

**NEW ZEALAND LAW SOCIETY
REPRESENTATIVE**

FINANCIAL STATEMENTS

FOR THE YEAR

ENDED 30 JUNE 2010

**New Zealand Law Society
Representative**

**Statement of Comprehensive Income
For the year ended 30 June 2010**

in thousands of New Zealand dollars

	Note	Group		Parent	
		Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
Revenue					
Practicing, registration and other service fees		4,713	4,501	1,050	1,212
Interest income		784	912	701	804
Transfer of District Law Societies' assets at fair value		-	3,944	-	3,944
Total revenue	2	5,497	9,357	1751	5,960
Expenses					
Administration and occupancy		6,171	5,646	2,663	2,398
Total expenses	2	6,171	5,646	2,663	2,398
(Deficit)/Surplus before income tax		(674)	3,711	(912)	3,562
Income tax expense	3	274	262	219	203
(Deficit)/Surplus from Operations		(948)	3,449	(1,131)	3,359
Other comprehensive income					
Change in asset valuation	5	(401)	-	(401)	-
Total Comprehensive Income, net of tax		(1,349)	3,449	(1,532)	3,359

These financial statements should be read in conjunction with the accompanying notes to the financial statements on pages 6 to 20.

**New Zealand Law Society
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**Statement of Financial Position
As at 30 June 2010**

in thousands of New Zealand dollars

	Note	Group		Parent	
		As at 30 June 2010	As at 30 June 2009	As at 30 June 2010	As at 30 June 2009
Assets					
Current assets					
Cash and cash equivalents		15,872	15,713	13,661	13,494
Trade and other receivables	4	637	670	482	467
Tax refund	3	21	471	-	352
Total current assets		16,530	16,854	14,143	14,313
Non-current assets					
Property, plant and equipment	5	5,336	6,069	5,324	6,060
Investment in Subsidiary	6	-	-	1,081	1,541
Intangible assets	7	377	629	375	617
Total non-current assets		5,713	6,698	6,780	8,218
Total assets		22,243	23,552	20,923	22,531
Equity and Liabilities					
Current liabilities					
Trade payables and other liabilities	8	1,486	1,436	441	507
Current tax payable	3	-	10	-	10
Total liabilities		1,486	1,446	441	517
Equity					
General reserve		6,908	6,908	6,908	6,908
Revaluation reserve	9	2,432	2,833	2,432	2,833
Retained earnings	10	11,417	12,365	11,142	12,273
Total equity		20,757	22,106	20,482	22,014
Total equity and liabilities		22,243	23,552	20,923	22,531

These financial statements were approved for issue on behalf of the Board:

J P Temm
President
Date: 10 September 2010

C M Grice
Executive Director
Date: 10 September 2010

These financial statements should be read in conjunction with the accompanying notes to the financial statements on pages 6 to 20.

**New Zealand Law Society
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**Statement of Changes in Equity
For the year ended 30 June 2010**
in thousands of New Zealand dollars

	Group		Parent	
	Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
Opening Equity	22,106	19,119	22,014	16,510
Transfer in of the Legal Conference Fund's net assets at fair value	-	-	-	990
Transfer in of Property and Family Law sections equities to Parent	-	-	-	1,155
Transfer out of Inspectorate equity to NZLS Regulatory	-	(462)	-	-
Total Comprehensive Income, net of tax	(1,349)	3,449	(1,532)	3,359
Closing Equity	20,757	22,106	20,482	22,014

These financial statements should be read in conjunction with the accompanying notes to the financial statements on pages 6 to 20.

**New Zealand Law Society
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**Cash Flow Statement
For the year ended 30 June 2010**
in thousands of New Zealand dollars

	Note	Group		Parent	
		Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
<i>Cash flows from operating activities</i>					
<i>Cash was received from:</i>					
Practicing , registration and other service fees		4,414	4,077	972	156
Interest received		905	1,068	833	907
Income Tax received		166	-	123	-
		5,485	5,145	1,928	1,063
<i>Cash was applied to:</i>					
Payments to suppliers and employees		5,001	7,070	1,901	2,894
Income tax paid		-	725	-	549
		5,001	7,795	1,907	3,443
Net cash generated by operating activities / (used in)	12	484	(2,650)	21	(2,380)
<i>Cash flows from investing activities</i>					
<i>Cash was received from:</i>					
Transfer of District Law Societies' cash assets		-	3,415	-	3,415
Cash assets transferred within NZLS due to LCA implementation		-	(898)	-	2,087
Sale of non-current assets		-	3	-	-
Loan repayment from CLE		-	-	460	-
		-	2,520	460	5,502
<i>Cash was applied for:</i>					
Purchase of non-current assets		325	480	314	472
Net cash (used in) / generated by investing activities		(325)	2,040	146	5,030
Net increase in cash and cash equivalents/ (decrease)		159	(610)	167	2,650
Cash and cash equivalents at the beginning of the financial period		15,713	16,323	13,494	10,844
Cash and cash equivalents at the end of the financial period		15,872	15,713	13,661	13,494
<i>Comprising:</i>					
Cash at bank		1,379	568	718	299
Bank deposits		14,493	15,145	12,943	13,195
Cash and cash equivalents		15,872	15,713	13,661	13,494

These financial statements should be read in conjunction with the accompanying notes to the financial statements on pages 6 to 20.

New Zealand Law Society Representative

Notes to the financial statements

in thousands of New Zealand dollars

1. General Information

The New Zealand Law Society (NZLS) is governed by the Lawyers and Conveyancers Act 2006 (LCA). The LCA came into effect on 1 August 2008. It replaced the Law Practitioners Act 1982 (LPA). The LCA requires that the representative and regulatory functions of the NZLS are maintained separately and that separate financial statements are prepared for each category. These financial statements have been prepared for the NZLS representative function.

The NZLS representative functions (NZLS Representative) are set out in section 66 of the LCA. They are to represent its members and to serve their interests.

The NZLS Representative Group consists of NZLS Representative and Continuing Legal Education Limited (CLE). NZLS Representative, the Parent, includes Family Law section and Property Law section.

Summary of Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for public benefit entities.

Basis of preparation

The financial statements have been prepared on the historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied consistently in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented in these financial statements for the eleven month period ended 30 June 2009. Due to a change in balance date in the previous year the comparative information is for the 11 month period ended 30 June 2009.

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

Use of estimates and judgements in applying the accounting policies

In the application of the accounting policies, management are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates.

Critical judgements impacting the current period include the valuation of buildings, assessment of impairment of assets and determination of deferred revenue. Refer to the particular accounting policy notes for the basis of judgements.

New Zealand Law Society Representative

Notes to the financial statements

in thousands of New Zealand dollars

Basis of consolidation

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

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full. Investment in the subsidiary is measured at cost in the Parent's financial statements.

Revenue recognition

Revenue from a transaction to provide services is recognised by reference to the stage of completion of the transaction at the balance sheet date. Interest revenue is recognised using the effective interest method.

Financial assets

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank investments and are held at amortised cost.

Receivables

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

Property, plant and equipment

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

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

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

<u>Class</u>	<u>Method</u>	<u>Rate</u>
• Computer equipment	SL	20-36%
• Furniture and equipment	SL	6-48%
• Motor vehicles	SL	20%
• Building	SL	1%
• Plant	SL	5-20%

Intangible assets

Intangible assets comprise software applications that have a finite useful life and are recorded at cost less accumulated amortisation and impairment. These are amortised on a straight-line basis over their useful lives of 2 years.

New Zealand Law Society Representative

Notes to the financial statements

in thousands of New Zealand dollars

Impairment of assets

At each reporting date, a review is undertaken of the carrying amounts of the tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset (as defined in NZ IAS-36: *Impairment of Assets*) is estimated in order to determine the extent of any loss (if any).

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

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

Deferred revenue

Deferred revenues are funds that are received for services that have not yet been delivered. If revenue is received before services are rendered, then it is recorded as a liability and recognised as revenue over the period for which the services are delivered.

Accounts payable

Accounts payable are recognised where there is an obligation to make payments for purchases of goods and services. They are recognised at fair value initially then subsequently at amortised cost.

Employee benefits

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables that are recognised inclusive of GST.

Income tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the company has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to

New Zealand Law Society Representative

Notes to the financial statements

in thousands of New Zealand dollars

them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current for the period

Current tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Leasing

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

Cash flow statement

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

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

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

Financing activities: these are activities that result in changes in the size and composition of the contributed equity and borrowings.

Comparative amounts

The comparative balances shown in these financial statements are for the 11 months ended 30 June 2009.

Standards and Interpretations effective in the current period

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Representative**

Notes to the financial statements

in thousands of New Zealand dollars

NZIAS 1 – Presentation of Financial Statements (revised 2007) – This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Standards and Interpretations in issue but not yet adopted

At the date of these financial statements, the following Standards and Interpretations have been issued but not yet adopted for use. Some of these will have an impact on NZLS Regulatory. These Standards and Interpretations are not expected to have a material effect on the balance sheet and statement of comprehensive income. Some of these Standards will affect the disclosures in the Notes to the Financial Statements.

Standard/Interpretation

**Effective for Accounting
Period Beginning on or
After**

NZ IFRS 9 Financial Instruments

1 Jan 2013

NZIFRS 9 – This standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013. All recognised financial assets that are currently in the scope of IAS 39 will be measured at either amortised cost or fair value. In order for financial assets to be measured at cost certain criteria must be met. Adoption of this standard is not expected to have a material impact.

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Representative**

Notes to the financial statements
in thousands of New Zealand dollars

	Group		Parent	
	Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
2. Total revenue and expenses include				
Rental Income	13	18	13	18
Depreciation of non-current assets	378	349	371	341
Amortisation of intangible assets	530	390	520	381
President honorarium and employee benefit expenses	2,042	1,978	1,093	1,091
Audit fees	18	21	10	15

3. Taxation

(a) Income tax recognised in profit or loss

Tax (expense)/benefit comprises:

- Current tax expense	278	289	206	243
- Adjustments recognised in the current period in relation to the current tax of prior periods	(4)	-	13	(40)
- Deferred tax from the origination and reversal of temporary differences	-	13	-	-
- Deferred tax from the write-down, or reversal of previous write-down, of a deferred tax asset		(40)		-
Total tax expense	274	262	219	203

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

(Deficit)/Surplus from operations	(674)	3,711	(912)	3,562
Income tax (benefit)/expense calculated at 30%	(202)	1,113	(273)	1,069
- (Non-Assessable income) /Non-deductible expenditure	481	(810)	480	(825)
- Tax losses not recognised/(now utilised)	-	(40)	-	-
- Non-profit organisation exemption	(1)	(1)	(1)	(1)
- (Over)/under provision of tax in previous period	(4)	-	13	(40)
Total tax expense	274	262	219	203

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Notes to the financial statements

in thousands of New Zealand dollars

	Group		Parent	
	Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
(b) Current tax assets and liabilities				
Balance at beginning of period	461	(10)	342	(79)
- Taxation (refunded) /paid	(162)	733	(118)	624
- Current period charge	(277)	(262)	(206)	(243)
- Prior period adjustment	(1)	-	(18)	40
Balance at end of the period	21	461	0	342

(c) Deferred tax balances

Temporary differences arising from trade and other payables

-	13	-	-
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(d) Imputation credit account balances

Balance at beginning of the period	176	-	-	-
- Taxation (refunded)/paid	(45)	176	-	-
Balance at end of the period	131	176	-	-

NB: On 20 May 2010 the Government announced the company tax rate will reduce from 30% to 28% . The change is effective for years beginning on or after 1 April 2011.

4. Trade and other receivables

	Group		Parent	
	As at 30 June 2010	As at 30 June 2009	As at 30 June 2010	As at 30 June 2009
Trade receivables	153	250	26	62
GST receivable	11	-	11	-
Related party balances	172	-	172	-
Prepayments and accrued income	301	420	273	405
Total trade and other receivables	637	670	482	467

Trade receivables are for goods and services supplied. The ageing of receivables is current.

**New Zealand Law Society
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Notes to the financial statements
in thousands of New Zealand dollars

5. Property, plant and equipment

	Group						Total
	Computer Equipment	Leasehold land	Buildings	Furniture and equipment	Motor vehicles	Plant	
<i>Gross carrying amount</i>							
Balance at 1 July 2008	261	485	2,765	2,800	58	744	7,113
- Additions*	23	-	530	125	-	-	678
- Disposals	-	-	-	(3)	-	-	(3)
Balance at 30 June 2009	284	485	3,295	2,922	58	744	7,788
- Revaluation	-	(235)	(166)	-	-	-	(401)
- Additions	72	-	-	32	-	-	104
- Disposals	-	-	-	-	(58)	-	(58)
Balance at 30 June 2010	356	250	3,129	2,954	0	744	7,433
<i>Accumulated depreciation</i>							
Balance at 1 July 2008	212	-	46	862	2	251	1,373
- Disposals	-	-	-	(3)	-	-	(3)
- Depreciation expense	26	-	26	235	14	48	349
Balance at 30 June 2009	238	-	72	1,094	16	299	1,719
- Disposals	-	-	-	-	(16)	-	(16)
- Depreciation expense	41	-	33	267	-	53	394
Balance at 30 June 2010	279	-	105	1,361	0	352	2,097
<i>Net book value</i>							
As at 30 June 2009	46	485	3,223	1,828	42	445	6,069
As at 30 June 2010	77	250	3,024	1,593	0	392	5,336

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Notes to the financial statements

in thousands of New Zealand dollars

Property, plant and equipment (continued)

	Parent						Total
	Computer Equipment	Leasehold land	Buildings	Furniture and equipment	Motor vehicles	Plant	
<i>Gross carrying amount</i>							
Balance at 31 July 2008	261	485	2,765	2,659	58	744	6,972
- Additions*	23	-	530	119	-	-	672
- Disposals	-	-	-	-	-	-	-
Balance at 30 June 2009	284	485	3,295	2,778	58	744	7,644
- Revaluation	-	(235)	(166)	-	-	-	(401)
- Additions	61	-	-	33	-	-	66
- Disposals	-	-	-	-	(58)	-	(58)
Balance at 30 June 2010	345	250	3,129	2,811	0	744	7,279
<i>Accumulated depreciation</i>							
Balance at 31 July 2008	212	-	46	732	2	251	1,243
- Depreciation expense	26	-	26	227	14	48	341
Balance at 30 June 2009	238	-	72	959	16	299	1,584
- Disposals	-	-	-	-	(16)	-	(16)
- Depreciation expense	34	-	33	267	-	53	387
Balance at 30 June 2010	272	-	105	1,226	0	352	1,955
<i>Net book value</i>							
As at 30 June 2009	46	485	3,223	1,819	42	445	6,060
As at 30 June 2010	73	250	3,024	1,585	0	392	5,324

* includes transfers of District Law Societies' assets

Building and leasehold land carried at fair value

In the prior year Fright Aubrey independent registered valuers were engaged to determine the fair value of the Canterbury District Law Society building and leasehold land in January 2009. They valued the building floor at \$530,000 which was the value used to transfer of the building and leasehold to NZLS as at 1 February 2009.

Telfer Young independent registered valuers were engaged to value the Wellington building as at 30 June 2010. They valued the Wellington building and leasehold land at \$2,750,000 and as a consequence the asset and the asset revaluation reserve have reduced by \$401,000.

New Zealand Law Society Representative

Notes to the financial statements

in thousands of New Zealand dollars

The valuer utilised the investment approach for the valuation of the Wellington property. This approach involves capitalising the actual or potential net income at an appropriate market derived rate of return.

6. Subsidiary

Continuing Legal Education Limited (CLE) was incorporated on 1 August 2008 and forms part of the NZLS Representative Group. The balance in the Parent, NZLS Representative, includes the following:

	Parent	
	As at 30 June 2010	As at 30 June 2009
Loan to CLE	-	460
Investment in CLE	1,081	1,081
Total	1,081	1,541

7. Intangible assets

	Group	Parent
<i>Gross carrying amount</i>		
Balance at 31 July 2008	890	871
- Additions	334	329
- Disposals	(3)	-
Balance at 30 June 2009	1,221	1,200
- Additions	278	278
Balance at 30 June 2010	1,499	1,478
<i>Accumulated amortisation and impairment</i>		
Balance at 31 July 2008	202	202
- Amortisation/impairment	390	381
Balance at 30 June 2009	592	583
- Amortisation/impairment	530	520
Balance at 30 June 2010	1,122	1,103
<i>Net carrying value</i>		
As at 30 June 2009	629	617
As at 30 June 2010	377	375

8. Trade payables and other liabilities

Group	Parent
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Notes to the financial statements

in thousands of New Zealand dollars

	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Trade payables	668	196	118	46
GST payable	66	107	-	19
Employee benefits	54	51	-	-
Deferred revenue	690	902	323	254
Related party balances	8	180	-	188
Total	1,486	1,436	441	507

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

9. Revaluation reserve

	Group		Parent	
	Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
Balance at beginning of the period	2,833	2,833	2,833	2,833
Write down of Building and leasehold land valuation	(401)	-	(401)	-
Balance at end of the period	2,432	2,833	2,432	2,833

10. Retained earnings

	Group		Parent	
	Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
Balance at beginning of the period	12,365	9,378	12,273	6,769
- Net (deficit)/surplus from Profit or Loss	(948)	3,449	(1,131)	3,359
- Transfer in Property and Family Law sections opening equities	-	-	-	1,155
- Transfer of the Legal Conference Fund's net assets at fair value	-	-	-	990
- Transfer of Inspectorate opening equity to NZLS Regulatory	-	(462)	-	-
Balance at end of the period	11,417	12,365	11,142	12,273

11. Leasing arrangements

Group	Parent
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Notes to the financial statements

in thousands of New Zealand dollars

	As at 30 June 2010	As at 30 June 2009	As at 30 June 2010	As at 30 June 2009
Non-cancellable operating lease payments				
Not later than 1 year	49	49	49	49
Later than 1 year and not later than 5 years	74	49	74	49
Later than 5 years	-	-	-	-
Total	123	98	123	98

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

12. Reconciliation of cash flows from operating activities with surplus/(deficit) after tax

	Group		Parent	
	Year ended 30 June 2010	11 months ended 30 June 2009	Year ended 30 June 2010	11 months ended 30 June 2009
Reported deficit/surplus after tax	(948)	3,449	(1,131)	3,359
- Adjust for District Law Societies' net assets transfers shown as income	-	(3,945)	-	(3,945)
- Add non cash items:				
Depreciation and amortisation	908	739	891	722
Cash flow from current years operating activities	(40)	243	(240)	136
Add movements in other working capital items:				
- Trade and other receivables	34	580	(14)	519
- Trade and other payables	50	(3,436)	(66)	(2,673)
- Current tax payable	440	(471)	341	(283)
Net movement in working capital	524	(3,327)	261	(2,437)
Net cash (outflow)/inflow from operating activities	484	(3,084)	21	(2,301)
- Adjustment for movements within NZLS due to LCA restructure	-	434	-	(79)
Net cash (outflow)/inflow from operating activities	484	(2,650)	21	(2,380)

13. Financial Instruments

The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking account of the value of any collateral obtained.

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Notes to the financial statements

in thousands of New Zealand dollars

Fair value of financial instruments

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

Interest rate risk

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

Credit risk

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

Maturity Analysis

Maturity investments timelines tables below gives a breakdown of the Representative cash and cash equivalents for principals and gross investments amounts including interest that are expected to mature over the next financial year to 30 June 2011.

Group – Maturity Timeline of Investments Principals					
	2010	Less Than One Month	1-3 Months	3 Months to One Year	Total
Gross carrying amount					
Non- interest bearing		1,379	-	-	1379
Fixed interest rate instruments	5.30%	2,210	1,593	10,690	14,493
Total		3,589	1,593	10,690	15,872
Total trade and other payables		796			796

Parent – Maturity Timeline of Investments Principals					
	2010	Less Than One Month	1-3 Months	3 Months to One Year -3 Months	Total
Gross carrying amount					
Non- interest bearing		718	-	-	718
Fixed interest rate instruments	5.30%	1,860	1,193	9,890	12,943
Total		2,578	1,193	9,890	13,661
Total trade and other payables		118			118

Group – Maturity Timeline of Gross Investments Amounts

**New Zealand Law Society
Representative**

Notes to the financial statements

in thousands of New Zealand dollars

2009

	Weighted Average Effective Interest Rate	Less Than One Month	1-3 Months	3 Months to One Year -3 Months	Total
Gross carrying amount					
Non- interest bearing		568	-	-	568
Fixed interest rate instruments	5.49%	1,450	4,883	8,812	15,145
Total		2,018	4,883	8,812	15,713
Total trade and other payables		796			796

Parent – Maturity Timeline of Gross Investments Amounts

2009

	Weighted Average Effective Interest Rate	Less Than One Month	1-3 Months	3 Months to One Year -3 Months	Total
Gross carrying amount					
Non- interest bearing		299	-	-	299
Fixed interest rate instruments	5.49%	1,000	4,663	7,532	13,195
Total		1,299	4,663	7,532	13,494
Total trade and other payables		118			118

14. Related party disclosures

(a) Parent entity

The parent entity is NZLS Representative which includes the Family Law and Property Law sections.

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

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

(c) Transactions with related parties

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

During the period, the following related party transactions between NZLS Representative and other entities within NZLS:

Year ended 30 June 2010	11 Months ended 30 June 2009
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New Zealand Law Society Representative

Notes to the financial statements

in thousands of New Zealand dollars

Allocation of costs from:

NZLS Regulatory	1,947	1,271
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Allocation of parent costs to:

NZLS CLE	63	51
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Depreciation allocation costs for use of assets:

NZLS Regulatory	830	558
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2009-10 Legal fees income received on and held behalf
of and owed as 30 June 2010:

NZ Regulatory	-	246
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NZLS Inter-Entities balances as 30 June 2010:

NZLS Regulatory	167	(185)
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15. Contingent liabilities

There are no contingent liabilities for the Parent or Group at June 2010 (2009 nil).

16. Contingent assets

There are no contingent assets for the Parent or Group at June 2010 (2009 nil).

17. Capital commitments

There are no capital commitments for the Parent or Group at June 2010 (2009 nil).

18. Subsequent events

There are no significant events subsequent to balance date requiring adjustment to these financial statements.

**New Zealand Law Society
Representative**

Additional Information

Registered office / Principal place of operations:

Law Society Building
26 Waring Taylor Street
Wellington

Auditor:

Deloitte
10 Brandon Street
Wellington

Banker:

ASB Bank