers from/(to) General Reserve		**(1,375,952)**	**5,019,054**
Total Movement for year		**1,648,858**	**3,473,193**
Balance at the end of the financial year		10,840,717	9,191,858

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	2021	2020
23. Reserves			
District and Lodge Relief Fund		968,222	968,222
Society Benevolent and Emergency Relief Fund		510,832	512,752
Medical Services Reserve		3,082,498	2,943,725
Medical Services Fund		750,000	750,000
Restricted Reserve - Lodge Reserve		551,250	512,750
Funeral Plan Reserve		92,847	66,513
General Reserve		12,396,503	11,020,551
Total Reserves		**18,352,152**	**16,774,513**

	NOTES	2021	2020
Summary of Reserves			
Total opening balances		16,774,513	21,613,488
Total movement		1,577,639	(4,838,975)
Total closing balances		18,352,152	16,774,513

	NOTES	2021	2020
(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	2021	2020
(b) Society Benevolent and Emergency Relief Fund			
SBERF Reserve		512,752	524,298
Transfer to Retained Earnings from SBERF		(1,919)	(11,546)
Total (b) Society Benevolent and Emergency Relief Fund		**510,832**	**512,752**

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	2021	2020
(c) Medical Services Reserve			
Medical Services Reserves		2,943,725	2,732,845
Transfer from Retained Earnings		138,772	210,881
Total (c) Medical Services Reserve		**3,082,498**	**2,943,725**

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	2021	2020
(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	2021	2020
(e) Restricted Reserve - Lodge Reserves			
Opening balance		512,750	554,750
Revaluation adjustment		38,500	(42,000)
Total (e) Restricted Reserve - Lodge Reserves		**551,250**	**512,750**

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 $1,575,000 (2020: $1,465,000).

	NOTES	2021	2020

(f) Funeral Plan Fund

Funeral Plan Fund			
Opening Balance		66,513	43,769
Funeral Plan Reserves		26,333	22,744
Total Funeral Plan Fund		**92,847**	**66,513**

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	2021	2020

(g) General reserve

Balance at beginning of financial year		11,020,551	16,039,605
Revaluation of Commercial Properties from Retained Earnings		1,525,000	340,000
Unrealised Profit/(Loss) on change in fair value of financial assets from Retained Earnings		(7,561,747)	1,506,260
Revaluation of Holiday Homes from Retained Earnings		1,326,088	(78,260)
Revaluation of Leaseholds from Retained Earnings		4,105,000	530,000
Unrealised Profit/(Loss) on Insurance Liabilities from Retained Earnings		1,981,611	(7,317,054)
Total general reserve		12,396,503	11,020,551

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 23e) and the remainder to member share funds for the respective lodges (note 20).

The cumulative unrealised profit 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 profit. The value of the profit transferred in the current year represents the profit from the current year.

24. Related Parties

Related Party Disclosures

The one key management personnel of the Society is the Chief Executive

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 (2020: Nil).

Other Transactions

During the financial year Manchester Unity provided accounting and administration services to the Manchester Unity Districts and Lodges for no consideration (2020: Nil consideration).

During the financial year interest on deposits held was paid to Manchester Unity Districts and Lodges totalling $43,061 (2020: $61,707). 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 note 20.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2020: Nil).

25. Leases

	NOTES	2021	2020
Leases as Lessor			
Not longer than one year		853,175	774,996
Longer than one year and less than five years		2,931,407	2,684,373
Longer than five years		9,408,963	9,143,732
Total Leases as Lessor		**13,193,545**	**12,603,101**

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 properties 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.

26. Notes to the cashflow statement

	NOTES	2021	2020
Profit or Loss for period is as follows:			
Total Profit or Loss for the year		3,265,700	(1,443,783)
Total Profit or Loss for period is as follows:		**3,265,700**	**(1,443,783)**
Add/(less) non cash items:			
Revaluation of investment property		(7,033,791)	(671,740)
Depreciation and amortisation		119,892	120,027
Appropriations to member benefit funds		-	18,325
Movement in Mortgages		(1,711)	(4,078)
(Profit)/loss on change in fair value of financial assets		7,561,748	(1,450,000)
Change in life insurance obligations		(3,851,083)	3,136,836
Total Add/(less) non cash items:		**(3,204,945)**	**1,149,370**
Add/(less) change in operating assets			
Increase/(decrease) in unearned premiums		(23,005)	(11,945)
Increase/(decrease) in interest accrued		29,613	201,252
Increase/(decrease) in accounts receivable		(220)	5,600
Increase/(decrease) in premiums in arrears		3,125	(593)
Increase/(decrease) in other assets		2,618	(27,504)
Increase/(decrease) in trade and other payables		210,507	(48,506)
Increase/(decrease) in provisions		(26,403)	36,539
Member benefit fund contributions less withdrawals		(588,905)	(594,663)
Total Add/(less) change in operating assets		**(392,670)**	**(439,819)**
Add/(less) items reclassified as investing activities			
Realised gain on disposal of financial assets		(1,704,068)	(754,693)
Total Add/(less) items reclassified as investing activities		**(1,704,068)**	**(754,693)**
Net cash inflow/(outflow) from operating activities		(2,035,983)	(1,488,925)

Goldsmith Fox Audit PKF

27. 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 27(b).

The following tables detail the group's exposure to interest rate and liquidity risk at 31 May 2021 and 31 May 2020. The table does not include equity investments of $4,413,163 (2020: $3,770,946) as these investments are not exposed to interest rate risk.

	NOTES	2021	2020
Maturity Profile of Investments			
Financial Assets			
Less than 1 year			
Cash and cash equivalents		598,036	1,255,875
Other financial assets at fair value through profit or loss:			
Government stock		-	-
Local authority stock		-	-
Corporate stock		1,424,672	1,824,545
Bank Term Deposits		1,732,846	1,412,447
Total Other financial assets at fair value through profit or loss:		**3,157,518**	**3,236,992**
Other financial assets at amortised cost			
Mortgages & Loans		41,157	39,446
Other Receivables		19,403	22,309
Total Other financial assets at amortised cost		**60,560**	**61,755**
Total Less than 1 year		**3,816,114**	**4,554,622**
1 - 5 years			
Cash and cash equivalents		-	-
Other financial assets at fair value through profit or loss:			
Government stock		-	-
Local authority stock		4,484,234	4,703,248
Corporate stock		7,511,980	8,804,427

	NOTES	2021	2020
Bank term deposits		100,153	348,141
Total Other financial assets at fair value through profit or loss:		**12,096,367**	**13,855,817**
Other financial assets at amortised cost			
Mortgages & Loans		-	-
Other Receivables		-	-
Total Other financial assets at amortised cost		-	-
Total 1 - 5 years		**12,096,367**	**13,855,817**
More than 5 years			
Cash and cash equivalents		-	-
Other financial assets at fair value through profit or loss:			
Government stock		32,459,415	38,171,444
Local authority stock		1,164,608	1,243,097
Corporate stock		519,250	1,255,199
Bank Term Deposits		-	-
Total Other financial assets at fair value through profit or loss:		**34,143,273**	**40,669,739**
Other financial assets at amortised cost			
Mortgages & Loans		-	-
Other Receivables		-	-
Total Other financial assets at amortised cost		-	-
Total More than 5 years		**34,143,273**	**40,669,739**
Total Financial Assets		**50,055,755**	**59,080,178**
Financial Liabilities			
Less than 1 year			
Trade and other Payables		568,438	368,848
District, Lodges and other deposits		1,375,000	1,505,791
Member benefit fund liabilities		11,904,075	12,314,345
Lease Liability		77,545	59,120
Total Less than 1 year		**13,925,058**	**14,248,104**
1 - 5 years			
Trade and other Payables		-	-
District, Lodges and other deposits		200,000	200,000
Member benefit fund liabilities		-	-
Lease Liability		107,625	146,107
Total 1 - 5 years		**307,625**	**346,107**
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		**14,332,683**	**14,694,211**

Weighted Average Interest Rates

	31 May 2021	31 May 2020
Financial Assets		
Cash and cash equivalents	0.55%	1.76%
Government stock	2.81%	3.53%
Local authority stock	5.42%	5.42%
Corporate stock	4.75%	4.89%
Bank term deposits	3.36%	2.95%
First mortgage securities	NA	NA
IAB loans and advances	9.00%	9.00%
Financial Liabilities		
District, Lodge and other deposits	1.78%	3.11%

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 $18,050 (2020: $17,300).

(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. 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 $44,132 (2020: $36,400).

(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 was 1 counterparty (2020: 2) 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:

Goldsmith Fox PKF Audit

Credit Rating	10% < 20%	20% < 30%	30% < 40%	40% < 50%	50% <
31 May 2021					
AAA	-	-	-	-	1
AA+ - AA-	-	-	-	-	-
A+ - A-	-	-	-	-	-
BBB+	-	-	-	-	-
31 May 2020					
AAA	-	-	-	-	-
AA+ - AA-	1	-	-	-	1
A+ - A-	-	-	-	-	-
BBB+	-	-	-	-	-

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 107% (2020: 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 AAA to BBB.
The maximum exposure to credit risk on the financial assets of the Group is represented by the carrying amount as recorded in the financial statements.

(g) 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

Goldsmith Fox PKF Audit

- 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	2021	2020
Financial Assets			
FVTPL			
Other financial assets at fair value through profit or loss			
Fixed Interest Investments		47,564,159	56,001,959
Equity Investments		4,413,163	3,756,746
Term Deposit Investments		1,833,000	1,760,589
Total Other financial assets at fair value through profit or loss		**53,810,323**	**61,519,295**
Total FVTPL		**53,810,323**	**61,519,295**
Amortised cost			
Cash and cash equivalents		598,015	1,255,875
Trade and other receivables		84,158	61,755
United Friendly Society Shares		14,200	14,200
Total Amortised cost		**696,373**	**1,331,830**
Total Financial Assets		**54,506,696**	**62,851,124**

	NOTES	2021	2020
Financial Liabilities			
Amortised cost			
Trade and other payables		568,438	368,848
District Lodge and other deposits		1,675,000	1,805,791
Lease Liability		185,171	205,227
Member benefit fund liabilities		11,904,076	12,314,345
Total Amortised cost		**14,332,685**	**14,694,211**
Total Financial Liabilities		**14,332,685**	**14,694,211**

(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	2021	2020
Assets at Fair value			
Level One			
Bonds		47,564,159	56,001,959
Equity Investments		4,427,363	3,770,946
Total Level One		**51,991,523**	**59,772,906**
Level Two			
Term Deposits		1,833,000	1,760,589
Total Level Two		**1,833,000**	**1,760,589**
Total Assets at Fair value		**53,824,523**	**61,533,495**

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.

28. 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 20(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.

29. COVID-19 Pandemic

At the reporting date, COVID-19 was not present in the community and there were no restrictions on the activities of individuals, organisations or businesses within New Zealand, although substantial restrictions remained at the border.

30. Going concern

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 disclosed in Note 21, 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.

31. Events after the reporting date

There are no other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Group (2020 : Nil).

32. Contingent assets and liabilities

There are no contingent assets or liabilities at balance date (2020: Nil).

33. Commitments for expenditure

The Group had no capital commitments at balance date (2020: Nil).

Goldsmith Fox PKF Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of Manchester Unity Friendly Society

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Manchester Unity Friendly Society and its subsidiary (the 'Society') which comprise the consolidated statement of financial position as at 31 May 2021, the consolidated statement of profit or loss and other comprehensive income, the 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 present fairly, in all material respects, the consolidated financial position of the Society as at 31 May 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS').

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters which we are required to state to them in the 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 procedures, for this report, or for the conclusion we have formed.

Basis for Opinion

We conducted our audit in accordance with 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor of the Society and auditor of the Society's Solvency Return, we have no relationship with, or interests in, the Society.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements in the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of the audit report, including in relation to the matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The result of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying consolidated financial statements.

Why Significant	How our audit addressed the key audit matter
Valuation of Member Insurance Contract Obligations As at 31 May 2021, the Society's member insurance contract obligations amounted to $40,725,912 (2020: $44,809,014). This is a significant balance, being 74% of total liabilities.	Our audit procedures included the following: • Reviewing underlying assumptions in actuary's report, comparing with prior year and checking that recommended amount is correctly reflected in the consolidated financial statements.

Why Significant	How our audit addressed the key audit matter
The member insurance contract obligations is a key audit matter due to the assumptions in the valuation being inherently subjective. The assumptions have been disclosed in Note 21 of the consolidated financial statements.	• Engaging an external actuary to assist us to understand, evaluate and challenge the Society's actuary's report and assumptions used. • Confirming that treatment is in accordance with GAAP and NZ IFRS 4 Insurance Contracts.
Valuation of Investment Properties As at 31 May 2021, the Society's investment properties, comprising commercial, leasehold and holiday accommodation properties, amounted to $29,045,654 (2020: $21,979,566). Investment properties is a key audit matter due to the level of judgements and assumptions in the valuation report. The inputs used to measure the fair value of the investment properties have been disclosed in Note 14 of the consolidated financial statements.	Our audit procedures included the following: • Assessing the expertise of valuers and determining whether confidence can be placed in the valuers' ability in regards to the valuation. We also obtained confirmation from the valuer on the methodology applied. • Reconciling the investment property value in the accounts to the valuation report. • Reviewing the valuation report and ensuring that data provided to the valuers is accurate, any assumptions and estimates are reasonable and in line with the prior year. • Confirming that treatment is in accordance with GAAP and NZ IAS 40 Investment Property and NZ IFRS 13 Fair Value Measurement. • Confirming the appropriateness of the accounting policy and disclosures in the consolidated financial statements.

Other Matter

The consolidated financial statements of Manchester Unity Friendly Society for the year ended 31 May 2020, were audited by another auditor who expressed an unmodified opinion on 30 July 2020.

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 New Zealand equivalents to International Financial Reporting Standards, 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 cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Society's financial reporting process.

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 (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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dawn Alexander.

PKF Goldsmith Fox Audit

PKF Goldsmith Fox Audit Limited

Christchurch, New Zealand

29 July 2021

This audit report relates to the consolidated financial statements of Manchester Unity Friendly Society (the 'Society') for the year ended 31 May 2021 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 29 July 2021 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 2021

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 2021.

I have provided a "Valuation Report" dated 21 July 2021, 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 21(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
3 August 2021