

New Zealand Law Society
Statement of Financial Position
as at 30 November 2006

	Note	2006		2005	
		\$000	\$000	\$000	\$000
Current assets					
Cash at bank		148		159	
Bank deposits	1	1,150		2,425	
Foreign currency bank deposits	2	6		6	
General fund bank deposits	1	6,908		6,908	
Debtors		<u>1,043</u>	<u>9,255</u>	<u>713</u>	<u>10,211</u>
Fixed assets	4		<u>3,219</u>		<u>724</u>
Total assets			12,474		10,935
Current liabilities					
Creditors		(1,005)		(865)	
Provision for taxation	3	<u>13</u>	<u>(992)</u>	<u>(30)</u>	<u>(895)</u>
Net assets			<u>11,482</u>		<u>10,040</u>
Represented by:					
Accumulated funds	5		4,574		3,132
General fund			6,908		6,908
			<u>11,482</u>		<u>10,040</u>

Approved on behalf of the Board as at 15 March 2007.



J L Marshall, Treasurer



A D Ritchie, 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 2006

	Note	2006 \$000	2005 \$000
Income			
Administration costs/service fees recovered	6	472	483
Interest		721	653
Practising and membership fees		4,978	4,689
Other	7	15	148
Total income		<u>6,186</u>	<u>5,973</u>
Expenditure			
Administration			
Audit fees		13	12
Computer systems maintenance		92	67
Depreciation - Furniture fittings and equipment		144	139
- Motor vehicle		10	10
Grants		3	5
Insurances and ACC levies		79	77
Legal and consulting		442	588
Miscellaneous costs of administration		245	262
Postage and telephones		209	227
President's honorarium and expenses		256	218
Printing and stationery		78	69
Salaries		2,452	2,209
Temporary accomodation		104	-
		<u>4,127</u>	<u>3,883</u>
Committee costs			
Council		57	39
Board		26	34
Other committees/sections		227	193
		<u>310</u>	<u>266</u>
Disciplinary proceedings			
Costs and expenses		135	45
Less: Recoveries		(48)	(42)
		<u>87</u>	<u>3</u>
Information costs			
Books and publications		20	16
International relations		116	122
LawTalk costs		360	299
Less: Income		(725)	(599)
Pamphlets and free publications		(12)	5
Public relations		4	14
		<u>(237)</u>	<u>(143)</u>
Total expenditure		<u>4,287</u>	<u>4,009</u>
Surplus for the year before tax		1,899	1,964
Less: Taxation	3	<u>(209)</u>	<u>(211)</u>
Net surplus for the year after tax, transferred to accumulated funds	5	<u>1,690</u>	<u>1,753</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 2006**

	Note	2006 \$000	2005 \$000
Income			
Rent		<u>24</u>	<u>26</u>
Total Income		<u>24</u>	<u>26</u>
Expenditure			
Cleaning, heating and electricity		79	74
Depreciation: - Building		4	4
- Plant		8	4
Ground rent and rates	11	104	95
Insurance		33	35
Legal and consulting		5	2
Miscellaneous expenses		13	5
Repairs and maintenance		26	26
Total Expenditure	8	<u>272</u>	<u>245</u>
Deficit for year transferred to accumulated funds	5	<u>(248)</u>	<u>(219)</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 2006**

	Note	2006 \$000	2005 \$000
Cash flows from operating activities			
Cash was received from:			
Practising fees, contributions, rent and sundry		5,886	5,890
Interest received		719	597
		<u>6,605</u>	<u>6,487</u>
Cash was applied to:			
Payments to suppliers and employees		4,926	4,446
Tax paid		252	155
		<u>5,178</u>	<u>4,601</u>
Net cash inflow from operating activities	9	<u>1,427</u>	<u>1,886</u>
Cash flows from investing activities			
Cash was paid for:			
Purchase of fixed assets		<u>(2,713)</u>	<u>(142)</u>
		<u>(2,713)</u>	<u>(142)</u>
Net cash (outflow) from investing activities		<u>(2,713)</u>	<u>(142)</u>
Net (decrease)/increase in cash held		(1,286)	1,744
Cash at beginning of year		9,498	7,754
Cash at end of year		<u>8,212</u>	<u>9,498</u>
Comprising:			
Cash at bank		148	159
Bank deposits		1,156	2,431
General fund bank deposits		<u>6,908</u>	<u>6,908</u>
		<u>8,212</u>	<u>9,498</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 2006**

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 2006 Financial Statements

1. (a) Bank deposits and general funds

The Society has funds invested with the ANZ, ASB, BNZ, HSBC, 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 \$5,366 (2005 \$4,475).

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.

	2006 \$000	2005 \$000
Tax expense		
Net interest income	713	645
Net income from trading activities	(79)	(3)
Less non-profit body exemption	(1)	(1)
	<u>633</u>	<u>641</u>
Current tax expense at 33%	209	211
Tax provision		
Opening balance	30	(26)
2006 tax expense	209	-
2006 tax paid	(252)	-
2005 tax expense	-	211
2005 tax paid	-	(155)
Tax payable/(refund)	<u>(13)</u>	<u>30</u>

4. Fixed assets

	2006		2005	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Leasehold land	52	-	52	-
Building	365	153	365	150
Plant	757	177	188	168
Furniture, fittings and equipment	3,020	669	1,605	1,202
Motor vehicle	46	22	46	12
	<u>4,240</u>	<u>1,021</u>	<u>2,256</u>	<u>1,532</u>
Net book value		<u>3,219</u>		<u>724</u>

On 1 September 2006 Quotable Value NZ valued the land (lessor's interest) and building as follows:

	\$000
Land	1,450
Building	<u>2,850</u>
Capital Value	4,300

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

5. Accumulated funds

	2006	2005
	\$000	\$000
Opening balance	3,132	2,498
Less: Transfer to general fund	-	(900)
Less: Deficit from building operating account	(248)	(219)
Plus: Surplus from statement of financial performance	1,690	1,753
Closing balance	<u>4,574</u>	<u>3,132</u>

6. 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.

7. Other Income

Income from the Legal Executive Course recorded at \$130,000 for 2005 is now recognised under the separate annual accounts of Continuing Legal Education.

8. NZLS Occupancy Costs

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

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

	2006	2005
	\$000	\$000
Reported surplus after taxation of:		
NZLS	1,690	1,753
Building operating account	<u>(248)</u>	<u>(219)</u>
	<u>1,442</u>	<u>1,534</u>
Add non-cash items:		
Depreciation	166	157
Loss on disposal of fixed assets	<u>52</u>	<u>3</u>
	<u>218</u>	<u>160</u>
Add movements in other working capital items:		
Debtors	(330)	(111)
Creditors	140	247
Tax liability	<u>(43)</u>	<u>56</u>
	<u>(233)</u>	<u>192</u>
Net cash inflow from operating activities	<u>1,427</u>	<u>1,886</u>

10. Capital commitments

The Society has no capital commitments at balance date (2005 nil).

11. Operating lease arrangements

	2006	2005
	\$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:

	2006	2005
	\$000	\$000
Within one year	49	49
In the second to fifth years inclusive	196	196
After five years	<u>49</u>	<u>98</u>
	<u>294</u>	<u>343</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.

**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 2006. 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 2006 and the results of its operations for the year ended 30 November 2006.

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 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 March 2007 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 2006 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 2006

	2006 \$000	2005 \$000
Assets		
Current deposits	24	24
Debtors and accrued interest	<u>2</u>	<u>2</u>
	<u>26</u>	<u>26</u>
Accumulated fund		
Opening balance	26	26
ADD Interest	<u>2</u>	<u>2</u>
	<u>28</u>	<u>28</u>
LESS Awards	(2)	(2)
	<u>26</u>	<u>26</u>
Closing balance	<u>26</u>	<u>26</u>

**Centennial Scholarship Fund
Statement of Financial Position
as at 30 November 2006**

	2006	2005
	\$000	\$000
Assets		
Current deposits	25	25
Debtors and accrued interest	<u>2</u>	<u>2</u>
	27	27
LESS Creditors	(2)	(2)
	<u>25</u>	<u>25</u>
Accumulated fund		
Opening balance	25	25
ADD Interest and donations	<u>2</u>	<u>2</u>
	27	27
LESS Awards	(2)	(2)
	<u>25</u>	<u>25</u>
Closing balance	<u>25</u>	<u>25</u>

**Cleary Memorial Prize Fund
Statement of Financial Position
as at 30 November 2006**

	2006	2005
	\$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	(2)	(2)
Closing balance	<u>19</u>	<u>19</u>

**Legal Conference Fund
Statement of Financial Position
as at 30 November 2006**

	2006	2005
	\$000	\$000
Assets		
Bank deposits	837	807
Debtors and accrued interest	<u>71</u>	<u>62</u>
	<u>908</u>	<u>869</u>
Liabilities		
Accumulated fund		
Opening balance	869	833
ADD Interest	<u>59</u>	<u>53</u>
	<u>928</u>	<u>886</u>
LESS Tax on 2006 income	<u>(19)</u>	<u>(17)</u>
Balance of accumulated fund before tax	909	869
Provision for tax	<u>(1)</u>	<u>-</u>
Closing balance	<u>908</u>	<u>869</u>

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

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 2006. 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 2006.

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 2006.

Our audit was completed on 15 March 2007 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

Solicitors' Fidelity Guarantee Fund
Statement of Financial Performance
for the year ended 30 November 2006
Part A

	Note	2006		2005	
		\$000	\$000	\$000	\$000
Income					
Interest			-		-
Recoveries			-		-
Total income			<u>-</u>		<u>-</u>
Expenditure					
Claims admitted and claims settled as to consequential loss		-		-	
Total expenditure			<u>-</u>		<u>-</u>
Surplus for the year			-		-
Statement of Financial Position as at 30 November 2006					
Accumulated funds					
Opening balance			-		6,112
Surplus for the year			-		-
Transfer to Part B			-		(6,112)
Closing balance			<u>-</u>		<u>-</u>
Represented by					
Assets					
Bank deposits		-		-	
Debtors - Others		-		-	
- GST		-	-	-	-

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 2006

	Note	2006 \$000	2005 \$000
<i>Part A</i>			
Cash flows from operating activities			
Cash was received from:			
Interest			232
Recoveries			-
			232
Cash was applied to:			
Claims paid			-
			-
Net cash inflow from operating activities			232
Cash flows from financing activities			
Cash was transferred to Part B			(6,112)
Net cash (outflow) from financing activity			(6,112)
Net (decrease)/increase in cash held			
Cash at beginning of year			(5,880)
Cash at year end			5,880
			-
Comprising:			
Bank deposits			-
			-
			-

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

Solicitors' Fidelity Guarantee Fund
Statement of Financial Performance
for the year ended 30 November 2006
Part B

	Note	2006		2005	
		\$000	\$000	\$000	\$000
Income					
Annual contributions			1,066		1,041
Interest		767		706	
LESS Tax on interest		(252)	515	(232)	474
Recoveries			<u>11</u>		<u>138</u>
Total income			<u>1,592</u>		<u>1,653</u>
Expenditure					
Claims admitted and claims settled as to consequential loss		(1,005)		(1,395)	
Investigation and other costs		(291)		(208)	
Administration		<u>(88)</u>		<u>(81)</u>	
Total expenditure			<u>(1,384)</u>		<u>(1,684)</u>
Surplus/(deficit) for the year			<u>208</u>		<u>(31)</u>
Statement of Financial Position as at 30 November 2006					
Accumulated funds					
Opening balance			10,671		4,590
Surplus/(deficit) for the year			208		(31)
Transfer from Part A	3		<u>-</u>		<u>6,112</u>
Closing balance			<u>10,879</u>		<u>10,671</u>
Represented by					
Assets					
Cash at bank		120		123	
Bank deposits		10,575		11,020	
Debtors - GST		26		68	
- Others		<u>444</u>	<u>11,165</u>	<u>445</u>	<u>11,656</u>
Liabilities					
Creditors - GST		(3)		(3)	
- Others		(59)		(61)	
- NZ Law Society		(18)		-	
Claims payable		(204)		(943)	
Provision for tax		<u>(2)</u>	<u>(286)</u>	<u>(22)</u>	<u>(985)</u>
Assets in excess of liabilities			<u>10,879</u>		<u>10,671</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 2006

	Note	2006 \$000	2005 \$000
<i>Part B</i>			
Cash flows from operating activities			
Cash was received from:			
Interest		786	360
Annual contributions		1,048	1,043
Recoveries		11	188
		<u>1,845</u>	<u>1,591</u>
Cash was applied to:			
Claims paid		(1,744)	(564)
Administration fee paid to NZLS		(72)	(68)
Investigation and other administration expenses		(249)	(338)
Tax paid		(228)	(251)
		<u>(2,293)</u>	<u>(1,221)</u>
Net cash (outflow)/inflow from operating activities	2	<u>(448)</u>	<u>370</u>
Cash flows from financing activities			
Cash was received from Part A	3	-	6,112
Net cash inflow from financing activities		<u>-</u>	<u>6,112</u>
Net (decrease)/increase in cash held		(448)	6,482
Cash at beginning of year		11,143	4,661
Cash at end of year		<u>10,695</u>	<u>11,143</u>
Comprising:			
Cash at bank		120	123
Bank deposits		10,575	11,020
		<u>10,695</u>	<u>11,143</u>

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

Notes to the 2006 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

	2006	2005
	\$000	\$000
Reported surplus/(deficit) after taxation	208	(31)
Add movements in other working capital items:		
Debtors	43	(325)
Creditors	(723)	745
Tax liability	<u>24</u>	<u>(19)</u>
	<u>(656)</u>	<u>401</u>
Net cash (outflow)/inflow from operating activities	<u>(448)</u>	<u>370</u>

Note 3 Parts A & B

The Law Practitioners Amendment Act 1993 provided for a cap of \$5,000 per contributor per annum for the funding of matters arising after 30 April 1993 and empowered the Council to set separate fees and levies for such matters. These have been received into Part B. However, Parts A and B did form a single fund held on trust for the purposes of Part IX of the Law Practitioners Act 1982. On 1 December 2004 the Accumulated Fund of Part A of \$6,112,000 was transferred to Part B and the distinction between Parts A and B has now ceased although the financial statements show otherwise to record comparative figures with the previous year.

Note 4 Contingencies

As at 15 March 2007 there were contingent liabilities on the Fund of \$345,473 (\$4,040,541 in 2005) 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 5 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 2006. 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 2006 and the results of its operations and cash flows for the year ended 30 November 2006.

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 reflects the financial position of the Solicitors' Fidelity Guarantee Fund as at 30 November 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 March 2007 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

New Zealand Law Society Inspectorate
Statement of Financial Performance
for the year ended 30 November 2006

	2006		2005	
	\$000	\$000	\$000	\$000
Income				
Annual contributions		1,163		1,056
Investigation costs recovered		54		20
Interest	38		38	
LESS Tax on interest	(12)	26	(11)	27
Practitioners course income	73		247	
LESS Practitioners course cost	(52)	21	(204)	43
Compliance review costs recovered	180		174	
LESS Compliance review costs	(180)	-	(174)	-
Total income		<u>1,264</u>		<u>1,146</u>
Expenditure				
Audit fee	(5)		(5)	
Administration	(189)		(181)	
Inspectors salaries, travel & other expenses	(1,075)		(999)	
Legal and consulting	(11)		(11)	
Total expenditure		<u>(1,280)</u>		<u>(1,196)</u>
(Deficit) for the year		<u>(16)</u>		<u>(50)</u>
Statement of Financial Position as at 30 November 2006				
Accumulated funds				
Opening balance		363		413
(Deficit) for the year		(16)		(50)
Closing balance		<u>347</u>		<u>363</u>
Represented by				
Assets				
Cash at bank	119		112	
Bank deposits	230		240	
Debtors - GST	14		20	
- Others	100		175	
- Provision for tax	1	464	2	549
Liabilities				
Creditors - GST	(4)		(9)	
- Others	(113)	(117)	(177)	(186)
Assets in excess of liabilities		<u>347</u>		<u>363</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 2006**

	Note	2006 \$000	2005 \$000
Cash flows from operating activities			
Cash was received from:			
Annual contributions		1,191	1,049
Compliance review and practitioner course recoveries		341	358
Interest		<u>37</u>	<u>39</u>
		1,569	1,446
Cash was applied to:			
Administration fee paid to NZLS		(140)	(136)
Compliance review and practitioner course costs		(222)	(378)
Inspectors' salaries and expenses		(1,060)	(1,033)
Other administration expenses		(139)	(7)
Tax paid		<u>(11)</u>	<u>(13)</u>
		<u>(1,572)</u>	<u>(1,567)</u>
Net cash (outflow) from operating activities	3	<u>(3)</u>	<u>(121)</u>
Net (decrease)/increase in cash held			
Cash at beginning of year		352	473
Cash at end of year		<u>349</u>	<u>352</u>
Comprising:			
Cash at bank		119	112
Bank deposits		<u>230</u>	<u>240</u>
		<u>349</u>	<u>352</u>

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

Notes to the 2006 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

	2006	2005
	\$000	\$000
Reported (deficit) after taxation:	(16)	(50)
Add movements in working capital items:		
Debtors	81	(96)
Creditors	(69)	27
Tax liability	<u>1</u>	<u>(2)</u>
	<u>13</u>	<u>(71)</u>
Net cash (outflow) from operating activities	<u>(3)</u>	<u>(121)</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 2006. 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 2006 and the results of its operations and cash flows for the year ended 30 November 2006.

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 reflects the financial position of the Inspectorate as at 30 November 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 March 2007 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

New Zealand Law Society - Continuing Legal Education

Statement of Financial Performance
for the year ended 30 November 2006

	Note	\$000	2006 \$000	\$000	2005 \$000
Income					
Course and booklets			2,681		3,462
Interest			104		97
Total income			<u>2,785</u>		<u>3,559</u>
Expenditure					
Audit fee			5		5
Contribution to stakeholder sections			41		41
Course and booklets			1,649		2,221
Depreciation			28		39
Insurances and ACC levy			14		18
Loss on disposal fixed assets			40		-
Miscellaneous			111		118
NZLS service fees and administration costs			169		156
Redesign project			0		5
Salaries			534		516
Total expenditure			<u>2,591</u>		<u>3,119</u>
Surplus for the year before tax			194		440
Less: Provision for taxation	2		<u>(72)</u>		<u>(159)</u>
Net surplus for the year transferred to accumulated funds	4		<u>122</u>		<u>281</u>

Statement of Financial Position
as at 30 November 2006

Accumulated funds					
Opening balance			1,339		1,058
Surplus for the year			122		281
Closing balance	4		<u>1,461</u>		<u>1,339</u>
Represented by					
Current Assets					
Cash at bank	1	88		78	
Bank deposits	1	1,651		1,580	
Debtors - GST		51		64	
- Others		<u>121</u>	1,911	<u>211</u>	1,933
Fixed assets	3		18		85
Total Assets			<u>1,929</u>		<u>2,018</u>
Current Liabilities					
Creditors - GST		(19)		(28)	
- Others		(544)		(596)	
Provision for taxation	2	95	<u>(468)</u>	<u>(55)</u>	<u>(679)</u>
Assets in excess of liabilities			<u>1,461</u>		<u>1,339</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 2006

	Note	2006 \$000	2005 \$000
Cash flows from operating activities			
Cash was received from:			
Course fees and booklets		2,773	3,391
Interest		102	85
		<u>2,875</u>	<u>3,476</u>
Cash was applied to:			
Course booklets and expenses		(1,719)	(2,088)
Payments to suppliers, employees and stakeholders		(852)	(786)
Tax paid		(222)	(147)
		<u>2,793</u>	<u>(3,021)</u>
Net cash inflow from operating activities	5	<u>82</u>	<u>455</u>
Cash flows from investing activities			
Cash was paid for:			
Purchase of fixed assets		<u>(1)</u>	<u>(7)</u>
Net cash (outflow) from investing activities		<u>(1)</u>	<u>(7)</u>
Net increase in cash held		1,658	448
Cash at beginning of year		<u>81</u>	<u>1,210</u>
Cash at end of year		<u>1,739</u>	<u>1,658</u>
Comprising:			
Cash at bank		88	78
Bank deposits		<u>1,651</u>	<u>1,580</u>
		<u>1,739</u>	<u>1,658</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 2006**

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.
- (d) **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 2006 Financial Statements

1. (a) Bank deposits and general funds

CLE has funds invested with the ANZ, ASB, BNZ, HSBC 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.

	2006 \$000	2005 \$000
Tax expense		
Net interest income	104	97
Net income from trading activities	115	385
Less non-profit body exemption	<u>(1)</u>	<u>(1)</u>
	<u>218</u>	<u>481</u>
Current tax expense	72	159
Tax provision		
Opening balance	55	43
2006 tax expense	72	-
2006 tax paid	(222)	-
2005 tax expense	-	159
2005 tax paid	<u>-</u>	<u>(147)</u>
Tax (refund)/payable	<u>(95)</u>	<u>55</u>

3. Fixed assets

	2006		2005	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Furniture, fittings and equipment	<u>151</u>	<u>131</u>	<u>340</u>	<u>255</u>
Net book value	<u>151</u>	<u>131</u>	<u>340</u>	<u>255</u>
		<u>18</u>		<u>85</u>

4. Accumulated funds

	2006	2005
	\$000	\$000
Opening balance	1,339	1,058
Surplus from statement of financial performance	122	281
	<hr/>	<hr/>
Closing balance	<u>1,461</u>	<u>1,339</u>

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

	2006	2005
	\$000	\$000
Reported surplus after taxation	<u>122</u>	<u>281</u>
	<u>122</u>	<u>281</u>
Add non-cash items:		
Depreciation	28	39
Loss on disposal of fixed assets	<u>40</u>	<u>-</u>
	<u>68</u>	<u>39</u>
Add movements in other working capital items:		
Debtors	103	(74)
Creditors	(61)	197
Tax liability	<u>(150)</u>	<u>12</u>
	<u>(108)</u>	<u>135</u>
Net cash inflow from operating activities	<u>82</u>	<u>455</u>

6. Capital commitments

CLE has no capital commitments at balance date.

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 2006. 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 2006 and the results of its operations and cash flows for the year 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 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 Continuing Legal Education.

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 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 March 2007 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**