

**New Zealand Law Society
Statement of Financial Position
as at 30 November 2003**

	Note	2003		2002	
		\$000	\$000	\$000	\$000
Current assets					
Cash at bank		151		155	
Bank deposits	1	1,460		1,810	
Foreign currency bank deposits	2	6		7	
General fund bank deposits	1	5,308		4,108	
Debtors		615	7,540	534	6,614
			<u>7,540</u>	<u>534</u>	<u>6,614</u>
Fixed assets					
	4		725		874
			<u>725</u>		<u>874</u>
Total assets					
			8,265		7,488
Current liabilities					
Creditors		(846)		(796)	
Provision for taxation	3	(40)	(886)	(45)	(841)
			<u>(886)</u>	<u>(45)</u>	<u>(841)</u>
Net assets					
			7,379		6,647
			<u>7,379</u>		<u>6,647</u>
Represented by:					
Accumulated funds	5		2,071		2,539
General fund			5,308		4,108
			<u>7,379</u>		<u>6,647</u>

Approved on behalf of the Board as at 20 February 2004.



W Deuchrass, 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 2003**

	Note	2003	2002
		\$000	\$000
Income			
Net administration contributions	6	1,359	1,199
Interest		453	382
Practising and membership fees		4,211	3,897
Other		36	64
Total income		<u>6,059</u>	<u>5,542</u>
Expenditure			
Administration			
Audit fees		14	13
Computer systems maintenance		37	27
Depreciation - Furniture fittings and equipment		174	155
- Motor vehicles		13	12
Grants		7	8
Insurances and ACC levies		76	73
Legal and consulting		324	320
Miscellaneous costs of administration		155	149
Occupancy		45	45
Postage and telephones		228	234
President's honorarium and expenses		251	213
Printing and stationery		89	94
Promotional/branding programme		-	19
Salaries		2,354	2,199
		<u>3,767</u>	<u>3,561</u>
Committee costs			
Council		53	44
Board		27	34
Other committees/sections		275	242
		<u>355</u>	<u>320</u>
Disciplinary proceedings			
Costs and expenses		94	63
Less: Recoveries		(42)	(23)
		<u>52</u>	<u>40</u>
Information costs			
Books and publications		13	11
International relations		74	58
LawTalk costs		296	248
Less: Income		(505)	(424)
Pamphlets and free publications		(28)	47
Public relations	7	33	94
		<u>(117)</u>	<u>34</u>
Total expenditure		<u>4,057</u>	<u>3,955</u>
Surplus for the year before tax and transfer to CLE			
Less: Provision for tax	3	2,002	1,587
		<u>(263)</u>	<u>(212)</u>
Net surplus for the year before transfer to CLE		1,739	1,375
Transfer to CLE	9	<u>(854)</u>	<u>-</u>
Net surplus for the year transferred to accumulated funds	5	<u>885</u>	<u>1,375</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 2003**

	Note	2003 \$000	2002 \$000
Income			
Rent		<u>50</u>	<u>49</u>
Total Income		<u>50</u>	<u>49</u>
Expenditure			
Cleaning, heating and electricity		19	19
Depreciation: - Building		4	4
- Plant		4	3
Ground rent and rates		88	88
Insurance		27	17
Legal and consulting		2	11
Miscellaneous expenses		6	6
Repairs and maintenance		30	76
Supervision fee		23	22
Total Expenditure		<u>203</u>	<u>246</u>
Deficit for year transferred to accumulated funds	5	<u>(153)</u>	<u>(197)</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 2003**

	Note	2003 \$000	2002 \$000
Cash flows from operating activities			
Cash was received from:			
Practising fees, contributions, rent and sundry		6,161	5,166
Interest received		368	365
		<u>6,529</u>	<u>5,531</u>
Cash was applied to:			
CLE	9	750	-
Payments to suppliers and employees		4,515	4,179
Tax paid		268	188
		<u>5,533</u>	<u>4,367</u>
Net cash inflow from operating activities	8	<u>996</u>	<u>1,164</u>
Cash flows from investing activities			
Cash was received from:			
Sale of fixed assets		6	3
		<u>6</u>	<u>3</u>
Cash was paid for:			
Purchase of fixed assets		(157)	(159)
		<u>(157)</u>	<u>(159)</u>
Net cash outflow from investing activities		<u>(151)</u>	<u>(156)</u>
Net increase in cash held			
Cash at beginning of year		6,080	5,072
Cash at end of year		<u>6,925</u>	<u>6,080</u>
Comprising:			
Cash at bank		151	155
Bank deposits		1,466	1,817
General fund bank deposits		5,308	4,108
		<u>6,925</u>	<u>6,080</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 2003**

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 2003 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.

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 \$ 4,784 (2002 \$7,497).

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.

	2003	2002
	\$000	\$000
Tax expense		
Net interest income	447	375
Net income from trading activities	351	269
Less non-profit body exemption	(1)	(1)
	<u>797</u>	<u>643</u>
 Current tax expense	 263	 212
 Tax provision		
Opening balance	45	21
2001 tax paid	-	(188)
2002 tax expense	-	212
2002 tax paid	(45)	-
2003 tax expense	263	-
2003 tax paid	(223)	-
Tax payable	<u>40</u>	<u>45</u>

4. Fixed assets

	2003		2002	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Leasehold land	52	-	52	-
Building	365	142	365	138
Plant	188	160	188	156
Furniture, fittings and equipment	1,433	1,036	1,691	1,166
Motor vehicle	60	35	60	22
	<u>2,098</u>	<u>1,373</u>	<u>2,356</u>	<u>1,482</u>
Net book value		<u>724</u>		<u>874</u>

On 1 September 2003 Quotable Value NZ valued the land (lessor's interest) and building as follows:

	\$000
Land	810
Building	<u>1,490</u>
Capital Value	<u>2,300</u>

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

5. Accumulated funds

	2003	2002
	\$000	\$000
Opening balance	2,539	2,111
Less: Transfer to general fund	(1,200)	(750)
Less: Deficit from building operating account	(153)	(197)
Plus: Surplus from statement of financial performance	885	1,375
Closing balance	<u>2,071</u>	<u>2,539</u>

6. Net administration contributions

Contributions represent a partial recovery of indirect costs incurred in administering the Solicitors Fidelity Guarantee Fund (SFGF), Continuing Legal Education (CLE) and the Legal Executive Course. In addition, the New Zealand Law Foundation, NZLS Special Fund and NZLS Inspectorate met, respectively, an administration charge for services provided by the NZLS secretariat. Net administration contributions consist of:

	2003	2002
	\$000	\$000
CLE fees and sponsorship	2,707	2,357
CLE direct expense	(1596)	(1,369)
Legal executive course fees	132	113
Legal executive course expenses	(92)	(92)
Service fees	148	134
SFGF administration fee	<u>60</u>	<u>56</u>
	<u>1,359</u>	<u>1,199</u>

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

7. Public Relations

A grant from the NZ Law Foundation of \$50,000 offset costs associated with the publication of "Law Stories", a history of the law and legal profession since 1969.

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

	Note	2003 \$000	2002 \$000
Reported surplus after taxation of:			
NZLS		885	1,375
Building operating account		<u>(153)</u>	<u>(197)</u>
		<u>732</u>	<u>1,178</u>
Add non-cash items:			
Depreciation		195	174
Loss on disposal of fixed assets		3	5
Transfer of assets to CLE		104	-
(Gain) on sale of fixed assets		<u>(2)</u>	<u>-</u>
		<u>300</u>	<u>179</u>
Add movements in other working capital items:			
Debtors		(81)	(60)
Creditors		50	(157)
Tax liability		<u>(5)</u>	<u>24</u>
		<u>(36)</u>	<u>(193)</u>
Net cash inflow from operating activities		<u>996</u>	<u>1,164</u>

9. Continuing Legal Education (CLE)

The Society approved a transfer of assets, by way of an establishment grant to a new CLE entity, representing fixed assets of \$104,000 and cash of \$750,000. This funding gave effect to CLE's capital needs and had regard to its accumulated contribution to Society finances over many years.

10. Capital commitments

The Society has no capital commitments at balance date (2002 nil).

11. Legal Conference Fund

The amount paid relating to the 2002 conference, held in Christchurch, includes "advances" to the conference committee. The ultimate disposal of and accountability for funds advanced is the responsibility of this committee.

AUDIT REPORT

TO THE MEMBERS OF THE 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 2003. This information is stated in accordance with the 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, which fairly reflects the financial position of the Society as at 30 November 2003 and the results of its operations and cash flows for the year ended 30 November 2003.

Auditor's Responsibilities

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

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.

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 Society.

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 Society as at 30 November 2003 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 20 February 2004 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 2003**

	2003	2002
	\$000	\$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 2003**

	2003	2002
	\$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	24
ADD Interest and donations	2	3
	<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 2003**

	2003	2002
	\$000	\$000
Asset		
Current deposits	<u>19</u>	<u>19</u>
	19	19
Prize fund		
Opening balance	19	19
ADD Interest and donations	<u>2</u>	<u>2</u>
	21	21
LESS Awards	<u>(2)</u>	<u>(2)</u>
Closing balance	19	19

Legal Conference Fund
Statement of Financial Position
as at 30 November 2003

	Note	2003		2002	
		\$000	\$000	\$000	\$000
Assets					
Bank deposits			562		397
Debtors and accrued interest			50		13
			<u>612</u>		<u>410</u>
LESS Creditors			-		(8)
			<u>612</u>		<u>402</u>
Liabilities					
Accumulated fund					
Opening balance			402		296
ADD Fees		188		180	
Interest		29	217	22	202
		<u>217</u>	<u>619</u>	<u>202</u>	<u>498</u>
LESS 2002 Conference	11	-		(89)	
Tax on 2003 income		(9)	(9)	(7)	(96)
		<u>(9)</u>	<u>(9)</u>	<u>(7)</u>	<u>(96)</u>
Balance of accumulated fund					
before tax			610		402
Provision for tax			2		-
Closing balance			<u>612</u>		<u>402</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 2003. 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, which fairly reflects the financial positions of the Funds as at 30 November 2003.

Auditor's Responsibilities

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

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 Society or 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 2003.

Our audit was completed on 20 February 2004 and our unqualified opinion is expressed as at that date.



**Chartered Accountants
Wellington, New Zealand**

**Solicitors' Fidelity Guarantee Fund
Statement of Financial Position
as at 30 November 2003**

	2003		2002	
	\$000	\$000	\$000	\$000
Part A				
Opening balance		5,436		5,425
ADD Interest		316		314
		<u>5,752</u>		<u>5,739</u>
LESS Claims admitted and claims settled as to consequential loss	(22)		(318)	
ADD Recoveries	<u>-</u>		<u>15</u>	
		<u>(22)</u>		<u>(303)</u>
Closing balance		<u>5,730</u>		<u>5,436</u>
Represented by				
Assets				
Cash at bank	152		155	
Bank deposits	5,535		5,435	
Debtors - Others	65		72	
- GST	<u>3</u>	<u>5,755</u>	<u>18</u>	<u>5,680</u>
Liabilities				
Claims payable		<u>(25)</u>		<u>(244)</u>
Assets in excess of liabilities		<u>5,730</u>		<u>5,436</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 2003**

	Note	2003 \$000	2002 \$000
<i>Part A</i>			
Cash flows from operating activities			
Cash was received from:			
Interest		323	413
Recoveries		-	15
		<u>323</u>	<u>428</u>
Cash was applied to:			
Claims paid		(226)	(74)
Administration		-	(19)
		<u>(226)</u>	<u>(93)</u>
Net cash inflow from operating activities	2	<u>97</u>	<u>335</u>
Net increase in cash held		97	335
Cash at beginning of year		5,590	5,255
Cash at year end		<u>5,687</u>	<u>5,590</u>
Comprising:			
Cash at bank		152	155
Bank deposits		5,535	5,435
		<u>5,687</u>	<u>5,590</u>

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

**Solicitors' Fidelity Guarantee Fund
Statement of Financial Position
as at 30 November 2003**

	2003		2002	
	\$000	\$000	\$000	\$000
Part B				
Opening balance		3,904		2,977
ADD Interest	248		211	
LESS Tax on interest	(185)	63	(172)	39
Annual contributions		<u>1,237</u>		<u>1,232</u>
		5,204		4,248
LESS Claims admitted and claims settled as to consequential loss	(958)		(198)	
Investigation and other costs	(160)		(127)	
Administration	(69)		(64)	
ADD Recoveries	82	(1,105)	45	(344)
Closing balance		<u>4,099</u>		<u>3,904</u>
Represented by				
Assets				
Cash at bank		113		112
Bank deposits		3,930		3,838
Debtors - GST		13		21
- Others		146	82	4,053
		<u>4,202</u>		<u>4,053</u>
Liabilities				
Creditors - GST		(18)		(4)
- Others		(17)		(11)
- NZ Law Society		(13)		(16)
Claims payable		(54)		(117)
Provision for tax		(1)	(1)	(149)
Assets in excess of liabilities		<u>4,099</u>		<u>3,904</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 2003**

	Note	2003 \$000	2002 \$000
Part B			
Cash flows from operating activities			
Cash was received from:			
Interest		241	180
Annual contributions		1,233	1,225
Recoveries		35	18
		<u>1,509</u>	<u>1,423</u>
Cash was applied to:			
Claims paid		(1,021)	(225)
Administration fee paid to NZLS		(60)	(56)
Investigation and other administration expenses		(150)	(148)
Tax paid		(185)	(175)
		<u>(1,416)</u>	<u>(604)</u>
Net cash inflow from operating activities	2	<u>93</u>	<u>819</u>
Net increase in cash held		93	819
Cash at beginning of year		3,950	3,131
Cash at end of year		<u>4,043</u>	<u>3,950</u>
Comprising:			
Cash at bank		113	112
Bank deposits		3,930	3,838
		<u>4,043</u>	<u>3,950</u>

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

Notes to the 2003 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. Parts A and B do, however, form a single fund held on trust for the purposes of Part IX of the Law Practitioners Act 1982.

Note 4 Contingencies

As at 20 February 2004 there were contingent liabilities on Part A of the Fund of \$1,291,915 (\$1,585,400 in 2002) and Part B of \$1,641,495 (\$3,299,346 in 2002) 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 and its financial position as at 30 November 2003. This information is stated in accordance with the 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, which fairly reflects the financial position of the Solicitors' Fidelity Guarantee Fund as at 30 November 2003 and the results of its operations and cash flows for the year ended 30 November 2003.

Auditor's Responsibilities

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

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 2003 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 20 February 2004 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 2003**

	\$000	2003 \$000	2002 \$000	\$000
Income				
Annual contributions		1,040		995
Investigation costs recovered		57		19
Interest	29		27	
LESS Tax on interest	(8)	21	(8)	19
Practitioners course income	76		79	
LESS Practitioners course cost	(54)	22	(63)	16
Compliance review costs recovered	149		212	
LESS Compliance review costs	<u>(157)</u>	<u>(8)</u>	<u>(218)</u>	<u>(6)</u>
Total income		<u>1,132</u>		<u>1,043</u>
Expenditure				
Audit fee	(5)		(5)	
Administration	(177)		(167)	
Inspectors salaries, travel & other expenses	(908)		(878)	
Legal and consulting	<u>(10)</u>		<u>(4)</u>	
Total expenditure		<u>(1,100)</u>		<u>(1,054)</u>
Surplus/(Deficit) for the year		<u>32</u>		<u>(11)</u>
Statement of Financial Position as at 30 November 2003				
Accumulated funds				
Opening balance		337		348
Surplus/(Deficit) for the year		<u>32</u>		<u>(11)</u>
Closing balance		<u>369</u>		<u>337</u>
Represented by				
Assets				
Cash at bank	123		112	
Bank deposits	300		238	
Debtors - GST	20		25	
- Others	88		159	
Tax refund	<u>-</u>	<u>531</u>	<u>1</u>	<u>535</u>
Liabilities				
Creditors - GST	(5)		(9)	
- Others	<u>(157)</u>	<u>(162)</u>	<u>(189)</u>	<u>(198)</u>
Assets in excess of liabilities		<u>369</u>		<u>337</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 2003**

	Note	2003 \$000	2002 \$000
Cash flows from operating activities			
Cash was received from:			
Annual contributions		1,025	989
Compliance review and practitioner course recoveries		315	260
Interest		<u>28</u>	<u>27</u>
		1,368	1,276
Cash was applied to:			
Administration fee paid to NZLS		(120)	(104)
Compliance review and practitioner course costs		(157)	(218)
Inspectors' salaries and expenses		(895)	(878)
Other administration expenses		(116)	(76)
Tax paid		<u>(7)</u>	<u>(8)</u>
		<u>(1,295)</u>	<u>(1,284)</u>
Net cash inflow/(outflow) from operating activities	2	<u>73</u>	<u>(8)</u>
Net increase/(decrease) in cash held			
Cash at beginning of year		350	358
Cash at end of year		<u>423</u>	<u>350</u>
Comprising:			
Cash at bank		123	112
Bank deposits		<u>300</u>	<u>238</u>
		<u>423</u>	<u>350</u>

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

Notes to the 2003 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 Reconciliation of cash flow statement

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

Note 3 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.

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 2003. This information is stated in accordance with the 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, which fairly reflects the financial position of the Inspectorate as at 30 November 2003 and the results of its operations and cash flows for the year ended 30 November 2003.

Auditor's Responsibilities

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

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 Society or 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 2003 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 20 February 2004 and our unqualified opinion is expressed as at that date.



**Chartered Accountants
Wellington, New Zealand**