



Report of the

Registrar of Friendly Societies and Credit Unions

For the year ended

30 June 2009

Presented to the House of Representatives pursuant to section 10 of the Friendly Societies and Credit Unions Act 1982

THE MINISTER OF COMMERCE

In accordance with section 10 of the Friendly Societies and Credit Unions Act 1982 ("the Act") this report records the principal matters transacted under or pursuant to the Act during the year ended 30 June 2009.

GENERAL OVERVIEW AND ROLE

My principal role is to examine and register documents filed and, where necessary and appropriate, react to the decisions and actions of those organisations registered under the Act. This does not detract from the responsibility of the officers and other persons responsible for the management of those organisations. In addition, I monitor compliance with obligations imposed by the Act, particularly in relation to financial reporting.

Appendix 1 to this report includes a description of the various types of organisations registered under the Act. Appendix 2 summarises the information provided on their annual returns submitted for registration.

ANNUAL RETURNS AND FINANCIAL STATEMENTS

One of my main functions is to examine annual returns filed by organisations registered under the Act. All annual returns and actuarial reports submitted during the past year have been reviewed. Particular emphasis was placed upon auditors' reports and the solvency position of each organisation. Wherever necessary, concerns raised by data contained in the annual returns have been followed up by seeking further information and explanation from the organisations concerned.

The standard of information presented in the annual returns for this period has generally been of a good standard.

FINANCIAL REPORTING ACT 1993

The Financial Reporting Act 1993 requires issuers of securities to the public to prepare and file financial statements that comply with generally accepted accounting practice and give a true and fair view of their activities.

There are only a few friendly societies that are classified as "issuers of securities". Included in that category is any society that operates an assurance fund, or otherwise seeks savings from its members. All credit unions are subject to the Financial Reporting Act.

SECURITIES ACT 1978

All credit unions that are currently trading have a trust deed in place. Under section 139 of the Act, the Registrar can prohibit a credit union from borrowing money, accepting subscription and payment for shares, lending money, repaying

share capital and accepting new members. This will occur when a credit union is not complying with the requirements of the Securities Act.

COMPLIANCE WITH STATUTORY OBLIGATIONS

A number of societies and several credit unions failed to file their annual returns by the due date in the year ending 30 June 2009. Reminder letters were sent to those societies and credit unions to request compliance with the Act.

During the period of this report, I gave notice of my intention to cancel the registration of 8 friendly societies and 1 credit union due to their failure to file their annual return. Notice of intention to suspend the registration of 9 friendly societies was also given for the same reason. This action resulted in the majority of these friendly societies filing their annual return. Those that did not file had their registrations cancelled or suspended.

As at the date of preparation of this report, 10 societies had failed to file their annual returns and I have followed this up with entities concerned.

DISPUTES AND COMPLAINTS

No disputes were formally referred to me under the Act during the course of the year ending 30 June 2009.

ELECTRONIC REGISTER

The register of friendly societies and credit unions is available for searching at www.companies.govt.nz under the menu item "Search Other Registers".

Documents submitted for registration, such as annual returns, financial accounts and society rules, can be viewed (and copied) electronically in PDF format.

FRIENDLY SOCIETIES (and other societies registered under Part II of the Act)

1. Registrations

During the course of the year ended 30 June 2009:

- The registration of 8 friendly societies was cancelled under section 92 of the Act. Of those, 4 friendly societies had their registration cancelled by the Registrar under s92(1)(c) because they wilfully contravened the Act by failing to file an annual return. Two friendly societies had their registration cancelled at their request under s92(1)(g);
- One friendly society was registered twice under 2 slightly different names. The duplicate registration was removed;
- The registration of 1 friendly society was suspended for 3 months under s92(1)(c) as it did not comply with the Act; and
- The register was updated to reflect the transfer of engagements and cancellation of the registration of two friendly societies in 2005 and 2006.

At 30 June 2009 there were 164 organisations registered under Part II of the Act. Total membership of friendly and other societies increased in the year ending 30 June 2009 to a total of 939,786 members.

Table 1 of Appendix 2 sets out the numbers of registrations and membership details of those societies registered under Part II of the Act. Traditional societies (being those referred to in Appendix 1) generally only count their members when determining membership numbers, even though some benefits are also commonly provided for the member's family. On the other hand, medical care societies include members' dependents when counting their total number of members.

2. Funds

Table 2 of Appendix 2 sets out the income and expenditure of registered societies during the financial year ending 31 March 2009.

Table 3 sets out the funds and assets of registered societies at their respective balance dates. Where credit unions have an association arising from a common bond then, in certain circumstances, those credit unions and their parent societies are permitted under the Act to pool surplus funds for investment.

CREDIT UNIONS

1. Registrations

During the year ended 30 June 2009:

- 5 credit unions transferred their engagements to another credit union;
- The registration of 5 credit unions was cancelled (including one by the Registrar under s92(1)(c) of the Friendly Societies and Credit Unions Act);
- 1 new association of credit unions was registered.

At 30 June 2009 there were 35¹ credit unions and 3 associations of credit unions registered under Part II of the Act. Membership of credit unions decreased in the year ending 30 June 2009 to a total of 203,117 members.

2. Funds

Tables 4 and 5 of Appendix 2 set out details of income/expenditure and assets/liabilities for credit unions during the year ending 31 March 2009. As shown in Table 4, overall expenses in running credit unions amounted to \$65 million. This expense figure amounts to 8.75% of the average total assets, of credit unions in the year to 31 March 2009, compared with 8.79% in 2008. This expense figure:

- includes unrecoverable loans written off during the year, less recoveries of loans previously written off;
- includes the cost of insuring loan balances and share balances (a benefit provided free to members of many credit unions);
- excludes transfers to reserves; and
- excludes interest and dividends paid on members' savings.

As shown in Table 5, total assets of all credit unions, excluding the two associations, amounted to \$740 million in the year to 31 March 2009. Overall reserves of \$116 million represented 15.68 percent of total assets. (Dollar figures in this report are rounded to the nearest thousand dollars.)



Neville Harris
Registrar of Friendly Societies and Credit Unions
19 February 2010

¹ 2 more credit unions were still to have their registration cancelled because they had not completed their transfer of engagements and filed the section 107 certificate by 30 June 2009

APPENDIX 1: SOCIETIES REGISTERED

This appendix contains a brief description of the various types of organisations registered under the Friendly Societies and Credit Unions Act 1982.

(A) FRIENDLY SOCIETIES (and other societies registered under Part II of the Act)

A diverse range of societies may be registered under Part II of the Act. Friendly societies provide mainly insurance-related benefits for members and their families, such as sickness and other medical benefits, annuities in old age, funeral benefits and life insurance.

Secondly, benevolent societies are established mainly for benevolent or charitable purposes. Benevolent societies provide similar benefits to friendly societies, but usually on a very small scale and with a lesser degree of security.

Thirdly, workingmen's clubs provide social and recreational facilities for their members. Not all workingmen's clubs are registered under this Act, with some clubs preferring to incorporate under the Incorporated Societies Act 1908.

Finally, specially authorised societies may be established for such purposes as the Minister may authorise as being a purpose for which the provisions of the Act should extend. The only societies currently registered under this category are two (2) guarantee societies that provide fidelity insurance for officers of other societies.

The Nature of Friendly Societies

The traditional friendly society is a member-owned association set up to provide financial and other assistance to members and their families in times of need - principally sickness, old age and death. Its operations are based on insurance principles and mutual sharing of risk, with benefits being paid from funds accumulated from the contributions of members. Its activities are regulated by formal rules, adopted and amended from time to time by the members. Within the framework of these rules, the society is governed by a committee and officers elected by the membership.

The origin of friendly societies can be traced to the craft guilds in thirteenth century England. From their outset, they have done more than provide financial assistance to their members. The regular meetings of members are occasions for social as well as business activity. The strength of the fraternal aspect of these organisations must be appreciated to have a complete understanding of the nature of friendly societies. Business activities are complemented by a general care for individual members in ways that would normally be outside the practice of a purely commercial organisation.

Traditional friendly societies are usually administered through a society office, with differing degrees of control through their districts and lodges. Much of the work is performed on a voluntary basis. Often the society, the district and the lodge register separately because each holds funds and they often have different rules.

There are also a number of friendly societies without a branch structure. Several of these have been established by a particular company or industry body to provide sickness, medical and other benefits to their employees/members.

While the traditional societies commonly offer medical benefits on a small scale, there have been a few specialist societies which insure all or part of the medical expenses incurred by members and their families. Not all such business is conducted through societies registered under this Act. Some is conducted through insurance companies, societies registered under the Industrial and Provident Societies Act 1908 and in-house company arrangements.

The United Friendly Societies Dispensaries are pharmacies owned by groups of friendly societies or branches thereof. They reimburse members of those societies and branches for all or part of their prescription charges and/or provide discounts on sales to members.

(B) CREDIT UNIONS (registered under Part III of the Act)

A credit union is a member owned co-operative financial organisation set up to provide savings and loan facilities to its members. Its field of membership is defined in its rules by a 'common bond'. This is usually either residence in a clearly defined geographical area or employment by a particular employer or in a particular industry. Membership of credit unions has been extended to charities and incorporated societies affiliated with the common membership criteria of the credit union.

The main objects of credit unions are the promotion of thrift among members by the accumulation of their savings, the lending of those savings back to members from time to time and also the education of members in the wise use of money and in the management of their financial affairs.

Subject to liquidity requirements, most of the funds are made available for loans to members. Most of these loans are of relatively small sums and for short terms. Whilst the smaller scale credit unions usually provide only consumer style finance, some of the larger ones also lend part of their funds on housing mortgages.

A credit union is owned and democratically controlled by its members. Each member has one vote, regardless of the size of her or his account balance. Within the framework of its registered rules, a credit union is managed by a board of directors elected by the membership, and by appointed officers.

APPENDIX 2: TABLES

This appendix contains summaries of details from the financial statements of organisations registered under the Act and other statistics. These illustrate the type of business undertaken as well as information on how they operate. Over time such statistics show the progress of these organisations.

Some of the figures in the following tables are rounded to the nearest thousand dollars. This may result in the total disagreeing slightly with the sum of the individual items.

TABLE 1
FRIENDLY AND OTHER SOCIETIES - REGISTRATIONS AND MEMBERSHIP

Name of Order or Designation	REGISTRATIONS	MEMBERSHIP (a)	
	30-Jun-09	2008	2009
Manchester Unity	39	18,688	21903
Odd Fellows	6	1,835	1774
Foresters	12	883	1459
Druids	26	1,939	1909
Hibernians	22	2,771	5096
Protestant Alliance	2	0	30
Total Traditional Friendly Societies	107	26,116	32,171
UFS Dispensaries	13	13,616	13,023
Medical Care Societies	1	825,725	834,967
Other Friendly Societies	8	2,701	2,846
Benevolent Societies	8	5,341	5,824
Working Men's Clubs	25	39,150	50,750
Specially Authorised Societies	2	210	205
Total Others	57	886,743	907,615
TOTAL	164	912,859	939,786

(a) Membership figures relate to the position at each society's balance date.

Data for the 2009 year relates to the period 1 April 2008 - 31 March 2009

(b) Membership of UFS Dispensaries is through traditional friendly societies.

TABLE 2**FRIENDLY AND OTHER SOCIETIES - INCOME AND EXPENDITURE (as at 31 March 2009)****2008/2009****\$ (000)****Income**

Contributions or levies	527,408
Funeral benefits repaid by central body	1354
Other transfers from central body or branch	2705
Investment income	30,055
Other income	4,979

TOTAL INCOME	566,501
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Expenditure

Sickness benefits	179
Annuity benefits	303
Funeral benefits	2,879
Assurance benefits	2,983
Medical benefits	465,949
Management expenses	75,860
Expenses incurred on properties	548
Levies to central body	90
Other transfers to a central body or branch	567
Other expenses	3,853

TOTAL ADMIN COSTS	553,210
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EXCESS INCOME OVER EXP.	13,291
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**** Note:**

These totals exclude all UFS Dispensary and Workingmen's Clubs and **ten (10)** friendly societies who had not submitted their accounts prior to the preparation of the table

TABLE 3
FRIENDLY AND OTHER SOCIETIES- FUNDS AND ASSETS (as at 31 March 2009)
2008/2009

Funds	\$ (000)
Sickness and funeral fund	38,043
Assurance fund	1,392
Medical fund	1,841
Surplus fund	20,524
Benevolent fund	1,343
Distress fund	2,483
Management fund	5,115
Other funds	341,297
Sundry Creditors / Acc Pay	920
Bank Loans / Overdraft	268
Reserves	153,722
Provision for taxation	14
Other Liabilities	62,913
TOTAL FUNDS	629,875
Assets	
Land & Buildings	42,946
Mortgages	8,288
Government Securities	3,173
Local Authority & SOE Securities	104,086
Bank Deposits	166,048
Current account and cash	5,069
Furniture and equipment	9,174
Sundry Debtors / Acc Rec	56,654
Society investment fund	8,882
District investment fund	483
Other Assets	233,605
Less credit union investment fund	-945
Less branch investment fund	-7,588
Less funds held on behalf of a central body or branch	0
TOTAL ASSETS	629,875

TABLE 4
CREDIT UNIONS- INCOME AND EXPENDITURE (as at 31 March 2009)

	2008/2009
	\$ (000)
Income	
Interest charged on loans to members	65,784
Interests & dividends on investments & accounts	10,420
Commissions	3,390
Fees	18,788
Recovery of bad and doubtful loans	805
Other income	4,194
TOTAL INCOME	103,381
Administration Costs	
Honoraria for elected officers	404
Expenses of officers	488
Remuneration of employees	21,147
Expenses incurred on properties	816
Depreciation of properties	585
Depreciation of fixed assets	3,074
Bad loans written off	393
Provision for doubtful loans	2,646
Dues to association of credit unions	5,683
Loan/Savings protection insurance premiums	424
Other administrative costs	18,923
Other expenses	10,188
TOTAL ADMIN COSTS	64,771
Costs of Funds	
Interest/dividends paid or payable to members	32,644
TOTAL COST OF FUNDS	32,644
EXCESS INCOME OVER EXP.	5,966
Transfers from Income	
Transfers to General Reserve	1,570
Transfers to other reserves	0
Transfers from reserves	1,824
From merged Credit Unions	5,637
NET TRANSFERS	9,031
Increase in retained earnings for year	11,954

TABLE 5
CREDIT UNIONS- FUNDS AND ASSETS (as at 31 March 2009)

Funds	2008/2009 \$ (000)
On-Call Shares	323,555
Term Shares	284,936
General Reserves	52,424
Other Reserves	2,248
Retained earnings	61,267
Loans from Credit Unions	30
Bank Loans & Overdrafts	0
Provision for Interest & Dividends	4,866
Provision for Taxation	1,409
Other Liabilities	9,742
TOTAL FUNDS	740,477
Assets	
Land & Buildings	8,028
Other Fixed Assets	7,371
Loans to Members	559,107
Government Securities	83
Local Authority & SOE Securities	0
Bank	55,811
Association of Credit Unions	70,700
Other Investments	9,705
Cash and Bank Current Account	18,010
Sundry Debtors	3,046
Other Assets	8,616
TOTAL ASSETS	740,477