

# **Consolidated Financial Statements**

Manchester Unity Friendly Society  
For the year ended 31 May 2022

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Manchester Unity Friendly Society  
For the year ended 31 May 2022

	NOTES	2022	2021
<b>Insurance before movement in life insurance</b>			
Premiums	4	1,063,628	1,134,170
Claims paid & accrued	4	(3,505,440)	(2,868,940)
Net expense before movement in life insurance obligations		(2,441,812)	(1,734,770)
<b>Movement in life insurance contract liabilities</b>			
Movement in life insurance contract liabilities		8,142,938	4,083,102
Total movement in life insurance contract liabilities		8,142,938	4,083,102
<b>Insurance profit before investment activities</b>		<b>5,701,126</b>	<b>2,348,332</b>
<b>Investment activities</b>			
Rental Income	4	995,099	873,423
Interest Income	4	1,548,906	1,933,407
Dividend Income	4	195,252	113,732
Investment Expenses	4	(204,799)	(200,613)
Finance Expenses	4	(5,164)	(7,024)
Total investment activities		2,529,294	2,712,926
<b>(Losses)/Gains from revaluations and disposals</b>			
(Losses)/Gains from revaluations and disposals	4	(1,530,360)	(149,977)
Total gains from revaluations and disposals		(1,530,360)	(149,977)
<b>Operating Expenses</b>			
Operating Expenses	5	(4,111,669)	(2,718,124)
Total operating expenses		(4,111,669)	(2,718,124)
<b>Holiday Homes and Member Benefits</b>			
Holiday Home Income	6	148,936	158,096
Holiday Home Expenses	6	(144,849)	(113,344)
Gains/(losses) from revaluations	6	1,694,950	1,326,088
Member Benefit Expenses	6	(240,490)	(226,291)
Total holiday homes and member benefits		1,458,548	1,144,549
<b>Fraternity</b>			
Fraternal Income	7	299,502	273,751
Fraternal Expenses	7	(367,847)	(383,794)
Total fraternity		(68,345)	(110,043)
<b>Other Income</b>			
Other Income	8	32,442	38,037
Total other income		32,442	38,037

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

	NOTES	2022	2021
<b>Operating profit before tax</b>		<b>4,011,035</b>	<b>3,265,700</b>
<b>Income Tax Expense</b>			
<b>Operating profit after tax</b>		<b>4,011,035</b>	<b>3,265,700</b>
<b>Other Comprehensive Income for the year</b>			
<b>Total profit and other comprehensive income for the year</b>		<b>4,011,035</b>	<b>3,265,700</b>

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

# Consolidated Statement of Changes in Equity

## Manchester Unity Friendly Society

For the year ended 31 May 2022

	NOTES	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
<b>2022</b>				
Balance at 1 June 2021		18,352,152	10,840,717	29,192,869
Total comprehensive income for the year		-	4,011,035	4,011,035
Transfer from/(to) retained earnings	21	-	(7,916,675)	(7,916,675)
Transfer from/(to) reserves	22	7,916,675	-	7,916,675
Total Equity at 31 May 2022		26,268,827	6,935,076	33,203,903
<b>2021</b>				
Balance at 1 June 2020		16,774,513	9,191,858	25,966,372
Total comprehensive income for the year		-	3,265,700	3,265,700
Transfer from/(to) member benefit fund liabilities	21	-	(39,203)	(39,203)
Transfer from/(to) retained earnings	21	-	(1,577,639)	(1,577,639)
Transfer from/(to) reserves	22	1,577,639	-	1,577,639
Total Equity at 31 May 2021		18,352,152	10,840,717	29,192,869

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

# Consolidated Statement of Financial Position

Manchester Unity Friendly Society

As at 31 May 2022

	NOTES	2022	2021
<b>Assets</b>			
Cash & cash equivalents	10	145,931	598,036
Other financial assets	11	44,823,202	53,824,523
Trade and other receivables	12	146,184	84,158
Other non-financial assets	13	332,140	294,955
Right of use assets		104,634	177,680
Investment property	14	34,859,348	29,045,654
Property, plant and equipment	15	299,678	330,351
<b>Total Assets</b>		<b>80,711,117</b>	<b>84,355,357</b>
<b>Liabilities</b>			
Trade and other payables	16	1,513,834	568,438
Employee benefit liabilities	17	129,922	103,892
District & lodge deposits		1,650,000	1,675,000
Lease liability		110,732	185,171
Member benefit fund liabilities	19	11,519,751	11,904,076
Member insurance contract obligations	20	32,582,975	40,725,912
<b>Total Liabilities</b>		<b>47,507,214</b>	<b>55,162,489</b>
<b>Net Assets</b>		<b>33,203,903</b>	<b>29,192,869</b>
<b>Accumulated Funds</b>			
Retained earnings	21	6,935,076	10,840,717
<b>Reserves</b>			
District & lodge relief fund	22	968,222	968,222
Society benevolent & emergency relief fund	22	499,976	510,832
Medical services reserve	22	3,268,238	3,082,498
Medical services fund	22	750,000	750,000
Lodge reserve	22	626,500	551,250
Funeral plan fund	22	117,849	92,847
General reserve	22	20,038,042	12,396,503
<b>Total Reserves</b>		<b>26,268,827</b>	<b>18,352,152</b>
<b>Total Accumulated Funds</b>		<b>33,203,903</b>	<b>29,192,869</b>

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

The Directors of Manchester Unity Friendly Society authorised these financial statements for issue on 28 July 2022.

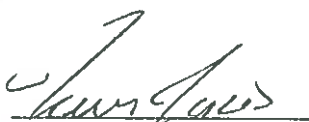
On behalf of the Board:



Blair Robinson

CHAIR OF THE BOARD

Date: 28/07/22



A D Haak

BOARD MEMBER

Date: 28/07/22

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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 2022

	NOTES	2022	2021
<b>Statement of Cash Flows</b>			
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from</b>			
Insurance premiums		1,132,268	1,105,790
Interest received		1,576,643	1,965,608
Dividends received		195,252	113,732
Rental income		930,677	860,366
Holiday homes income		148,936	158,096
Fraternal income		252,713	227,145
Other income		75,815	70,073
<b>Total Cash was provided from</b>		<b>4,312,303</b>	<b>4,500,817</b>
<b>Cash was applied to</b>			
Payments to suppliers and employees		(3,796,541)	(3,271,448)
Payments for claims		(3,516,295)	(2,633,082)
Payments to member benefit funds		(682,170)	(589,208)
Interest paid to district & lodges		(32,550)	(43,061)
Interest expense on lease liabilities		(5,164)	(7,024)
<b>Total Cash was applied to</b>		<b>(8,032,720)</b>	<b>(6,543,824)</b>
<b>Total Cash Flows from Operating Activities</b>		<b>(3,720,417)</b>	<b>(2,043,007)</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash was provided from</b>			
Proceeds from sale of financial assets		12,897,157	40,308,263
Deposits received from district & lodges		-	75,000
<b>Total Cash was provided from</b>		<b>12,897,157</b>	<b>40,383,263</b>
<b>Cash was applied to</b>			
Purchase of financial assets		(9,425,987)	(38,512,770)
Purchase of property, plant & equipment		(100,124)	(206,596)
Deposit repayments to district & lodges		(25,000)	(205,791)
<b>Total Cash was applied to</b>		<b>(9,551,111)</b>	<b>(38,925,156)</b>
<b>Total Cash Flows from Investing Activities</b>		<b>3,346,046</b>	<b>1,458,107</b>
<b>Cash from Financing Activities</b>			
<b>Cash was applied to</b>			
Repayment of leasing liabilities		(77,735)	(72,938)
<b>Total Cash was applied to</b>		<b>(77,735)</b>	<b>(72,938)</b>
<b>Total Cash from Financing Activities</b>		<b>(77,735)</b>	<b>(72,938)</b>
<b>Net Increase/(Decrease) in Cash</b>		<b>(452,105)</b>	<b>(657,838)</b>
<b>Add opening cash &amp; cash equivalents</b>		<b>598,036</b>	<b>1,255,875</b>
<b>Closing Cash Balance</b>		<b>145,931</b>	<b>598,036</b>

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 2022

### 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 2022 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 January 2021)
- Interest Rate Benchmark Reform - Phase 2 – Amendments effective for reporting periods beginning on or after 1 Jan 2021
- NZ IFRS 4: Insurance Contracts – Effective for reporting periods beginning on or after 1 Jan 2021. The key change was the extension of the temporary exemption from applying IFRS 9. This has not had a material impact on the Society.

### 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.

There are individual lodges of Manchester Unity ("the Society") that have not been consolidated into the Group. These lodges are separately registered lodges (under the Friendly Societies and Credit Union Act 1982) and operate under their own rules, trustees and governance frameworks. Each lodge has to comply with the rules of the Society. If a lodge does not comply, rule 55 contains enforcement provisions that include, among other actions, to transfer the assets and liabilities of the non-compliant lodge to the Society. At the same time, provisions in rule 41 allow a lodge to secede from the Society upon a special resolution of a members. This means that the power the Society has over the lodges is not unilateral to the board of Society and therefore Society does not have power over these individual lodges. As such they have not been consolidated into the Group.

## 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 income is recognised over the period of risk.

## 2.4 Member Insurance Contract Obligations

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

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

The valuation of insurance contract obligations is calculated using the Margin on Services ("MoS") methodology in accordance with New Zealand Society of Actuaries PS-20, Determination of Life Insurance Policy Liabilities. MoS is designed to recognise profits on insurance contracts as services are provided to policyholders. Profits are deferred and amortised over the life of policies, while losses are recognised immediately as they arise.

Those products which expose the Group to insurance risk are outlined in note 20(c). While some of these products include an insurance component and a deposit component, the Directors, after obtaining advice from the Actuary, have determined that these components cannot be unbundled. Therefore the deposit components (contributions and withdrawals) and the insurance components (premiums and claims) are included in the consolidated statement of comprehensive income as premiums and claims.

## 2.5 Interest and Dividends

For financial instruments measured at fair value, interest income is recognised on an accruals basis on the effective interest basis. Dividend revenue is recognised when the right to receive payment has been established.

## 2.6 Rental Income

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

## 2.7 Commission, Fraternal Income and Other Income

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

## 2.8 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.

## 2.9 Financial Assets

### **Financial assets at fair value through profit or loss:**

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

Fair value is determined in the manner described in note 26(h).

### **Financial assets at amortised cost:**

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

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with a maturity term of less than 90 days from date of acquisition, and which are subject to insignificant risk of changes in value.

#### **Other receivables**

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

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

## 2.10 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.

## 2.11 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
Furniture and fittings	6
Leasehold improvements	7
Computer hardware	3
Computer software	3

## 2.12 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.

FAB Maturities Payable are policies that have matured in relation to the FAB Insurance Fund. FAB 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 19.

Member benefit fund liabilities are recognised as a financial liability upon receipt of the funds. As Manchester Unity does not have an unconditional right to defer payment of these funds, they are recognised at their initial value plus appropriations made. This value represents the amount that may be called.

## 2.13 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 from inception.

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

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 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.
- 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.

#### 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.



## 2.14 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.

## 2.15 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.

## 2.16 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.

## 2.17 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.

## 2.18 Reserves

Certain monies are held aside in reserves, as disclosed in note 22. Movements in these reserves are recognised as transfers to and from retained earnings.

## 2.19 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.

## 2.20 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 estimates:

Valuation of Insurance contract liabilities (Note 20 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 2.13 Leases)

The determination of the incremental borrowing rate used to measure lease liabilities (Note 2.13 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 NZ ASB and IASB 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
NZ IFRS 17: <i>Insurance Contracts</i>	1 January 2023*	31 May 2024
Classification of Liabilities as Current and Non-current (Amendments to NZ IAS 1)	1 January 2023	31 May 2023

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

\*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).

At balance date, the Society was a licensed insurer. Members have voted to exit the insurer regime by exiting and converting insurance contracts (subject to regulatory approval). As such, the society will not be an insurer as at the effective date of adoption of NZ IFRS 17. For more information, refer to note 29 subsequent events.

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

	2022	2021
<b>Insurance</b>		
<b>Premiums</b>		
Increasing Assurance Benefit	139,543	153,358
Funeral Funds	240,788	255,231
Medical Services Fund	648,394	685,233
Education Support Plan	9,900	14,015
Funeral Plan	25,002	26,333
<b>Total Premiums</b>	<b>1,063,628</b>	<b>1,134,170</b>
<b>Claims paid &amp; provided for</b>		
Increasing Assurance Benefit	(1,608,839)	(1,346,899)
Funeral Funds	(1,486,107)	(1,037,129)
Medical Services Fund	(335,845)	(409,340)
Education Support Plan	(60,619)	(61,031)
Society Sickness Benefit	(14,030)	(14,541)
<b>Total Claims paid &amp; provided for</b>	<b>(3,505,440)</b>	<b>(2,868,940)</b>
<b>Total Insurance before movement in life insurance obligations</b>	<b>(2,441,812)</b>	<b>(1,734,770)</b>
	2022	2021
<b>Investment Activities</b>		
<b>Rental Income</b>		
Commercial Property Income	585,446	548,341
Leasehold Property Income	409,653	325,082
<b>Total Rental Income</b>	<b>995,099</b>	<b>873,423</b>
<b>Interest Income</b>		
<b>Financial instruments at amortised cost</b>		
Bank Deposits	23,473	21,570
Interest Received - IAB Maturities	3,018	23,598
Mortgages & Loans	3,788	1,711
District & Lodge Interest Received	32,550	43,061
<b>Total Financial instruments at amortised cost</b>	<b>62,828</b>	<b>89,940</b>
Financial instruments at fair value through profit or loss	1,485,078	1,543,467
<b>Total Interest Income</b>	<b>1,548,906</b>	<b>1,933,407</b>
<b>Dividend Income</b>		
Investments at fair value through profit or loss	195,252	113,732
<b>Total Dividend Income</b>	<b>195,252</b>	<b>113,732</b>

	2022	2021
<b>Investment Expenses</b>		
Commercial Properties	84,365	66,803
Leasehold Legal	5,784	3,264
Leasehold Valuations	3,300	-
Financial Investment Expenses	78,800	87,485
District & Lodges Interest Paid	32,550	43,061
<b>Total Investment Expenses</b>	<b>204,799</b>	<b>200,613</b>
<b>Finance Expenses</b>		
Interest expense on lease liabilities	5,164	7,024
<b>Total Finance Expenses</b>	<b>5,164</b>	<b>7,024</b>
<b>Net Investment Income</b>	<b>2,529,294</b>	<b>2,712,925</b>
	<b>2022</b>	<b>2021</b>
<b>Gain/(loss) from Revaluations and Disposals</b>		
<b>Unrealised Gains from Revaluations</b>		
Commercial Property Revaluation	240,000	1,602,703
Leasehold Land Revaluation	3,864,999	4,105,000
<b>Financial instruments at fair value through profit or loss</b>		
Fixed Interest Investments Revaluation	(3,357,934)	(8,218,165)
Equities Revaluations	112,206	656,417
<b>Total Financial instruments at fair value through profit or loss</b>	<b>(3,245,728)</b>	<b>(7,561,748)</b>
<b>Total Unrealised Gains from Revaluations</b>	<b>859,271</b>	<b>(1,854,045)</b>
Transfer of realised commercial property gains to members	(139,750)	-
<b>Realised Gains/(Losses) on Disposals of Investment Property and Financial Assets</b>		
Realised Gains/(Losses) on Disposals of Financial Assets	(2,249,881)	1,704,068
<b>Total Realised Gains/(Losses) on Disposals of Investment Property and Financial Assets</b>	<b>(2,249,881)</b>	<b>1,704,068</b>
<b>Total Gain/(loss) from Revaluations and Disposals</b>	<b>(1,530,360)</b>	<b>(149,977)</b>

## 5. Operating Expenses

	2022	2021
<b>Operating Expenses</b>		
Audit fees for financial statement audit	57,748	51,315
Depreciation	188,987	182,994
Directors fees and expenses	323,487	275,567
Employee expenses	1,007,758	887,207
Publication and growth	306,191	231,791
Other fees paid to auditors	6,105	12,335
Professional fees	1,391,332	493,528
Other operating and administration expenses	830,063	583,386
<b>Total Operating Expenses</b>	<b>4,111,669</b>	<b>2,718,124</b>

## Auditor

The current auditor of the Group is RSM Hayes Audit Limited.

In addition to the statutory audit fee RSM Hayes Audit Limited, also received \$5,500 (2021: nil ) for the Reserve Bank solvency return assurance, Deloitte Limited, received \$6,105 (2021: \$6,835) for tax related compliance services.

	2022	2021
<b>Employee Benefits</b>		
Salaries & Wages	977,953	860,806
Defined contribution pension cost (Kiwisaver)	27,404	26,171
Short term employee benefits	2,401	230
<b>Total Employee Benefits</b>	<b>1,007,758</b>	<b>887,207</b>
	2022	2021

## Key Management Personnel Compensation

Short-term employee benefits (including director fees)	725,905	601,879
<b>Total Key Management Personnel Compensation</b>	<b>725,905</b>	<b>601,879</b>

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 23.

## 6. Holiday Homes and Member Benefits

	2022	2021
<b>Holiday Homes</b>		
Holiday Home Income	148,936	158,096
Holiday Home Expenses	(144,849)	(113,344)
<b>Net Holiday Homes Income</b>	<b>4,087</b>	<b>44,752</b>
	2022	2021

## Gains/(Losses) from Revaluations

Holiday Home Revaluation	1,694,950	1,326,088
<b>Total Gains/(Losses) from Revaluations</b>	<b>1,694,950</b>	<b>1,326,088</b>
	2022	2021

## Member Benefit Expenses

Education Awards	48,020	51,442
Kick-Start	122,500	120,500
Membership Privileges & Related Communications	59,113	52,430
SBERF Payments	10,856	1,919
<b>Total Member Benefit Expenses</b>	<b>240,490</b>	<b>226,291</b>

## 7. Fraternity

	2022	2021
<b>Fraternal Income</b>		
Lodge Management Fees	252,713	227,145
Commission - Fraternal	46,789	46,606
<b>Total Fraternal Income</b>	<b>299,502</b>	<b>273,751</b>

	2022	2021
<b>Fraternal Operating Expenses</b>		
Council Fees	35,617	38,137
Fraternal Council Travel/ Mileage expenses	19,903	22,001
Fraternal Council Accom & meal expenses	4,474	17,286
Grandmaster - Expenses	3,614	5,430
Lodge Expenses, Functions, Hospitality & Other	56,189	74,809
Salaries & Wages - Fraternal	175,201	143,777
Printing, Stationery & Postage - Fraternal	15,025	10,712
Rent - Fraternal	8,799	10,995
Communications - Fraternal	10,799	10,066
Travel - Fraternal	25,778	40,315
Staff Training & Support - Fraternal	653	1,956
Other - Fraternal	11,794	8,309
<b>Total Fraternal Operating Expenses</b>	<b>367,847</b>	<b>383,794</b>

	2022	2021
<b>8. Other Income</b>		
Commission	28,564	23,546
Government Grant	-	14,491
Other Income	3,877	-
<b>Total Other Income</b>	<b>32,442</b>	<b>38,037</b>

	2022	2021
<b>9. Income Tax Expense</b>		
Profit before tax	4,011,035	3,265,700
Tax at 28%	1,123,090	914,396
Permanent Differences	(1,155,087)	(1,716,774)
Deferred tax not recognised in relation to provisions	(580)	175
Tax losses not recognised	32,577	802,203
Tax expense (effective rate 0%)	-	-
Prior year losses carried forward	8,477,245	5,826,068
Prior year adjustment	(245,246)	(213,834)
Current year tax loss	116,349	2,865,012
Total losses to be carried forward	8,348,348	8,477,245

The Society has \$8,348,348 (2021: \$8,477,245) unrecognised tax losses to carry forward. In addition to the above, Unity Limited has \$1,650,278.40 (2021: \$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 2022 and 31 May 2021 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 \$115,939 (2021: \$83,796) imputation credits available for use in subsequent reporting periods.

## 10. Cash and cash equivalents

Cash and cash equivalents include the following components;

	2022	2021
<b>Cash and cash equivalents</b>		
Cash at Bank	82,286	112,915
Short term bank deposits	63,645	485,122
<b>Total Cash and cash equivalents</b>	<b>145,931</b>	<b>598,036</b>

	2022	2021
<b>11. Other Financial Assets</b>		
<b>At fair value through profit or loss</b>		
Equity Investments	4,194,006	4,413,163
Fixed Interest Investments	39,155,600	47,564,159
Term Deposit Investments	1,459,396	1,833,000
United Friendly Society Shares	14,200	14,200
<b>Total At fair value through profit or loss</b>	<b>44,823,202</b>	<b>53,824,523</b>
<b>Total Other Financial Assets</b>	<b>44,823,202</b>	<b>53,824,523</b>
	2022	2021

**12. Trade and other receivables**

Trade and other sundry receivables	33,524	6,717
Medical Accrued Revenue	3,522	12,686
Interest Receivable	26,615	23,598
Leasehold Rental Receivable	37,578	-
Mortgages	44,945	41,157
<b>Total Trade and other receivables</b>	<b>146,184</b>	<b>84,158</b>
	2022	2021

**13. Other Non-Financial Assets**

Prepayments	74,980	44,292
Regalia	257,160	250,663
<b>Total Other Non-Financial Assets</b>	<b>332,140</b>	<b>294,955</b>
	2022	2021

**14. Investment Property**

<b>Commercial Properties</b>		
<b>Retail</b>		
<b>Ngaio Road, Waikanae</b>		
Opening Fair Value	5,160,000	4,200,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	(90,000)	960,000
<b>Total Ngaio Road, Waikanae</b>	<b>5,070,000</b>	<b>5,160,000</b>
<b>Lombard Street, Palmerston North</b>		
Opening Fair Value	615,000	525,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	135,000	90,000
<b>Total Lombard Street, Palmerston North</b>	<b>750,000</b>	<b>615,000</b>

	2022	2021
<b>Bridge Street, Nelson</b>		
Opening Fair Value	960,000	940,000
Acquisitions and Disposals	-	32,297
Fair Value Revaluation	80,000	(12,297)
<b>Total Bridge Street, Nelson</b>	<b>1,040,000</b>	<b>960,000</b>
<b>Total Retail</b>	<b>6,860,000</b>	<b>6,735,000</b>
<b>Retail Development</b>		
<b>Kent Terrace, Wellington</b>		
Opening Fair Value	4,650,000	4,085,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	115,000	565,000
<b>Total Kent Terrace, Wellington</b>	<b>4,765,000</b>	<b>4,650,000</b>
<b>Total Retail Development</b>	<b>4,765,000</b>	<b>4,650,000</b>
<b>Total Commercial Properties</b>	<b>11,625,000</b>	<b>11,385,000</b>
<b>Leasehold Properties</b>		
Opening Fair Value	11,565,000	7,460,000
Acquisitions and Disposals	-	-
Fair Value Revaluation	3,865,000	4,105,000
<b>Total Leasehold Properties</b>	<b>15,430,000</b>	<b>11,565,000</b>
<b>Holiday Accommodation Properties</b>		
Opening Fair Value	6,095,653	4,769,565
Acquisitions and Disposals	13,745	-
Fair Value Revaluation	1,694,950	1,326,088
<b>Total Holiday Accommodation Properties</b>	<b>7,804,348</b>	<b>6,095,653</b>
<b>Fair Value of Investment Property at Year End</b>	<b>34,859,348</b>	<b>29,045,654</b>
	2022	2021
<b>Investment Properties Summary</b>		
Total balance at start	29,045,654	21,979,566
Total acquisitions / (disposals)	13,745	32,297
Total fair value revaluation	5,799,949	7,033,791
<b>Total investment property at year end</b>	<b>34,859,348</b>	<b>29,045,654</b>

**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 \$1,790,000 (2021: \$1,575,000) were held for the benefit of members of Loyal Nelson Lodge and Loyal Manawatu Lodge - refer note 22e.

The fair value of the Group's investment properties 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 2022	Range of significant unobservable inputs 31 May 2021
Retail Level 3 2022: \$6,860,000 2021: \$6,735,000	Income capitalisation approach Discounted cash flow analysis Sales comparison approach	Net market rent \$/m2 Capitalisation rate contract rentals Capitalisation rate market rentals Discount rate Terminal capitalisation rate Rental growth rate (pa) Expenses growth rate (pa) Sales (\$psm)	\$195 to \$305 6.50% - 7.5% 6.50% - 7.5% 7.50% 7.50% 2.00% 2.00% N/A	\$195 to \$305 7.00% - 7.25% 4.75% - 7.00% 8.50% 8.50% 2.00% 2.00% N/A
Redevelopment/ Retail Level 3 2022: \$4,765,000 2021: \$4,650,000	Income capitalisation approach Sales comparison approach	Net market rent \$/psm Capitalisation rate market rentals Discount rate - Rental Shortfall/Holding Income Land value \$/psm	\$235 4.50% 6.00% \$4,700	\$155 to \$314 4.75% 6.00% \$4,600
Leasehold Properties Level 3 2022: \$15,430,000 2021: \$11,565,000	Discounted cash flow	Site land values Discount rate Capitalisation rate initial yield Capitalisation rate effective yield	\$550,000-\$675,000 7.50% 2.63% 5.12%	\$360,000-\$420,000 7.25% 3.05% 4.85%
Holiday Accommodation Properties Level 3 2022: \$7,804,348 2021: \$6,095,653	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.

	2022	2021
<b>15. Property, plant and equipment</b>		
<b>Commercial Property Fixture &amp; Fittings</b>		
<b>Cost or valuation</b>		
Opening balance	30,865	30,865
Additions	-	-
Disposals	-	-
Closing balance	30,865	30,865
<b>Accumulated depreciation and impairment</b>		
Opening balance	(8,196)	(4,543)
Depreciation	(3,087)	(3,653)
Closing balance	(11,284)	(8,196)
<b>Commercial Property Fixture &amp; Fittings Net Book Value</b>	<b>19,581</b>	<b>22,669</b>
<b>Office Fixture &amp; Fittings</b>		
<b>Cost or valuation</b>		
Opening balance	36,815	42,484
Additions	-	1,786
Disposals	(4,615)	(7,455)
Closing balance	32,201	36,815
<b>Accumulated depreciation and impairment</b>		
Opening balance	(34,490)	(38,929)
Depreciation	(527)	(3,016)
Depreciation written back on disposal	4,191	7,455
Closing balance	(30,826)	(34,490)
<b>Office Fixture &amp; Fittings Net Book Value</b>	<b>1,374</b>	<b>2,325</b>
<b>Holiday Homes Fixture &amp; Fittings</b>		
<b>Cost or valuation</b>		
Opening balance	333,976	310,932
Additions	15,233	23,044
Disposals	-	-
Closing balance	349,209	333,976
<b>Accumulated depreciation and impairment</b>		
Opening balance	(140,759)	(86,377)
Depreciation	(51,373)	(54,382)
Closing balance	(192,132)	(140,759)
<b>Holiday Homes Fixture &amp; Fittings Net Book Value</b>	<b>157,077</b>	<b>193,217</b>

	2022	2021
<b>Computer Hardware &amp; Software</b>		
<b>Cost or valuation</b>		
Opening balance	536,791	412,732
Additions	71,146	149,870
Disposals	-	(25,812)
Closing balance	607,936	536,791
<b>Accumulated depreciation and impairment</b>		
Opening balance	(424,650)	(394,108)
Depreciation	(61,641)	(55,951)
Depreciation written back on disposal	-	25,410
Closing balance	(486,290)	(424,650)
<b>Computer Hardware &amp; Software Net Book Value</b>	<b>121,646</b>	<b>112,141</b>
<b>Total Net Book Value</b>	<b>299,678</b>	<b>330,351</b>

Holiday Homes Fixtures and Fittings are not expected to be part of any sale of the investment property if that occurred in future. It would be sold with vacant possession and as such the furniture is not included as part of the valuation of investment property and is instead considered as an ancillary service to the occupants of the holiday let and may be moved to subsequent properties as needed.

	2022	2021
<b>16. Trade and Other Payables</b>		
Trade creditors and accruals	759,427	269,458
Holiday home & Leasehold rental in Advance	58,936	-
Unearned Premiums	33,031	68,086
IAB Maturities Payable	452,663	230,894
FAB Maturities Payable	209,778	-
<b>Total Trade and Other Payables</b>	<b>1,513,834</b>	<b>568,438</b>

	2022	2021
<b>17. Employee Benefit Liabilities</b>		
Accrual for annual leave	101,922	75,892
Accrual for wages, salary and bonuses	28,000	28,000
<b>Total Employee Benefit Liabilities</b>	<b>129,922</b>	<b>103,892</b>

**18. Leases**

	2022	2021
<b>Right of Use Asset</b>		
Opening Balance	177,680	198,573
Remeasurement	3,296	48,350
Depreciation charge for the year	(76,342)	(69,242)
<b>Total Right of Use Asset</b>	<b>104,634</b>	<b>177,680</b>

	2022	2021
<b>Lease Liabilities</b>		
Opening Balance	185,170	205,235
Remeasurement	3,296	48,343
Interest on lease liabilities	5,164	7,024
Lease Payments	(82,899)	(75,432)
<b>Total Lease Liabilities</b>	<b>110,732</b>	<b>185,170</b>

	2022	2021
<b>Amounts recognised in profit or loss:</b>		
Depreciation on right of use assets	76,342	69,242
Interest on lease liabilities	5,164	7,024
<b>Total Amounts recognised in profit or loss</b>	<b>81,507</b>	<b>76,267</b>

	2022	2021
<b>19. Member Benefit Fund Liabilities</b>		
<b>Member Share Funds</b>		
Opening Balance	11,881,563	12,291,832
Contributions including transfers	297,845	178,636
Withdrawals	(682,170)	(588,905)
Apportions - Share Funds	-	-
<b>Total Member Share Funds</b>	<b>11,497,238</b>	<b>11,881,563</b>
Hawkes Bay Endowment Fund	22,512	22,512
<b>Total Member Benefit Fund Liabilities</b>	<b>11,519,751</b>	<b>11,904,076</b>

At 31 May 2022 the Directors have declared \$Nil appropriations of balances held (2021: \$Nil). Lodges that have consolidated with lodge reserve assets have the appropriation to their share fund adjusted (via contributions) to take account of the earnings of those lodge reserve 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.

	2022	2021
<b>Member Share Funds</b>		
Antipodean Lodge	397,572	416,152
Ashburton Lodge	388,641	415,052
Auckland District	239,915	253,545
Banks Peninsula Branch	447,950	516,227
Britannia Lodge	314,452	326,447
City of Wellington Lodge	1,020,137	1,076,297
Egmont Lodge	1,283,467	1,337,920
Greytown Lodge	78,441	83,953
Hastings Lodge	655,122	705,690
Kickstart Share Fund	315,250	192,750
Manawatu Lodge	517,467	473,465
Manchester Lodge	62,347	65,164
Masterton Lodge	403,606	458,139
Napier Lodge	1,478,535	1,547,067
Nelson Lodge	2,229,767	2,284,880
Rangiora Lodge	920,123	950,821
United Westland Lodge	63,330	70,668
Wanganui Lodge	652,076	678,287
Woodville Lodge	29,040	29,040
<b>Total Member Share Funds</b>	<b>11,497,238</b>	<b>11,881,563</b>

There were no new lodges which consolidated with the Society during the year (2021: No new consolidation)

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

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

**20. Member Insurance Contract Obligations****(a) Details of member insurance contract products**

Manchester Unity Friendly Society is a licenced insurer under the Insurance (Prudential Supervision) Act 2010.

Manchester Unity Friendly Society has a BB-, outlook stable, credit rating issued by Fitch Ratings on 7 April 2022. 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 2022.

	2022	2021
<b>Fund Transactions</b>		
<b>Medical Services Fund</b>		
Opening balance Members' Funds	200,000	200,000
Contributions/Premiums	648,394	685,233
Withdrawals/Claims	(335,845)	(409,340)
Society management fees	(112,051)	(122,391)
Other acquisition costs	(14,757)	(14,729)
Transfers	(185,741)	(138,772)
<b>Total Medical Services Fund</b>	<b>200,000</b>	<b>200,000</b>
<b>Funeral Fund</b>		
Opening balance Members' Funds	9,493,217	10,458,647
Contributions/Premiums	240,788	255,231
Withdrawals/Claim	(689,190)	(393,740)
Society management fees	(41,137)	(43,161)
(Gain)/Loss recognised on insurance obligations	(2,030,270)	(783,760)
<b>Total Funeral Fund</b>	<b>6,973,409</b>	<b>9,493,217</b>
<b>Increased Funeral Fund</b>		
Opening balance Members' Funds	15,464,302	17,082,872
Withdrawals/Claim	(796,918)	(643,389)
(Gain)/Loss recognised on insurance obligations	(3,240,450)	(975,181)
<b>Total Increased Funeral Fund</b>	<b>11,426,934</b>	<b>15,464,302</b>
<b>Increasing Assurance Benefit</b>		
Opening balance Members' Funds	15,077,288	16,525,397
Contributions/Premiums	139,543	153,358
Withdrawals/Claim	(1,608,839)	(1,346,899)
Society management fees	(13,219)	(14,104)
Other acquisition costs	(6,956)	(7,229)
(Gain)/Loss recognised on insurance obligations	-	(233,235)
<b>Total Increasing Assurance Benefit</b>	<b>13,587,818</b>	<b>15,077,288</b>



	2022	2021
<b>Education Support Plan</b>		
Opening balance Members' Funds	322,481	349,649
Contributions/Premiums	9,900	14,015
Withdrawals/Claim	(60,619)	(61,031)
(Gain)/Loss recognised on insurance obligations	(25,791)	19,848
<b>Total Education Support Plan</b>	<b>245,971</b>	<b>322,481</b>
<b>Funeral Plan</b>		
Contributions/Premiums	25,002	26,333
Transfers	(25,002)	(26,333)
<b>Total Funeral Plan</b>	<b>-</b>	<b>-</b>
<b>Society Sickness Benefit Fund</b>		
Opening balance Members' Funds	168,624	192,449
Withdrawals/Claim	(14,030)	(14,541)
(Gain)/Loss recognised on insurance obligations	(5,752)	(9,284)
<b>Total Society Sickness Benefit Fund</b>	<b>148,843</b>	<b>168,624</b>
<b>Total Member Insurance Contract Obligations</b>	<b>32,582,975</b>	<b>40,725,912</b>
	2022	2021

### Summary of member insurance contract obligations

<b>Fund transactions</b>		
Opening balance members' funds	40,725,912	44,809,014
Contributions/ Premiums	1,063,628	1,134,170
Withdrawals/ Claims	(3,505,440)	(2,868,940)
Society management fees	(166,407)	(179,656)
Other acquisition costs	(21,713)	(21,959)
Transfers	(210,743)	(165,106)
Appropriations	-	-
<b>Total Fund transactions</b>	<b>37,885,238</b>	<b>42,707,523</b>
<b>(Gain)/Loss recognised on insurance obligations</b>		
Movement in insurance obligations	(5,302,263)	(1,981,611)
<b>Total (Gain)/Loss recognised on insurance obligations</b>	<b>(5,302,263)</b>	<b>(1,981,611)</b>
<b>Total closing balance Member insurance contract obligations</b>	<b>32,582,975</b>	<b>40,725,912</b>

### (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 geographic 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

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

The Society has a Medical Services Reserve which is held for financial soundness in mitigating the Society's insurance risk with regards to these obligations. Refer to note 22c.

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

The valuation of the member insurance contract obligations was carried out as at 31 May 2022 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 member 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 included 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 similar to the risk free rate.

Where the liability of the Liability Adequacy Test was a higher amount than the amount of the fund, the difference created a loss to be recognised. Where there was a loss from previous years any increase or reduction in the loss was recognised.

As there are no transfers of profits to retained earnings from discretionary funds, profit carriers are not needed. The valuation methods for the various related product groups are below and there were no changes to these during the year:

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

### Disclosure of Assumptions

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

#### (i) Discount Rate

The discount rate representing the assumed long term rate of appropriation to the funds was 4.0% per annum (2021: 1.0%). The discount rate used for the Liability Adequacy Test was also 4.0% per annum (2021: 1.0%).

#### (ii) Expenses

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

#### (iii) Taxation

The Society has no tax payable due to prior years tax losses being carried forward, therefore no allowance for taxation has been made.

#### (iv) Mortality

- For the Increasing Assurance Benefit Fund, the mortality tables used were based on the New Zealand Insured Lives table 2005 – 2007 for males and females as this allows for the mortality to be in line with this type of product.
- For the Funeral Fund and the Increased Funeral Benefit Fund, the mortality tables used were based on the New Zealand Life tables 2017 – 2019 (2021: 2017 – 2019) 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 0.87% of sum assured and 1.75% of existing bonus (2021: 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 (2021: 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 1.0% per annum	+929,419
Lapse rate down 40%	0
Mortality up 10%	0

	2022	2021
<b>Components of member insurance contract obligations</b>		
<b>IAB</b>		
Future policy benefits	10,491,567	15,682,308
Future additions	1,574,135	-
Future expense transfers	134,426	190,319
Future contributions	(839,191)	(1,180,855)
Members' unvested benefit liability	2,226,881	385,516
<b>Total IAB</b>	<b>13,587,818</b>	<b>15,077,288</b>
<b>Funeral Funds</b>		
Future policy benefits	19,145,245	27,224,179
Future additions	-	-
Future expense transfers	344,810	476,645
Future contributions	(1,983,985)	(2,743,305)
Members' unvested benefit liability	894,273	-
<b>Total Funeral Funds</b>	<b>18,400,343</b>	<b>24,957,519</b>
<b>Other Funds</b>		
Future policy benefits	264,938	521,664
Future contributions	(18,967)	(30,559)
Accumulation method	348,843	200,000
<b>Total Other Funds</b>	<b>594,813</b>	<b>691,105</b>
<b>Total</b>	<b>32,582,974</b>	<b>40,725,912</b>

**Maturity profile of 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.

	2022	2021
<b>Maturity profile member insurance contract obligations</b>		
Current	2,569,188	2,665,417
1 - 5 years	8,792,587	9,279,654
More than 5 years	30,764,833	32,975,789
<b>Total Maturity profile of member insurance contract obligations</b>	<b>42,126,609</b>	<b>44,920,860</b>

**Solvency**

Solvency has been calculated in accordance with the Solvency Standard for Life Insurers issued in December 2014 by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010. At 31 May 2022, the Actual Solvency Capital was \$32,579,000 (2021: \$28,615,000) and the Minimum Solvency Capital was \$18,271,000 (2021: \$13,981,000), resulting in a Solvency Margin of \$14,308,000 (2021: \$14,634,000) and a Solvency Ratio of 1.78 (2021: 2.05).

The Reserve Bank of New Zealand modified the Society's licence on 21 February 2020, 28 April 2020, 16 September 2020 and again on 11 March 2022. 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.

	2022	2021
<b>21. Retained Earnings</b>		
<b>Retained earnings</b>		
Opening Retained Earnings	10,840,717	9,191,858
<b>Movement for year</b>		
Total comprehensive income for year	4,011,035	3,265,700
Transfer from Society Benevolent and Emergency Relief Fund	10,856	1,919
Transfer from/(to) Medical Services Reserve	(185,741)	(138,772)
Transfer from/(to) Funeral Plan Reserve	(25,002)	(26,333)
Transfer from/(to) Lodge Reserve	(75,250)	(38,500)
Transfer from/(to) Member Benefit Fund Liabilities	-	(39,203)
<b>Transfers from/(to) General Reserve</b>		
Revaluation of Investment Properties	(5,584,949)	(6,956,088)
Unrealised (Profit)/Loss on change in fair value of financial assets	3,245,728	7,561,747
(Gain)/Loss on Insurance Liabilities	(5,302,317)	(1,981,611)
<b>Total Transfers from/(to) General Reserve</b>	<b>(7,641,538)</b>	<b>(1,375,952)</b>
<b>Total Movement for year</b>	<b>(3,905,641)</b>	<b>1,648,858</b>
<b>Balance at the end of the financial year</b>	<b>6,935,076</b>	<b>10,840,717</b>

### Voting rights

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

	2022	2021
<b>22. Reserves</b>		
District and Lodge Relief Reserve	968,222	968,222
Society Benevolent and Emergency Relief Fund	499,976	510,832
Medical Services Reserve	3,268,238	3,082,498
Medical Services Fund	750,000	750,000
Lodge Reserve	626,500	551,250
Funeral Plan Reserve	117,849	92,847
General Reserve	20,038,042	12,396,503
<b>Total Reserves</b>	<b>26,268,827</b>	<b>18,352,152</b>
	2022	2021

### Summary of Reserves

Total opening balances	18,352,152	16,774,513
Total movement	7,916,675	1,577,639
<b>Total closing balances</b>	<b>26,268,827</b>	<b>18,352,152</b>

	2022	2021
<b>(a) District and Lodge Relief Funds</b>		
District and Lodge Relief Fund	968,222	968,222
<b>Total District and Lodge Relief Funds</b>	<b>968,222</b>	<b>968,222</b>

The District and Lodge Relief Fund is administered by the Board of Directors under General Rule 39.

The fund exists for the purpose of assisting the Districts and Lodges.

	2022	2021
<b>(b) Society Benevolent and Emergency Relief Fund</b>		
SBERF Fund	510,832	512,752
Transfer to Retained Earnings from SBERF	(10,856)	(1,919)
<b>Total Society Benevolent and Emergency Relief Fund</b>	<b>499,976</b>	<b>510,832</b>

The Society Benevolent Fund is administered by the Board of Directors under General Rule 35.

The fund is held for the purpose of making grants to members of the Society and their families for such benevolent charitable, educational, philanthropic or cultural purposes as the Directors see appropriate.

	2022	2021
<b>(c) Medical Services Reserve</b>		
Medical Services Reserves	3,082,498	2,943,725
Transfer from Retaining Earnings	185,741	138,772
<b>Total Medical Services Reserve</b>	<b>3,268,238</b>	<b>3,082,498</b>

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.

	2022	2021
<b>(d) Medical Services Fund</b>		
Medical Services Fund	750,000	750,000
<b>Total Medical Services Fund</b>	<b>750,000</b>	<b>750,000</b>

The Medical Services Fund was set up under Rule 34 to provide three tiers of health care insurance to contributing members being primary, comprehensive and surgical only.

	2022	2021
<b>(e) Lodge Reserve</b>		
Opening balance	551,250	512,750
Revaluation adjustment	75,250	38,500
<b>Total Lodge Reserve</b>	<b>626,500</b>	<b>551,250</b>

Two Lodges had transferred land and buildings to the Society with a requirement that 35% of capital gains and losses be held for the benefit of their Lodge members until distribution of these restricted reserves. At balance date the fair value of these assets was \$1,790,000 (2021: \$1,575,000) and they are no longer restricted.

	2022	2021
<b>(f) Funeral Plan Reserves</b>		
<b>Funeral Plan Reserves</b>		
Opening Balance	92,847	66,513
Funeral Plan Reserves	25,002	26,333
<b>Total Funeral Plan Reserves</b>	<b>117,849</b>	<b>92,847</b>

The Funeral Plan Reserve 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.

	2022	2021
<b>(g) General Reserve</b>		
Balance at beginning of financial year	12,396,503	11,020,551
Revaluation of Commercial Properties from Retained Earnings	25,000	1,525,000
Unrealised Profit/(Loss) on change in fair value of financial assets from Retained Earnings	3,245,728	(7,561,747)
Revaluation of Holiday Homes from Retained Earnings	1,694,950	1,326,088
Revaluation of Leaseholds Lands from Retained Earnings	3,864,999	4,105,000
Unrealised Profit/(Loss) on Insurance Liabilities from Retained Earnings	5,302,317	1,981,611
<b>Total General Reserve</b>	<b>20,038,041</b>	<b>12,396,503</b>

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 lodge reserve assets (commercial properties) are transferred from the general reserve with a proportion being transferred to the lodge reserve (note 22e) and the remainder to member share funds for the respective lodges (note 19).

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.



## 23. 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:

B Robinson  
 G J Allanson (Deceased, April 2022)  
 J H Lowe  
 A D Haak  
 P G A Peebles (Appointed, December 2021)  
 M G Ambrose (Resigned, November 2021)

### Transactions with Key Management Personnel

Other than the transactions disclosed in note 5, there have been no other transactions with key management personnel during the year (2021: Nil).

### 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 (2021: Nil).

### Other Transactions

During the financial year Manchester Unity provided accounting and administration services to the Manchester Unity Districts and Lodges for no consideration (2021: Nil consideration).

During the financial year interest on deposits held was paid to Manchester Unity Districts and Lodges totalling \$32,550 (2021: \$43,061). 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 19.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2021: Nil).

	2022	2021
<b>24. Leases as Lessor</b>		
Not longer than one year	862,675	853,175
Longer than one year and less than five years	3,138,174	2,931,407
Longer than five years	9,815,546	9,408,963
<b>Total Leases as Lessor</b>	<b>13,816,395</b>	<b>13,193,545</b>



Operating leases relate to commercial investment properties and leasehold land. Commercial properties owned by the Group have lease terms of between 3 and 20 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.

Due to the nature of holiday accommodation, rental periods are on a short term basis based on member bookings, the Society recognised that the lease terms for this income is variable and as such has not been included in note 24.

	2022	2021
<b>25. Notes to the cashflow statement</b>		
<b>Profit or Loss for period is as follows:</b>		
Total Profit or Loss for the year	4,011,035	3,265,700
<b>Add/(less) non cash items:</b>		
Revaluation of investment property	(5,660,199)	(7,033,791)
Depreciation and amortisation	116,628	119,892
Appropriations to member benefit funds	-	-
Movement in Mortgages	-	(1,711)
(Profit)/loss on change in fair value of financial assets	3,245,728	7,561,748
Change in life insurance obligations	(8,140,626)	(3,851,083)
Interest expense on lease liabilities	(5,164)	(7,024)
<b>Total non cash items</b>	<b>(10,443,633)</b>	<b>(3,211,969)</b>
<b>Add/(less) change in operating assets:</b>		
Increase/(decrease) in unearned premiums	23,881	(23,005)
Increase/(decrease) in interest accrued	15,971	29,613
Increase/(decrease) in accounts receivable	64,459	(220)
Increase/(decrease) in premiums in arrears	9,164	3,125
Increase/(decrease) in other assets	(37,185)	2,618
Increase/(decrease) in trade and other payables	1,001,955	210,507
Increase/(decrease) in provisions	30,630	(26,403)
Member benefit fund contributions less withdrawals	(646,575)	(588,905)
<b>Total change in operating assets</b>	<b>462,301</b>	<b>(392,670)</b>
<b>Add/(less) items reclassified as investing activities:</b>		
Realised gain on disposal of financial assets	2,249,881	(1,704,068)
<b>Total items reclassified as investing activities</b>	<b>2,249,881</b>	<b>(1,704,068)</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(3,720,417)</b>	<b>(2,043,007)</b>

	2022	2021
<b>Reconciliation of liabilities arising from financing activities</b>		
<b>Leasing Liabilities</b>		
Opening balance	185,171	205,227
Cash flows	(82,899)	(79,962)
Converted to equity	8,460	59,906
Closing balance	110,732	185,171
<b>Total liabilities arising from financing activities</b>	<b>110,732</b>	<b>185,171</b>

## 26. Financial Instruments

### (a) Capital management objectives

The Group manages its activities to ensure that the group is able to continue as a going concern while maximising the return to members through the prudent investment of funds as discussed below.

### (b) Financial risk management objectives

Financial risk management activities are undertaken by the Group as part of their investment management, in accordance with the investment policy as approved by the Board of Directors. The investment policy is reviewed by the Directors at least annually.

The group does not enter into or trade financial instruments for speculative purposes. The Group's activities expose it primarily to the financial risk of changes in interest rates, exchange rates and equity prices.

### (c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset are disclosed in note 1 to the financial statements.

### (d) Interest rate and liquidity risk

The Group is exposed to interest rate risk in that the future interest rate movement will affect the net market value of fixed interest securities, and that rates on short term deposits will drop. Risk management activities are undertaken by the Group in accordance with the investment policy as approved by the Board of Directors. The investment policy is reviewed by the Directors at least annually.

The following tables detail the group's exposure to interest rate and liquidity risk at 31 May 2022 and 31 May 2021. The table does not include equity investments of \$4,194,006 (2021: \$4,413,163) as these investments are not exposed to interest rate risk.

**Maturity Profile of Investments**

	2022	2021
<b>Financial Liabilities</b>		
<b>Less than 1 year</b>		
Trade and other Payables	1,513,834	568,438
District, Lodges and other deposits	1,357,703	1,375,000
Member benefit fund liabilities	11,519,751	11,904,075
Lease Liability	82,572	77,545
<b>Total Less than 1 year</b>	<b>14,473,860</b>	<b>13,925,058</b>
<b>1 - 5 years</b>		
Trade and other Payables	-	-
District, Lodges and other deposits	330,482	200,000
Member benefit fund liabilities	-	-
Lease Liability	28,160	107,625
<b>Total 1 - 5 years</b>	<b>358,642</b>	<b>307,625</b>
<b>More than 5 years</b>		
Trade and other Payables	-	-
District, Lodges and other deposits	-	100,000
Member benefit fund liabilities	-	-
Lease Liability	-	-
<b>Total More than 5 years</b>	<b>-</b>	<b>100,000</b>
<b>Total Financial Liabilities</b>	<b>14,832,502</b>	<b>14,332,683</b>

**Weighted Average Interest Rates**

	31 May 2022	31 May 2021
<b>Financial Assets</b>		
Cash and cash equivalents	0.55%	0.55%
Government stock	2.83%	2.81%
Local authority stock	5.42%	5.42%
Corporate stock	4.22%	4.75%
Bank term deposits	2.09%	1.19%
IAB loans and advances	9.00%	9.00%
<b>Financial Liabilities</b>		
District, Lodge and other deposits	2.37%	1.78%

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 \$14,500 (2021: \$18,050).

**(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 \$41,940 (2021: \$44,132).

**(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 (2021: 1) where the Group's investment was greater than 10% of total equity. The number of counterparties, their credit rating and the level of exposure is set out in the table below:

Credit Rating	10% < 20%	20% < 30%	30% < 40%	40% < 50%	> 50%
<b>31 May 2022</b>					
AAA	-	-	-	-	1
AA+ - AA-	-	-	-	-	-
A+ - A-	-	-	-	-	-
BBB+	-	-	-	-	-
<b>31 May 2021</b>					
AAA	-	-	-	-	1
AA+ - AA-	-	-	-	-	-
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 59% (2021: 107%) 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 BB+.

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 a monthly basis by the board in particular in light of the upcoming conversion project to take place during the 2023 financial year.

#### **(h) Fair value of financial assets and liabilities**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities designated at fair value through profit or loss are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- Where no market price is available, a yield to maturity valuation is done based on securities of a similar type or duration.

#### **(i) Financial assets and financial liabilities by measurement basis**

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

	2022	2021
<b>Financial Assets</b>		
<b>FVTPL</b>		
Other financial assets at fair value through profit or loss		
Fixed Interest Investments	39,155,600	47,564,159
Equity Investments	4,194,006	4,413,163
Term Deposit Investments	1,459,396	1,833,000
United Friendly Society Shares	14,200	14,200
Total Other financial assets at fair value through profit or loss	44,823,202	53,824,523
Total FVTPL	44,823,202	53,824,523
<b>Amortised cost</b>		
Cash and cash equivalents	145,931	598,036
Trade and other receivables	146,184	84,158
Total Amortised cost	292,115	682,194
Total Financial Assets	45,115,318	54,506,717
	2022	2021

**Financial Liabilities**

<b>Amortised cost</b>		
Trade and other payables	1,513,834	568,438
District Lodge and other deposits	1,650,000	1,675,000
Lease Liability	110,732	185,171
Member benefit fund liabilities	11,519,751	11,904,076
Total Amortised cost	14,794,317	14,332,685
Total Financial Liabilities	14,794,317	14,332,685

**(j) Fair value measurements recognised in the Consolidated Statement of Financial Position**

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

	2022	2021
<b>Assets at Fair Value</b>		
<b>Level One</b>		
Bonds	39,155,600	47,564,159
Equity Investments	4,208,206	4,427,363
Total Level One	43,363,806	51,991,523

	2022	2021
<b>Level Two</b>		
Term Deposits	1,459,396	1,833,000
<b>Total Level Two</b>	<b>1,459,396</b>	<b>1,833,000</b>
<b>Total Assets at Fair Value</b>	<b>44,823,202</b>	<b>53,824,523</b>

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

## 27. COVID-19 Pandemic

In August 2021 community transmission of COVID-19 was detected in Auckland. This resulted in the whole of New Zealand entering in to Alert Level 4 Lockdown for approximately 3 weeks. This was known as the "Delta Outbreak". Following this Auckland has remained in either Level 4 or under strict COVID-19 prevention measures until early December. The rest of the country had various changes in Alert Levels since the initial lockdown. In early December the country moved to a new COVID-19 protection framework known as the "Traffic Light System". This was in response to the highly transmissible Delta variant of COVID-19 and that the virus would likely be endemic in the future. The new framework grants greater freedoms to those that are vaccinated.

At time of writing, the whole of the country is under the "orange" setting and there is now community transmission of the more contagious "Omicron" variant. Restrictions in relation to vaccine mandates have been relaxed, however the country is currently experiencing a second wave of the virus and the rate of infections is increasing.

Manchester Unity has been able to operate remotely or to operate back in their premises during the latest outbreak.

In the 2022 year COVID-19 did not have a significant impact on the Association. Fees and subscriptions from members were not adversely affected.

The Board considers that the Society is a going concern and the financial statements have been prepared on that basis.

## 28. 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 20, management and those charged with governance continue to monitor this position and, taking into account advice from the appointed actuary, will take action as required to remediate any decrease in solvency margin if the need arises.

## 29. Subsequent events

The Society is progressing implementation of the Conversion plan approved at the 2021 Movable Conference. The implementation will convert the interests of policyholders in the Funeral Assistance Benefit Fund and the Increasing Assurance Benefit Fund into new Fraternal Bonds, exit the other insurance products of Sick Fund, Education Support Plan, Funeral Plan, and Medical Insurance, cancel the Society's insurer licence, and establish a new Benevolent Benefit Fund.

Conversion's financial effect will be to extinguish Society's insurance funds, establish Fraternal Bonds, pay-out cash and cash equivalents and create a Benevolent Benefit Fund using actuarial and other methodology approved at the 2021 Movable Conference.

Other than Conversion, 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 (2021: Nil).

## 30. Contingent assets and liabilities

There are no contingent assets or liabilities at balance date (2021: Nil).

## 31. Commitments for expenditure

The Group had no capital commitments at balance date (2021: Nil).



## Independent Auditor's Report

### To the Members of Manchester Unity Friendly Society

#### Opinion

We have audited the consolidated financial statements of Manchester Unity Friendly Society and its subsidiary (the Society), which comprise:

- the consolidated statement of financial position as at 31 May 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 3 to 48 present fairly, in all material respects, the consolidated financial position of Manchester Unity Friendly Society as at 31 May 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

#### 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 financial statements* section of our report.

We are independent of the Society in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to our audit of the financial statements of the Society, we have been engaged to provide a reasonable assurance engagement over the Society's Solvency Return. Other than in our capacity as auditors and assurance providers, we have no relationship with, or interests in, Manchester Unity Friendly 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 two key audit matters identified below, our description of how our audit addressed the matters is provided in that context.

### Valuation of member insurance contract obligations

#### Why we considered this to be a key audit matter

The Society has recognised a liability in relation to member insurance contract obligations as at 31 May 2022 of \$32,582,975 (2021: \$40,725,912).

The Society's appointed actuary performs an annual valuation of the member insurance contract obligations. This valuation is inherently subjective, and requires the selected of appropriate assumptions including discount rate, mortality and lapse rates.

We considered the valuation of the member insurance contract obligations to be a key audit matter, requiring a higher level of estimation and judgement in determining the appropriateness of the assumptions used in valuing the liability.

Details of the nature of member insurance contract obligations, and the methodology and assumptions applied to their valuation have been disclosed in Note 20 of the consolidated financial statements.

#### Our approach

Our procedures included:

- Evaluating the key controls implemented by the Society over the accuracy of underlying data provided to the appointed actuary for the purposes of the actuarial valuation;
- Testing whether the information used by the actuary agrees to the Society's underlying records and supporting documentation; and
- Obtaining assistance from an actuary to assist us to understand, evaluate and critique the Society's actuary's report and assumptions used.

We also evaluated the accounting policies applied, and considered disclosures relating to member insurance contract obligations within Note 20 for compliance with the requirements of NZ IFRS 4 *Insurance Contracts*.

## Valuation of investment properties

### Why we considered this to be a key audit matter

As at 31 May 2022, the Society's investment properties, comprising commercial, leasehold and holiday accommodation properties, amounted to \$34,859,348 (2021: \$29,045,654). These are recognised at fair value, based on an annual valuation performed by an independent registered valuer, Quotable Value NZ Limited, trading as Darroch.

The valuation of investment properties is subjective as it is dependent on a wide range of factors including the nature of the property and tenant, future cash flows (both contracted and expected) and the geographic location.

Differing valuation methods and assumptions are used for the Society's various properties. These valuation methods take into account both specific information such as the location, size, current lease arrangements and cash flows earned by the property, but also apply assumptions such as capitalisation and discount rates. Comparable market data (such as property sales and rental evidence) is utilised in the valuation estimate to support the assumptions utilised.

Details of the valuation methods used and inputs and assumptions are provided in Note 14 to the financial statements.

The valuation is considered to have significant estimation uncertainty, as numerically very small changes in assumptions can have very significant impacts on the adopted valuation.

Given the subjective judgements and assumptions applied the valuation models, the valuation of investment properties is considered a key audit matter.

### Our approach

Our procedures in relation to the valuation of investment properties included:

- Agreeing the carrying value to the external valuation and confirming that the gain/(loss) on valuation was correctly recorded.
- Considering the valuer's qualifications expertise and objectivity, and whether the scope of work and approach to their engagement was appropriate for the purpose of the Society's financial reporting.
- Reading the property valuation adviser's report and testing the accuracy of property and lease specific data utilised by the valuer, as well as the checking for consistency with inputs and assumptions disclosed in the financial statements.
- Comparing and critiquing the market assumptions and sales evidence utilised to other available market data and sales evidence for similar properties.
- Discussions with management and valuer in relation to our evaluation of the valuation assumptions applied, to ensure they are appropriate for the investment properties.

We also evaluated the related disclosures made in Note 14 to the financial statements in relation to the requirements of both NZ IAS 40 *Investment Property* and NZ IFRS 13 *Fair Value Measurement*.

### Other matter

The consolidated financial statements of Manchester Unity Friendly Society for the year ended 31 May 2021 were audited by another auditor who expressed an unmodified opinion on 29 July 2021.

## **Responsibilities of the directors 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.

## **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.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the XRB's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

## **Who we report to**

This report is made solely to the members of the Society, as a body. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the members, as a body, for our work, for this report, or for the opinions we have formed.

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

A handwritten signature in dark ink, consisting of the letters 'RSM' in a stylized, cursive-like font.

**RSM Hayes Audit**  
Auckland

28 July 2022

# Greystone Consulting

## Manchester Unity Friendly Society

### **Review of Actuarial Information In, or Used In Preparation of, the Financial Statements at 31 May 2022**

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 2022.

I have provided a "Valuation Report" dated 25 July 2022, 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 20(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  
29 July 2022