

NEW ZEALAND LAW SOCIETY

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JULY 2008

New Zealand Law Society and Group
Income Statement
For the period ended 31 July 2008

	Note	Group		Society	
		2008	2007	2008	2007
		NZ\$'000 8 months	NZ\$'000 12 months	NZ\$'000 8 months	NZ\$'000 12 months
Operating revenue		6,739	10,779	4,542	5,780
Rental income		17	26	17	26
Interest income		840	1,082	598	726
Other income		29	32	24	16
	2	7,625	11,919	5,181	6,548
Administration costs		(5,427)	(6,290)	(4,554)	(5,347)
Committee costs		(271)	(458)	(188)	(340)
Disciplinary proceedings costs		(46)	(17)	(35)	(17)
Information costs		108	269	108	308
Rental expense		(279)	(460)	(279)	(460)
Other expenses:					
Continuing legal education – operating		(949)	(2,021)	-	-
Inspectorate – operating		(728)	(1,069)	-	-
Profit before income tax	2	33	1,873	233	692
Income tax expense	3	(200)	(596)	(163)	(261)
(Loss)/Profit for the period		(167)	1,277	70	431

New Zealand Law Society and Group
Balance Sheet
As at 31 July 2008

	Note	Group		Society	
		2008	2007	2008	2007
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
		8 months	12 months	8 months	12 months
<i>Assets</i>					
Current assets					
Cash and cash equivalents		16,323	13,940	10,844	9,099
Trade and other receivables	4	690	409	616	375
Other assets	5	560	430	370	309
Total current assets		17,573	14,779	11,830	9,783
Non-current assets					
Property, plant and equipment	6	5,740	5,916	5,729	5,904
Continuing legal education	7	-	-	1,541	1,977
Intangible assets	8	688	336	669	336
Total non-current assets		6,428	6,252	7,939	8,217
Total assets		24,001	21,031	19,769	18,000
<i>Equity and Liabilities</i>					
Current liabilities					
Trade and other payables	9	1,279	1,297	818	855
Other liabilities	10	3,593	403	2,362	262
Current tax liabilities	3	10	45	79	7
Total liabilities		4,882	1,745	3,259	1,124
Equity					
Reserves	11	6,908	6,908	6,908	6,908
Retained earnings	12	12,211	12,378	9,602	9,968
Total equity		19,119	19,286	16,510	16,876
Total equity and liabilities		24,001	21,031	19,769	18,000

New Zealand Law Society and Group
Statement of Recognised Income and Expense
For the period ended 31 July 2008

	Note	Group		Society	
		2008	2007	2008	2007
		NZ\$'000 8 months	NZ\$'000 12 months	NZ\$'000 8 months	NZ\$'000 12 months
(Loss)/Profit for the period		(167)	1,277	70	431
Total recognised income and expense for the period	12	(167)	1,277	70	431

**New Zealand Law Society and Group
Cash Flow Statement
For the period ended 31 July 2008**

	Note	Group		Society	
		2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Cash flows from operating activities					
Cash was received from:					
Practising fees, contributions, rent and sundry		10,124	12,258	6,524	6,633
Interest received		671	1,027	537	666
		<u>10,795</u>	<u>13,285</u>	<u>7,061</u>	<u>7,299</u>
Cash was applied to:					
Payments to suppliers and employees		7,750	10,442	4,820	5,742
Income tax paid		232	445	89	241
		<u>7,982</u>	<u>10,887</u>	<u>4,909</u>	<u>5,983</u>
Net cash generated by operating activities	16	<u>2,813</u>	<u>2,398</u>	<u>2,152</u>	<u>1,316</u>
Cash flows from investing activities					
Cash was received from:					
Sale of non current assets		16	-	16	-
		<u>16</u>	<u>-</u>	<u>16</u>	<u>-</u>
Cash was paid for:					
Payments for non current assets		446	435	423	429
Net cash used in investing activities		<u>(430)</u>	<u>(435)</u>	<u>(407)</u>	<u>(429)</u>
Net increase in cash and cash equivalents		2,383	1,963	1,745	887
Cash and cash equivalents at the beginning of the financial period		<u>13,940</u>	<u>11,977</u>	<u>9,099</u>	<u>8,212</u>
Cash and cash equivalents at the end of the financial period		<u>16,323</u>	<u>13,940</u>	<u>10,844</u>	<u>9,099</u>
Comprising:					
Cash at bank		377	409	150	160
Bank deposits		9,038	6,623	3,786	2,031
General fund bank deposits		6,908	6,908	6,908	6,908
		<u>16,323</u>	<u>13,940</u>	<u>10,844</u>	<u>9,099</u>

New Zealand Law Society and Group

Notes to the financial statements

For the period ended 31 July 2008

1. General Information

The New Zealand Law Society (the Society) and Group are established by s4 of the Law Practitioners Act 1982 (LPA). Its principal activities are primarily to:

- Regulate legal practice, uphold the fundamental obligations of lawyers, enforce the provisions of the Act and promote the reform of the law; and
- Represent its members and serve their interests.

2. 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 other applicable financial reporting standards as appropriate for public benefit entities.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for land and buildings which were revalued to a 'deemed cost' on the date of transition to NZ IFRS. Cost is based on the fair value of the consideration given in exchange for assets.

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.

The Group changed its accounting policies on 1 December 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, with 1 December 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the balance sheet, income statement and cash flows is given in note 18.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 31 July 2008, the comparative information presented in these financial statements for the year ended 30 November 2007, and in the preparation of the opening NZ IFRS balance sheet at 1 December 2006 – the date of transition.

The presentation and functional currency used in the preparation of these financial statements is the New Zealand dollar. Figures have been rounded to the nearest thousand.

3. Adoption of New and Revised Standards

Standards and Interpretations effective in the current period

In the current period, the Group has adopted NZ IFRS-7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to NZ IAS-1 *Presentation of Financial Statements*.

The impact of the adoption of NZ IFRS-7 and the changes to NZ IAS-1 has been to expand the disclosures provided in the financial statements regarding the Group's financial instruments and management of capital.

Standards and Interpretations in issue but not yet adopted

At the date of this report, the following Standards and Interpretations have been issued but not yet adopted. However, some of these will impact the Group. These Standards and Interpretations are not expected to have a material effect on the Group's balance sheet and income statement. Some of these Standards will affect the disclosures in the Notes to the Financial Statements.

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

Standard/Interpretation

Effective for Accounting Period
Beginning on or After

NZ IFRS-1 – <i>Amendments to First-Time Adoption New Zealand Equivalents to International Financial Reporting Standards</i>	1 January 2009
NZ IFRS-3 – <i>Business Combinations (revised)</i>	1 July 2009
NZ IFRS-8 – <i>Operating Segments</i>	1 January 2009
NZ IAS-1 – <i>Presentation of Financial Statements (revised)</i>	1 January 2009
NZ IAS-27 – <i>Consolidated and Separate Financial Statements – Revised 2008</i>	1 July 2009
NZ IAS-27 – <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2009

Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Society (the Parent) and its subsidiaries as defined in NZ IAS-27: *Consolidated and Separate Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Investments in the Group are measured at cost in the Society’s financial statements. The net assets of the Solicitors Fidelity Guarantee Fund are held in trust for potential claimants under the LPA, and are accordingly not consolidated.

Reporting period

The Group’s balance sheet date has changed during the year from 30 November to 31 July. The balance sheet date will change to 30 June next year in accordance with the Lawyers and Conveyancers Act 2006 (the Act). The annual financial statements are presented for a period of eight months to 31 July 2008. This change is in line with the replacement of the LPA by the Act. The comparative amounts remain for a 12 month period to 30 November 2007 and are therefore not entirely comparable.

Use of estimates and judgments in applying the Group’s accounting policies

In applying the Group’s accounting policies, management has not made estimates and judgements that have had a significant effect on the amounts recognised in the financial statements.

Financial assets

Investment transactions are recognised and derecognised on trade date, and are initially measured at fair value.

Financial assets of the Group are classified on the nature and purpose of the financial assets as at the time of initial recognition which include cash and cash equivalents and trade receivables.

Receivables

Trade receivables and other receivables are recorded at amortised cost less any impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a straight line basis so as to write off the cost or other revalued amount of each asset, other than land, over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated rates are used in the calculation of depreciation:

<u>Class</u>	<u>Method</u>	<u>Rate</u>
• Computer equipment	SL	20-36%
• Furniture and equipment	SL	6-48%
• Motor vehicles	SL	20%

New Zealand Law Society and Group

Notes to the financial statements

For the period ended 31 July 2008

- | | | |
|------------|----|-------|
| • Building | SL | 1% |
| • Plant | SL | 5-20% |

Intangible assets

Intangible assets comprise software applications which have a finite useful life and are recorded at cost less accumulated amortisation and impairment. These are amortised on a straight line basis over their useful lives as follows:

Software : 2 years

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (as defined in NZ IAS-36: *Impairment of Asset*) is estimated in order to determine the extent of any loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

Any reversal of impairment losses in subsequent periods is recognised immediately in profit or loss. However, any reversals must not result in the carrying amount of the asset exceeding its carrying amount had no impairment losses been recognised in prior years.

Accounts payable

Accounts payable are recognised where the Group is obliged to make future payments for purchases of goods and services.

Employee benefits

Provision is made for accrued salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made for employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at time of settlement.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Income tax

Current tax

Taxation is provided on income that is generated from net interest and trading income of the Group, taking into account a non-profit exemption. Current tax is the amount of income tax payable or recoverable on the taxable profit or tax 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).

Revenue recognition

Rendering of services

Revenue from a transaction to provide services is recognised by reference to the stage of completion of the transaction at the balance sheet date.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Leasing

The Society as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Society as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Statement of cash flows

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments. The following terms are used in the Statement of Cash Flows:

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

Operating activities: are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Comparative amounts

Group financial statements, with comparative amounts, are included in these financial statements. The comparatives, other than being for a 12 month period, are stated on a basis consistent with the current period.

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

2. Profit before tax

	Group		Society	
	2008	2007	2008	2007
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
	8 months	12 months	8 months	12 months
(a) Revenue				
Revenue from continuing operations consisted of the following items:				
Revenue from the rendering of services:				
Practising and membership fees	6,519	10,716	3,912	5,268
Administration/service fees	220	63	630	512
Interest	840	1,082	598	726
Rental	17	26	17	26
	<u>7,596</u>	<u>11,887</u>	<u>5,157</u>	<u>6,532</u>
(b) Other Income				
Gain on disposal of property, plant, and equipment	6	-	6	-
Certificate of standing	23	32	18	16
	<u>29</u>	<u>32</u>	<u>24</u>	<u>16</u>
	<u>7,625</u>	<u>11,919</u>	<u>5,181</u>	<u>6,548</u>
Attributable to:				
Continuing operations	<u>7,625</u>	<u>11,919</u>	<u>5,181</u>	<u>6,548</u>
	<u>7,625</u>	<u>11,919</u>	<u>5,181</u>	<u>6,548</u>
(c) (Loss)/profit before income tax				
(Loss)/profit before income tax has been arrived at after charging the following from continuing operations:				
Depreciation of non-current assets	248	389	243	377
Amortisation of intangible assets	11	17	11	17
Loss on disposal of non-current assets	1	-	1	-
President honorarium and employee benefit expense:				
- salaries	3,609	4,310	2,410	2,700
	<u>3,609</u>	<u>4,310</u>	<u>2,410</u>	<u>2,700</u>
Remuneration paid to auditors:				
Audit of financial statements	26	26	13	13
	<u>26</u>	<u>26</u>	<u>13</u>	<u>13</u>

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

3. Taxation

(a) Income tax recognised in profit or loss

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Group		Society	
	2008	2007	2008	2007
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
	8 months	12 months	8 months	12 months
Net interest income	832	1,067	597	718
(Loss)/profit from trading operations	(297)	740	(54)	73
Non-profit organisation exemption	(2)	(2)	(1)	(1)
	<hr/>	<hr/>	<hr/>	<hr/>
Taxable income	533	1,805	542	790
Income tax calculated at 30% (2007: 33%)	200	596	163	261
	<hr/>	<hr/>	<hr/>	<hr/>
Taxation expense	200	596	163	261

The tax rate used in the above reconciliation is the corporate tax rate of 30% (33%: 2007) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

(b) Current tax assets and liabilities

	Group		Society	
	2008	2007	2008	2007
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
	8 months	12 months	8 months	12 months
Tax refund receivable	87	1	-	-
Tax payable	(97)	(46)	(79)	(7)
	<hr/>	<hr/>	<hr/>	<hr/>
	(10)	(45)	(79)	(7)

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

4. Trade and other receivables

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000. 12 months
Trade receivables	479	293	375	157
GST	211	116	209	81
Receivables due within the Group:				
- current	-	-	32	137
	<u>690</u>	<u>409</u>	<u>616</u>	<u>375</u>

Trade receivables are for goods and services supplied. There are no material doubtful debts.

Other debts due to the Society arose from orders by the NZLPDT under s112(2)(g) of the LPA, that defendants reimburse hearing costs to the Society. As the Society has not rendered a service to these debtors and their ability to pay is often doubtful, the Society recognises such income as it is received.

5. Other current assets

	Note	Group		Society	
		2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Prepayments and accrued income		560	430	370	309
		<u>560</u>	<u>430</u>	<u>370</u>	<u>309</u>

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

6. Property, plant and equipment

	Group						Total
	Computer Equipment	Leasehol d land	Buildings at fair value	Furnitur e and equipme nt	Motor Vehicles	Plant	
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	
Gross carrying amount							
Balance at 1 December 2006	244	52	365	2,718	46	757	4,182
Additions	16	-	-	84	-	5	105
Disposals	-	-	-	-	-	(18)	(18)
Net revaluation increments/(decrements) to deemed cost	-	433	2,400	-	-	-	2,833
Balance at 1 December 2007	260	485	2,765	2,802	46	744	7,102
Additions	6	-	-	18	58	-	82
Disposals	(5)	-	-	(20)	(46)	-	(71)
Balance at 31 July 2008	261	485	2,765	2,800	58	744	7,113
Accumulated depreciation and impairment							
Balance at 1 December 2007	158	-	153	458	22	177	968
Net adjustments to deemed cost	-	-	(153)	-	-	-	(153)
Disposals	-	-	-	-	-	(18)	(18)
Depreciation expense	37	-	28	259	10	55	389
Balance at 1 December 2007	195	-	28	717	32	214	1,186
Disposals	(4)	-	-	(20)	(37)	-	(61)
Depreciation expense	21	-	18	165	7	37	248
Balance at 31 July 2008	212	-	46	862	2	251	1,373
Net book value							
As at 30 November 2007	65	485	2,737	2,085	14	530	5,916
As at 31 July 2008	49	485	2,719	1,938	56	493	5,740

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

	Society						Total
	Computer Equipment	Leasehold land	Buildings	Furniture and equipment	Motor Vehicles	Plant	
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Gross carrying amount							
Balance at 1 December 2006	244	52	365	2,567	46	757	4,031
Additions	16	-	-	78	-	5	99
Disposals	-	-	-	-	-	(18)	(18)
Net revaluation increments/(decrements) to deemed cost	-	433	2,400	-	-	-	2,833
Balance at 1 December 2007	260	485	2,765	2,645	46	744	6,945
Additions	6	-	-	14	58	-	78
Disposals	(5)	-	-	-	(46)	-	(51)
Balance at 31 July 2008	261	485	2,765	2,659	58	744	6,972
Accumulated depreciation impairment							
Balance at 1 December 2006	158	-	153	325	22	177	835
Net adjustments to deemed cost	-	-	(153)	-	-	-	(153)
Disposals	-	-	-	-	-	(18)	(18)
Depreciation expense	37	-	28	247	10	55	377
Balance at 1 December 2007	195	-	28	572	32	214	1,041
Disposals	(4)	-	-	-	(37)	-	(41)
Depreciation expense	21	-	18	160	7	37	243
Balance at 31 July 2008	212	-	46	732	2	251	1,243
Net book value							
As at 30 November 2007	65	485	2,737	2,073	14	530	5,904
As at 31 July 2008	49	485	2,719	1,927	56	493	5,729

Building and leasehold land carried at fair value

An independent valuation of the Group's building and leasehold land was performed by Telfer Young (Wellington) Limited, an independent registered valuer not related to the Group, to determine the fair value of the building and leasehold land. The valuation conforms to the New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes and was issued on the 27th of November 2007. The effective date of the revaluation is 1 December 2006. The carrying value of the building and leasehold land that would have been recognised had the assets been carried under the cost model is the 2007 carrying value less (in the case of the building) depreciation for the year (\$28,000). In arriving at the current market value assessment for the premises, an income approach was considered to be the most suitable. To that end, Telfer Young first considered the market rental payable for the property and then, after deducting operating expenses, capitalized the net return into value at an appropriate capitalization rate.

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

7. Continuing legal education

The Society is the parent entity within the consolidated Group. Within the consolidated group in addition to the Society is the Legal Conference Fund, the New Zealand Law Society Inspectorate, the Family Law Section and Property Law Section which are governed as a group by the Law Practitioners Act 1982.

The net assets of the Continuing Legal Education are included within the Society as a whole. The assets transferred on that date approximated their fair values.

	NZ\$'000
Net assets on 1 December 2007	
Current assets	
Cash and bank balances	2,363
Trade and other receivables	190
Non-current assets	
Plant and Equipment	12
Current liabilities	
Trade and other payables	(555)
Current tax payable	(33)
Net assets at 1 December 2007	1,977
(Loss) after tax for 8 months to 31 July 2008	(436)
Net assets at 31 July 2008	1,541

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

8. Intangible assets

	Group NZ\$'000	Society NZ\$'000
<i>Gross carrying amount</i>		
Balance at 1 December 2006	209	209
Additions	7	7
Disposals	(12)	(12)
	204	204
Work in progress	329	329
Balance at 1 December 2007	533	533
Additions	79	79
Disposals	(6)	(6)
Work in progress	284	265
Balance at 31 July 2008	890	871
<i>Accumulated amortisation and impairment</i>		
Balance at 1 December 2006	186	186
Disposals	(6)	(6)
Amortisation expense	17	17
Balance at 1 December 2007	197	197
Amortisation expense	11	11
Disposals	(6)	(6)
Balance at 31 July 2008	202	202
Net carrying value		
As at 30 November 2007	336	336
As at 31 July 2008	688	669

9. Trade and other payables

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Trade payables	1,205	1,290	818	849
Goods and services tax (GST) payable	74	7	-	6
	1,279	1,297	818	855

The average credit period on purchases of certain goods and services is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. All trade payables have short term contractual maturities and therefore no interest is charged over a term.

10. Other liabilities

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Employee benefits	404	346	279	262
Unearned income	3,186	57	2,080	-
Other	3	-	3	-
	3,593	403	2,362	262

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Notes to the financial statements
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11. Reserves

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
General reserve				
Balance at beginning of the period	6,908	6,908	6,908	6,908
Balance at end of the period	6,908	6,908	6,908	6,908

The General reserve is maintained to meet the cost of unforeseen events.

12. Retained earnings

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Balance at beginning of the period	12,378	11,101	9,968	7,560
Net (loss)/profit from income statement	(167)	1,277	70	431
Retained earnings of CLE	-	-	(436)	1,977
Balance at end of the period	12,211	12,378	9,602	9,968

13. Leasing arrangements

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Non-cancellable operating lease payments				
Not later than 1 year	49	49	49	49
Later than 1 year and not later than 5 years	98	147	98	147
Later than 5 years	-	-	-	-
	147	196	147	196

The operating lease relates to land lease commitment on which the Society's building is situated. Lease rentals are fixed for the duration of the lease which expires on 1 January 2013. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

14. Related party disclosures

(a) Parent entity

The parent entity in the Group is the New Zealand Law Society.

(b) Transactions with related parties

Members of the Group conduct transactions between themselves, as described below. Amounts receivable and payable to related parties at balance date are disclosed in the notes to these financial statements.

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

During the period, costs and fees relating to the direct salaries and general administration expenses paid by the Society are recovered from the following subsidiaries:

	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
NZLS Inspectorate	103	147
Continuing Legal Education	193	259

(c) Terms under which related party transactions were entered into

No amounts owed by related parties have been written off or forgiven during the period.

(d) Other transactions involving related parties

The remuneration of the directors and executives, being the key management personnel of the entity, is set out below where it exceeds \$100,000. Remuneration includes salaries, bonuses and other benefits. There are no post employment or other long term benefits paid to key management personnel.

	<u>Group</u>		<u>Society</u>	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
\$100,000 - \$124,999	5	2	2	2
\$125,000 - \$149,999	1	-	1	-
\$150,000 - \$174,999	1	2	1	2
\$175,000 - \$199,999	1	1	-	-
\$200,000 - \$224,999	-	1	-	1
\$225,000 - \$249,999	-	1	-	1
\$250,000 - \$274,999	1	-	1	-
\$275,000 - \$299,999	1	1	1	1
\$300,000 - \$324,999	1	-	1	-

15. Subsequent events

The Act came into force on 1 August 2008. District law societies signed a memorandum of understanding that their assets should transfer to one national law society (one society) six months after the Act comes into force, consequently district law societies would then become unincorporated branches of the NZLS. However, the Auckland District Law Society has subsequently resolved to incorporate thereby retaining its assets. Other district law societies are now reviewing their own position.

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 was addressed in August 2008 when the budget setting practising fees (where applicable) was adopted.

The NZLS created NZ Continuing Legal Education Limited ('NZ CLE Limited'), a 100% owned subsidiary as at 1 August 2008. There was a valuation and transfer from the NZLS to NZ CLE Limited representing the net assets of the existing Continuing Legal Education ('CLE') whilst it was a cost centre of the NZLS. The transfer consisted of a mixture of share capital and debt totalling \$1.54m (refer to note 7 for details).

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

16. Reconciliation of cash flows from operating activities with profit after tax:

	Group		Society	
	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months	2008 NZ\$'000 8 months	2007 NZ\$'000 12 months
Reported profit after tax of:	(167)	1,277	70	431
Add non-cash items:				
Depreciation and amortisation	259	406	254	394
Loss on disposal of fixed assets	1	-	1	-
(Gain) on sale of fixed assets	(6)	-	(6)	-
	254	406	249	394
Add movements in other working capital items:				
Debtors	(412)	422	(302)	359
Creditors	3,173	141	2,063	112
Tax liability	(35)	152	72	20
	2,757	715	1,865	491
Net cash inflow from operating activities	2,813	2,398	2,152	1,316

17. Financial Instruments

The Group manages its funds to ensure that entities in the Group will be able to continue as a going concern through the optimisation of the debt and accumulated funds.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Fair value of financial instruments

The fair value of the financial instruments, financial assets and financial liabilities does not differ materially from the value as reflected in the balance sheet.

Interest rate risk

The Group is exposed to interest rate risk in that future interest rate movements will affect cash flows and the market value of fixed interest and other investment assets. The Group does not use any derivative products to manage interest rate risk.

Credit risk

The maximum credit risk associated with the financial instruments held by Group is considered to be the value reflected in the balance sheet. The risk of non-recovery of these amounts is considered to be minimal. The Group does not require collateral or other security to support financial instruments with credit risk.

18. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards

The Group changed its accounting policies on 1 December 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, with 1 December 2006 as the date of transition. In particular, the Group has taken the exemption permitted in NZ IAS 16: *Property, Plant, and Equipment* for the building and leasehold land that allowed opening deemed cost to be the revalued amount.

An explanation of how the transition from superseded policies to NZ IFRS has affected the Society and Group's balance sheet, income statement and cash flows is set out in the following tables and the notes that accompany the tables.

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

Effect of NZ IFRS on the Balance Sheet as at 1 December 2006:

	Note	Group			Society		
		Super- seded policies*	Effect of transition to NZ IFRS	NZ IFRS	Super- seded policies*	Effect of transition to NZ IFRS	NZ IFRS
Non-current assets							
Property, plant and equipment	a)	3,237	2,964	6,201	3,219	2,964	6,183
Intangible assets	a)	-	22	22	-	22	22
Total non-current assets		3,237	2,986	6,223	3,219	2,986	6,205
Total assets		16,639	2,986	19,625	12,474	2,986	15,460
Net assets		15,023	2,986	18,009	11,482	2,986	14,468
Equity							
Retained earnings	b)	8,115	2,986	11,101	4,574	2,986	7,560
General reserve		6,908	-	6,908	6,908	-	6,908
Total equity		15,023	2,986	18,009	11,482	2,986	14,468

* Reported balance sheet as at 30 November 2006.

Effect of NZ IFRS on the Income Statement for the financial year ended 30 November 2007:

	Note	Group			Society		
		Super- seded policies*	Effect of transition to NZ IFRS	NZ IFRS	Super- seded policies*	Effect of transition to NZ IFRS	NZ IFRS
Depreciation expense	a)	365	24	389	353	24	377
Profit for the period		1,301	24	1,277	455	24	431

* Reported income statement for the year ended 30 November 2007.

New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008

Effect of NZ IFRS on the Balance Sheet as at 30 November 2007:

	Note	Group			Society		
		Super- seded policies* NZ\$'000	Effect of transitio n to NZ IFRS NZ\$'000	NZ IFRS NZ\$'000	Super- seded policies* NZ\$'000	Effect of transition to NZ IFRS NZ\$'000	NZ IFRS NZ\$'000
Non-current assets							
Property, plant and equipment	a)	3,290	2,626	5,916	3,278	2,626	
Intangible assets	a)	-	336	336	-	336	
Total non-current assets		3,290	2,962	6,252	5,255	2,962	
Total assets		18,069	2,962	21,031	15,038	18,000	
Net assets		16,324	2,962	19,286	13,914	16,876	
Equity							
Retained earnings	b)	9,416	2,962	12,378	7,006	2,962	
General reserve		6,908	-	6,908	6,908	-	
Total equity		16,324	2,962	19,286	13,914	16,876	

* Reported balance sheet as at 30 November 2007.

Effect of NZ IFRS on the Cash Flow Statement for the financial year ended 30 November 2007

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity:

a) Property, plant and equipment

The Society and Group has elected to measure property, plant and equipment on transition to NZ IFRS at fair value and has used this fair value as the item's deemed cost at that date. The effect of the revaluation to fair value for property, plant and equipment previously held at cost is an increase in the carrying amount of property, plant and equipment of \$2,962,000 (Society: \$2,962,000) at 1 December 2007 and a reclassification of any amounts in the asset revaluation reserve associated with these items to retained earnings. Additional depreciation expense of \$24,000 (Society: \$24,000) is recognised under NZ IFRS for the year ended 30 November 2007.

In addition to this, as a result of the transition to NZ IFRS the Society and Group were required to reclassify certain items of computer software of which was deemed to be separately identifiable in nature and was not an integral part of any related hardware. This merely had the effect of reclassifying \$336,000 from property, plant and equipment to intangible assets as at 30 November 2007 and had no impact on retained earnings.

b) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	Group		Society	
	1 December 2006 NZ\$'000	30 November 2007 NZ\$'000	1 December 2006 NZ\$'000	30 November 2007 NZ\$'000
	Fair value as deemed cost	2,986	2,962	2,986
Total adjustment to retained earnings	2,986	2,962	2,986	2,962
Attributable to members of the parent entity	2,986	2,962	2,986	2,962

**New Zealand Law Society and Group
Notes to the financial statements
For the period ended 31 July 2008**

19. Additional information

Registered office / Principal place of operations:

Law Society Building,
26 Waring Taylor Street,
Wellington.

Auditor:

Deloitte

Bankers:

ANZ National

ASB

BNZ

HSBC

Kiwibank

Westpac

AUDIT REPORT TO THE MEMBERS OF NEW ZEALAND LAW SOCIETY

We have audited the financial statements on pages 2 to 20. The financial statements provide information about the past financial performance and financial position of the New Zealand Law Society (the "Society") and group as at 31 July 2008. This information is stated in accordance with the accounting policies set out on pages 6 to 8.

Board Responsibilities

The Board, through delegation of 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 and group as at 31 July 2008 and of the results of operations and cash flows for the period ended on that date.

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 and group 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 as a whole.

Unqualified Opinion

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

In our opinion the financial statements on pages 2 to 20 fairly reflect the financial position of the Society and group as at 31 July 2008 and the results of its operations and cash flows for the period ended on that date.

Our audit was completed on 16 April 2009 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 Society for the period ended 31 July 2008 included on the Society's website. The Board is responsible for the maintenance and integrity of the Society's website. We have not been engaged to report on the integrity of the Society's website. We accept no responsibility for any changes that may have occurred to the 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 5 May 2009 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
Income Statement
for the eight month period ended 31 July 2008

	Note	2008		2007	
		\$000	\$000	\$000	\$000
Income					
Annual contributions			3		1,055
Interest		593		843	
LESS Tax on interest		(195)	<u>398</u>	(277)	<u>566</u>
Total income			<u>401</u>		<u>1,621</u>
Expenditure					
Claims admitted and claims settled as to consequential loss		(139)		(999)	
Investigation and other costs		(19)		(197)	
Administration		<u>(64)</u>		<u>(89)</u>	
Total expenditure			<u>(222)</u>		<u>(1,285)</u>
Operating surplus			<u>179</u>		<u>336</u>
Balance Sheet as at 31 July 2008					
Equity					
Reserves			<u>11,394</u>		<u>11,215</u>
Represented by:					
Assets					
Cash at bank		127		101	
Bank deposits		10,985		10,625	
Debtors - GST		18		1	
- Others		<u>525</u>	<u>11,655</u>	<u>514</u>	<u>11,241</u>
Liabilities					
Creditors - GST		-		(1)	
- Others		(12)		(6)	
- NZ Law Society		-		(14)	
Claims payable		(151)		-	
Provision for tax		<u>(98)</u>	<u>(261)</u>	<u>(5)</u>	<u>(26)</u>
Assets in excess of liabilities			<u>11,394</u>		<u>11,215</u>
Statement of Movements in Equity					
for the eight month period ended 31 July 2008					
Equity at start of year			11,215		10,879
Net surplus for the year			<u>179</u>		<u>336</u>
Equity at end of the year			<u>11,394</u>		<u>11,215</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 eight month period ended 31 July 2008**

	Note	2008 \$000	2007 \$000
Cash flows from operating activities			
Cash was received from:			
Interest		578	752
Annual contributions		7	1,076
		<u>585</u>	<u>1,828</u>
Cash was applied to:			
Claims paid		(4)	(1,203)
Administration fee paid to NZLS		(56)	(80)
Investigation and other administration expenses		(37)	(240)
Tax paid		(102)	(274)
		<u>(199)</u>	<u>(1,797)</u>
Net cash inflow from operating activities	2	<u>386</u>	<u>31</u>
Net increase in cash held			
Cash at beginning of the year		10,726	31
Net increase in cash held		386	10,695
Cash at end of the year		<u>11,112</u>	<u>10,726</u>
Comprising:			
Cash at bank		127	101
Bank deposits		10,985	10,625
		<u>11,112</u>	<u>10,726</u>

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

Notes to the 2008 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

	2008	2007
	\$000	\$000
Reported surplus after taxation	179	336
Add movements in other working capital items:		
Debtors	(28)	(45)
Creditors	142	(263)
Tax liability	<u>93</u>	<u>3</u>
	<u>207</u>	<u>(305)</u>
Net cash inflow from operating activities	<u>386</u>	<u>31</u>

Note 3 Contingencies

As at 31 July 2008 there were contingent liabilities on the Fund of \$ 518,787 (\$475,946 in 2007) 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 31 July 2008. This information is stated in accordance with note one 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 31 July 2008 and the results of its operations and cash flows for the period ended 31 July 2008.

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 31 July 2008 and the results of its operations and cash flows for the period ended on that date.

Our audit was completed on 16 April 2009 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 period ended 31 July 2008 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 16 April 2009 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.