

**New Zealand Law Society
Statement of Financial Position
as at 30 November 2007**

	Note	2007		2006	
		\$000	\$000	\$000	\$000
Equity					
General fund			6,908		6,908
Reserve			5,029		4,574
			<u>11,937</u>		<u>11,482</u>
Represented by:					
Current assets					
Cash at bank		160		148	
Bank deposits	1	2,025		1,150	
Foreign currency bank deposits	2	6		6	
General fund bank deposits	1	6,908		6,908	
Debtors		<u>684</u>	<u>9783</u>	<u>1,043</u>	<u>9,255</u>
Fixed assets	4		<u>3,278</u>		<u>3,219</u>
Total assets			13,061		12,474
Current liabilities					
Creditors		(1,117)		(1,005)	
Provision for taxation	3	<u>(7)</u>	<u>(1,124)</u>	<u>13</u>	<u>(992)</u>
Net assets			<u>11,937</u>		<u>11,482</u>

Approved on behalf of the Board as at 28 February 2008.

D E Murphy, Treasurer

C M Grice, Executive Director

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**New Zealand Law Society
Statement of Financial Performance
for the year ended 30 November 2007**

	Note	2007 \$000	2006 \$000
Income			
Administration costs/service fees recovered	5	512	472
Interest		726	721
Practising and membership fees		5,268	4,978
Other		16	15
Total income		<u>6,522</u>	<u>6,186</u>
Expenditure			
Administration			
Audit fees		13	13
Computer systems maintenance		42	92
Depreciation - Furniture fittings and equipment		301	144
- Motor vehicle		10	10
Grants		9	3
Insurances and ACC levies		81	79
Legal and consulting		1,411	442
Miscellaneous costs of administration		186	245
Postage and telephones		196	209
President's honorarium and expenses		328	256
Printing and stationery		70	78
Salaries		2,700	2,452
Temporary accomodation		-	104
		<u>5,347</u>	<u>4,127</u>
Committee costs			
Council		93	57
Board		42	26
Other committees/sections		205	227
		<u>340</u>	<u>310</u>
Disciplinary proceedings			
Costs and expenses		87	135
Less: Recoveries		(70)	(48)
		<u>17</u>	<u>87</u>
Information costs			
Books and publications		13	20
International relations		109	116
LawTalk costs		385	360
Less: Income		(798)	(725)
Pamphlets and free publications		(17)	(12)
Public relations		-	4
		<u>(308)</u>	<u>(237)</u>
Total expenditure		<u>5,396</u>	<u>4,287</u>
Operating surplus before tax		1,126	1,899
Less: Income tax expense	3	<u>(261)</u>	<u>(209)</u>
Net surplus for the year		<u>865</u>	<u>1,690</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**New Zealand Law Society
Building Operating Account
for the year ended 30 November 2007**

	Note	2007 \$000	2006 \$000
Income			
Rent		<u>26</u>	<u>24</u>
Total Income		<u>26</u>	<u>24</u>
Expenditure			
Cleaning, heating and electricity		99	79
Depreciation: - Building		4	4
- Plant		55	8
Ground rent and rates	9	111	104
Insurance		42	33
Legal and consulting		13	5
Miscellaneous expenses		6	13
Repairs and maintenance		58	26
Security		48	-
Total Expenditure	6	<u>436</u>	<u>272</u>
Operating deficit		<u>(410)</u>	<u>(248)</u>

Statement of Movements in Equity
for the year ended 30 November 2007

Equity at start of the year	11,482	10,040
Less: Deficit from building operating account	(410)	(248)
Plus: Surplus from statement of financial performance	<u>865</u>	<u>1,690</u>
Total recognised revenues and expenses for the year	455	1,442
Equity at end of the year	<u>11,937</u>	<u>11,482</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**New Zealand Law Society
Statement of Cash Flows
for the year ended 30 November 2007**

	Note	2007 \$000	2006 \$000
Cash flows from operating activities			
Cash was received from:			
Practising fees, contributions, rent and sundry		7,039	5,886
Interest received		666	719
		<u>7,705</u>	<u>6,605</u>
Cash was applied to:			
Payments to suppliers and employees		6,148	4,926
Tax paid		241	252
		<u>6,389</u>	<u>5,178</u>
Net cash inflow from operating activities	7	<u>1,316</u>	<u>1,427</u>
Cash flows from investing activities			
Cash was paid for:			
Purchase of fixed assets		(429)	(2,713)
		<u>(429)</u>	<u>(2,713)</u>
Net cash (outflow) from investing activities		<u>(429)</u>	<u>(2,713)</u>
Net increase/(decrease) in cash held			
Cash at beginning of the year		887	(1,286)
Net increase in cash held		8,212	9,498
Cash at end of the year		<u>9,099</u>	<u>8,212</u>
Comprising:			
Cash at bank		160	148
Bank deposits		2,031	1,156
General fund bank deposits		6,908	6,908
		<u>9,099</u>	<u>8,212</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**Statement of Accounting Policies
for the year ended 30 November 2007**

General Accounting Policies

These financial statements have been prepared in accordance with the Society's rules made by the Council under the Law Practitioners Act 1982.

The measurement base adopted is that of historical cost. Reliance is placed on the fact that the Society is a going concern.

Accrual accounting is used to match expenses and revenues.

Particular Accounting Policies

(a) **Fixed assets:** Fixed assets are recorded at cost of purchase. The value of the leasehold land in the Statement of Financial Position is the cost price of purchasing the lease.

(b) **Depreciation:** Fixed assets are depreciated on a straight line or diminishing value basis over their estimated economic lives. Leasehold land is not depreciated.

Depreciation rates are:

Building	1%
Computer equipment	20-48%
Furniture, fittings and office equipment	6-48%
Motor vehicle	20%
Plant	5-20%

(c) **Taxation:** Taxation is provided on income that is generated from trading transactions.

(d) **Goods & Services Tax (GST):** The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and payable which are stated with GST included.

Changes in accounting policies

There have been no changes in accounting policies during the year.

Notes to the 2007 Financial Statements

1. (a) Bank deposits and general funds

The Society has funds invested with the ANZ, ASB, BNZ, HSBC, Kiwibank, National, UDC and Westpac.

(b) Financial instruments

Fair value

The carrying value of all financial assets and liabilities in the Statement of Financial Position are considered to be equivalent to their fair value.

Credit risk

Financial instruments, which potentially subject the Society to credit risk, consist primarily of debtors, bank accounts and creditors.

Cash and short term deposits are placed with high credit quality financial institutions and exposure to any one institution is limited. There are no other concentrations of credit risk.

Interest rate and currency risk

The Society's activities are carried out within New Zealand and it receives interest at current market rates.

2. Foreign currency bank deposits

The valuation of foreign currencies translated into New Zealand currency at the rates of exchange ruling at balance date was \$4,833 (2006 \$5,366).

3. Taxation

(a) For taxation purposes the Society is classified as a mutual association.

(b) The Society has financial transactions with both members and non-members.

The Society is liable for taxation to the extent that it generates income from its trading transactions. Overhead expenditure is apportioned against the activities which generate assessable income.

	2007	2006
	\$000	\$000
Tax expense		
Net interest income	718	713
Net income from trading activities	73	(79)
Less non-profit body exemption	(1)	(1)
	<u>790</u>	<u>633</u>
Current tax expense at 33%	261	209
Tax provision		
Opening balance	(13)	30
2007 tax expense	261	-
2007 tax paid	(241)	-
2006 tax expense	-	209
2006 tax paid	-	(252)
Tax payable/(refund)	<u>7</u>	<u>(13)</u>

4. Fixed assets

	2007		2006	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Leasehold land	52	-	52	-
Building	365	157	365	153
Plant	744	214	757	177
Furniture, fittings and equipment	3110	964	3,020	669
Motor vehicle	46	32	46	22
Work in progress – registry/database	328	-	-	-
	<u>4,645</u>	<u>1,367</u>	<u>4,240</u>	<u>1,021</u>
Net book value		<u>3,278</u>		<u>3,219</u>

On 1 September 2007 Quotable Value NZ valued the land (lessor's interest) and building as follows:

	\$000
Land	1,450
Building	<u>3,350</u>
Capital Value	4,800

The Society's interest in the land is as lessee only.

5. Administration costs/service fees recovered

Costs and fees relating to the administration of other NZLS activities are recovered from the:

Solicitors Fidelity Guarantee Fund

NZLS Inspectorate

NZLS Special Fund

Continuing Legal Education

The above recoveries are included in the Statement of Financial Performance under the expenditure headings of administration, committee and information.

6. NZLS Occupancy Costs

These costs are contained in the building account. The secretariat occupies 76% of the usable floor space.

7. Reconciliation of cash flows from operating activities with reported operating surplus

	2007	2006
	\$000	\$000
Reported surplus after taxation of:		
NZLS	865	1,690
Building operating account	<u>(410)</u>	<u>(248)</u>
	<u>455</u>	<u>1,442</u>
Add non-cash items:		
Depreciation	370	166
Loss on disposal of fixed assets	<u>-</u>	<u>52</u>
	<u>370</u>	<u>218</u>
Add movements in other working capital items:		
Debtors	359	(330)
Creditors	112	140
Tax liability	<u>20</u>	<u>(43)</u>
	<u>491</u>	<u>(233)</u>
Net cash inflow from operating activities	<u>1,316</u>	<u>1,427</u>

8. Capital commitments

At balance date (2006 nil), the Society was committed to the development of a national registry/database to take effect on the implementation of the Lawyers and Conveyancers Act 2006. Expenditure to 30 November 2007 has been included in the accounts.

9. Operating lease arrangements

	2007	2006
	\$000	\$000
Minimum lease payments under operating lease	<u>49</u>	<u>49</u>

At balance date, the Society had outstanding commitments under non-cancellable operating lease, falling due as follows:

	2007	2006
	\$000	\$000
Within one year	49	49
In the second to fifth years inclusive	196	196
After five years	<u>-</u>	<u>49</u>
	<u>245</u>	<u>294</u>

Operating lease payments represent rentals payable by the Society for the land on which its building is situated. Lease rentals are fixed for the duration of the lease which expires on 1 January 2013.

10. Subsequent Events

The Lawyers & Conveyancers Act 2006 (the Act) is expected to come into force on 1.7.08. District law societies have signed a memorandum of understanding that their assets should transfer into one national law society (one society) six months after the Act comes into force. District law societies would then become unincorporated branches of the NZLS.

To meet the requirements of the Act and one society the NZLS will perform both regulatory and representative functions and provide separate financial statements for each.

Funding for these functions will be addressed in the early part of 2008.

AUDIT REPORT

TO THE MEMBERS OF NEW ZEALAND LAW SOCIETY

We have audited the attached financial statements. The financial statements provide information about the past financial performance of the New Zealand Law Society (the "Society") and its financial position as at 30 November 2007. This information is stated in accordance with the statement of accounting policies.

Board Responsibilities

The Board, through delegation by the Council, is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of the Society as at 30 November 2007 and the results of its operations for the year ended 30 November 2007.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Society.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements fairly reflect the financial position of the Society as at 30 November 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 February 2008 and our unqualified opinion is expressed as at that date.



CHARTERED ACCOUNTANTS WELLINGTON, NEW ZEALAND

This audit report relates to the financial statements of New Zealand Law Society for the year ended 30 November 2007 included on New Zealand Law Society's website. The entity's board is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 15 March 2007 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Centennial Maori Scholarship Fund
Statement of Financial Position
as at 30 November 2007

	2007	2006
	\$000	\$000
Assets		
Current deposits	24	24
Debtors and accrued interest	2	2
	<u>26</u>	<u>26</u>
Accumulated fund		
Opening balance	26	26
ADD Interest	2	2
	<u>28</u>	<u>28</u>
LESS Awards	(2)	(2)
	<u>26</u>	<u>26</u>
Closing balance	<u>26</u>	<u>26</u>

Note: From 1 December 2008 the Society is to discontinue the NZLS Centennial Maori Scholarship. The capital funds are to be transferred into the fund of the Cleary Memorial Prize for administration by the NZ Law Foundation.

**Centennial Scholarship Fund
Statement of Financial Position
as at 30 November 2007**

	2007	2006
	\$000	\$000
Assets		
Current deposits	25	25
Debtors and accrued interest	2	2
	<u>27</u>	<u>27</u>
LESS Creditors	(4)	(2)
	<u>23</u>	<u>25</u>
Accumulated fund		
Opening balance	25	25
ADD Interest and donations	2	2
	<u>27</u>	<u>27</u>
LESS Awards	(4)	(2)
	<u>23</u>	<u>25</u>
Closing balance	<u>23</u>	<u>25</u>

Note: From 1 December 2008 the Society is to discontinue the NZLS Centennial Scholarship. The capital funds are to be transferred into the fund of the Cleary Memorial Prize for administration by the NZ Law Foundation.

**Cleary Memorial Prize Fund
Statement of Financial Position
as at 30 November 2007**

	2007	2006
	\$000	\$000
Asset		
Current deposits	19	19
	<u>19</u>	<u>19</u>
Prize fund		
Opening balance	19	19
ADD Interest and donations	2	2
	<u>21</u>	<u>21</u>
LESS Awards	<u>(2)</u>	<u>(2)</u>
Closing balance	<u>19</u>	<u>19</u>

Note: From 1 December 2008 the Society is to transfer the fund of the Cleary Memorial Prize to the NZ Law Foundation for administration.

Legal Conference Fund
Statement of Financial Position
as at 30 November 2007

	2007	2006
	\$000	\$000
Assets		
Bank deposits	927	837
Debtors and accrued interest	<u>42</u>	<u>71</u>
	<u>969</u>	<u>908</u>
Liabilities		
Accumulated fund		
Opening balance	908	869
ADD Interest	67	59
2001 Conference Refund	<u>13</u>	<u>-</u>
	<u>988</u>	<u>928</u>
LESS Tax on 2007 income	<u>(21)</u>	<u>(19)</u>
Balance of accumulated fund before tax	967	909
Provision for tax	<u>2</u>	<u>(1)</u>
Closing balance	<u>969</u>	<u>908</u>

AUDIT REPORT

TO THE MEMBERS OF THE NEW ZEALAND LAW SOCIETY - CENTENNIAL MAORI SCHOLARSHIP FUND, CENTENNIAL SCHOLARSHIP FUND, CLEARY MEMORIAL PRIZE FUND AND LEGAL CONFERENCE FUND

We have audited the attached financial statements. The financial statements provide information about the financial positions of the Centennial Maori Scholarship Fund, the Centennial Scholarship Fund, the Cleary Memorial Prize Fund and the Legal Conference Fund (the "Funds") as at 30 November 2007. This information is stated in accordance with the accounting policies adopted by the New Zealand Law Society.

Board Responsibilities

The Board, through delegation by the Council, is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial positions of the Funds as at 30 November 2007.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Funds' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Funds.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion the attached financial statements fairly reflect the financial positions of the Funds as at 30 November 2007.

Our audit was completed on 28 February 2008 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

This audit report relates to the financial statements of New Zealand Law Society - Centennial Maori Scholarship Fund, Centennial Scholarship Fund, Cleary Memorial Prize Fund and Legal Conference Fund ("the Funds") for the year ended 30 November 2007 included on the Funds' website. The Board is responsible for the maintenance and integrity of the Funds' website. We have not been engaged to report on the integrity of the Funds' website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 February 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Solicitors' Fidelity Guarantee Fund
Statement of Financial Performance
for the year ended 30 November 2007**

	Note	2007		2006	
		\$000	\$000	\$000	\$000
Income					
Annual contributions			1,055		1,066
Interest		843		767	
LESS Tax on interest		(277)	566	(252)	515
Recoveries			<u>-</u>		<u>11</u>
Total income			<u>1,621</u>		<u>1,592</u>
Expenditure					
Claims admitted and claims settled as to consequential loss		(999)		(1,005)	
Investigation and other costs		(197)		(291)	
Administration		<u>(89)</u>		<u>(88)</u>	
Total expenditure			<u>(1,285)</u>		<u>(1,384)</u>
Operating surplus			<u>336</u>		<u>208</u>
Statement of Financial Position as at 30 November 2007					
Equity					
Reserves			<u>11,215</u>		<u>10,879</u>
Represented by:					
Assets					
Cash at bank		101		120	
Bank deposits		10,625		10,575	
Debtors - GST		1		26	
- Others		<u>514</u>	<u>11,241</u>	<u>444</u>	<u>11,165</u>
Liabilities					
Creditors - GST		(1)		(3)	
- Others		(6)		(59)	
- NZ Law Society		(14)		(18)	
Claims payable		-		(204)	
Provision for tax		<u>(5)</u>	<u>(26)</u>	<u>(2)</u>	<u>(286)</u>
Assets in excess of liabilities			<u>11,215</u>		<u>10,879</u>
Statement of Movements in Equity for the year ended 30 November 2007					
Equity at start of year			10,879		10,671
Net surplus for the year			<u>336</u>		<u>208</u>
Equity at end of the year			<u>11,215</u>		<u>10,879</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**Solicitors' Fidelity Guarantee Fund
Statement of Cash Flows
for the year ended 30 November 2007**

	Note	2007 \$000	2006 \$000
Cash flows from operating activities			
Cash was received from:			
Interest		752	786
Annual contributions		1,076	1,048
Recoveries		-	11
		<u>1,828</u>	<u>1,845</u>
Cash was applied to:			
Claims paid		(1,203)	(1,744)
Administration fee paid to NZLS		(80)	(72)
Investigation and other administration expenses		(240)	(249)
Tax paid		(274)	(228)
		<u>(1,797)</u>	<u>(2,293)</u>
Net cash inflow/(outflow) from operating activities	2	<u>31</u>	<u>(448)</u>
Net increase/(decrease) in cash held			
Cash at beginning of the year		31	(448)
Net increase in cash held		<u>10,695</u>	<u>11,143</u>
Cash at end of the year		<u>10,726</u>	<u>10,695</u>
Comprising:			
Cash at bank		101	120
Bank deposits		<u>10,625</u>	<u>10,575</u>
		<u>10,726</u>	<u>10,695</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Notes to the 2007 Financial Statements

Note 1 Accounting policies

These financial statements have been prepared in accordance with the Society's rules made by the Council under the Law Practitioners Act 1982.

The measurement base adopted is that of historical cost. Reliance is placed on the fact that the Fund is a going concern.

Accrual accounting is used to match expenses and revenues.

Goods & Services Tax (GST): The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and payable which are stated with GST included.

There have been no changes in accounting policies during the year.

Note 2 Reconciliation of cash flows from operating activities with reported operating surplus

	2007 \$000	2006 \$000
Reported surplus after taxation	336	208
Add movements in other working capital items:		
Debtors	(45)	43
Creditors	(263)	(723)
Tax liability	<u>3</u>	<u>24</u>
	<u>(305)</u>	<u>(656)</u>
Net cash inflow/(outflow) from operating activities	<u>31</u>	<u>(448)</u>

Note 3 Contingencies

As at 28 February 2008 there were contingent liabilities on the Fund of \$475,946 (\$345,473 in 2006) in respect of claims and costs lodged or to be lodged against the Fund but not finally dealt with by the Management Committee. These figures do not include interest nor do they include claims lodged against the Fund and declined by the Management Committee.

Note 4 Financial instruments

Fair value

The carrying value of all financial assets and liabilities in the Statement of Financial Position are considered to be equivalent to their fair value.

Credit risk

Financial instruments which potentially subject the Fund to credit risk consist primarily of debtors, bank accounts and creditors.

Cash and short term bank deposits are placed with high credit quality financial institutions and exposure to any one institution is limited.

Interest rate and currency risk

The Fund's activities are carried out within New Zealand and it receives interest at current market rates.



**AUDIT REPORT
TO THE MEMBERS OF THE NEW ZEALAND LAW SOCIETY – SOLICITORS’ FIDELITY
GUARANTEE FUND**

We have audited the attached financial statements. The financial statements provide information about the past financial performance of the New Zealand Law Society – Solicitors’ Fidelity Guarantee Fund (“Solicitors’ Fidelity Guarantee Fund”) and its financial position as at 30 November 2007. This information is stated in accordance with the statement of accounting policies.

Board Responsibilities

The Board, through delegation by the Council, is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of the Solicitors’ Fidelity Guarantee Fund as at 30 November 2007 and the results of its operations and cash flows for the year ended 30 November 2007.

Auditor’s Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Solicitors’ Fidelity Guarantee Fund’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Solicitors’ Fidelity Guarantee Fund.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion the financial statements fairly reflect the financial position of the Solicitors’ Fidelity Guarantee Fund as at 30 November 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 February 2008 and our unqualified opinion is expressed as at that date

**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

This audit report relates to the financial statements of the New Zealand Law Society – Solicitors’ Fidelity Guarantee Fund (“the Fund”) for the year ended 30 November 2007 included on the Fund’s website. The Board is responsible for the maintenance and integrity of the Fund’s website. We have not been engaged to report on the integrity of the Fund’s website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 February 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**New Zealand Law Society Inspectorate
Statement of Financial Performance
for the year ended 30 November 2007**

	2007		2006	
	\$000	\$000	\$000	\$000
Income				
Annual contributions		1,204		1,163
Investigation costs recovered		52		54
Interest	45		38	
LESS Tax on interest	(14)	31	(12)	26
Practitioners course income	67		73	
LESS Practitioners course cost	(54)	13	(52)	21
Compliance review costs recovered	76		180	
LESS Compliance review costs	(76)	-	(180)	-
Total income		<u>1,300</u>		<u>1,264</u>
Expenditure				
Audit fee	(5)		(5)	
Administration	(230)		(189)	
Inspectors salaries, travel & other expenses	(980)		(1,075)	
Legal and consulting	(1)		(11)	
Total expenditure		<u>(1,216)</u>		<u>(1,280)</u>
Operating surplus/(deficit)		<u>84</u>		<u>(16)</u>
Statement of Financial Position as at 30 November 2007				
Equity				
Reserves		<u>431</u>		<u>347</u>
Represented by				
Assets				
Cash at bank	111		119	
Bank deposits	355		230	
Debtors - GST	5		14	
- Others	57		100	
- Provision for tax	1	529	1	464
Liabilities				
Creditors - GST	(1)		(4)	
- Others	(97)	(98)	(113)	(117)
Assets in excess of liabilities		<u>431</u>		<u>347</u>
Statement of Movements in Equity for the year ended 30 November 2007				
Equity at start of the year		347		363
Net surplus/(deficit) for the year		<u>84</u>		<u>(16)</u>
Equity at end of the year		<u>431</u>		<u>347</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**New Zealand Law Society Inspectorate
Statement of Cash Flows
for the year ended 30 November 2007**

	Note	2007	2006
		\$000	\$000
Cash flows from operating activities			
Cash was received from:			
Annual contributions		1,208	1,191
Compliance review and practitioner course recoveries		227	341
Interest		<u>39</u>	<u>37</u>
		1,474	1,569
Cash was applied to:			
Administration fee paid to NZLS		(147)	(140)
Compliance review and practitioner course costs		(117)	(222)
Inspectors' salaries and expenses		(981)	(1,060)
Other administration expenses		(98)	(139)
Tax paid		<u>(14)</u>	<u>(11)</u>
		<u>(1,357)</u>	<u>(1,572)</u>
Net cash inflow/(outflow) from operating activities	3	<u>117</u>	<u>(3)</u>
Net increase/(decrease) in cash held			
Cash at beginning of the year		117	(3)
Net increase in cash held		<u>349</u>	<u>352</u>
Cash at end of the year		<u>466</u>	<u>349</u>
Comprising:			
Cash at bank		111	119
Bank deposits		<u>355</u>	<u>230</u>
		<u>466</u>	<u>349</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Notes to the 2007 Financial Statements

Note 1 Accounting policies

These financial statements have been prepared in accordance with the Society's rules made by the Council under the Law Practitioners Act 1982.

The measurement base adopted is that of historical cost. Reliance is placed on the fact that the Inspectorate is a going concern.

Accrual accounting is used to match expenses and revenues.

Goods & Services Tax (GST): The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and payable which are stated with GST included.

There have been no changes in accounting policies during the year.

Note 2 Financial instruments

Fair value

The carrying value of all financial assets and liabilities in the Statement of Financial Position are considered to be equivalent to their fair value.

Credit risk

Financial instruments which potentially subject the Inspectorate to credit risk consist primarily of debtors, bank accounts and creditors.

Cash and short term bank deposits are placed with high credit quality financial institutions and exposure to any one institution is limited.

Interest rate and currency risk

The Inspectorate's activities are carried out within New Zealand and it receives interest at current market rates.

Note 3 Reconciliation of cash flows from operating activities with reported operating surplus

	2007	2006
	\$000	\$000
Reported surplus/(deficit) after taxation:	84	(16)
Add movements in working capital items:		
Debtors	52	81
Creditors	(19)	(69)
Tax liability	<u>-</u>	<u>1</u>
	<u>33</u>	<u>13</u>
Net cash inflow/(outflow) from operating activities	<u>117</u>	<u>(3)</u>



**AUDIT REPORT
TO THE MEMBERS OF THE NEW ZEALAND LAW SOCIETY - INSPECTORATE**

We have audited the attached financial statements. The financial statements provide information about the past financial performance of the New Zealand Law Society Inspectorate (the "Inspectorate") and its financial position as at 30 November 2007. This information is stated in accordance with the statement of accounting policies.

Board Responsibilities

The Board, through delegation by the Council, is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of the Inspectorate as at 30 November 2007 and the results of its operations and cash flows for the year ended 30 November 2007.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Inspectorate's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Inspectorate.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion the financial statements fairly reflect the financial position of the New Zealand Law Society Inspectorate as at 30 November 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 February 2008 and our unqualified opinion is expressed as at that date.

**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

This audit report relates to the financial statements of the New Zealand Law Society Inspectorate ("the Inspectorate") for the year ended 30 November 2007 included on the Inspectorate website. The Board is responsible for the maintenance and integrity of the Inspectorate website. We have not been engaged to report on the integrity of the Inspectorate website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 February 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

New Zealand Law Society - Continuing Legal Education

Statement of Financial Performance for the year ended 30 November 2007

	Note	\$000	2007 \$000	\$000	2006 \$000
Income					
Course and booklets			3,887		2,681
Interest			166		104
Total income			<u>4,053</u>		<u>2,785</u>
Expenditure					
Audit fee			5		5
Contribution to stakeholder sections			43		41
Course and booklets			2,159		1,649
Depreciation			12		28
Insurances and ACC levy			11		14
Loss on disposal fixed assets			-		40
Miscellaneous			172		111
NZLS service fees and administration costs			164		169
Salaries			696		534
Total expenditure			<u>3,262</u>		<u>2,591</u>
Operating surplus before tax			791		194
Less: Income tax expense	2		<u>(275)</u>		<u>(72)</u>
Net surplus for the year			<u>516</u>		<u>122</u>

Statement of Financial Position as at 30 November 2007

Equity					
Reserves			<u>1,977</u>		<u>1,461</u>
Represented by					
Current Assets					
Cash at bank	1	138		88	
Bank deposits	1	2,225		1,651	
Debtors - GST		30		51	
- Others		<u>160</u>	2,553	<u>121</u>	1,911
Fixed assets	3		12		18
Total Assets			<u>2,565</u>		<u>1,929</u>
Current Liabilities					
Creditors - GST		-		(19)	
- Others		(555)		(544)	
Provision for taxation	2	<u>(33)</u>	<u>(588)</u>	<u>95</u>	<u>(468)</u>
Assets in excess of liabilities			<u>1,977</u>		<u>1,461</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**New Zealand Law Society – Continuing Legal Education
Statement of Cash Flows
for the year ended 30 November 2007**

	Note	2007 \$000	2006 \$000
Cash flows from operating activities			
Cash was received from:			
Course fees and booklets		3,872	2,773
Interest		142	102
		<u>4,014</u>	<u>2,875</u>
Cash was applied to:			
Course booklets and expenses		(2,203)	(1,719)
Payments to suppliers, employees and stakeholders		(1,034)	(852)
Tax paid		(147)	(222)
		<u>(3,384)</u>	<u>(2,793)</u>
Net cash inflow from operating activities	4	<u>630</u>	<u>82</u>
Cash flows from investing activities			
Cash was paid for:			
Purchase of fixed assets		<u>(6)</u>	<u>(1)</u>
Net cash (outflow) from investing activities		<u>(6)</u>	<u>(1)</u>
Net increase in cash held			
Cash at beginning of the year		1,739	1,658
Net increase in cash held		<u>624</u>	<u>81</u>
Cash at end of the year		<u>2,363</u>	<u>1,739</u>
Comprising:			
Cash at bank		138	88
Bank deposits		<u>2,225</u>	<u>1,651</u>
		<u>2,363</u>	<u>1,739</u>

Statement of Movements in Equity
for the year ended 30 November 2007

Equity at start of the year	1,461	1,339
Net surplus for the year	<u>516</u>	<u>122</u>
Equity at end of the year	<u>1,977</u>	<u>1,461</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

**Statement of Accounting Policies - Continuing Legal Education ("CLE")
for the year ended 30 November 2007**

General Accounting Policies

These financial statements have been prepared in accordance with the NZ Law Society's rules made by the Council under the Law Practitioners Act 1982.

The measurement base adopted is that of historical cost. Reliance is placed on the fact that CLE is a going concern.

Accrual accounting is used to match expenses and revenues.

Particular Accounting Policies

- (a) **Fixed assets:** Fixed assets are recorded at cost of purchase.
- (b) **Depreciation:** Fixed assets are depreciated on a straight line basis over their estimated economic lives.

Depreciation rates are:

Computers	36-48%
Furniture, fittings and office equipment	7-28.8%

- (c) **Taxation:** Taxation is provided on income that is generated from trading transactions.
- (e) **Goods & Services Tax (GST):** The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and payables that are stated with GST included.

Notes to the 2007 Financial Statements

1. (a) Bank deposits and general funds

CLE has funds invested with the ANZ, ASB, HSBC, Kiwibank and Westpac.

(b) Financial instruments

Fair value

The carrying value of all financial assets and liabilities in the Statement of Financial Position are considered to be equivalent to their fair value.

Credit risk

Financial instruments, which potentially subject the Society to credit risk, consist primarily of debtors, bank accounts and creditors.

Cash and short term deposits are placed with high credit quality financial institutions and exposure to any one institution is limited. There are no other concentrations of credit risk.

Interest rate and currency risk

CLE's activities are carried out within New Zealand and it receives interest at current market rates.

2. Taxation

(a) For taxation purposes CLE is classified as a mutual association.

(b) CLE has financial transactions with both members and non-members.

CLE is liable for taxation to the extent that it generates income from its trading transactions. Overhead expenditure is apportioned against the activities that generate assessable income.

	2007 \$000	2006 \$000
Tax expense		
Net interest income	166	104
Net income from trading activities	668	115
Less non-profit body exemption	<u>(1)</u>	<u>(1)</u>
	<u>833</u>	<u>218</u>
Current tax expense	275	72
Tax provision		
Opening balance	(95)	55
2007 tax expense	275	-
2007 tax paid	(147)	-
2006 tax expense	-	72
2006 tax paid	<u>-</u>	<u>(222)</u>
Tax payable/(refund)	<u>33</u>	<u>(95)</u>

3. Fixed assets

	2007		2006	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Furniture, fittings and equipment	<u>157</u>	<u>145</u>	<u>151</u>	<u>131</u>
Net book value	<u>157</u>	<u>145</u>	<u>151</u>	<u>131</u>
		<u>12</u>		<u>18</u>

4. **Reconciliation of cash flows from operating activities with reported operating surplus**

	2007	2006
	\$000	\$000
Reported surplus after taxation	<u>516</u>	<u>122</u>
	<u>516</u>	<u>122</u>
Add non-cash items:		
Depreciation	12	28
Loss on disposal of fixed assets	<u>-</u>	<u>40</u>
	<u>12</u>	<u>68</u>
Add movements in other working capital items:		
Debtors (increase)	(18)	103
Creditors (decrease)	(8)	(61)
Tax liability increase	<u>128</u>	<u>(150)</u>
	<u>102</u>	<u>(108)</u>
Net cash inflow from operating activities	<u>630</u>	<u>82</u>

5. **Capital commitments**

CLE has no capital commitments at balance date (2006 nil).

AUDIT REPORT

TO THE MEMBERS OF THE NEW ZEALAND LAW SOCIETY – CONTINUING LEGAL EDUCATION

We have audited the attached financial statements. The financial statements provide information about the past financial performance of the New Zealand Law Society – Continuing Legal Education (“Continuing Legal Education”) and its financial position as at 30 November 2007. This information is stated in accordance with the statement of accounting policies.

Board Responsibilities

The Board, through delegation by the Council, is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of Continuing Legal Education as at 30 November 2007 and the results of its operations and cash flows for the year ended on that date.

Auditors’ Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to Continuing Legal Education’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Entity.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion the financial statements fairly reflect the financial position of Continuing Legal Education as at 30 November 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 February 2008 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

This audit report relates to the financial statements of the New Zealand Law Society – Continuing Legal Education (“The Entity”) for the year ended 30 November 2007 included on the Entity’s website. The Board is responsible for the maintenance and integrity of the Entity’s website. We have not been engaged to report on the integrity of the Entity’s website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 February 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.