

**New Zealand Law Society
Statement of Financial Position
as at 30 November 2005**

	Note	2005		2004	
		\$000	\$000	\$000	\$000
Current assets					
Cash at bank		159		190	
Bank deposits	1	2,425		1,550	
Foreign currency bank deposits	2	6		6	
General fund bank deposits	1	6,908		6,008	
Debtors		713	10,211	602	8,356
			<u>10,211</u>	<u>602</u>	<u>8,356</u>
Fixed assets					
	4		724		742
			<u>724</u>		<u>742</u>
Total assets					
			10,935		9,098
			<u>10,935</u>		<u>9,098</u>
Current liabilities					
Creditors		(865)		(618)	
Provision for taxation	3	(30)	(895)	26	(592)
			<u>(895)</u>	<u>26</u>	<u>(592)</u>
Net assets					
			10,040		8,506
			<u>10,040</u>		<u>8,506</u>
Represented by:					
Accumulated funds	5		3,132		2,498
General fund			6,908		6,008
			<u>6,908</u>		<u>6,008</u>
			10,040		8,506
			<u>10,040</u>		<u>8,506</u>

Approved on behalf of the Board as at 17 February 2006.



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 2005**

	Note	2005 \$000	2004 \$000
Income			
Administration costs/service fees recovered	6	483	458
Interest		653	449
Practising and membership fees		4,689	4,531
Other		148	198
Total income		<u>5,973</u>	<u>5,636</u>
Expenditure			
Administration			
Audit fees		12	15
Computer systems maintenance		67	59
Depreciation - Furniture fittings and equipment		139	145
- Motor vehicle		10	12
Grants		5	13
Insurances and ACC levies		77	81
Legal and consulting		588	441
Miscellaneous costs of administration		262	313
Occupancy	7	-	50
Postage and telephones		227	199
President's honorarium and expenses		218	255
Printing and stationery		69	63
Salaries		2,209	2,118
		<u>3,883</u>	<u>3,764</u>
Committee costs			
Council		39	74
Board		34	29
Other committees/sections		193	243
		<u>266</u>	<u>346</u>
Disciplinary proceedings			
Costs and expenses		45	321
Less: Recoveries		(42)	(47)
		<u>3</u>	<u>274</u>
Information costs			
Books and publications		16	15
International relations		122	81
LawTalk costs		299	306
Less: Income		(599)	(619)
Pamphlets and free publications		5	3
Public relations		14	11
		<u>(143)</u>	<u>(203)</u>
Total expenditure		<u>4,009</u>	<u>4,181</u>
Surplus for the year before tax		1,964	1,455
Less: Taxation	3	<u>(211)</u>	<u>(173)</u>
Net surplus for the year after tax, transferred to accumulated funds	5	<u>1,753</u>	<u>1,282</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 2005**

	Note	2005 \$000	2004 \$000
Income			
Rent		<u>26</u>	<u>49</u>
Total Income		<u>26</u>	<u>49</u>
Expenditure			
Cleaning, heating and electricity		74	20
Depreciation: - Building		4	4
- Plant		4	4
Ground rent and rates	10	95	90
Insurance		35	31
Legal and consulting		2	1
Miscellaneous expenses		5	5
Repairs and maintenance		26	28
Supervision fee		-	21
Total Expenditure	7	<u>245</u>	<u>204</u>
Deficit for year transferred to accumulated funds	5	<u>(219)</u>	<u>(155)</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 2005**

	Note	2005 \$000	2004 \$000
Cash flows from operating activities			
Cash was received from:			
Practising fees, contributions, rent and sundry		5,890	5,844
Interest received		597	462
		<u>6,487</u>	<u>6,306</u>
Cash was applied to:			
Payments to suppliers and employees		4,446	5,063
Tax paid		155	239
		<u>4,601</u>	<u>5,302</u>
Net cash inflow from operating activities	8	<u>1,886</u>	<u>1,004</u>
Cash flows from investing activities			
Cash was received from:			
Sale of fixed assets		-	25
		<u>-</u>	<u>25</u>
Cash was paid for:			
Purchase of fixed assets		(142)	(200)
		<u>(142)</u>	<u>(200)</u>
Net cash outflow from investing activities		<u>(142)</u>	<u>(175)</u>
Net increase in cash held		1,744	829
Cash at beginning of year		<u>7,754</u>	<u>6,925</u>
Cash at end of year		<u>9,498</u>	<u>7,754</u>
Comprising:			
Cash at bank		159	190
Bank deposits		2,431	1,556
General fund bank deposits		<u>6,908</u>	<u>6,008</u>
		<u>9,498</u>	<u>7,754</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 2005

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	20-36%
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 2005 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 \$4,475 (2004 \$4,515).

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.

	2005	2004
	\$000	\$000
Tax expense		
Net interest income	645	441
Net income from trading activities	(3)	84
Less non-profit body exemption	(1)	(1)
	<u>641</u>	<u>524</u>
Current tax expense	211	173
Tax provision		
Opening balance	(26)	40
2004 tax expense	-	173
2004 tax paid	-	(239)
2005 tax expense	211	-
2005 tax paid	(155)	-
Tax payable/(refund)	<u>30</u>	<u>(26)</u>

4. Fixed assets

	2005		2004	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Leasehold land	52	-	52	-
Building	365	150	365	146
Plant	188	168	188	164
Furniture, fittings and equipment	1,605	1,202	1,471	1,068
Motor vehicle	46	12	46	2
	<u>2,256</u>	<u>1,532</u>	<u>2,122</u>	<u>1,380</u>
Net book value		<u>724</u>		<u>742</u>

On 1 September 2005 Quotable Value NZ valued the land (lessor's interest) and building as follows:

	\$000
Land	1,450,000
Building	<u>2,350,000</u>
Capital Value	<u>3,800,000</u>

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

5. Accumulated funds

	2005	2004
	\$000	\$000
Opening balance	2,498	2,071
Less: Transfer to general fund	(900)	(700)
Less: Deficit from building operating account	(219)	(155)
Plus: Surplus from statement of financial performance	1,753	1,282
	<u>3,132</u>	<u>2,498</u>
Closing balance		

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. NZLS Occupancy Costs

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

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

	2005	2004
	\$000	\$000
Reported surplus after taxation of:		
NZLS	1,753	1,282
Building operating account	<u>(219)</u>	<u>(155)</u>
	<u>1,534</u>	<u>1,127</u>
Add non-cash items:		
Depreciation	157	165
Loss on disposal of fixed assets	3	4
(Gain) on sale of fixed assets	<u>-</u>	<u>(11)</u>
	<u>160</u>	<u>158</u>
Add movements in other working capital items:		
Debtors	(111)	13
Creditors	247	(228)
Tax liability	<u>56</u>	<u>(66)</u>
	<u>192</u>	<u>(281)</u>
Net cash inflow from operating activities	<u>1,886</u>	<u>1,004</u>

9. Capital commitments

The Society has no capital commitments at balance date (2004 nil).

10. Operating lease arrangements

	2005	2004
	\$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:		
	2005	2004
	\$000	\$000
Within one year	49	49
In the second to fifth years inclusive	196	196
After five years	<u>98</u>	<u>147</u>
	<u>343</u>	<u>392</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 report. The financial report provides information about the past financial performance of the New Zealand Law Society (the "Society") and its financial position as at 30 November 2005. 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 of the financial report, in accordance with New Zealand law and generally accepted accounting practice, which fairly reflects the financial position of the Society as at 30 November 2005 and the results of its operations for the year ended 30 November 2005.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial report 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 report. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial report, 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 report is 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 report.

Other than in our capacity as auditor and the provision of taxation advice, 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 report fairly reflects the financial position of the Society as at 30 November 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 17 February 2006 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**

Centennial Maori Scholarship Fund
Statement of Financial Position
as at 30 November 2005

	2005	2004
	\$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>

**Centennial Scholarship Fund
Statement of Financial Position
as at 30 November 2005**

	2005	2004
	\$000	\$000
Assets		
Current deposits	25	25
Debtors and accrued interest	2	2
	<u>27</u>	<u>27</u>
LESS Creditors	(2)	(2)
	<u>25</u>	<u>25</u>
Accumulated fund		
Opening balance	25	25
ADD Interest and donations	2	2
	<u>27</u>	<u>27</u>
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 2005**

	2005	2004
	\$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>

**Legal Conference Fund
Statement of Financial Position
as at 30 November 2005**

	Note	2005		2004	
		\$000	\$000	\$000	\$000
Assets					
Bank deposits			807		792
Debtors and accrued interest			62		44
			<u>869</u>		<u>836</u>
Liabilities					
Accumulated fund					
Opening balance			833		610
ADD Fees		-		196	
Interest		53	53	40	236
			<u>886</u>		<u>846</u>
LESS Tax on 2005 income			<u>(17)</u>		<u>(13)</u>
Balance of accumulated fund before tax					
			869		833
Provision for tax			-		3
Closing balance			<u>869</u>		<u>836</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 reports. The financial reports 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 2005. 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 of financial reports, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflects the financial positions of the Funds as at 30 November 2005.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial reports 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 reports. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial reports, 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 report is 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 reports.

Our firm may, from time to time, provide taxation advice to the New Zealand Law Society. Our firm has no other relationship with or interest in the Funds.

Unqualified Opinion

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

In our opinion the financial reports fairly reflect the financial positions of the Funds as at 30 November 2005.

Our audit was completed on 17 February 2006 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 2005**

Part A

	Note	2005		2004	
		\$000	\$000	\$000	\$000
Income					
Interest			-		326
Recoveries			<u>-</u>		<u>115</u>
Total income			<u>-</u>		<u>441</u>
Expenditure					
Claims admitted and claims settled as to consequential loss		-		(59)	
Total expenditure			<u>-</u>		<u>(59)</u>
Surplus for the year			-		382
Statement of Financial Position as at 30 November 2005					
Accumulated funds					
Opening balance			6,112		5,730
Surplus for the year			-		382
Transfer to Part B	3		<u>(6,112)</u>		<u>-</u>
Closing balance			<u>-</u>		<u>6,112</u>
Represented by					
Assets					
Bank deposits		-		5,880	
Debtors - Others		-		232	
- GST		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,112</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 2005**

	Note	2005 \$000	2004 \$000
<i>Part A</i>			
Cash flows from operating activities			
Cash was received from:			
Interest		232	159
Recoveries		-	115
		<u>232</u>	<u>274</u>
Cash was applied to:			
Claims paid		-	(81)
		<u>-</u>	<u>(81)</u>
Net cash inflow from operating activities	2	<u>232</u>	<u>193</u>
Cash flows from financing activities			
Cash was transferred to Part B	3	<u>(6,112)</u>	<u>-</u>
Net cash (outflow) from financing activity		<u>(6,112)</u>	<u>-</u>
Net (decrease)/increase in cash held			
Cash at beginning of year		(5,880)	193
		<u>5,880</u>	<u>5,687</u>
Cash at year end		<u>-</u>	<u>5,880</u>
Comprising:			
Bank deposits		-	5,880
		<u>-</u>	<u>5,880</u>

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 2005**

Part B

	Note	2005		2004	
		\$000	\$000	\$000	\$000
Income					
Annual contributions			1,041		1,255
Interest		706		254	
LESS Tax on interest		(232)	474	(190)	64
Recoveries			<u>138</u>		<u>224</u>
Total income			<u>1,653</u>		<u>1,543</u>
Expenditure					
Claims admitted and claims settled as to consequential loss		(1,395)		(880)	
Investigation and other costs		(208)		(97)	
Administration		<u>(81)</u>		<u>(75)</u>	
Total expenditure			<u>(1,684)</u>		<u>(1,052)</u>
(Deficit)/surplus for the year			<u>(31)</u>		<u>491</u>
Statement of Financial Position as at 30 November 2005					
Accumulated funds					
Opening balance			4,590		4,099
(Deficit)/surplus for the year			(31)		491
Transfer from Part A	3		<u>6,112</u>		<u>-</u>
Closing balance			<u>10,671</u>		<u>4,590</u>
Represented by					
Assets					
Cash at bank		123		116	
Bank deposits		11,020		4,545	
Debtors - GST		68		37	
- Others		<u>445</u>	<u>11,656</u>	<u>151</u>	<u>4,849</u>
Liabilities					
Creditors - GST		(3)		(21)	
- Others		(61)		(114)	
- NZ Law Society		-		(15)	
Claims payable		(943)		(112)	
Provision for tax		<u>(22)</u>	<u>(985)</u>	<u>3</u>	<u>(259)</u>
Assets in excess of liabilities			<u>10,671</u>		<u>4,590</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 2005**

	Note	2005 \$000	2004 \$000
<i>Part B</i>			
Cash flows from operating activities			
Cash was received from:			
Interest		360	213
Annual contributions		1,043	1,257
Recoveries		188	248
		<u>1,591</u>	<u>1,718</u>
Cash was applied to:			
Claims paid		(564)	(822)
Administration fee paid to NZLS		(68)	(66)
Investigation and other administration expenses		(338)	(18)
Tax paid		(251)	(194)
		<u>(1,221)</u>	<u>(1,100)</u>
Net cash inflow from operating activities	2	<u>370</u>	<u>618</u>
Cash flows from financing activities			
Cash was received from Part A	3	6,112	-
		<u>6,112</u>	<u>-</u>
Net cash inflow from financing activities		<u>6,112</u>	<u>-</u>
Net increase in cash held		6,482	618
Cash at beginning of year		4,661	4,043
Cash at end of year		<u>11,143</u>	<u>4,661</u>
Comprising:			
Cash at bank		123	116
Bank deposits		11,020	4,545
		<u>11,143</u>	<u>4,661</u>

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

Notes to the 2005 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 flow statement**

No reconciliation between net cash flows from operating activities and operating profit has been prepared as the Fund does not report an operating profit.

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 17 February 2006 there were contingent liabilities on the Fund of \$4,040,541 (\$4,293,052 in 2004) 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 report. The financial report provides 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 2005. 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 of a financial report, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflects the financial position of the Solicitors' Fidelity Guarantee Fund as at 30 November 2005 and the results of its operations and cash flows for the year ended 30 November 2005.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial report 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 report. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial report, 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 report is 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 report.

Our firm may, from time to time, provide taxation advice to the New Zealand Law Society. Our firm has no other relationship with or interest 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 report fairly reflects the financial position of the Solicitors' Fidelity Guarantee Fund as at 30 November 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 17 February 2006 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 2005**

	2005		2004	
	\$000	\$000	\$000	\$000
Income				
Annual contributions		1,056		1,032
Investigation costs recovered		20		55
Interest	38		33	
LESS Tax on interest	(11)	27	(9)	24
Practitioners course income	247		97	
LESS Practitioners course cost	(204)	43	(65)	32
Compliance review costs recovered	174		140	
LESS Compliance review costs	<u>(174)</u>	<u>-</u>	<u>(136)</u>	<u>4</u>
Total income		<u>1,146</u>		<u>1,147</u>
Expenditure				
Audit fee	(5)		(6)	
Administration	(181)		(181)	
Inspectors salaries, travel & other expenses	(999)		(909)	
Legal and consulting	<u>(11)</u>		<u>(7)</u>	
Total expenditure		<u>(1,196)</u>		<u>(1,103)</u>
(Deficit)/surplus for the year		<u>(50)</u>		<u>44</u>
Statement of Financial Position as at 30 November 2005				
Accumulated funds				
Opening balance		413		369
(Deficit)/surplus for the year		<u>(50)</u>		<u>44</u>
Closing balance		<u>363</u>		<u>413</u>
Represented by				
Assets				
Cash at bank	112		103	
Bank deposits	240		370	
Debtors - GST	20		13	
- Others	175		86	
- Provision for tax	<u>2</u>	<u>549</u>	<u>-</u>	<u>572</u>
Liabilities				
Creditors - GST	(9)		(3)	
- Others	<u>(177)</u>	<u>(186)</u>	<u>(156)</u>	<u>(159)</u>
Assets in excess of liabilities		<u>363</u>		<u>413</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 2005**

	Note	2005 \$000	2004 \$000
Cash flows from operating activities			
Cash was received from:			
Annual contributions		1,049	1,024
Compliance review and practitioner course recoveries		358	238
Interest		<u>39</u>	<u>32</u>
		1,446	1,294
Cash was applied to:			
Administration fee paid to NZLS		(136)	(131)
Compliance review and practitioner course costs		(378)	(57)
Inspectors' salaries and expenses		(1,033)	(918)
Other administration expenses		(7)	(129)
Tax paid		<u>(13)</u>	<u>(9)</u>
		<u>(1,567)</u>	<u>(1,244)</u>
Net cash (outflow)/inflow from operating activities	3	<u>(121)</u>	<u>50</u>
Net (decrease)/increase in cash held			
Cash at beginning of year		473	423
Cash at end of year		<u>352</u>	<u>473</u>
Comprising:			
Cash at bank		112	103
Bank deposits		<u>240</u>	<u>370</u>
		<u>352</u>	<u>473</u>

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

Notes to the 2005 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

	2005	2004
	\$000	\$000
Reported (deficit)/surplus after taxation:	(50)	44
Add movements in working capital items:		
Debtors	(96)	9
Creditors	27	(3)
Tax liability	<u>(2)</u>	<u>-</u>
	<u>(71)</u>	<u>6</u>
Net cash (outflow)/inflow from operating activities	<u>(121)</u>	<u>50</u>

AUDIT REPORT

TO THE MEMBERS OF THE NEW ZEALAND LAW SOCIETY - INSPECTORATE

We have audited the attached financial report. The financial report provides information about the past financial performance of the New Zealand Law Society Inspectorate (the "Inspectorate") and its financial position as at 30 November 2005. 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 of a financial report, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflects the financial position of the Inspectorate as at 30 November 2005 and the results of its operations and cash flows for the year ended 30 November 2005.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial report 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 report. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial report, 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 report is 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 report.

Our firm may, from time to time, provide taxation advice to the New Zealand Law Society. Our firm has no other relationship with or interest in the Inspectorate.

Unqualified Opinion

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

In our opinion the financial report fairly reflects the financial position of the Inspectorate as at 30 November 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 17 February 2006 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 2005

	Note	\$000	2005 \$000	\$000	2004 \$000
Income					
Course and booklets			3,462		2,890
Interest			97		80
Total income			<u>3,559</u>		<u>2,970</u>
Expenditure					
Audit fee			5		5
Contribution to stakeholder sections			41		40
Course and booklets			2,221		1,781
Depreciation			39		35
Insurances and ACC levy			18		18
Miscellaneous			118		102
NZLS service fees and administration costs			156		155
Redesign project			5		25
Salaries			516		485
Total expenditure			<u>3,119</u>		<u>2,646</u>
Surplus for the year before tax and NZLS grant					
			440		324
Less: Provision for taxation	2		(159)		(120)
Plus: NZLS establishment grant	5		-		854
Net surplus for the year transferred to accumulated funds	4		<u>281</u>		<u>1,058</u>

Statement of Financial Position as at 30 November 2005

Accumulated funds					
Opening balance			1,058		-
Surplus for the year			281		1,058
Closing balance	4		<u>1,339</u>		<u>1,058</u>
Represented by					
Current Assets					
Cash at bank	1	78		60	
Bank deposits	1	1,580		1,150	
Debtors - GST		64		73	
- Others		<u>211</u>	1,933	<u>128</u>	1,411
Fixed assets	3		85		117
Total Assets			<u>2,018</u>		<u>1,528</u>
Current Liabilities					
Creditors - GST		(28)		(23)	
- Others		(596)		(404)	
Provision for taxation	2	<u>(55)</u>	<u>(679)</u>	<u>(43)</u>	<u>(470)</u>
Assets in excess of liabilities			<u>1,339</u>		<u>1,058</u>

**New Zealand Law Society – Continuing Legal Education
Statement of Cash Flows
for the year ended 30 November 2005**

	Note	2005 \$000	2004 \$000
Cash flows from operating activities			
Cash was received from:			
Course fees and booklets		3,391	2,772
Interest		85	70
		<u>3,476</u>	<u>2,842</u>
Cash was applied to:			
Course booklets and expenses		(2,088)	(1,377)
Payments to suppliers, employees and stakeholders		(786)	(879)
Tax paid		(147)	(77)
		<u>(3,021)</u>	<u>(2,333)</u>
Net cash inflow from operating activities	6	<u>455</u>	<u>509</u>
Cash flows from investing activities			
Cash was paid for:			
Purchase of fixed assets		(7)	(49)
		<u>(7)</u>	<u>(49)</u>
Net cash (outflow) from investing activities		<u>(7)</u>	<u>(49)</u>
Cash flows from financing activities			
Cash was received from:			
NZ Law Society – establishment grant	5	-	750
Net cash inflow from financing activities		<u>-</u>	<u>750</u>
Net increase in cash held		448	1,210
Cash at beginning of year		1,210	-
Cash at end of year		<u>1,658</u>	<u>1,210</u>
Comprising:			
Cash at bank		78	60
Bank deposits		1,580	1,150
		<u>1,658</u>	<u>1,210</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 2005**

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%
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 2005 Financial Statements

1. (a) Bank deposits and general funds

CLE has funds invested with the ANZ, ASB, 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.

	2005 \$000	2004 \$000
Tax expense		
Net interest income	97	80
Net income from trading activities	385	284
Less non-profit body exemption	<u>(1)</u>	<u>(1)</u>
	<u>481</u>	<u>363</u>
 Current tax expense	 159	 120
 Tax provision		
Opening balance	43	-
2004 tax expense	-	120
2004 tax paid	-	(77)
2005 tax expense	159	-
2005 tax paid	<u>(147)</u>	<u>-</u>
Tax payable	<u>55</u>	<u>43</u>

3. Fixed assets

	2005		2004	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Furniture, fittings and equipment	<u>340</u>	<u>255</u>	<u>334</u>	<u>217</u>
	<u>340</u>	<u>255</u>	<u>334</u>	<u>217</u>
Net book value		<u>85</u>		<u>117</u>

4. Accumulated funds

2005	2004
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	\$000	\$000
Opening balance	1,058 -	
Surplus from statement of financial performance	281	1,058
	<u> </u>	<u> </u>
Closing balance	<u>1,339</u>	<u>1,058</u>

5. NZLS establishment grant

On 1.12.03, the NZ Law Society transferred assets, by way of an establishment grant, to the new CLE entity. They represented cash of \$750,000 and fixed assets of \$104,000 (net book value). This funding gave effect to CLE's capital needs and had regard to its accumulated contribution to the Law Society's finances over many years.

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

	2005 \$000	2004 \$000
Reported surplus after taxation	281	1,058
Less: establishment grant (non operating income)	<u>-</u>	<u>(854)</u>
	<u>281</u>	<u>204</u>
Add non-cash items:		
Depreciation	39	35
Loss on disposal of fixed assets	<u>-</u>	<u>1</u>
	<u>39</u>	<u>36</u>
Add movements in other working capital items:		
Debtors	(74)	(201)
Creditors	197	427
Tax liability	<u>12</u>	<u>43</u>
	<u>135</u>	<u>269</u>
Net cash inflow from operating activities	<u>455</u>	<u>509</u>

7. 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 report. The financial report provides 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 2005. 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 report which fairly reflects the financial position of Continuing Legal Education as at 30 November 2005 and the results of 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 report 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 report. It also includes assessing:

- the significant estimates and judgements made by Board in the preparation of the financial report, 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 report is 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 report.

Our firm may, from time to time, provide taxation advice to the New Zealand Law Society. Our firm has not other 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 report fairly reflect the financial position of Continuing Legal Education as at 30 November 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 17 February 2006 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
WELLINGTON, NEW ZEALAND**