

**NEW ZEALAND LAW SOCIETY
REPRESENTATIVE AND GROUP**

**FINANCIAL STATEMENTS
FOR THE ELEVEN MONTHS
ENDED 30 JUNE 2009**

**New Zealand Law Society
Representative and Group
Income Statement**
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars

	Note	Group		Parent	
		11 months ended 30 June 2009	8 months ended 31 July 2008	11 months ended 30 June 2009	8 months ended 31 July 2008
Revenue					
Practicing, registration and other service fees		4,501	6,785	1,212	4,583
Interest income		912	840	804	598
Transfer of District Law Societies' assets at fair value		3,944	-	3,944	-
Total revenue	2	9,357	7,625	5,960	5,181
Expenses					
Administration and occupancy		5,646	6,818	2,398	4,913
Inspectorate and compliance		-	774	-	35
Fair value adjustment of Subsidiary					436
Total expenses	2	5,646	7,592	2,398	5,384
Surplus/(Deficit) before income tax		3,711	33	3,562	(203)
Income tax expense	3	(262)	(200)	(203)	(163)
Surplus/(Deficit) for the period		3,449	(167)	3,359	(366)

**New Zealand Law Society
Representative and Group
Balance Sheet**
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars

	Note	Group		Parent	
		30 June 2009	31 July 2008	30 June 2009	31 July 2008
<i>Assets</i>					
Current assets					
Cash and cash equivalents		15,713	16,323	13,494	10,844
Trade and other receivables	4	670	1,250	467	986
Tax refund	3	471	87	352	-
Total current assets		16,854	17,660	14,313	11,830
Non-current assets					
Property, plant and equipment	5	6,069	5,740	6,060	5,729
Investment in Subsidiary	6	-	-	1,541	1,541
Intangible assets	7	629	688	617	669
Total non-current assets		6,698	6,428	8,218	7,939
Total assets		23,552	24,088	22,531	19,769
<i>Equity and Liabilities</i>					
Current liabilities					
Trade payables and other liabilities	8	1,436	4,872	507	3,180
Current tax payable	3	10	97	10	79
Total liabilities		1,446	4,969	517	3,259
Equity					
General reserve		6,908	6,908	6,908	6,908
Retained earnings	9	15,198	12,211	15,106	9,602
Total equity		22,106	19,119	22,014	16,510
Total equity and liabilities		23,552	24,088	22,531	19,769

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

J L Marshall QC
President
Date: 5 October 2009

C M Grice
Executive Director
Date: 5 October 2009

**New Zealand Law Society
Representative and Group
Statement of Changes in Equity
For the eleven months ended 30 June 2009**
in thousands of New Zealand dollars

	Group		Parent	
	11 months ended 30 June 2009	8 months ended 31 July 2008	11 months ended 30 June 2009	8 months ended 31 July 2008
Opening Equity	19,119	19,286	16,510	16,876
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)	-	-	-
Surplus/(Deficit) for the period	3,449	(167)	3,359	(366)
Total recognised income and expenses	2,987	(167)	5,504	(366)
Closing Equity	22,106	19,119	22,014	16,510

**New Zealand Law Society
Representative and Group
Cash Flow Statement
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars**

	Note	Group		Parent	
		11 months ended 30 June 2009	8 months ended 31 July 2008	11 months ended 30 June 2009	8 months ended 31 July 2008
Cash flows from operating activities					
Cash was received from:					
Practicing , registration and other service fees		4,077	10,124	156	6,524
Interest received		1,068	671	933	537
		<u>5,145</u>	<u>10,795</u>	<u>1,063</u>	<u>7,061</u>
Cash was applied to:					
Payments to suppliers and employees		7,070	7,750	2,894	4,820
Income tax paid		725	232	549	89
		<u>7,795</u>	<u>7,982</u>	<u>3,443</u>	<u>4,909</u>
Net cash (used in) / generated by operating activities	11	<u>(2,650)</u>	<u>2,813</u>	<u>(2,380)</u>	<u>2,152</u>
Cash flows from investing activities					
Cash was received from:					
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	16	-	16
		<u>2,520</u>	<u>16</u>	<u>5,502</u>	<u>16</u>
Cash was applied for:					
Purchase of non-current assets		480	446	472	423
		<u>480</u>	<u>446</u>	<u>472</u>	<u>423</u>
Net cash generated by / (used in) investing activities		<u>2,040</u>	<u>(430)</u>	<u>5,030</u>	<u>(407)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(610)</u>	<u>2,383</u>	<u>2,650</u>	<u>1,745</u>
Cash and cash equivalents at the beginning of the financial period		16,323	13,940	10,844	9,099
Cash and cash equivalents at the end of the financial period		<u>15,713</u>	<u>16,323</u>	<u>13,494</u>	<u>10,844</u>
Comprising:					
Cash at bank		568	377	299	150
Bank deposits		8,237	9,038	6,287	3,786
General fund bank deposits		6,908	6,908	6,908	6,908
		<u>15,713</u>	<u>16,323</u>	<u>13,494</u>	<u>10,844</u>

**New Zealand Law Society
Representative and Group
Notes to the financial statements
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars**

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 the Legal Conference Fund (LCF), the Family Law section and Property Law section which formed part of the Group in the previous period but are included in the Parent from 1 August 2008.

The NZLS Inspectorate function formed part of the Group in the prior period but is not included as part of the Group in the current period as it is now part of NZLS Regulatory in accordance with the LCA. The transfer to NZLS Regulatory occurred on 1 August 2008.

The LCA requires a change a balance date from 31 July to 30 June. Accordingly, these financial statements have been prepared for the 11 months ended 30 June 2009.

The non-library assets and liabilities of District Law Societies, except the Auckland District Law Society, were transferred to NZLS Representative as at 1 February 2009. The library assets and liabilities from all the District Law Societies were transferred to NZLS Regulatory at the same time.

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 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 period ended 30 June 2009 and the comparative information presented in these financial statements for the period ended 31 July 2008. Due to a change in balance date in the previous year the comparative information is for the 8 month period ended 31 July 2008.

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.

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.

**New Zealand Law Society
Representative and Group
Notes to the financial statements
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars**

Summary of accounting policies (continued)

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.

Transfers of assets to NZLS Representative

The assets and liabilities of the District Law Societies have been transferred at fair value as at 1 February 2009 through the Income Statement.

The net assets of CLE and the LCF were included as part of the Group in the previous period. These have been transferred into the Parent on 1 August 2009. Due to these previously being part of the Group, the fair value of the net assets have been transferred directly to equity.

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.

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 Asset*) 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.

**New Zealand Law Society
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Notes to the financial statements
For the eleven months ended 30 June 2009
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Summary of accounting policies (continued)

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 future 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 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.

**New Zealand Law Society
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Notes to the financial statements
For the eleven months ended 30 June 2009
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Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Income Statement, 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: are the principal revenue producing activities and other activities that are not investing or financing activities.

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

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

Use of estimates and judgments 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 determination of the fair value of the assets and liabilities transferred from the District Law Societies, assessment of impairment of assets and determination of deferred revenue.

Comparative amounts

The comparative balances shown in these financial statements are for the 8 months ended 31 July 2008 and relate to the NZLS prior to the Act coming into effect. Certain prior period amounts have been reclassified for comparability with the current period.

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. These Standards and Interpretations are not expected to have a material effect on the Group's Balance Sheet and Income Statement. Some of these Standards will affect the disclosures in the Notes to the Financial Statements.

<u>Standard/Interpretation</u>	<u>Effective for Accounting Period Beginning on or After</u>
NZ IFRS-1 – <i>Amendments to First-Time Adoption New Zealand Equivalents to International Financial Reporting Standards</i>	1 January 2009
NZ IFRS-3 – <i>Business Combinations (revised)</i>	1 July 2009
NZ IFRS-8 – <i>Operating Segments</i>	1 January 2009
NZ IAS-1 – <i>Presentation of Financial Statements (revised)</i>	1 January 2009
NZ IAS-27 – <i>Consolidated and Separate Financial Statements – Revised 2008</i>	1 July 2009
NZ IAS-27 – <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2009

New Zealand Law Society
Representative and Group
Notes to the financial statements
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars

2. Total revenue and expenses include

	<u>Group</u>		<u>Parent</u>	
	<u>11 months ended 30 June 2009</u>	<u>8 months ended 31 July 2008</u>	<u>11 months ended 30 June 2009</u>	<u>8 months ended 31 July 2008</u>
Rental Income	18	17	18	17
Depreciation of non-current assets	349	248	341	243
Amortisation of intangible assets	390	11	381	11
President honorarium and employee benefit expenses	1,978	3,609	1,091	2,410
Audit Fees (for audit of the financial statements)	21	26	15	13

3. Taxation

(a) Income tax recognised in profit or loss

	<u>Group</u>		<u>Parent</u>	
	<u>11 months ended 30 June 2009</u>	<u>8 months ended 31 July 2008</u>	<u>11 months ended 30 June 2009</u>	<u>8 months ended 31 July 2008</u>
Tax expense/(benefit) comprises:				
Current tax expense/(benefit)	289	160	243	163
Adjustments recognised in the current period in relation to the current tax of prior periods	-	-	(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)	40	-	-
Total tax expense/(benefit)	262	200	203	163

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:

Surplus/(Deficit) from operations	3,711	33	3,562	(203)
Income tax expense/(benefit) calculated at 30%	1,113	10	1,069	(61)
Non-deductible expenditure/ (Non-assessable income)	(810)	151	(825)	225
Tax losses not recognised/(now utilised)	(40)	40	-	-
Non-profit organisation exemption	(1)	(1)	(1)	(1)
	262	200	243	163
(Over)/under provision of tax in previous period	-	-	(40)	-
Total tax expense/(benefit)	262	200	203	163

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

**New Zealand Law Society
Representative and Group
Notes to the financial statements
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars**

(b) Current tax assets and liabilities

	Group		Parent	
	11 months ended 30 June 2009	8 months ended 31 July 2008	11 months ended 30 June 2009	8 months ended 31 July 2008
Balance at beginning of period	(10)	(45)	(79)	(7)
Taxation paid/(refunded)	733	235	624	91
Current period charge	(262)	(200)	(243)	(163)
Prior period adjustment	-	-	40	-
Balance at end of the period	461	(10)	342	(79)

(c) Deferred tax balances

Parent

Deferred tax assets comprise:

Tax losses	-	-	-	-
Temporary differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Group

Deferred tax assets comprise:

Tax losses	-	-	-	-
Temporary differences	13	-	-	-
	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax liabilities comprise:

Temporary differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Taxable and deductible temporary differences arise from the following:

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
Property, plant and equipment	-	-	-	-
Trade and other payables	-	13	-	13
Other	-	-	-	-
Total	<u>-</u>	<u>13</u>	<u>-</u>	<u>13</u>

(d) Imputation credit account balances

	Group		Parent	
	11 months ended 30 June 2009	8 months ended 31 July 2008	11 months ended 30 June 2009	8 months ended 31 July 2008
Balance at beginning of the period	-	-	-	-
Taxation paid/(refunded)	176	-	-	-
Balance at end of the period	176	-	-	-

Imputation credits available directly and indirectly to shareholders of the parent company, through:

Parent company	-	-
Subsidiaries	176	-
Total	176	-

**New Zealand Law Society
Representative and Group
Notes to the financial statements
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars**

4. Trade and other receivables

	Group		Parent	
	30 June 2009	31 July 2008	30 June 2009	31 July 2008
Trade receivables	250	479	62	375
GST receivable	-	211	-	209
Receivables due within the Group:				
- current	-	-	-	32
Prepayments and accrued income	420	560	405	370
	670	1,250	467	986

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

5. Property, plant and equipment

	Group						Total
	Computer Equipment	Leasehold land	Buildings	Furniture and equipment	Motor vehicles	Plant	
Gross carrying amount							
Balance at 1 December 2007	260	485	2,765	2,802	46	744	7,102
Additions	6	-	-	18	58	-	82
Disposals	(5)	-	-	(20)	(46)	-	(71)
Balance at 31 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
Accumulated depreciation							
Balance at 1 December 2007	195	-	28	717	32	214	1,186
Disposals	(4)	-	-	(20)	(37)	-	(61)
Depreciation expense	21	-	18	165	7	37	248
Balance at 31 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
Net book value							
As at 31 July 2008	49	485	2,719	1,938	56	493	5,740
As at 30 June 2009	46	485	3,223	1,828	42	445	6,069

**New Zealand Law Society
Representative and Group
Notes to the financial statements
For the eleven months ended 30 June 2009
in thousands of New Zealand dollars**

Property, plant and equipment (continued)

	Parent						
	Computer Equipment	Leasehold land	Buildings	Furniture and equipment	Motor vehicles	Plant	Total
Gross carrying amount							
Balance at 1 December 2007	260	485	2,765	2,645	46	744	6,945
Additions	6	-	-	14	58	-	78
Disposals	(5)	-	-	-	(46)	-	(51)
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
Accumulated depreciation							
Balance at 1 December 2007	195	-	28	572	32	214	1,041
Disposals	(4)	-	-	-	(37)	-	(41)
Depreciation expense	21	-	18	160	7	37	243
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
Net book value							
As at 31 July 2008	49	485	2,719	1,927	56	493	5,729
As at 30 June 2009	46	485	3,223	1,819	42	445	6,060

* includes transfers of District Law Societies assets

Building and leasehold land carried at fair value

An independent valuation of the Group's additional building and leasehold land was performed by Fright Aubrey registered valuers. Fright Aubrey registered valuers are independent registered valuers not related to the Group, and were engaged to determine the fair value of the Canterbury District Law Society building and leasehold land. The valuation was sought due to the transfer of the building and leasehold to NZLS as part of the LCA requirements. The valuation conforms to the New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes and was issued on the 29th of January 2009. The effective date of the valuation is 29 January 2009. In arriving at the current market value assessment for the premises, an income approach was considered to be the most suitable. To that end, Fright Aubrey first considered the market rental payable for the property and then, after deducting operating expenses, capitalised the net return into value at an appropriate capitalisation rate.

6. Subsidiary

Continuing Legal Education (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	
	30 June 2009	31 July 2008
Loan to CLE	460	-
Investment in CLE	1,081	1,541
Total	1,541	1,541

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

7. Intangible assets

	Group	Parent
<i>Gross carrying amount</i>		
Balance at 1 December 2007	533	533
Additions	79	79
Disposals	(6)	(6)
	606	606
Work in progress	284	265
Balance at 31 July 2008	890	871
Additions	334	329
Disposals	(3)	-
Work in progress	-	-
Balance at 30 June 2009	1,221	1,200
<i>Accumulated amortisation and impairment</i>		
Balance at 1 December 2007	197	197
Disposals	(6)	(6)
Amortisation expense	11	11
Balance at 31 July 2008	202	202
Amortisation expense	390	381
Disposals	-	-
Balance at 30 June 2009	592	583
Net carrying value		
As at 31 July 2008	688	669
As at 30 June 2009	629	617

8. Trade payables and other liabilities

	Group		Parent	
	30 June 2009	31 July 2008	30 June 2009	31 July 2008
Trade payables	196	1,205	46	818
GST payable	107	74	19	-
Employee benefits	51	404	-	279
Deferred revenue	902	3,189	254	2,083
Related party balances	180	-	188	-
Total	1,436	4,872	507	3,180

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.

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9. Retained earnings

	Group		Parent	
	11 months ended 30 June 2009	8 months ended 31 July 2008	11 months ended 30 June 2009	8 months ended 31 July 2008
Balance at beginning of the period	12,211	12,378	9,602	9,968
Net surplus/(deficit) from Income Statement	3,449	(167)	3,359	(366)
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	<u>15,198</u>	<u>12,211</u>	<u>15,106</u>	<u>9,602</u>

10. Leasing arrangements

	Group		Parent	
	30 June 2009	31 July 2008	30 June 2009	31 July 2008
Non-cancellable operating lease payments				
Not later than 1 year	49	49	49	49
Later than 1 year and not later than 5 years	49	98	49	98
Later than 5 years	-	-	-	-
	<u>98</u>	<u>147</u>	<u>98</u>	<u>147</u>

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.

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

	Group		Parent	
	30 June 2009	31 July 2008	30 June 2009	31 July 2008
Reported surplus/(deficit) after tax of:	3,449	(167)	3,359	(366)
Adjust for District Law Societies net assets transfers shown as income				
Add non-cash items:				
Adjust for District Law Societies net assets transfers shown as income	(3,945)	-	(3,945)	-
Fair value adjustment of Subsidiary				436
Depreciation and amortisation	739	259	722	254
Loss on disposal of fixed assets	-	1	-	1
(Gain) on sale of fixed assets	-	(6)	-	(6)
	243	87	136	319
Add movements in other working capital items:				
Trade & other receivables	580	(412)	519	(302)
Trade & other payables	(3,436)	3,173	(2,673)	2,063
Current tax payable	(471)	(35)	(283)	72
Net movement in working capital	(3,327)	2,726	(2,437)	1,833
Net cash (outflow)/inflow from operating activities	(3,084)	2,813	(2,301)	2,152
Adjustment for movements within NZLS due to LCA restructure	434	-	(79)	-
Net cash (outflow)/inflow from operating activities	(2,650)	2,813	(2,380)	2,152

12. 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.

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.

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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 2010.

Group – Maturity Timeline of Investments Principals

	Less Than One Month	1-3 Months	3 Months to One Year	Total
Gross carrying amount				
Non- interest bearing	568	-	-	568
Fixed interest rate instruments	1,450	4,883	8,812	15,145
Total	2,018	4,883	8,812	15,713
Total trade and other payables	534			

Parent – Maturity Timeline of Investments Principals

	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	1,000	4,663	7,562	13,195
Total	1,299	4,663	7,562	13,494
Total trade and other payables	253			

Group – Maturity Timeline of Gross Investments Amounts

	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%	1,460	5,098	9,278	15,836
Total		1,759	5,098	9,278	16,135

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Parent – Maturity Timeline of Gross Investments Amounts

	Weighted Average Effective Interest Rate	Less Than One Month	1-3 Months	3 Months to One Year -3 Months	Total
<i>Gross carrying amount</i>					
Non- interest bearing		299	-	-	299
Fixed interest rate instruments	5.66%	1,003	4,845	7,986	13,835
Total		1,304	4,845	7,986	14,134

13. Related party disclosures

(a) Parent entity

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

(b) 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 within NZLS entities that are not part of the Representative Group:

	2009 11 months	2008 8 months
NZLS Inspectorate	-	103
CLE	-	193
Allocation of costs from:		
NZLS Regulatory	1,271	-
Allocation of parent costs to:		
NZLS CLE	51	-
Depreciation allocation costs for use of assets:		
NZLS Regulatory	558	-
2009-10 Legal fees income received on and held behalf of and owed as 30 June 2009:		
NZ Regulatory	246	-
NZLS Inter-Entities balances as 30 June 2009:		
NZLS Regulatory	(185)	-

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

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

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14. Contingent liabilities

There are no contingent liabilities for the Parent or Group at June 2009 (2008 nil).

15. Contingent assets

There are no contingent assets for the Parent or Group at June 2009 (2008 nil).

16. Capital commitments

There are no capital commitments for the Parent or Group at June 2009 (2008 nil).

17. Subsequent events

There are no significant events subsequent to balance date.

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Additional Information
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18. Additional information

Registered office / Principal place of operations:

Law Society Building
26 Waring Taylor Street
Wellington

Auditor:

Deloitte
10 Brandon Street
Wellington

Bankers:

ASB Bank