



Report of the

***Registrar of Friendly Societies and
Credit Unions***

For the year ended

30 June 2011

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 2011.

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.

The first appendix to this report includes a description of the various types of organisations registered under the Act. The second appendix summarises the information provided on their annual returns submitted for registration.

COMPLIANCE WITH STATUTORY OBLIGATIONS

A number of societies failed to file their annual returns by the due date in the year ending 30 June 2011. Reminder letters were sent to those societies to request compliance with the Act. As at the date of preparation of this report, two societies had failed to file their annual returns and I will be following this up with the entities concerned. One Credit Union (Hibernian Credit Union) has not filed for this financial year.

DISPUTES AND COMPLAINTS

No disputes were formally referred to me under the Act during the course of the year ending 30 June 2011.

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

1. Registrations

During the course of the year ended 30 June 2011 three societies had their registration cancelled (due to either a transfer of engagements or dissolution) under section 92 or section 93 of the Act.

At 30 June 2011 there were 157 organisations registered under Part II of the Act. Total membership of friendly and other societies increased in the year ending 30 June 2011 to a total of 943,927 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 2011.

Table 3 sets out the total members assets and total members liabilities 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 2011 two credit unions transferred their engagements to another credit union. The registration of one association of credit unions was cancelled due to a dissolution.

At 30 June 2011, 28 credit unions and one association of credit unions were registered under Part II of the Act. Membership of credit unions increased in the year ending 30 June 2011 to a total of 204,785 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 2011.

As shown in Table 4, overall expenses in running credit unions amounted to almost \$84million. This expense figure amounts to 10.52% of the average total assets of credit unions in the year to 31 March 2011, compared with 10.01% for the 2010 period. 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 \$789million in the year to 31 March 2011. Overall reserves of \$127million represented 16.10% of total assets.



Neville Harris
Registrar of Friendly Societies and Credit Unions
2 February 2012

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)

Under Part II of the Act a diverse range of societies may be registered. First, there are friendly societies that are set up to provide mainly insurance-related benefits for members and their families. These include benefits payable on sickness, annuities in old age, funeral benefits, life insurance and medical benefits.

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

Thirdly, there are working men's clubs established to provide social and recreational facilities and mutual helpfulness for their members. Not all working men's clubs are registered under this Act, others preferring to incorporate under the Incorporated Societies Act 1908.

Finally, there are provisions for specially authorised societies which may be established for such purposes as the Minister may authorise as being relevant to the Act. The only societies currently registered under this category are two guarantee societies that provide fidelity insurance for officers of other societies.

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, particularly at district and lodge levels. Usually there are separate registrations of the society, districts and lodges because each holds funds and sometimes has 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.

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.

(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. Amendments to the Friendly Societies and Credit Unions Act (which came into force in November 2006) broadened the membership of credit unions by extending membership 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. This is because of the limited size of credit unions. However 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.

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.

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.

TABLE 1
FRIENDLY AND OTHER SOCIETIES – REGISTRATIONS AND MEMBERSHIP

Name of Order or Designation	REGISTRATIONS	MEMBERSHIP (a)	
	30-Jun-11	2011	2010
Manchester Unity	38	20,612	23,339
Odd Fellows	5	1,250	1,396
Foresters	11	1,135	1,194
Druids	24	1,573	1,744
Hibernians	22	5,014	5,178
Protestant Alliance	2	11	14
Total Traditional Friendly Societies	102	29,595	32,865
UFS Dispensaries (b)	12	12,725	12,873
Medical Care Societies	1	842,044	843,122
Other Friendly Societies	8	3,265	3,292
Benevolent Societies	7	5,624	5,881
Working Men's Clubs	25	50,480	51,267
Specially Authorised Societies	2	194	195
Total Others	55	914,332	916,630
TOTAL	157	943,927	949,495

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

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

Data for the 2011 year relates to the period 1 April 2010 - 31 March 2011

**TABLE 2
FRIENDLY AND OTHER SOCIETIES – INCOME AND EXPENDITURE**

	2010/2011 \$ (000)	2009/2010 \$ (000)
Total income	646,576	601,585
Total admin costs	657,903	622,589
Excess Income over Expenditure	-11,327	-21,004

Note:

These totals exclude all UFS Dispensary and Workingmen's Clubs and two friendly societies who had not submitted their accounts prior to the preparation of the table.

**TABLE 3
FRIENDLY AND OTHER SOCIETIES – FUNDS AND ASSETS**

	2010/2011 \$ (000)	2009/2010 \$ (000)
Total Assets	616,020	619,743
Total Funds	616,020	619,743

**TABLE 4
CREDIT UNIONS – INCOME AND EXPENDITURE**

	2010/2011	2009/2010
	\$(000)	\$(000)
Total income	113,786	94,040
Total administration costs	83,809	66,862
Total cost of funds	23,643	26,256
Excess income over expenditure	6,334	922
Transfers from Income		
Transfers to General Reserve	1,015	1,650
Transfers to other reserves	168	61
Transfers from reserves	11	0
From merged Credit Unions	790	3,549
Net transfers	1,522	5,260
Increase in retained earnings for year	5,947	2,815

These figures exclude Hibernian Credit Union

**TABLE 5
CREDIT UNIONS – FUNDS AND ASSETS**

	2010/2011			2009/2010	
	\$ (000)			\$ (000)	
Funds					
General Reserves	55,856			49,343	
Other Reserves	2,668	Overall reserves \$million	\$127,097	2,493	Overall reserves \$million \$104,515
Retained earnings	68,573			52,679	
Total Funds	789,325			669,094	
Total Assets	789,325			669,094	