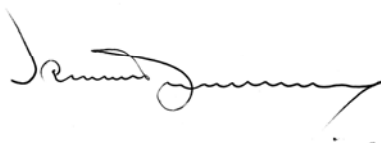


**New Zealand Law Society  
Statement of Financial Position  
as at 30 November 2004**

	Note	2004		2003	
		\$000	\$000	\$000	\$000
<b>Current assets</b>					
Cash at bank		190		151	
Bank deposits	1	1,550		1,460	
Foreign currency bank deposits	2	6		6	
General fund bank deposits	1	6,008		5,308	
Debtors		602	8,356	615	7,540
			<u>          </u>	<u>          </u>	<u>          </u>
<b>Fixed assets</b>	4		742		725
			<u>          </u>		<u>          </u>
<b>Total assets</b>			9,098		8,265
<b>Current liabilities</b>					
Creditors		(618)		(846)	
Provision for taxation	3	26	(592)	(40)	(886)
			<u>          </u>	<u>          </u>	<u>          </u>
<b>Net assets</b>			8,506		7,379
			<u>          </u>		<u>          </u>
<b>Represented by:</b>					
Accumulated funds	5		2,498		2,071
General fund			6,008		5,308
			<u>          </u>		<u>          </u>
			8,506		7,379
			<u>          </u>		<u>          </u>

Approved on behalf of the Board as at 11 February 2005.



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 2004**

	Note	2004 \$000	2003 \$000
<b>Income</b>			
Administration costs/service fees recovered	6	458	1,319
Interest		449	453
Practising and membership fees		4,531	4,211
Other		198	168
<b>Total income</b>		<u>5,636</u>	<u>6,151</u>
<b>Expenditure</b>			
<b>Administration</b>			
Audit fees		15	14
Computer systems maintenance		59	37
Depreciation - Furniture fittings and equipment		145	174
- Motor vehicle		12	13
Grants		13	7
Insurances and ACC levies		81	76
Legal and consulting		441	324
Miscellaneous costs of administration		313	247
Occupancy		50	45
Postage and telephones		199	228
President's honorarium and expenses		255	251
Printing and stationery		63	89
Salaries		2,118	2,354
		<u>3,764</u>	<u>3,859</u>
<b>Committee costs</b>			
Council		74	53
Board		29	27
Other committees/sections		243	275
		<u>346</u>	<u>355</u>
<b>Disciplinary proceedings</b>			
Costs and expenses		321	94
Less: Recoveries		(47)	(42)
		<u>274</u>	<u>52</u>
<b>Information costs</b>			
Books and publications		15	13
International relations		81	74
LawTalk costs		306	296
Less: Income		(619)	(505)
Pamphlets and free publications		3	(28)
Public relations		11	33
		<u>(203)</u>	<u>(117)</u>
<b>Total expenditure</b>		<u>4,181</u>	<u>4,149</u>
<b>Surplus for the year before tax and transfer to CLE</b>		1,455	2,002
Less: Provision for tax	3	<u>(173)</u>	<u>(263)</u>
<b>Net surplus for the year before transfer to CLE</b>		1,282	1,739
Transfer of assets to new CLE entity		<u>-</u>	<u>(854)</u>
<b>Net surplus for the year transferred to accumulated funds</b>	5	<u>1,282</u>	<u>885</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 2004**

	Note	2004 \$000	2003 \$000
<b>Income</b>			
Rent		49	50
<b>Total Income</b>		<u>49</u>	<u>50</u>
<b>Expenditure</b>			
Cleaning, heating and electricity		20	19
Depreciation: - Building		4	4
- Plant		4	4
Ground rent and rates		90	88
Insurance		31	27
Legal and consulting		1	2
Miscellaneous expenses		5	6
Repairs and maintenance		28	30
Supervision fee		21	23
<b>Total Expenditure</b>		<u>204</u>	<u>203</u>
<b>Deficit for year transferred to accumulated funds</b>	5	<u>(155)</u>	<u>(153)</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 2004**

	Note	2004 \$000	2003 \$000
<b>Cash flows from operating activities</b>			
<b>Cash was received from:</b>			
Practising fees, contributions, rent and sundry		5,844	6,253
Interest received		462	368
		<u>6,306</u>	<u>6,621</u>
<b>Cash was applied to:</b>			
CLE		-	750
Payments to suppliers and employees		5,063	4,607
Tax paid		239	268
		<u>5,302</u>	<u>5,625</u>
<b>Net cash inflow from operating activities</b>	7	<u>1,004</u>	<u>996</u>
<b>Cash flows from investing activities</b>			
<b>Cash was received from:</b>			
Sale of fixed assets		25	6
		<u>25</u>	<u>6</u>
<b>Cash was paid for:</b>			
Purchase of fixed assets		(200)	(157)
		<u>(200)</u>	<u>(157)</u>
<b>Net cash outflow from investing activities</b>		<u>(175)</u>	<u>(151)</u>
<b>Net increase in cash held</b>		829	845
Cash at beginning of year		6,925	6,080
Cash at end of year		<u>7,754</u>	<u>6,925</u>
<b>Comprising:</b>			
Cash at bank		190	151
Bank deposits		1,556	1,466
General fund bank deposits		6,008	5,308
		<u>7,754</u>	<u>6,925</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 2004

### 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.

### Comparative figures

Certain comparative figures have changed to conform with the presentation adopted for the current year. There is no effect on the net surplus for the year.

## Notes to the 2004 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 \$4,515 (2003 \$4,784).

### 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.

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Tax expense</b>		
Net interest income	441	447
Net income from trading activities	84	351
Less non-profit body exemption	(1)	(1)
	<u>524</u>	<u>797</u>
Current tax expense	173	263
<b>Tax provision</b>		
Opening balance	40	45
2002 tax paid	-	(45)
2003 tax expense	-	263
2003 tax paid	-	(223)
2004 tax expense	173	-
2004 tax paid	(239)	-
Tax (refund)/payable	<u>(26)</u>	<u>40</u>

**4. Fixed assets**

	2004		2003	
	Cost	Accum Deprn.	Cost	Accum Deprn.
	\$000	\$000	\$000	\$000
Leasehold land	52	-	52	-
Building	365	146	365	142
Plant	188	164	188	160
Furniture, fittings and equipment	1,471	1,068	1,433	1,036
Motor vehicle	46	2	60	35
	<u>2,122</u>	<u>1,380</u>	<u>2,098</u>	<u>1,373</u>
Net book value		<u>742</u>		<u>725</u>

On 1 September 2004 Quotable Value NZ valued the land (lessor's interest) and building as follows:

	\$000
Land	1,225
Building	<u>1,775</u>
Capital Value	<u>3,000</u>

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

**5. Accumulated funds**

	2004	2003
	\$000	\$000
Opening balance	2,071	2,539
Less: Transfer to general fund	(700)	(1,200)
Less: Deficit from building operating account	(155)	(153)
Plus: Surplus from statement of financial performance	1,282	885
Closing balance	<u>2,498</u>	<u>2,071</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 (CLE) – from 1/12/03 CLE was established as a new entity with its own set of financial statements. The significant difference between the two years reflects the removal of CLE net income from the Society's 2004 statement of financial performance.

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

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

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Reported surplus after taxation of:		
NZLS	1,282	885
Building operating account	<u>(155)</u>	<u>(153)</u>
	<u>1,127</u>	<u>732</u>
Add non-cash items:		
Depreciation	165	195
Loss on disposal of fixed assets	4	3
Transfer of assets to CLE	-	104
(Gain) on sale of fixed assets	<u>(11)</u>	<u>(2)</u>
	<u>158</u>	<u>300</u>
Add movements in other working capital items:		
Debtors	13	(81)
Creditors	(228)	50
Tax liability	<u>(66)</u>	<u>(5)</u>
	<u>(281)</u>	<u>(36)</u>
Net cash inflow from operating activities	<u>1,004</u>	<u>996</u>

**8. Capital commitments**

The Society has no capital commitments at balance date (2003 nil).



## **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 2004. 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, which fairly reflects the financial position of the Society as at 30 November 2004 and the results of its operations and cash flows for the year ended 30 November 2004.

#### **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.

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 that we have required.

In our opinion the financial report fairly reflects the financial position of the Society as at 30 November 2004 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 February 2005 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 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Current deposits	24	24
Debtors and accrued interest	<u>2</u>	<u>2</u>
	<b><u>26</u></b>	<b><u>26</u></b>
<b>Accumulated fund</b>		
Opening balance	26	26
ADD Interest	<u>2</u>	<u>2</u>
	28	28
LESS Awards	(2)	(2)
	<u>26</u>	<u>26</u>
Closing balance	<b><u>26</u></b>	<b><u>26</u></b>

**Centennial Scholarship Fund  
Statement of Financial Position  
as at 30 November 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
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>
<b>Accumulated fund</b>		
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 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Asset</b>		
Current deposits	<u>19</u>	<u>19</u>
	<b><u>19</u></b>	<b><u>19</u></b>
<b>Prize fund</b>		
Opening balance	19	19
ADD Interest and donations	<u>2</u>	<u>2</u>
	<u>21</u>	<u>21</u>
LESS Awards	<u>(2)</u>	<u>(2)</u>
Closing balance	<b><u>19</u></b>	<b><u>19</u></b>

**Legal Conference Fund  
Statement of Financial Position  
as at 30 November 2004**

	Note	2004		2003	
		\$000	\$000	\$000	\$000
<b>Assets</b>					
Bank deposits			792		562
Debtors and accrued interest			44		50
			<u>836</u>		<u>612</u>
<b>Liabilities</b>					
Accumulated fund					
Opening balance			610		402
ADD Fees		196		188	
Interest		40	236	29	217
			<u>846</u>		<u>619</u>
LESS Tax on 2004 income			(13)		(9)
<b>Balance of accumulated fund before tax</b>					
Provision for tax			833		610
			3		2
Closing balance			<u>836</u>		<u>612</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 2004. 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 2004.

#### **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 2004.

Our audit was completed on 11 February 2005 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 2004**

	<b>2004</b>		<b>2003</b>	
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Part A</b>				
Opening balance		5,730		5,436
ADD Interest		326		316
		<u>6,056</u>		<u>5,752</u>
LESS Claims admitted and claims settled as to consequential loss	(59)		(22)	
ADD Recoveries	<u>115</u>		<u>-</u>	
		56		(22)
Closing balance		<u>6,112</u>		<u>5,730</u>
<b>Represented by</b>				
<b>Assets</b>				
Cash at bank	-		152	
Bank deposits	5,880		5,535	
Debtors - Others	232		65	
- GST	<u>-</u>	<u>6,112</u>	<u>3</u>	<u>5,755</u>
<b>Liabilities</b>				
Claims payable		<u>-</u>		<u>(25)</u>
Assets in excess of liabilities		<u>6,112</u>		<u>5,730</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 2004**

	Note	2004 \$000	2003 \$000
<i>Part A</i>			
<b>Cash flows from operating activities</b>			
<b>Cash was received from:</b>			
Interest		159	323
Recoveries		115	-
		<u>274</u>	<u>323</u>
<b>Cash was applied to:</b>			
Claims paid		(81)	(226)
		<u>(81)</u>	<u>(226)</u>
<b>Net cash inflow from operating activities</b>	2	<u>193</u>	<u>97</u>
<b>Net increase in cash held</b>			
Cash at beginning of year		193	97
Cash at year end		5,687	5,590
		<u>5,880</u>	<u>5,687</u>
<b>Comprising:</b>			
Cash at bank		-	152
Bank deposits		5,880	5,535
		<u>5,880</u>	<u>5,687</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 2004**

	<b>2004</b>		<b>2003</b>	
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Part B</b>				
Opening balance		4,099		3,904
ADD Interest	254		248	
LESS Tax on interest	(190)	64	(185)	63
Annual contributions		<u>1,255</u>		<u>1,237</u>
		5,418		5,204
LESS Claims admitted and claims settled as to consequential loss	(880)		(958)	
Investigation and other costs	(97)		(160)	
Administration	(75)		(69)	
ADD Recoveries	224	(828)	82	(1,105)
Closing balance		<u>4,590</u>		<u>4,099</u>
<b>Represented by</b>				
<b>Assets</b>				
Cash at bank	116		113	
Bank deposits	4,545		3,930	
Debtors - GST	37		13	
- Others	151	4,849	146	4,202
<b>Liabilities</b>				
Creditors - GST	(21)		(18)	
- Others	(114)		(17)	
- NZ Law Society	(15)		(13)	
Claims payable	(112)		(54)	
Provision for tax	3	(259)	(1)	(103)
Assets in excess of liabilities		<u>4,590</u>		<u>4,099</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 2004**

	Note	2004 \$000	2003 \$000
<i>Part B</i>			
<b>Cash flows from operating activities</b>			
<b>Cash was received from:</b>			
Interest		213	241
Annual contributions		1,257	1,233
Recoveries		248	35
		<u>1,718</u>	<u>1,509</u>
<b>Cash was applied to:</b>			
Claims paid		(822)	(1,021)
Administration fee paid to NZLS		(66)	(60)
Investigation and other administration expenses		(18)	(150)
Tax paid		(194)	(185)
		<u>(1,100)</u>	<u>(1,416)</u>
<b>Net cash inflow from operating activities</b>	2	<u>618</u>	<u>93</u>
<b>Net increase in cash held</b>			
Cash at beginning of year		4,043	3,950
Cash at end of year		<u>4,661</u>	<u>4,043</u>
<b>Comprising:</b>			
Cash at bank		116	113
Bank deposits		4,545	3,930
		<u>4,661</u>	<u>4,043</u>

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

## Notes to the 2004 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 do form a single fund held on trust for the purposes of Part IX of the Law Practitioners Act 1982. As at 30 November 2004 all claims on Part A had been met. From 1 December 2004 the Accumulated Fund of Part A will merge with Part B and the distinction between Parts A and B will cease.

### Note 4 **Contingencies**

As at 11 February 2005 there were no contingent liabilities on Part A of the Fund (\$1,291,915 in 2003) but there were on Part B of \$4,293,052 (\$1,641,495 in 2003) 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 2004. 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, which fairly reflects the financial position of the Solicitors’ Fidelity Guarantee Fund as at 30 November 2004 and the results of its operations and cash flows for the year ended 30 November 2004.

#### **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**

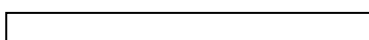
We have obtained all the information and explanations that we have required.

In our opinion the financial report fairly reflects the financial position of the Solicitors’ Fidelity Guarantee Fund as at 30 November 2004 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 February 2005 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 2004**

	2004		2003	
	\$000	\$000	\$000	\$000
<b>Income</b>				
Annual contributions		1,032		1,040
Investigation costs recovered		55		57
Interest	33		29	
LESS Tax on interest	(9)	24	(8)	21
Practitioners course income	97		76	
LESS Practitioners course cost	(65)	32	(54)	22
Compliance review costs recovered	140		149	
LESS Compliance review costs	<u>(136)</u>	<u>4</u>	<u>(157)</u>	<u>(8)</u>
<b>Total income</b>		<u>1,147</u>		<u>1,132</u>
<b>Expenditure</b>				
Audit fee	(6)		(5)	
Administration	(181)		(177)	
Inspectors salaries, travel & other expenses	(909)		(908)	
Legal and consulting	<u>(7)</u>		<u>(10)</u>	
<b>Total expenditure</b>		<u>(1,103)</u>		<u>(1,100)</u>
<b>Surplus for the year</b>		<u>44</u>		<u>32</u>
<b>Statement of Financial Position as at 30 November 2004</b>				
<b>Accumulated funds</b>				
Opening balance		369		337
Surplus for the year		<u>44</u>		<u>32</u>
Closing balance		<u>413</u>		<u>369</u>
<b>Represented by</b>				
<b>Assets</b>				
Cash at bank	103		123	
Bank deposits	370		300	
Debtors - GST	13		20	
- Others	<u>86</u>	<u>572</u>	<u>88</u>	<u>531</u>
<b>Liabilities</b>				
Creditors - GST	(3)		(5)	
- Others	<u>(156)</u>	<u>(159)</u>	<u>(157)</u>	<u>(162)</u>
Assets in excess of liabilities		<u>413</u>		<u>369</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 2004**

	<b>Note</b>	<b>2004</b>	<b>2003</b>
		<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
<b>Cash was received from:</b>			
Annual contributions		1,024	1,025
Compliance review and practitioner course recoveries		238	315
Interest		<u>32</u>	<u>28</u>
		1,294	1,368
<b>Cash was applied to:</b>			
Administration fee paid to NZLS		(131)	(120)
Compliance review and practitioner course costs		(57)	(157)
Inspectors' salaries and expenses		(918)	(895)
Other administration expenses		(129)	(116)
Tax paid		<u>(9)</u>	<u>(7)</u>
		<u>(1,244)</u>	<u>(1,295)</u>
<b>Net cash inflow from operating activities</b>	<b>3</b>	<u>50</u>	<u>73</u>
<b>Net increase in cash held</b>			
Cash at beginning of year		<u>423</u>	<u>350</u>
Cash at end of year		<u>473</u>	<u>423</u>
<b>Comprising:</b>			
Cash at bank		103	123
Bank deposits		<u>370</u>	<u>300</u>
		<u>473</u>	<u>423</u>

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

**Notes to the 2004 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**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Reported surplus after taxation:	4432	
Add movements in working capital items:		
Debtors	9	76
Creditors	(3)	(36)
Tax liability	<u>6</u>	<u>1</u>
	6	41
Net cash inflow from operating activities	<u>50</u>	<u>73</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 2004. 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, which fairly reflects the financial position of the Inspectorate as at 30 November 2004 and the results of its operations and cash flows for the year ended 30 November 2004.

#### 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 2004 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 February 2005 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 2004

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

Statement of Financial Position  
as at 30 November 2004

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

**New Zealand Law Society – Continuing Legal Education  
Statement of Cash Flows  
for the year ended 30 November 2004**

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

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 2004**

**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.
- (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.

**Accounting policies**

CLE was established 1.12.03 and has now operated for its first twelve-month period.

## Notes to the 2004 Financial Statements

### 1. (a) Bank deposits and general funds

CLE has funds invested with the ANZ, ASB, 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.

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

### 3. Fixed assets

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

**4. Accumulated funds**

	<b>2004</b>
	<b>\$000</b>
Opening balance	-
Surplus from statement of financial performance	1,058
	<hr/>
Closing balance	<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**

	<b>2004</b>
	<b>\$000</b>
Reported surplus after taxation	1,058
Less: establishment grant (non operating income)	<u>(854)</u>
	<u>204</u>
Add non-cash items:	
Depreciation	35
Loss on disposal of fixed assets	<u>1</u>
	<u>36</u>
Add movements in other working capital items:	
Debtors	(201)
Creditors	427
Tax liability	<u>43</u>
	<u>269</u>
	<hr/>
Net cash inflow from operating activities	<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 2004. 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, which fairly reflects the financial position of Continuing Legal Education as at 30 November 2004 and the results of its operations and cash flows for the year ended 30 November 2004.

#### **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 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 no other relationship with or interest 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 reflects the financial position of Continuing Legal Education as at 30 November 2004 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 February 2005 and our unqualified opinion is expressed as at that date.



**Chartered Accountants  
Wellington, New Zealand**