



Annual Report

For the year ended 30 June 2021

Presented to the Minister of Justice pursuant to section 76 of the
Lawyers and Conveyancers Act 2006

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Front cover: President Tiana Epati with Manaaki Terekia, Mana Taumaunu, and Heather Vaughn proudly wearing Taonga outside the Gisborne District Court.



Highlights of 2021 Financial Year

Our already successful New Zealand Law Society Te Kāhui Ture o Aotearoa took important strides forward, by:

- Dealing with major legacy issues
- Investing significantly for rapid modernisation
- Building a fit-for-the-future organisation

President's message

Tēnā koutou katoa

It's been the best of years and the most difficult of years: the best, because we've put everything on the table in 2021; the most difficult, because there were few other options.

For decades we have 'majored in minors', ticked off the smaller ticket items which we needed to fix in our professional body. Only over the past three years have we begun to address the significant challenges. This year, we sped up that process to face our biggest tasks head on.

Why did we need to?

The public and justice system endow lawyers with some rights of exclusivity and status in exchange for service in the public interest. This is a form of implicit social contract. So lawyers serve the community, uphold the rule of law and justice in Aotearoa New Zealand, and in return for our good public works, we are granted the trust and confidence of the community. Where we ignore this, there are consequences.

That's exactly what happened in 2018. A minefield of behavioural issues in the profession was revealed. Those issues included a prevalence of bullying, discrimination, and sexual harassment, and they brought the profession into disrepute. We came face to face with public opprobrium. The resulting Cartwright report and media interest delivered a mountain of reckonings. We faced a long path back.

2021 was a further turning point in that path, because the initiatives we took and the changes we have commenced started a rebuild of the cornerstones of the legal profession.

This Annual Report 2021 outlines those initiatives – some of which I refer to here in my message. Much more is yet to come.



**E tu ki te tei o te waka
Kia pakia koe e nga ngaru o te wa**

*Stand at the stern of the canoe
And feel the spray of the future biting at your face*

Aligned with this, in 2021, we also made vital changes to how we see ourselves. The legal profession must reflect the communities in which we operate. Relevance is everything.

You can see this in the composition of the legal profession, which has dramatically changed. Law graduates are now predominantly female, with ever increasing numbers of Pacific and Māori lawyers. Our profession

is now represented by a younger demographic who see Aotearoa New Zealand differently from past generations.

It is this younger, diverse vision I have sought to champion throughout the Law Society during my time in office. The legal leaders of tomorrow matter as much as the legal leaders of today.

So what were those initiatives that continued the seismic shift in Aotearoa's Law Society in 2021?

Changes to the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008

These changes came into effect 1 July 2021. They are the Law Society's giant step in dealing with behavioural issues in the legal profession identified in 2018. In summary, these rules, for the first time ever, define and prohibit as 'unacceptable behaviour' bullying, discrimination, racial or sexual harassment (and more). They place heavy onus on law practices to report this behaviour to the Law Society, thereby ensuring an appropriate response is forthcoming.

Almost certainly these are the most substantial, regulatory changes on behaviour ever taken by the Law Society, and they have been welcomed by our profession as they reflect a shared view of what we want our profession to be. (see [page 15](#) for full outline)

Access to Justice – A Stocktake of Initiatives

Another tall mountain we have begun to climb as a profession, in the year under review, has been New Zealand's poor record in the availability of justice for all.

Many people who have encountered legal problems are unable to access information or assistance on their journey to justice. Covid-19 exacerbated this. After extensive research and consultation, in December 2020, the Law Society published a stocktake report on New Zealanders' [Access to Justice](#). This is essentially a scan of what 'access to justice' New Zealanders have, and how it's thwarted. We took a wide view of what 'justice' means, looking at who understands their rights, who doesn't, and who is able to assert

“...I make specific mention of the leadership you provided as President through a very difficult time. Your calm, clear headed identification of the critical issues, your ability to prioritise and to communicate were quite remarkable”

Letter by Chief Justice Helen Winkelmann, to the President of the Law Society (14 October 2020), acknowledging the Law Society's Covid-19 response.

their rights effectively. Through this study, we are now better able to identify unique ways the Law Society is placed to add much-needed resource. (see [page 17](#))

Access to Justice is dear to my heart. The legal aid system is failing, and the Law Society's response to that must be to advocate reasoned, practical and evidence-based solutions. In 2021 (calendar year), then, we took the first step on this long ladder. By late 2021, the next phase of this project will be completed. Next year and beyond, we will look to what the Law Society can best implement.

Nau Mai Haere Mai – Te Hunga Rōia Māori o Aotearoa and the Pacific Lawyers Association.

A further initiative has helped us partner to right a wrong.

For 32 years, Te Hunga Rōia Māori o Aotearoa – the Māori Lawyers' representative body, with its substantial membership – has stood outside the Law Society. The reasons for this are rooted in a somewhat acrimonious story. In 1983 a group of Māori practitioners



walked out of a Law Society function, unhappy with the lack of inclusion and regard for a Māori voice. They convened in a garage in Rotorua and discussed the creation of a Māori Law Society which led to the establishment of Te Hunga Rōia Māori o Aotearoa in 1988.

Today, Te Hunga Rōia Māori o Aotearoa unquestionably has the mandate to speak for the Māori law profession, to the Māori perspective in law reform, and is called upon increasingly for insights by the Judiciary and Government.

The same is true of the Pacific Lawyers Association who were established in 2002.

2020 was a watershed year, then. Our Constitution was amended and Te Hunga Rōia Māori o Aotearoa and the Pacific Lawyers Association took seats on the New Zealand Law Society Council. For the first time, they are participating in the largest organisation in their profession, and for the first time, they are electing the President. Editions of LawTalk magazines, co-edited

by Te Hunga Rōia Māori, were likewise published for the first time, marking another milestone.

In May 2021, the Law Society was also successful in our advocacy for changes to court etiquette.

The Chief Justice allowed taonga to be worn in court instead of neckties. For me, and for thousands of other New Zealand lawyers, this was a moment that was long overdue and a significant leap along a pathway towards having a justice system which resembles our country.

Society Supporting Justice throughout Covid-19

Sometimes periods of upheaval allow businesses to take big strides ahead. Covid-19 provided the final ingredient for a perfect storm in the legal profession that has helped shape our future.

Extending over 2020 and 2021, the Law Society led the profession's Covid-19 response. Working collaboratively with the Judiciary, the Ministry of Justice

and Government officials, we contributed to urgent legislative amendments. The Law Society became the 'communications' channel to the profession on all things Covid-19 related.

I directed the Law Society's – often very challenging – response to every proposed law change, protocol and process amendment for Covid-19. In these most demanding circumstances, we held daily online meetings to ensure communications and submissions from the legal profession were coordinated, and our feedback was delivered with clarity. Collectively, we focused on solutions, not problems. It was a two-way, educative conversation.

Webinars held in 2020 were left online to help answer lawyers' questions on Covid-19 processes, as we moved through the 2021 financial year.

Communication with the Judiciary and Ministry of Justice leaders (established in 2020), and amongst the profession itself, has thus been maintained as we continue our focus on solutions in a Covid-19 world.

Covid-19 also revealed a massive gap in the legal profession's adoption of technology. The upside of this has been that every lawyer, and the Ministry of Justice and Courts have had to move light years ahead inside 12 months, to update their technology. Lawyers are now embracing paperless offices and, more generally, thinking outside the box.

The Independent Review

The dictum of all successful organisations is to shape the future before the future shapes you. For the New Zealand Law Society, 2021 was the moment we took control.

Under the Lawyers and Conveyancers Act 2006, the Law Society is both a regulatory body, with a duty to the community, and a representative body, with a duty to its members.

Balancing the needs of these two sides of our organisation, and delivering to them, is difficult at times. Funding is heavily restricted, but demand is not.

The report provided to the Law Society by Dame Sylvia Cartwright in 2018, following behavioural issues within the profession, recommended we address a wide number of problems.

The Law Society embraced that report, but found that its legislation actually constrained our ability to address the issues raised by Dame Sylvia.

This led us to question whether the legislation under which we operate is as relevant now, as when it was enacted.

We determined that the best way forward was to examine who we needed to be as a professional body, what powers we needed to have, and what obligations we needed to fulfil – in a 21st century context. In essence, then, we took the step to look at our entire structure as a regulator and membership body, and ask ourselves the most insightful questions we could.

Therefore in 2020, we commissioned an Independent Review of the Statutory Framework for Legal Services in New Zealand. We put everything that defined us on the table to encourage a meaningful dialogue about the shape of a 'fit-for-the-future' Law Society.

A seven-person steering group led by Whaimutu Dewes (one of the original Māori lawyers from the garage in Rotorua) got to work on its terms of reference, with 600 submissions received. Feedback from the profession suggested: '*the Law Society is asking the right questions*'.

The Independent Review's major piece of work will commence in late 2021 (calendar year). The outcome of the review will be to actively canvass legislative and regulatory changes with the Minister of Justice in early 2023, should these be determined to be needed.

This is definitive and bold action towards our future. It signifies a defining moment in our history. (see [page 14](#))

Gratitude and Acknowledgements

2021 marks almost the end of my Presidency. I extend my grateful thanks to the outgoing Chief Executive of

the New Zealand Law Society Helen Morgan-Banda who left in June 2021. Helen made a very positive contribution to our future. I also welcome our incoming Chief Executive, Joanna Simon who joined just after the reporting period ended. Joanna is a highly experienced executive and leader, with the background to implement the logical organisational and structural transformation required ahead.

In 2021, it is fitting to thank the legal profession for incredible teamwork. In a fraught year, we overcame vast hurdles, continued operations, maintained vital submissions and activity to Select Committees, and put our heads over the parapets to look ahead. Our hundreds of volunteer experts, and the Council, who contribute - free of charge - to the practical development of the law in Aotearoa New Zealand cannot be thanked enough.

I also want to acknowledge the immense work of the Board in 2021. Through their activity, a new, robust financial reporting regime was instituted; a new CEO

was appointed; a strategic investment strategy was developed, and the important Law Society initiatives which appear in this Annual Report were endorsed. This diverse Board continues to probe the Law Society with insight and unity - rare and valuable qualities of very good governance.

Our Council and Board, the Branch councils and committees are all superb sponsors and supporters of a healthy, thriving Law Society and likewise have my sincere thanks.

For me, it has provided the greatest challenge and reward of my career to date.

As I bow out, we need to continue to advance a 'fit-for-purpose' Law Society for the future. It is enormously satisfying to say: I have every confidence we will.

Ngā manaakitanga

TIANA EPATI

President



Wearing taonga in Court

“The change was another step in making Māori culture more visible in our courts, and valued as Tiriti partners and tangata whenua. For me this first time wearing my manaia was also about having one of my tipuna with me to draw strength from in a challenging forum.”

Riki Donnelly - Tumuaiki | Director PR Law in Invercargill

Chief Executive's review

In her report, the President of the New Zealand Law Society paints a picture of a (now) forward-looking organisation under-going rapid philosophical, likely legislative and regulatory change, which is focused on consolidating a way ahead.

Underpinning these changes operationally, there must be appropriate modern systems, processes, structure and staff capability to meet the needs of a burgeoning profession for the next decade or more. Put simply, this implies: continued, substantial investment in the New Zealand Law Society, and a disciplined, structured organisation adapted to sustaining the on-going needs of a thriving profession.

In the financial years 2020 and 2019, the New Zealand Law Society had already begun some changes to become a fit-for-the-future organisation. In 2021, as part of this multi-year transformation, and guided by the hard work of my predecessor Helen Morgan-Banda, the Law Society accelerated programmes towards this goal.

There is a lot more work left to do.

With these challenges in mind, I stepped into the New Zealand Law Society in July 2021. So, while this report casts an eye backward on the year past, it also points forward to 2022 and beyond, where the activities we must continue to undertake become even more concentrated.

In the following pages, highlights of the enormous range of initiatives carried out by the Law Society are outlined. They do not represent the complete undertakings of the Law Society which are as vast and deep as they are broad.

These accomplishments owe much to the hundreds of incredible legal experts who volunteer their time and insights for the greater good of law (and its independence) in Aotearoa New Zealand. They also owe a debt to the 139 (74 Regulatory staff; 41 Representative



staff; 24 Support staff) committed employees of the New Zealand Law Society who support them with technical expertise.

I thank the President Tiana Epati for her wonderful guidance, sharp focus and leadership of the Board and as she inducted me into my new role in the Law Society.

The following features of the 2021 Financial Year are highlights from the list of the Law Society's 2021 operational achievements.

Right Practising Certificate Fees

The New Zealand Law Society comprises two halves: Regulatory services (dealing with the register,

professional standards, complaints, investigations and law reform etc see [page 22](#), Libraries, see [page 28](#)) and a Representative side (services to the legal profession including: advocacy for the profession, collegiality, communication of issues and continuing professional development etc see [page 26](#)).

The entire practising fee paid annually by every practising lawyer, must be applied (under law) only to the Regulatory side of the Law Society and not to the operations of the Representative side of the Law Society, which engages the entire profession. (The pages of this Annual Report attest to the huge value of the services delivered at no cost to members from the Representative side of this organisation.)

For 11 years, our practising fees have not kept up with CPI. In 2010 practising fees were \$1130, they were reduced in 2015 to \$1040. In 2021, for the first time in six years, the fees were raised by \$100, taking them to \$1140 per lawyer for the 2021 year.

The lack of increase in practising certificate fees, as well as the propensity of the organisation to focus heavily on cost control and reserves, has produced an organisation that has (arguably) under-invested. Over the past year, and in years to come, significant investment is anticipated.

[Note: Library Services form part of the Regulatory obligations of the Law Society and are partly funded from annual practising fees. However, they come under the administration of Representative Services, and are therefore reported on in this Annual Report in that area of operations see [page 28](#)]

Right Systems – IT Transformation through Investment

Our operations as a Regulator require critical IT infrastructure. For example, the integrity of our registry is vital. Similarly, effective IT infrastructure is crucial for us to carry out our services to members (our Representative Services).

With these factors in mind, and facing into the headwinds of Covid-19 during 2021, we found ourselves needing to invest rapidly in improved IT systems. This included hardware to allow our staff to work from home. Around \$516,000 was therefore invested

during 2021, and further investment is expected and forecast in this, a multi-year upgrade of our technology to further drive change in the organisation.

Right Capability – HR transformation through Investment

Restructuring was undertaken in October 2020. A new Executive was formed, responsible for areas of management, namely: General Managers for – Member Services (Representative side of business); Corporate Services (e.g. IT, support); People & Culture; External Relations (communications, stakeholder engagement, law reform, advocacy); and Professional Standards (Regulatory side of business). This reformed the way we work, think and focus. (*Exec profiles, see [page 43](#)*)

Two key appointments were made. Firstly, Katie Rusbatch was appointed as General Manager Professional Standards. She joined the Law Society with a background off-shore in the law and regulatory, as well as having been previously Head of Competition at NZ's Commerce Commission.

Secondly, Maria Viviers was appointed General Manager Corporate Services. She joined with a background in financial management and information technology, most recently having been CFO for the Controller and Auditor-General.

The communications team was also restructured, strategically refocused and began the task of modernising our communications, with a new website (which will be further improved in 2022), and new engagement occurring. LawTalk was streamlined and published quarterly and we enhanced our weekly online newsletter, LawPoints.

Following 2021 (under our new Executive team), our leadership is fit-for-the future. However, the story of our new operational structure is not yet finished, as we face perpetual change. Next year and beyond we aim to further strengthen our capability.

Overall Financial Position

For the first time, we have included in this Annual Report our full financial statements. This is part of our on-going commitment to transparency.

Of note in these is that the overall financial position

of the New Zealand Law Society remains sound. The organisation has a strong position in terms of reserves, supported by the sale of our Waring Taylor Street building in 2020. In addition, our income is increasing. There are more lawyers practising now, and therefore more fees coming in. The rise in individual practising fees also improved our revenue.

Against this, however, are on-going increases in costs, and the need for significant priority investment in both the immediate and medium term, as we modernise the organisation and ensure it is future-fit. One-off investment in necessary projects such as our [Independent Review](#) may, for instance, utilise a portion of reserves as will much-needed reinvestment in further operational systems.

These indispensable activities may impact our reserves over time. The Law Society is focused on this, and is undertaking longer term strategic work to assess our overall approach to reserves and reinvestment. We intend to move to a more mature management approach for our reserves, away from Term Deposits solely, to include managed funds.

Operating Results

Income from Regulatory in 2021 was \$22.9 million (up from \$22.0 million in 2020).

Income from the Representative Group, which

included [NZLS CLE Limited](#), a wholly-owned company specialising in legal education, in 2021 was \$6.2 million (down from \$8.1 million in 2020) which included the \$2.2 million sale of Waring Taylor Street, which had a book value of zero). In 2021, income from the Representative area of the Law Society was generated from three 'Sections' (see [page 29](#)): the Property Law Section and the Family Law Section (specialist groups which charge membership fees); ILANZ, the In-house Lawyers Association of NZ, contributed income from its annual conference. Income is also derived from the Law Society's reserves (through investments) and through smaller items.

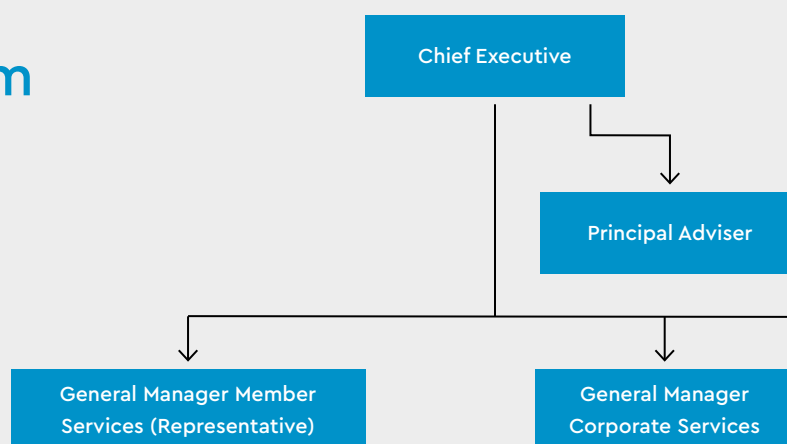
Our net operating result for the Regulatory function was a surplus of \$823k for the year (against a budgeted deficit of \$678k). The net operating result for the Representative group was a deficit of \$791k, which was less than the overall budgeted deficit due to increased income from courses run by the NZLS CLE Limited.

Overview of Regulatory Activity

In the following pages, this Annual Report examines more fully our regulatory activities for 2021. Key amongst the issues and initiatives of note are the following:

- **Complaints.** There have been constraints around timeliness for resolving complaints, largely due to Covid-19 operating conditions. Our Inspectorate

Executive Leadership Team



audit reviews were also delayed in this environment, increasing the number outstanding at year's end. Our purpose-established Early Resolution Service was also hindered. To address these issues, in 2022 we are reviewing the Early Resolution Service, getting an in-house investigations unit operational, and developing a full regulatory strategy (See [page 21](#))

- **Changes to the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008.** In our regulatory team, priority was given to implementing the amendments to these rules in 2021. A great deal of information, engagement and guidance was provided to members in this regard (See [page 15](#))
- **Law Reform & Advocacy.** This function was, as always, vigorous in its advocacy for the legal profession. In 2021, as referred to in the President's message, this was especially effective in our Covid-19 response, leading the profession through vast, rapid changes to the operations of justice in Aotearoa New Zealand.

Overview of Representative Activity

This Annual Report also examines the Law Society's Representative function closely. Our representative activities also comprise a wide range of members' services which are largely provided at no cost to

practising lawyers in New Zealand. Included amongst these are the provision of specialist services (Property Law and Family Law Sections) which deliver expertise at small subscriptions, and ILANZ which does not charge. (See [page 29](#))

In summary, our education, CLE, CPD, networking, support and wellbeing and mentoring programmes continued unabated throughout the intensity of Covid-19 operations. This ensured lawyers in New Zealand remained connected, informed, supported, educated and able to access legal information readily.

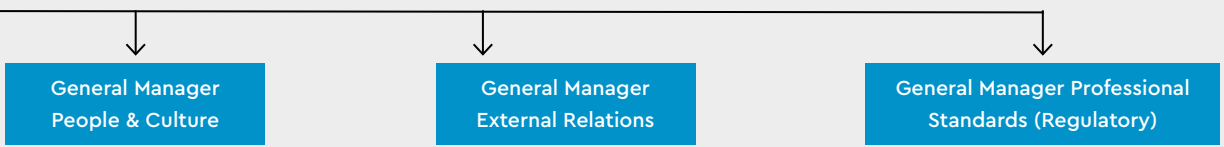
Focus on a Mighty Future

The legal profession is mushrooming with growth, in a rapidly-changing world where our role is also growing in meaning and value. We recognise we have a duty to the community in New Zealand. In front of us lies an even more successful, inclusive future.

I have no doubt that in 2022 we will continue to achieve major operational goals in our dedication to supporting the future wellbeing of the legal profession, advocating for the rule of law, and focusing on the administration of justice in Aotearoa for all peoples in New Zealand.

Ngā mihi

JOANNA SIMON
Chief Executive Officer



Three major initiatives in 2021

Arguably, if 2018 was the year the legal profession was shocked by issues, and 2019/20 were the years the profession examined those issues, 2021 was the year it took further action to focus on the New Zealand Law Society for the future.

To that end, we led some major programmes for reform, and guided the profession to onboard highly significant, transformational changes.

These initiatives were not solely achieved by a single division of the Law Society: they were embraced, championed, developed and implemented across the board, by multiple teams in the Regulatory and Representative areas of the Law Society, and by support staff and through the voluntary work of many members of the legal profession. They are reported upon below.

1. The Independent Review

The Act under which lawyers are governed is the Lawyers and Conveyancers Act 2006, and its associated rules.

In 2018, a public firestorm engulfed the New Zealand Law Society after significant media reports of bad behaviour within the profession.

An independent survey (Legal Workplace and Environment Survey 2018) of the legal profession was undertaken following these revelations with more than 3500 responding (approximately a quarter of the profession). The survey, through Colmar Brunton, had an accuracy of +/-1.7%. It was a robust assessment of legal workplaces and it exposed a high level of unreported, unacceptable behaviour in the profession – a ‘cultural crisis’ in the workplace.

- nearly 1/3 of female lawyers reported they had been sexually harassed

- over 1/2 had been bullied
- many had experienced discrimination.

It was vital for the Law Society to commit to leading the profession to address these issues.

The New Zealand Law Society Working Group was established in mid-April 2018 under the chairmanship of Dame Silvia Cartwright. Its report was published in December 2018.

The report identified major changes required. However, while some changes could be managed through amendments of the Law Society’s Constitution, others required a change in the Act itself, and to its associated rules (see 2. on [page 15](#)).

For instance, the Report cited that the inabilities of the Law Society to comment about complaints involving sexual violence, harassment, bullying and discrimination ‘*have contributed to concerns about a lack of transparency and accountability.*’





▲ Whaimutu Dewes, Independent Steering Group Chair

It recommended reform.

However, suppression of this sort of information for matters before Standards Committees is part of our Act. Legislative change is needed before the Law Society can be more transparent – which it wishes to be.

So while we embraced the requirement for reform of our regulatory processes, and the need to bring inappropriate behaviour under control, the Working Group findings indicated that we were also stymied in achieving that.

The Cartwright report, then, was the catalyst to help the Law Society focus on our Act, and whether it still serves the purposes of consumers and the legal profession. Public confidence and trust in the profession continues to be top of mind in our considerations.

We know there are potential deficiencies in our Act and associated regulations. Our Act also has some large omissions, such as the profession's commitment to the bi-cultural foundations of Aotearoa New Zealand.

We also questioned whether the historic governance

structure – with its split between our duties as Regulator and Representative (member services) body – best represent our legal profession, and allow our Society to carry out its work on behalf of the public effectively?

With this in mind, we were motivated to ask ourselves: is our Act still fit-for-purpose? Is it fit-for-the-future?

The possibility of legislative change sparked healthy debate at the Law Society.

We established an **Independent Review of the Statutory Framework for Legal Services in New Zealand**. The history is as follows:

- 2019 financial year: we announced the decision to commission a Review
- 2020 financial year: we were delayed by Covid-19, but a seven-person steering group led by Whaimutu Dewes was appointed in March 2020
- work on terms of reference began in 2021 and consultation on the draft Terms of Reference opened in April 2021; 600 submissions were received
- Independent Reviewers will be appointed in late 2021 calendar year; then the major piece of review work will commence
- outcomes and reports are expected early 2023.

This Review represents robust and fundamental debate over what and who we are, and what we need to be to continue to retain the trust and confidence of the New Zealand public.

Potentially, the Review may recommend underlying, structural changes to the NZ Law Society Constitution, The Lawyers and Conveyancers Act 2006 and associated rules and regulations. Alternatively, the Review may recommend a whole new Act.

Thus the end result may well be: to put the legislation governing lawyers in Aotearoa New Zealand well and truly on the table.

2. Changes to the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008

The changes to the rules in 2021 that were undertaken by the Law Society were targeted at addressing behaviour highlighted by 2018 Legal Workplace and Environment Survey. The rule changes represent the most significant regulatory step available to the Law Society to tackle the unacceptable behaviour in legal workplaces.

The New Zealand Law Society Working Group (Cartwright) report of 2018 had recommended changes that needed to be made to rules. It recognised that implementation was subject to the constraints of our legal powers under the Act.

The Cartwright report stated regulatory mechanisms and processes under the Act and rules were not effective in dealing with complaints about sexual violence, harassment, discrimination and bullying.

In particular, it pointed out proposals for regulatory change, noting these areas:

- poor conduct was being dealt with via ‘in-house’ practices at law firms, as an employment issue, when in fact this conduct was a professional and regulatory concern. It recommended ‘*clearer conduct standards (which) will assist lawyers to meet their reporting obligations*’
- a fresh approach, it said, was needed to impose minimal obligations on legal workplaces in areas such as policies on anti-harassment, bullying, discrimination; and also to ensure compliance.

As a consequence, changes to the Conduct and Client Care Rules were gazetted at the start of April 2021.

- draft guidance on the rules was released June 2021 for consultation
- they came into force 1 July 2021 (just outside the

reporting period).

The rule changes make clear new expectations of law practices, including clearer definitions of bullying, discrimination, racial or sexual harassment and other conduct.

The rule changes require:

- that law practices must notify this conduct to the Law Society within 14 days, if a lawyer has been issued a written warning or dismissed for bullying, discrimination or harassment. A law practice must also report if a lawyer leaves before an investigation is completed
- every law practice must appoint a designated lawyer to oversee and to report annually to the Law Society on any investigations undertaken by their practice. The designated lawyer is also required to certify annually that the law practice has complied with its obligations. It must report annually that it has policies and systems in place to protect employees, and other people with whom they engage, from unacceptable conduct
- the person who made the report or complaint is protected from being victimised.

The rule changes are a part of a whole programme of linked initiatives undertaken in the wake of 2018 including: a LawCare 0800 line for lawyers; a national Mentoring programme (see [page 37](#)); educational seminars; and confidential free Counselling Service for Lawyers.



3. Access to Justice – A Stocktake Report

Equality of access to justice is fundamental to the rule of law. Thus, part of the duty of the New Zealand Law Society is to understand who is missing out on justice in Aotearoa New Zealand.

Anecdotal evidence and our own experience as lawyers suggest that, increasingly, New Zealanders are finding it harder and harder to obtain justice. In fact, mechanisms for the delivery of access to justice (such as Legal Aid) are at crisis point.

Before any system can be improved it must, however, be defined, delineated and considered in context.

In 2020, therefore, the New Zealand Law Society undertook a consultation study which:

- identified the main barriers to justice
- assessed and itemised initiatives proposed, or adopted, to address those barriers.

The aim of the stocktake of 2020 was as a strategic tool, firstly to outline what ‘access to justice’ means for consumers; and secondly, to better focus the Law Society on where it was uniquely placed to act in order to deliver greater access to justice. The study was published in December 2020.

Consultation was extensive with groups of lawyers,

community-based organisations, government officials and individuals nationwide.

Access to Justice was interpreted broadly in the report, not just delivery of justice through formal machinery such as the Courts. Instead, the report looked at common legal problems that consumers in New Zealand face, and catalogued both case studies and factors which may constrain justice.

Barriers were identified around: geography; cultural and social factors; cost; service delivery; and information (knowledge, and access to it). Thus they were found to exist in part because of people’s circumstances: where they live; how financially stable they are; how educated they are; how vulnerable they may be because of discrimination, disability or from other causes.

In the 2022 financial year and beyond, we plan to undertake an independent, Colmar Brunton survey of lawyers throughout Aotearoa, which will investigate the nature and effectiveness of: legal aid; pro bono work; and low bono work. We intend that this will build an evidenced-based picture on where changes are needed in current ‘access to justice’ initiatives.

Overview of Regulatory Services

The regulatory functions of the New Zealand Law Society are consumer focused. The Lawyers and Conveyancers Act 2006 requires that the Law Society:

- regulates the practice of law
- upholds the fundamental obligations imposed on lawyers
- monitors and enforces the provisions of the Act and regulations and rules made under it
- assists and promotes the reform of the law.

Background

There are 74 staff in the regulatory area making it the largest area of operation in the Law Society.

Operations in the regulatory area are funded by the practising certificate fee, paid by all lawyers annually who are practising in Aotearoa New Zealand.

Key Functions of the Law Society's Regulatory team (under the Act) include to:

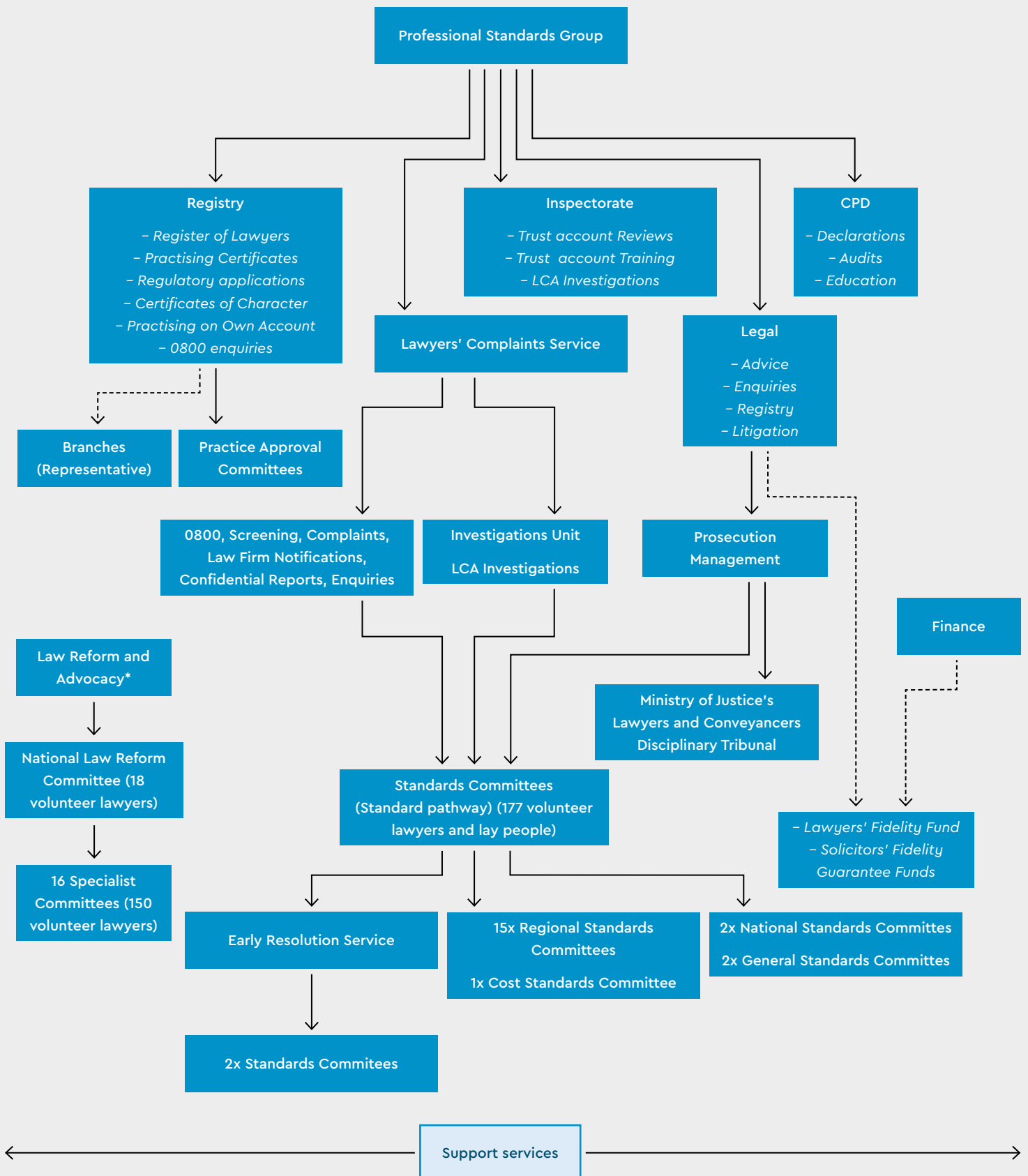
- operate and maintain the register of lawyers in the country who hold practising certificates
- administer the Lawyers' Complaints Service (all complaints must be referred to one of the 22

Standards Committees nationwide - with 177 volunteer lawyers and lay people)

- run and manage the Inspectorate (trust account reviews etc)
- through the Law Reform and Advocacy area, co-ordination, administration of all submissions of the Law Society to Select Committees and other organisations consulting on law, regulatory etc.

[Note: *Library Services form part of the Regulatory obligations of the Law Society and are partly funded from annual practising fees. However, they come under the administration of Representative Services, and are therefore reported on in this Annual Report in that area of operations see [page 28](#)*]

Regulatory



*For Law Reform & Advocacy (a regulatory function) see page 22 which highlights its interface with the Sections and Branches under Representative Services.

Highlights of Regulatory Services 2021

These highlights are expanded through the tables and statistical information on pages [47-49](#)

Katie Rusbatch

- appointed as General Manager, Professional Standards

(see [page 43](#) for the Executive Profiles)

Registry

- the profession is growing. In the year under review, the number of lawyers with practising certificates grew by 4% to 15,842
- the number of admissions and certificates of character grew by 21% and 24% respectively from 2020
- the complexity of applications referred to the Practice Approval Committee is increasing
- the increase in application numbers created a proportionate increase in the workload of the registry team and the branches
- the Law Society is prioritising investment in the registry to improve the efficiency of the Law Society's registry functions and the functionality for users in the future.

Lawyers Complaints Service

- a high profile prosecution involving sexual harassment in the workplace was successful after a Standards Committee referred a case to the (independent, Ministry of Justice) Lawyers and Conveyancers Disciplinary Tribunal. The Tribunal found that conduct which occurred at firm functions was connected to services regulated under

the Act and that inappropriate sexual conduct involved amounted to misconduct under the Act

- there were 1375 complaints in the 2021 year (also 1376 in 2020)
 - about 40% of complaints were about breaches of the rules; 29% were about negligence; 26% were about 'price' – expressed as 'over-charging'
- standards committees opened 90 own motion investigations. These are prompted by reports or other mechanisms and do not arise out of complaints
- the time taken to resolve complaints continued to be a focus area for the Law Society. Complaints involving a substantial volume of material can be complex and may have multiple parties. The Lawyers Complaints Service also relies on substantial volunteer input from the profession. However we are working on ways to improve the timeliness of our complaints service, including the early resolution of complaints. The Law Society has established an investigation unit and is reviewing its Early Resolution Service.

Changes to the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008

The regulatory area of the Law Society led the development of these new rules in 2021.

- the Professional Standards Group led the drafting, consultation and implementation of the new rules



- a new triage system to receive information from law practices (law practice notifications) and confidential reports arising from these rule changes (e.g. bullying, sexual harassment, racism) was set up
- the Regulatory area of the Law Society created draft guidance about the new rules, and worked with the communications team to publicise and promulgate them. A webinar was undertaken and a video produced.

Inspectorate

Despite Covid-19, the Inspectorate has continued at a high level of performance. It has an important role reviewing trust accounts, and investigating potential trust account misappropriations. The Law Society has continued to support the vital training of lawyers who run trust accounts.

- 1344 firms with trust accounts are recorded on the New Zealand Law Society systems
- in 2021, fewer audits and reviews were undertaken (376, down by 100) due in large part to Covid-19's constraints on on-site visits, staff changes and increased time spent on training and investigations
- as at 30 June 2021, 468 firms had overdue audits. A key focus in 2022 will be increasing productivity and consistency.

A New Regulatory (Professional Standards) Strategy for the New Zealand Law Society

Internationally and within New Zealand, good practice in regulation continues to evolve. To maintain par with these evolutionary changes, the New Zealand Law Society must continue to change.

- in 2021, we identified we needed a strategy to continue to align us with good regulatory practice, and to ensure we are satisfied we continue to meet legal obligations for the legal profession and the communities we serve
- therefore, a new strategy is being developed in 2022 for the regulatory area. Its focus will centre around answering these questions: how is it best to focus resources in complaints? What is in the public interest? How can all tools in the regulator's toolkit be deployed (education, enforcement, engagement, evaluation) to improve the performance of the regulatory function?

Full tables and reporting on the Regulatory area of the New Zealand Law Society can be found in Appendices on pages [47-49](#).

Law Reform and Advocacy

A core statutory function of the New Zealand Law Society is to ‘assist and promote.....the reform of the law.’ [S65 e)]. This is undertaken by the Law Society largely by submissions on bills and discussion documents. This is one of the Law Society’s most respected functions.

The Law Reform Committee (all volunteer lawyer members) looks at this remit (as do section executive, managers and volunteers from advisory panels of Family Law, Property Law Sections and ILANZ). (see pages [30](#), [32](#), [34](#))

Underneath the Law Reform Committee, there are 16 specialist law reform committees (all voluntary lawyer-members) looking at:

- [ACC](#)
- [Civil Litigation and Tribunals](#)
- [Commercial and Business Law](#)
- [Courthouse Committee](#)
- [Criminal Law](#)
- [Employment Law](#)
- [Environmental Law](#)
- [Health Law](#)
- [Human Rights and Privacy Law](#)
- [Immigration and Refugee Law](#)
- [Intellectual Property Law](#)
- [Legal Services](#)
- [Public and Administrative Law](#)
- [Rule of Law](#)
- [Tax Law](#)
- [Youth Justice.](#)

These committees account for 153 volunteer lawyers working on them, to help shape law in Aotearoa New

Zealand, at no cost to the people of New Zealand.

In 2021 (in conjunction with the Sections of the New Zealand Law Society), the Law Society submitted to 27 bills (Select Committee submissions) and to 53 discussion documents. Due to Covid-19, these numbers were slightly down on 2020. These account for thousands of pages of submissions.

	Bills	Discussion documents
2021	27	53
2020	34	77
2019	20	-
2018	32	43
2017	34	60
2016	27	63

A full list of submissions made is on [page 56](#)

Four Submissions of Note Include:

[Oranga Tamariki \(Youth Justice Demerit Points\) Amendment Bill](#)

This Bill proposed to introduce demerit points for youth offenders, depending on the severity of the offence. Once a young person had accumulated certain points, particular actions would occur: e.g. convening of a Family Group Conference; or charges before the District Court.

This was a controversial Member’s Bill. The New Zealand Law Society is independent and known as experienced in youth advocacy. We recommended that the Bill not proceed, noting the Bill:

- was inconsistent with the purposes and principles of the Act i.e. the rights and best interests of the

child; ensuring decision-making is central to their wellbeing etc

- was inconsistent with Aotearoa New Zealand's obligations under the United Nations Convention on the Rights of the Child
- did not address significant, likely contributors to repeat offending e.g. mental health problems, neuro-disabilities and traumatic brain injury, physical/sexual abuse etc
- risked that youth offenders would not understand

the process or consequence of accumulating demerit points.

Ultimately, the Bill did not pass.

Rights for Victims of Insane Offenders Bill

This Bill required that the Court consider whether an insane offender committed the offence with which they were charged. It advocated recording this, and renaming the verdict from '*not guilty on account of insanity*' to '*the acts or omissions are proven but the*



Tim Stephens

**CONVENOR OF THE LAW REFORM COMMITTEE.
BARRISTER AT STOUT STREET CHAMBERS,
WELLINGTON**

“ The Law Society's law reform committees and in-house Law Reform and Advocacy team work hard to produce considered submissions to parliamentary select committees, the Law Commission, government departments and other statutory bodies. We respond to a range of law reform proposals and we help shape legislation so it's practical, workable and safeguards fundamental constitutional principles.

Lawyers on these committees give their time generously, work to tight timeframes, and still meet the demands of busy day jobs.

Through this work, New Zealand lawyers provide a significant public service by improving New Zealand's laws and being involved at the cutting edge of developments.

It's a privilege to collaborate with such committed and enthusiastic lawyers to the benefit of New Zealand.” ”

defendant is not criminally responsible on account of insanity’.

The New Zealand Law Society noted this was a highly significant and concerning change, contrary to the rights of an accused person. Our submission also pointed out that under the Bill, the insane offender would be declared to have committed the offence without the case having been properly tested and determined. The Bill also by-passed the requirement that the offender understood what they are doing or could have foreseen the harm. (By definition, this is not the case for a person declared insane.)

The Bill did not pass second reading. It has been referred back to Select Committee.

Review of Succession Law

This Law Commission Issues Paper reviews the entirety of New Zealand’s succession laws (inheritance), which are more than 50 years old. It pays particular attention to te Ao Māori and tikanga around succession, as well as the practices of other cultures within Aotearoa.

The New Zealand Law Society’s submission, prepared by the Family Law Section, agreed with the need to review to ensure succession law is fit for contemporary Aotearoa. We supported many of the Law Commission’s conclusions within the Issues Paper.

We agreed the Commission’s reform proposals should

reflect the need to establish a bicultural framework, where succession law must accommodate different cultural norms and practices.

We supported the integration of the principles of Te Tiriti o Waitangi into Succession Law, and specifically allowing for tikanga to determine succession (where whānau so desire).

Lawyers and Conveyancers (Employed Lawyers Providing Free Legal Services) Amendment Bill

The New Zealand Law Society is a regulator, and thus is affected by this Bill because it may allow employed lawyers to provide pro bono services outside their employment. That is currently not permitted unless through a Community Law Centre or Citizens Advice Bureau.

The Bill meant that our rules would require amendment; new processes would need implementing to approve and monitor those providing legal services outside of employment. These practical issues were raised in our submission in May 2021, which also supported pro bono legal services and access to justice.

We continue to engage with the Select Committee, which is currently considering the Bill.

A full list of submissions made in 2021 is on [page 56](#).

Overview of Representative (Members') Services

The Lawyers and Conveyancers Act 2006 specifies that the New Zealand Law Society can provide representative services to its members. Currently, these include:

- professional development (education, continuing professional development)
- collegiality and networking events
- Support and guidance (communication and wellbeing).

Background

There are 41 staff in the Representative (Members') Services area of the New Zealand Law Society.

Operations in this division are largely not funded by the practising certificate fee (our main income source). They are funded by: income on reserves; dividends from NZLS CLE Ltd, a wholly-owned subsidiary of the New Zealand Law Society; specialist membership fees charged by specialist groups of the Law Society (Property Section; Family Law Section) and revenue derived from events, including the ILANZ annual conference.

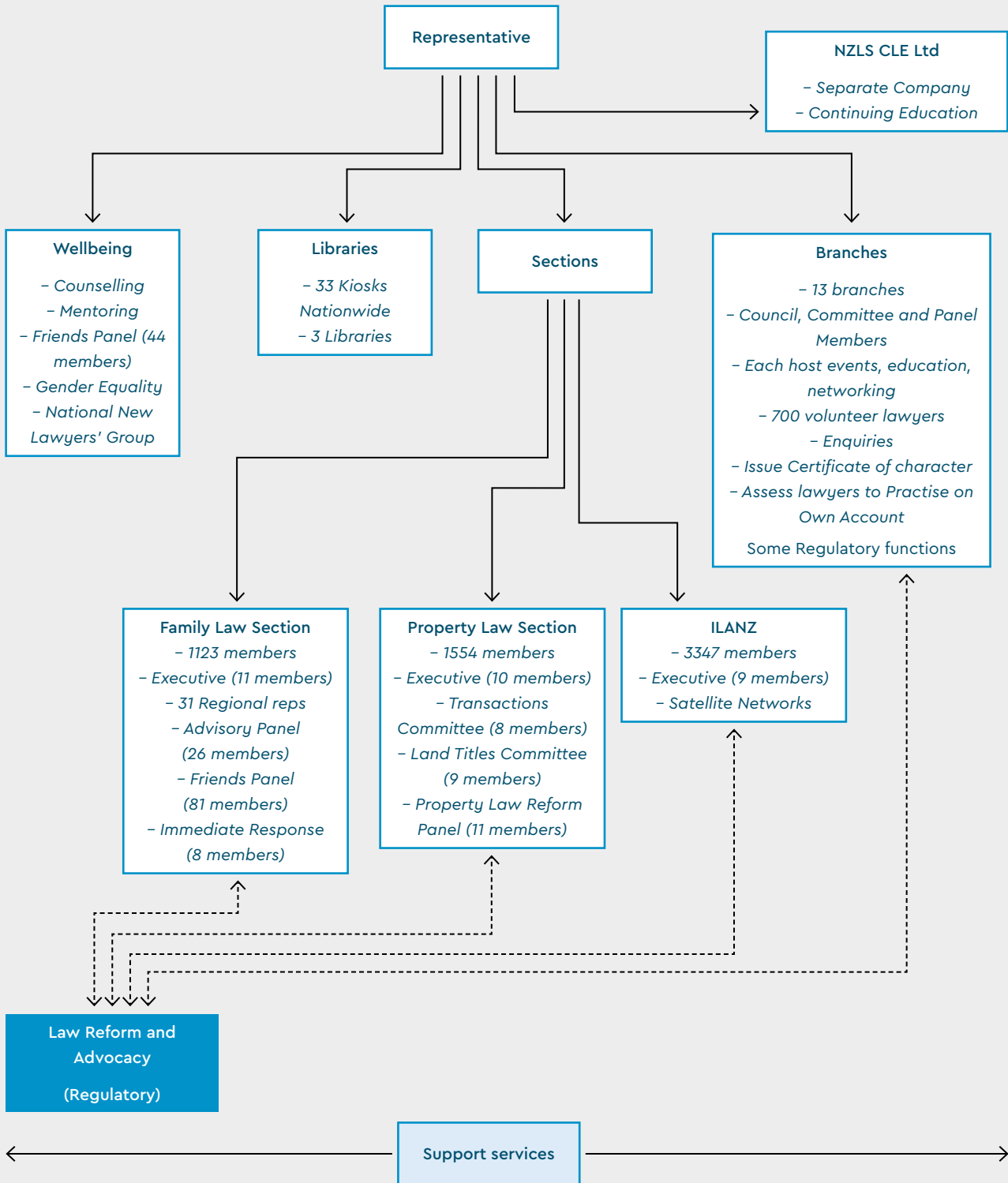
(The exceptions to this are: the Law Libraries, and some wellbeing programmes. Both are administered out of the Representative area of the Law Society but are funded in part by the practising fee.)

Key functions of the Law Society's Representative (Members') Services include:

- providing operational support to specialist groups of lawyers: the Property Law Section; ILANZ; and the Family Law Section
- operating the 13 regional branches of the Law Society
- legal education
- lawyers' wellbeing, mentoring and counselling services
- administering Law Libraries throughout New Zealand. This is one of the most valued and necessary functions of the Law Society.

[Note: Library Services form part of the Regulatory obligations of the Law Society and are partly funded from annual practising fees. However, they come under the administration of Representative Services, and are therefore reported on in this Annual Report in that area of operations]

Representative



Highlights of Representative (Members') Services 2021

[Note: Library Services form part of the Regulatory obligations of the Law Society and are partly funded from annual practising fees. However, they come under the administration of Representative Services, and are therefore reported on in this Annual Report below]

Libraries

The New Zealand Law Society Library is an extensive collection of print and online services providing information to legal practitioners. Throughout Covid-19, via its dedicated staff, this service has provided uninterrupted

research to lawyers nationwide. The [LINX](#) (database) offers current, authoritative NZ case law.

The library maintains three staffed research libraries



When Libraries Mean Service

Who thought a librarian would offer the huge range of support that Janice Woolford (National Law Librarian) does?

Janice and her team are not just legal research experts, but they go the extra mile. Once, a staff member had to rouse a sleeping lawyer so they could appear in court, while another time, a lawyer's dog left an unexpected 'present' on the carpet which one of the team was obliged to remove.

Based in Tāmaki-Makaurau, Janice is responsible for managing library staff and resources, providing library services such as legal research, LINX database production, and safekeeping relationships with legal publishers.

She's been away, come back, and repeated the pattern. "Every time I returned from maternity leave, my job was different, and I was using new and different tools and technology – probably one of the reasons I've stayed."

Highly experienced, she began as a legal librarian at the Polytechnic of Central London (now Westminster University), and went on to become Auckland Librarian when the ADLS library was incorporated into the National Library.

(Auckland, Wellington High Court Buildings; and Christchurch Justice and Emergency Services Precinct). There are also 33 kiosks for online access around the country.

In a survey from 2019, the library service was said to be the most valued service provided by the New Zealand Law Society.

In 2021:

- there was a 14% increase in research carried out by library research staff for New Zealand practitioners. This was almost certainly due to Covid-19

- over 8,000 units of research were carried out by library staff (compared with 6,600 in 2020)
- income from Library research and document delivery increased from \$395,000 (2020) to \$454,000 in the reporting period
- an average of 600 document delivery requests were received per month.

In 2021, in general:

- 168 hours of research are billed out monthly
- 21% of New Zealand lawyers use this service.

Branches of the New Zealand Law Society

The Law Society has 13 branches across Aotearoa New Zealand with branches in Auckland, Canterbury-Westland, Gisborne, Hawke's Bay, Manawatu, Marlborough, Nelson, Otago, Southland, Taranaki, Waikato Bay of Plenty, Wellington, Whanganui. Branches:

- undertake events, networking, continuing education, and support
- they also perform a regulatory function: they issue certificates of character; and assess applications from lawyers wishing to practise on their own account

- the branch committees and groups hold regular meetings to discuss professional matters and specialist topics. Most branches publish a regular local newsletter for members
- there are approximately 700 'volunteers' on branch committees of the branches of the New Zealand Law Society.

While the uncertainty created by changing alert levels in some centres made planning in-person events difficult, the branches remained positive and scheduled and planned events for the future.

Sections of the New Zealand Law Society

Three legal specialties are explicitly featured within the New Zealand Law Society to provide education, leadership and insights. These specialty areas are known as 'sections'. They are: **ILANZ (In-house Lawyers Association of New Zealand)**; **Family Law Section**; and **Property Law Section**.

These 'sections' invite specialty legal practitioners to become 'members' of their group, in return providing regular events, publications, networking, intelligence and advice in that area of law.

In addition, these authoritative affiliations of specialty practitioners help to promote the reform of the law - at almost no cost to Aotearoa New Zealand. They are highly active submitters to Select Committees, Commissions and other regulatory bodies. All of them thus provide voluntary expertise through their lawyer members.

The 'sections' are funded by their affiliated members' specialist subscriptions, paid events or by sponsorship. They are not funded by lawyers' annual practising fees. Activities for the 2021 financial year are outlined following.

Family Law Section

The Family Law Section of the New Zealand Law Society is the specialist voice and support for an extremely busy and growing area of New Zealand law. Its work is also focused on advocating for change in terms of inequitable or unworkable law and regulatory changes to enhance the operation of the Family Court. Submissions are made on bills, discussion documents and other reviews of discrete parts of family law.

It helps to mould New Zealand family law, smoothing the way for practical law, and mitigating against unintended consequences. This is vital advocacy which is undertaken at no or very little cost to New Zealand, by specialist lawyer volunteers.

Family Law Section Key Highlights 2021

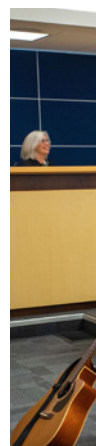
- **A number of significant submissions** were made in 2021, with hundreds of hours given by specialist volunteers crafting thousands of pages for submissions. These included:
 - **Law Commission's Review of Succession Law:** This landmark review looked at who gets a person's property when they die. The Family Law Section (see [page 24](#)) recommended a stand-alone piece of legislation governing succession law
 - **Family Court (Supporting Children in Court) Legislation Bill:** The Family Law Section advocated counselling for children and the Ministry of Justice undertaking a stocktake of child participation models in overseas jurisdictions to enable the establishment of a model for New Zealand so that children affected by Court proceedings may participate safely
 - **Mental Health (Compulsory Assessment and Treatment) Bill:** The Family Law Section supported the repeal of indefinite orders (requiring certain patients to be treated indefinitely) and advocated against permanent use of



▲ Judge Ian McHardy with Family Law Section Executive Committee members Susie Houghton and Dr Allan Cooke at the Family Law Section Christmas Drinks, November 2020

audio-visual links for mental health hearings unless there was no other option

- **Ministry of Justice Review of Adoption Law:** The Family Law Section's view is that current adoption process does not fit with the 21st century. We advocated for a new Act to reflect modern New Zealand society and the right to access information
- **Submission on Law Commission's Review of Surrogacy Law:** We advised that the use of the adoption process is not fit-for-purpose in surrogacy cases and that stand-alone legislation on surrogacy was needed in this area of law.
- **Independent Panel's Report on the evaluation of the 2014 changes to the Family Justice System:** The Ministry of Justice established a panel to evaluate 2014's extensive changes to the Family Justice System. It produced 70 recommendations. The Family Law Section worked tirelessly for the 2014 changes to be reversed, as well as to implement the recommendations. Partly through our advocacy, the Ministry has: allowed lawyers to act once more in parenting/guardianship disputes; re-established legal aid for the Family Court; increased the numbers of Family Court judges;





“ We do many pieces of unsung work that help society and New Zealand justice. This is the social enterprise that is at the heart of the work of the New Zealand Law Society. It's extraordinary, and unseen ”

Caroline Hickman, Chair, Family Law Section.



▲ Special sitting in the Hastings District Court in April 2021 to celebrate Judge McLeod's appointment to the bench

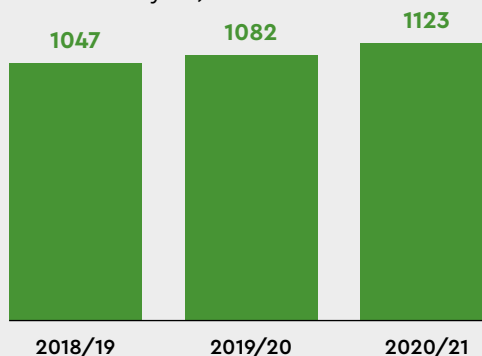
and introduced Family Court navigators. More change is yet needed

- **Covid-19:** Lockdowns in 2021 caused a deluge of inquiries and issues in the Family Court system. Our executive, representatives and panels responded to thousands of requests for assistance, to keep the wheels of family justice oiled
- **Meetings with the Ministry of Justice, Oranga Tamariki leadership and the Principal Family Court Judge:** The Family Law Section conducted regular outreach to these stakeholders. Our liaison helped smooth the way for sound family law in Aotearoa New Zealand.

Snapshot

Family Law Section

Membership: 1123 members, the highest ever (representing nearly 4% growth over the financial year)



Aims: to represent Family Lawyers; advocate; represent; connect and educate them

Membership subscription: Yes

Funding: by its affiliated members' specialist subscriptions, paid events or by sponsorship (no funding from New Zealand Law Society practising fees)

Employees at New Zealand Law Society: Kath Moran, Section Manager

Structure: Executive (11 members, including one co-opted member from Te Hunga Rōia Māori o Aotearoa). Chair: Caroline Hickman. Under the executive there are: Regional Representatives (31 members); Advisory Panel (26 members, includes expert opinion on submissions); Friends Panel (81 members, provide specific family law support); Immediate Response team (8 members, provide crisis support, advocacy personally).

Website: www.familylaw.org.nz

Social Media: No

Publications: (Quarterly) The Family Advocate; (Fortnightly) email updates to members; Lawyer for Child Best Practice Guidelines

Events: Three webinars (in conjunction with Oranga Tamariki) about changes to their Act; one webinar on Trusts Act 2019, which went into effect January 2021



Property Law Section

▲ Future urban development was one of the themes of the New Zealand Property Law Conference

The Property Law Section is the dedicated, expert arm of the law of trusts, wills and property in the New Zealand Law Society. It has expanded year on year for seven years, as the property sector grows in New Zealand's economy, and as changes to the law keep occurring.

The huge workload in these areas of law is evidenced by the specialist sub-committees, which in 2021 had an extraordinarily busy year. These and the Executive assisted property law practitioners to upskill within a rapidly altering legal landscape, simultaneously supporting pragmatic development of new law – all inside a demanding Covid-19 environment.

Property Law Section Key Highlights

- **Outreach to New Zealand Property Lawyers:** The Property Law Section Executive meets regularly in the regions where it hosts networking amongst local practitioners and delivers an hour's continuing professional development. In 2021, it undertook 'Thinking Property' Seminars throughout the country
 - **New Zealand Property Law Conference (May 2021):** The Property Law Section helped NZLS CLE
- organise and promote a well-attended two-day conference at Te Papa (Wellington). Around 300 property lawyers attended this vital event, with 100 of those online. Topics included everything from residential building contracts to trending home ownership structures and the future of housing and urban development
- **New Zealand Law Society Property Law Section Guidelines:** These Guidelines are a 'best practice' bible that set out how property transactions must be run by lawyers and conveyancers, as they act for buyers or sellers. The Property Law Section undertakes an (at least) annual update. Throughout the year, it liaised with Auckland District Law Society over updates to its guidelines, to ensure consistency with the standard real estate conveyancing contract published by the Real Estate Institute and ADLS which requires settlement to be carried out in accordance with the Property Law Section Guidelines
 - **Conveyancing practitioners:** Under the Lawyers and Conveyancers Act 2008, conveyancing is an area of work reserved only for lawyers and conveyancing practitioners. In 2021, the Property Law Section worked with the New Zealand Society of Conveyancers to solve a decade-old problem

“ It's such a dynamic world at the moment. The Government is making many changes that impact on property law. Therefore, property lawyers are in a constant state of flux and our members rely on us to have oversight of these changes ”

Mark Sherry, Chair, Property Law Section.

around settlement undertakings. Conveyancing practitioners' undertakings are not enforceable in the same way as lawyers' undertakings as officers of the court, so the Property Law Section Guidelines have been amended to provide lawyers with a deed of settlement where a conveyancing practitioner acts for a seller in a property transaction

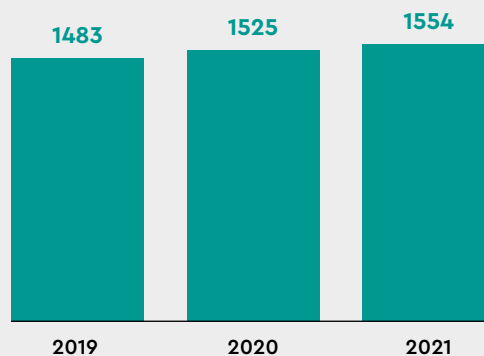
- **Law Reform submissions:** At no cost to New Zealand, the Property Law Section regularly utilises thousands of expert volunteer hours to submit to Select Committees, regulatory and other bodies on various law reform projects. In 2021, it contributed to ten Law Society submissions, including: **Law Commission's Review of Succession Law - Issues paper 46; Building (Building Products and Methods, Modular Components and Other Matters) Amendment Bill; Retirement Villages Legislative Framework: Assessment and Options for Change**
- **A Year of Rapid Change:** Through education, discussion and advocacy, the Property Law Section also supported practitioners in multiple, rapid changes including: the rebuild of Landonline, the Bright Line Test amendments; interest deductibility for domestic landlords; KiwiSaver and First Home Grants changes - and more.

Snapshot

Property Law Section

Members: 1554, highest ever (representing almost 2% growth over 2020)

100 Members are 'Accredited Specialists'- highly experienced subgroup



Aims: Educate; advocate; represent

Membership Subscription: Yes, small annual fee

Funding: by its affiliated members' specialist subscriptions, paid events or by sponsorship (no funding from New Zealand Law Society practising fees)

Employees at New Zealand Law Society: Kim Bull, Property Law Section Manager

Structure: Executive (ten members - one a President's nominee); Chair: Mark Sherry. Specialist Sub-committees: Property Transactions Sub-committee (eight members); Land Titles Sub-committee (nine members); Property Law Reform Panel (11 members).

Website: www.lawsociety.org.nz/pls

Social Media: LinkedIn www.linkedin.com/company/property-law-section

Publications: Property Law Section Guidelines; The Property Lawyer (quarterly); regular email updates

Events: Webinars August 2020 and June 21, in partnership with Toitu Te Whenua LINZ; Annual Conference; Seminars (as outlined above)

ILANZ

The In-house Lawyers' Association of New Zealand represents a significant and very fast-growing group of specialty lawyers. Its lawyers work in-house for New Zealand and global organisations in this country.

2021 proved another highly successful year, despite Covid-19 challenges. ILANZ's membership grew by 138 members, or 4.3%, to 3347.

ILANZ notes that in-house lawyers have rapidly expanded as an identifiable group over the past 20 years, driven largely by corporate need. They now reflect a diversified, predominantly female group responsible for a very wide landscape of legal needs inside organisations.

ILANZ Key Highlights

- **A new ILANZ full time manager** – Anita Rhodes – was appointed in March 2021
- **Online engagement** was a feature of 2021, as Covid-19 developed. As a result, communication via zoom, webinars, on social media and website flourished
- **Valued Partners:** Dentons Kensington Swan, Bell Gully and Deloitte continued their highly valued support, delivery and sponsorships of networking and professional development activities
- **30 events** were held through the year, some online. Most popular
 - 'Know my Numbers': This is a financial literacy workshop delivered nationwide in partnership with Deloitte. A Dentons Kensington Swan Top Tricks and Tips Webinar was held virtually on 22 April with 487 in attendance on 22 April 2021
 - other seminars and webinars included updates

“ILANZ plays an important role in representing the needs of in-house lawyers, which make up almost 25% of the legal profession in New Zealand. We're working hard to refine and strengthen the benefits and services offered to members – to ensure ILANZ can continue to sustainably grow and fulfil its purpose of connecting, supporting and leading Kiwi in-house lawyers”

Grant Pritchard, ILANZ President.



▲ The ILANZ Conference 2021

such as for: Privacy Act; Property Act.

- **ILANZ Conference:** “Discover” was held with huge success in Wellington (Te Papa) over two days in May
 - the theme was lawyers ‘rediscovering’ their collegiality, connections
 - nearly 400 lawyers attended – a record



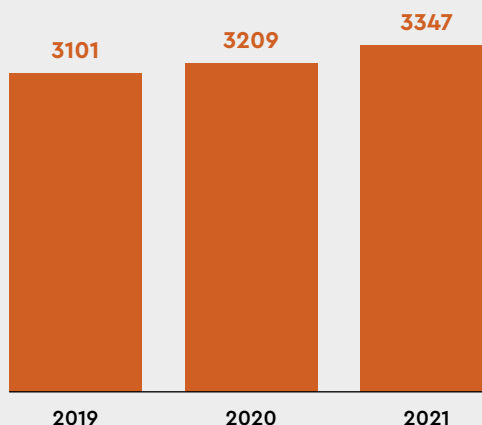
- key themes included: diversity, inclusion, and equity; crisis management; ethics; disruptive leadership
- there was an outstanding array of speakers including: Stephen Scheeler on disruption (former CEO, Australia/NZ for Facebook); Jehan Casinader on story-telling (journalist); and Megan Main (Deputy Chief Executive, Managed Isolation and Quarantine Group).
- **ILANZ Scholarship:** A partnership with Victoria University of Wellington allowed ILANZ to provide a summer scholarship to a law student for research on 'ethical challenges faced by in-house lawyers'. This was completed in late 2020, and will be soon shared
- **Satellite Networks:** ILANZ seeks to develop satellite networks regionally or by location, or based on practice type. These satellite groups run networking and educational events. In 2021, ILANZ encouraged members to establish such satellites. Currently active satellites include: Bay of Plenty; Waikato; Taranaki; Nelson; Canterbury; Otago; and our Navigate Satellite (for members of global organisations).

Snapshot

ILANZ

The In-house Lawyers Association of New Zealand (previously known as the Corporate Lawyers Association of New Zealand)

Membership 2021: 3347 (99% of all in-house lawyers New Zealand register to affiliate, representing nearly 25% of the domiciled legal profession).



Aims: Connect members (in-house lawyers); educate; lead; support and advocate

Membership subscription: No

Funding: Funded by sponsors and event charges, including its annual conference (no funding from New Zealand Law Society practising fees)

Employees at the New Zealand Law Society: Anita Rhodes, ILANZ Manager

Structure: Executive (nine members). Chair: Grant Pritchard. Satellite networks encouraged.

Website: www.ilanz.org Visits 2021 – 71,000 (compared with visits 2020 – 41,000)

Social Media: LinkedIn: 800 followers (up from 500 September 2020); Twitter 150+ followers

Publications: Monthly newsletter (ILANZ Insider)

Events: 30+ educational and networking events in 2021, including major national conference

Wellbeing Initiatives for Safe, Inclusive Legal Workplaces

As outlined early in this report, a raft of initiatives have been ushered into the Law Society, via rule changes, strategies and programmes to support healthier, safer legal workplaces. These have followed in the wake of the poor behaviour reports of 2018.

The rule changes are a part of a whole programme of linked initiatives undertaken in the wake of 2018 including: a LawCare 0800 line for lawyers; a national Mentoring programme; educational seminars; and confidential free Counselling for Lawyers.

Several Initiatives were the focus in 2021.

Gender Equality Initiatives

The Gender Equality Charter and Gender Equitable Engagement Policy

The history of activities for gender equality is:

- April 2018: The Gender Equality Charter was launched, open to the whole profession. This is a set of promises to which the profession signs up, committing them to make a plan, take action and measure progress. The original plan was to survey signatories during 2020, and report on progress. This was deferred because of Covid-19 but restarted in 2021
- 155 legal workplaces were signed up to the Charter as at 30 June 2021
- a follow-up survey was designed in June 2021, and sent just after the reporting period. A report will be ready in late 2021 (calendar year)
- following the report, we expect to conduct a review of the Charter.
- December 2017: The Gender Equitable Engagement



and Instruction Policy was launched (a joint initiative with the NZ Bar Association). It requires lawyers and clients to commit to increase the proportion of women lawyers leading Court proceedings and other contentious matters

- by July 2021, there were 48 adopters of the policy (including the New Zealand Law Society)
- the New Zealand Law Society and the New Zealand Bar Association will review the policy at the same time as the Charter.

National Mentoring Programme

The National Mentoring programme was launched May 2020. It is open to all lawyers, and uses an innovative app MentorLoop, to match mentors and mentees.

There are many reasons lawyers join: a more experienced practitioner might want to be mentored in cultural competency or technology by a younger lawyer. A younger lawyer might want to understand how to manage a work situation. The algorithm matches people according to profile and needs.

- as at 30 June 2021, 666 people were participating, with 519 matches made
- a sentiments dashboard continues to monitor the effectiveness of this programme, and many comments call it 'five star'
- key guidance sought includes on: communications skills; negotiation skills; business development and management skills
- the programme continues to grow apace and its adoption is wide across Aotearoa.



Maria Sopoaga

MENTEE OF NATIONAL MENTORING PROGRAMME

"Mentoring has vastly assisted my career and my personal development in ways I hadn't realised before having mentors. In a short time, I've been able to achieve a lot that I'm proud of both within work and as part of the legal community because of the encouragement and support of my mentor. I wouldn't have had the confidence to be part of the Young Lawyers Committee or reach out to others without mentoring.

Moreover, having a mentor has made me more intentional about seeking out opportunities and others both within the legal community and in the wider professional community, broadening my networks and allowing me to connect with some amazing people doing great things.

It has also fostered and encouraged my heart for service and helping others, which I hope is something that others can gain too."



NZLS CLE Limited: Continuing Legal Education

NZLS CLE Ltd is a fully owned subsidiary of the New Zealand Law Society, with its own Board and management. It is financially independent of the Law Society, and often pays a dividend to the Law Society.

Board members: Tim Mullins (Chair); Dr Allan Cooke, Dick Edwards, Peter Fanning, Bob Hollyman QC, and Joanna Simon.

- in 2021, NZLS CLE Ltd delivered 88 continuing professional development programmes, comprising 178 sessions nationwide
 - in addition to this, 197 online modules are also offered each year, accessible 24/7
 - because of Covid-19, several continuing professional development programmes were conducted online for the first time. These programmes were a mixture of online workshops and multi-camera, live streamed AV sessions, with interactivity
 - 31 webinars were delivered; and 40 Live Stream, multi camera events were delivered
 - Stepping Up is usually held as a three-day face to face workshop for those wishing to practise on their own account. However, Covid-19 meant that
- NZLS CLE Ltd could not deliver all of these sessions in person, so several sessions were delivered online with an extra online session provided. The Stepping Up programme also experienced greater demand in 2021. To meet this demand six sessions were held (rather than the usual five) with 398 attendees taking part
- a highlight of the year was three, one-day workshops for criminal and family lawyers offered free to the profession and sponsored by the Ministry of Justice. These covered: questioning vulnerable people; questioning children in Court; and family violence dynamics. 2,448 people attended both in person, and online
 - the very popular, annual eight-day residential, litigation skills programme held in Christchurch, was cancelled because of Covid-19. To compensate, and to meet demand, NZLS CLE Ltd arranged two non-residential programmes - one in Auckland, and one in Wellington
 - NZLS CLE Ltd also produced 48 publications and 21 in short seminar papers in 2021 as training and reference documents for the legal profession.

Appendices



Governance

The Council of the Law Society consists of the president; the four vice-presidents; the president-elect (if any); a representative of each branch; the chair or president of each section or a nominee of that person; the chair or president of the Bar Association or a nominee of that person; a representative of the large firm corporation; a representative of Te Hunga Rōia Māori o Aotearoa (the Māori Law Society); a representative of the Pacific Lawyers Association.

President ————— Tiana Epati ————— *From 10 April 2019*

Vice-Presidents

Vice-President, Auckland ————— Jacque Lethbridge ————— *From 22 April 2020*

Vice-President, Central North Island ————— Herman Visagie ————— *From 10 April 2019*

Vice-President, Wellington ————— Arti Chand ————— *From 22 April 2020*

Vice-President, South Island ————— Frazer Barton ————— *From 22 April 2020*

Branch Presidents

Auckland ————— David Campbell ————— *From 22 June 2016*

Canterbury-Westland ————— Grant Tyrell ————— *From 19 June 2018*

————— Graeme Riach ————— *From 17 June 2021*

Gisborne ————— David Ure ————— *From 10 May 2018*

————— Heather Vaughn ————— *From 16 September 2020*

————— Manaaki Terekia ————— *From 15 June 2021*

Hawke's Bay ————— Darren Foster ————— *From 1 May 2019*

————— Richard Stone ————— *From 5 May 2021*

Manawatū ————— Clancy Lyon ————— *From 26 September 2019*

Marlborough ————— Kent Arnott ————— *From 17 April 2018*

Nelson ————— Sandra Heney ————— *From 17 March 2020*

Otago ————— Jo Hambleton ————— *From 12 June 2019*

————— Taryn Gudmanz ————— *From 22 December 2020*

Southland ————— Janet Copeland ————— *From 20 June 2019*

————— Paul Gray ————— *From 25 March 2021*

Taranaki ————— Caroline Silk ————— *From 28 June 2018*

————— Jo Woodcock ————— *From 30 June 2021*

Waikato Bay of Plenty ————— Terry Singh ————— *From 19 June 2019*

————— Johan Neimand ————— *From 24 June 2021*

Whanganui ————— Rob Goldsbury ————— *From 8 March 2019*

Wellington ————— Annette Gray ————— *From 19 June 2019*

————— Chris Griggs ————— *From 30 June 2021*

Section representatives**In-house Lawyers Association of**

New Zealand President	Grant Pritchard	From 22 May 2020
Family Law Section Chair	Caroline Hickman	From 15 May 2020
Property Law Section Chair	Duncan Terris	From 7 May 2015
	Mark Sherry	From 27 April 2021

Other representatives

New Zealand Bar Association President	Kate Davenport QC	From 1 October 2018
	Paul Radich QC	From 1 October 2020
Large Law Firm Corporation Representative	Sarah Keene	From 1 April 2019
	Martin Thomson	From 28 April 2021
Te Hunga Rōia Māori o Aotearoa Representative	Maia Wikaira	From 24 October 2018
	Jamie-Lee Tuuta	From 29 August 2020
Pacific Lawyers Association Representative	Tania Sharkey	From 22 April 2020
	Ataga'i Esera	From 24 June 2021

Observer

Legal Executives New Zealand	Necia Parker	From 17 November 2018
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Executive Leadership Team

Joanna Simon

CHIEF EXECUTIVE OFFICER

Jo started with the Law Society in July 2021, and her previous senior executive experience includes New Zealand Chief Operating Office of global law firm, DLA Piper. She has held senior Marketing and Business Development roles in the global professional services sector, particularly accountancy and law.

At DLA Piper Jo was responsible to the Board for strategy, operations, budget planning, financial reporting and people management. She also drove a business transformation process which included implementing a change strategy across people, processes and technology.

Jo is dividing her time between the Auckland and Wellington offices, and getting out around the motu.



Bronwyn Jones

PRINCIPAL ADVISER, CEO'S DEPARTMENT

Bronwyn provides support for the CEO, President, and Board and liaises with the Courts, Government Departments and other professional bodies on strategic and critical issues. She also oversees the Law Society's international work and corporate legal functions that fall outside the core regulatory areas. Over the past 12 months a priority area has been the Law Society's Independent Review of the statutory framework for legal services. Bronwyn has been with the Law Society for nearly 20 years.



Fazleen Ismail

GENERAL MANAGER EXTERNAL RELATIONS

In October 2020 Fazleen took on the new GM role to develop and grow a new functional group within the organisation. External Relations includes both Law Reform and Advocacy as well as Communications and Engagement. Fazleen has led significant changes to our flagship publication LawTalk and the way the Law Society advocates for change on behalf of the legal profession. (Fazleen resigned after the end of the financial year).



Glenda Macdonald

GENERAL MANAGER REPRESENTATIVE (MEMBERS') SERVICES

Glenda is responsible for the Law Society's representative functions. The role includes overseeing and contributing to the Law Society's dedicated member services including the Property Law Section; ILANZ; and the Family Law Section, as well as the 13 regional branches of the Law Society, the administration of the Law Libraries and supporting our Young Lawyer Groups. Member services also supports professional development for lawyers, wellbeing, mentoring and counselling services and gender equality initiatives.



Hellen Papadopoulos

CHIEF EXECUTIVE, CONTINUING LEGAL EDUCATION

Hellen leads and works with the CLE team to achieve the company's mission of providing relevant, affordable, accessible education, for the profession, with a wide suite of formats and learning solutions tailored to their needs. She provides the strategic direction for the team to work closely with stakeholders and other experts to identify the needs of the profession to help ensure practitioners are cognisant of key recent developments and trends in their areas of practice.



Katie Rusbatch

GENERAL MANAGER PROFESSIONAL STANDARDS

Katie joined the New Zealand Law Society in January 2021 to oversee our regulatory work, including the Lawyers Complaints Service, registry and inspectorate. Katie's focus is to develop a regulatory strategy and increase the efficiency of the Law Society's regulatory functions. Before joining the Law Society, Katie was Head of Competition at the Commerce Commission. Katie started her legal career in New Zealand before working in the United Kingdom and Singapore.



Maria Viviers

GENERAL MANAGER CORPORATE SERVICES

Maria joined the Law Society in January 2021 and manages the Corporate Services team which is responsible for Information Technology, Finance and Facilities. Across these areas of responsibility, the team is focused on supporting the development of the Law Society through building corporate functions that are fit-for-the-future. Maria joined the Law Society in January coming from the Office of the Auditor-General where she was the Chief Financial Officer.



Peter Bell

GENERAL MANAGER PEOPLE AND CULTURE

Peter manages the Human Resources functions at the Law Society including payroll, recruitment and privacy. Over the past year the People and Culture team have been working on developing and implementing policies covering people, health and safety, learning and development and performance. Peter joined the Law Society in 2019 from Human Resources New Zealand.



Branches

Branch Managers/Co-ordinators

National Branch Manager	vacant as at 30 June 21
Auckland	Fiona Driver, Branch Manager
Canterbury-Westland	Malcolm Ellis, Branch Manager
Gisborne	Jacob Boyce, Branch Co-ordinator
Hawkes's Bay	Shonagh Matheson, Branch Manager
Manawatū	Jacque Shailer, Branch Co-ordinator
Marlborough	Jacque Shailer, Branch Manager
Nelson	Cathy Knight, Branch Manager
Otago	Charlotte Washington, Branch Manager
Southland	Janine McMurdo, Branch Manager
Taranaki	Rachael Webb, Branch Manager
Waikato Bay of Plenty	Katie Robb, Branch Manager
Wellington	Jacque Shailer, Branch Co-ordinator
Whanganui	Jacque Shailer, Branch Co-ordinator

Regulatory (Professional Standards)

Funding the Regulation of Legal Services

Lawyers must fund all costs associated with the regulation of legal services, and this is achieved via their annual practising fee. Individual practising fees must be paid before a practising certificate is issued.

Practising fees are set by the Law Society's Council, with the approval of the Minister of Justice.

The profession is also levied to contribute to the costs of operating the New Zealand Council of Legal Education and the Legal Complaints Review Officer. The Council of Legal Education is an independent statutory

body responsible for the quality and provision of legal training for a person to be admitted as a barrister and solicitor of the High Court of New Zealand. The Legal Complaints Review Officer is an independent body administered by the Ministry of Justice. Its role is to review decisions of standards committees (on request of parties to complaints.)

Barristers and solicitors practising on their own account fund the costs of the Law Society Inspectorate. If they operate a trust account, they must contribute to the Fidelity Fund. The levy for this is set by Council, with the Minister of Justice's approval.

FEES, LEVIES AND CONTRIBUTIONS

YEAR TO 30 JUNE, EXCLUDING GST

Component	2021	2020	2019	2018	2017
Practising fee	\$1,040	\$1,040	\$1,040	\$1,140	\$1,192
Council of Legal Education Levy	\$22	\$22	\$22	\$22	\$25
LCRO Levy	\$130	\$130	\$130	\$125	\$125
Total for barristers and employed lawyers	\$1,192	\$1,192	\$1,192	\$1,287	\$1,342
Inspectorate fee	\$380	\$380	\$380	\$380	\$385
Total for barristers and solicitors practising on their own account without a trust account	\$1,572	\$1,572	\$1,572	\$1,667	\$1,727
Fidelity Fund contribution	\$320	\$320	\$320	\$320	\$320
Total for barristers and solicitors practising on their own account with a trust account	\$1,892	\$1,892	\$1,892	\$1,987	\$2,047

Note: The practising fee was increased to \$1140 for the 2021/22 year.

Registry

The Law Society manages applications for certificates of character from people seeking admission as barristers and solicitors of the High Court of New Zealand. A certificate of character certifies that someone is a fit and proper person to be admitted as a barrister and solicitor and it can be used to seek admission in any High Court during its period of validity.

The Law Society issues a practising certificate after an application is made by any person whose name is on the roll of barristers and solicitors, as long as that person meets the criteria for eligibility.

The number of lawyers practising as at 30 June 2021 was 15,842 which is a 4% increase on 30 June 2020. This represents a growing legal profession and may reflect lawyers either staying in, or returning to, New Zealand to practise due to Covid-19.

Similarly, certificates of character issued increased 24% from 2020, exceeding the number issued since 2017. Admissions increased by approximately 21%: their highest level since 2017.

The proportion of the profession that is female is now 54% (representing an increase on 2020).

ADMISSIONS TO THE HIGH COURT AND CERTIFICATES OF CHARACTER

YEAR TO 30 JUNE

Action	2021	2020	2019	2018	2017
Admissions	1,056	873	891	1,047	1,056
Certificates of character	1,182	954	1,096	982	922

*Admission numbers may not include some from relevant High Court Registries; therefore may be understated.

Practice Approval Committees

There are two Practice Approval Committees which make decisions under delegated authority from the Board and Council on 'non-standard' practising certificates, and complex practising on own account applications etc.

Registry now refers fewer applications to these committees with more applications being able to be approved administratively.

A key issue for the Practice Approval Committees was a number of applicants seeking to practise on their own account as sole practitioners with limited legal experience. In assessing these applicants, the Committees focus on the applicant's overall suitability, considering matters such as the nature and extent of legal experience, and the applicant's business plan.

APPLICATIONS TO PRACTICE APPROVAL COMMITTEES CONSIDERED

YEAR TO 30 JUNE

Applications Considered	2021*	2020	2019	2018	2017
Certificates of Character	4	4	6	13	10
Practising Certificates	10	10	19	16	24
Practice on Own Account	6	5	5	11	12
Special Circumstances	4	7	18	29	31
Miscellaneous	12	11	14	21	7
Total	36	37	62	90	84

*Note that for 2021 there are 13 pending applications still under review which are not included in this table.

APPLICATIONS DECLINED AFTER CONSIDERATION BY COMMITTEES

YEAR TO 30 JUNE

Action	2021	2020	2019	2018	2017
Declined	6	4	8	11	9

Practising on Own Account

All lawyers wanting to practise as a law firm partner or director, on their own as a sole practitioner, as a barrister sole, or to provide regulated legal services through a contract for services, must satisfy the Law Society that they are suitably qualified with the right skills and experience to do so.

During the year to 30 June 2021:

- 228 lawyers were approved to practise on their own account
- 82 were approved to practise as a barrister sole
- 76 barristers sole were approved to take direct instructions.

Stepping Up

Stepping up is the course which all those practising on their own account must undertake before doing so. For those practitioners who have previously completed it, but have not commenced practise within two years,

they must also undertake the Topping Up Stepping Up course within three years.

During the year to 30 June 2021:

- 377 practitioners attended Stepping Up courses
- 21 practitioners attended Topping Up Stepping Up.

Continued Professional Development

Lawyers are required to complete a minimum of ten hours of professional development under the Lawyers and Conveyancers Act (Lawyers: Ongoing Legal Education – Continuing Professional Development) Rules 2013. They must also declare their compliance to the Law Society annually.

The compliance rate in 2021 continued to be high, although it fell to 98.97%. Covid-19 continued to impact on the ability of practitioners to access and participate in Continued Professional Development activities due to:

- a reduction in large scale continued professional development events, where lawyers could complete their requirements through one activity
 - a move to online learning, which may not be preferred by practitioners
 - last minute cancellations and postponements.
- All non-compliance is individually followed up.

PERCENTAGE OF PRACTITIONERS WHO HAVE COMPLETED A CPD DECLARATION

YEAR TO 30 JUNE

Declaration Status	2020-21	2019-20	2018-19	2017-18	2016-17
By End of CPD Year	69.17%	78.00%	82.60%	86.90%	85.70%
By 5 Working Day Deadline	86.56%	90.00%	97.80%	96.86%	95.07%
By 30 June	98.97%	99.18%	99.90%	99.82%	99.80%

DEFERMENTS GRANTED

YEAR TO 30 JUNE

Total Deferments granted	2020-21	2019-20	2018-19	2017-18	2016-17
	39	312	24	18	12

Complaints and discipline

The Act establishes a co-regulatory framework for complaints and discipline for lawyers and employees of legal practices. The Law Society administers one aspect of the complaints and disciplinary process, the Lawyers Complaints Service. This involves the establishment of independent standards committees comprising volunteer lawyers and lay people to consider complaints or commence own motion investigations. The Act prevents the Law Society from providing information publicly on individual complaints that are made to the Lawyers Complaints Service.

The Lawyers Complaints Service opened 1,375 complaints during the 2020/2021 year and closed 1,283 complaints. Standards committees opened 90 own motion investigations.

At 30 June 2021, the Law Society had 22 standards committees comprising of 177 volunteers.

- 34 new members joined the standards committees

- eight were laypersons.
- four members completed full nine-year term
- six new convenors were appointed across all 22 committees.

Standards committees are mainly regional or focus on certain types of complaints by providing expertise in areas such as costs, harassment and bullying, and early resolution.

Decisions of standards committees can be reviewed by the Legal Complaints Review Officer which is an independent body supported by the Ministry of Justice.

Where strike off or suspension are potential outcomes, standards committees can lay charges before the Lawyers and Conveyancers Disciplinary Tribunal. Only a Tribunal can make a finding of misconduct. (The Tribunal is an independent body supported by the Ministry of Justice. It operates like a court with hearings ordinarily open to the public.)

FOCUS OF COMPLAINTS

YEAR TO 30 JUNE

Direction of Complaint	2021	2020	2019	2018	2017
Lawyers	1,258	1,276	1,359	1,470	1,331
Former lawyers	67	43	40	49	28
Non-lawyers employees	43	39	57	45	39
Incorporated law firms	7	18	5	14	1
Former incorporated law firms	-	-	-	-	2
Former non-lawyer employees	-	-	1	3	1
Total	1,375	1,376	1,462	1,581	1,402

ORIGIN OF COMPLAINTS RECEIVED

YEAR TO 30 JUNE

Origin	2021	2020	2019	2018	2017
Client/Former Client	593	635	696	662	661
Third Party	271	196	211	240	154
Client – Other Side	191	216	204	255	235
Beneficiary	129	113	112	119	103
Own Motion	90	100	118	115	100
Other	53	72	69	114	49
Lawyer	45	43	52	74	116
Court	2	1	-	-	-
Regulatory Authority	1	-	-	2	1
Total	1,375	1,376	1,462	1,581	1,419

AREAS OF LAW IN WHICH COMPLAINTS AROSE

YEAR TO 30 JUNE

Area	2021	2020	2019	2018	2017
Property	23.9%	17.0%	17.9%	18.1%	23.0%
Trusts and Estates	19.5%	19.0%	20.5%	17.9%	17.0%
Family	16.7%	20.0%	20.0%	17.5%	17.9%

TYPE OF COMPLAINTS

YEAR TO 30 JUNE

Type	2021	2020	2019	2018	2017
Breach of RCCC Rules	574	440	426	581	522
Overcharging	360	357	347	407	375
Negligence/Incompetence	411	373	419	395	436
Inadequate Reporting/Communications	226	237	328	346	304
Bullying	69	42			
Harassment	44	35			
Discrimination	8	7			

Closure of complaints

A high proportion of complaints investigated by standards committees (nearly 80% in 2021) are not upheld which means that no further action is taken. Most complaints referred to Early Resolution Service result in no further action.

COMPLAINTS CLOSED

YEAR TO 30 JUNE

Result	2021	2020	2019	2018	2017
Decision to take no action (not upheld)	1,009	1,255	1,032	1,072	1,102
Referred to and resolved by negotiation, conciliation or mediation	47	58	42	42	116
Withdrawn/Discontinued/Settled	20	22	23	25	15
Orders made by Standards Committee	164	149	163	183	183
Complaints outstanding at 30 June	954	830	977	779	516
Complaints closed during year	1,283	1,519	1,272	1,319	1,467

Notes: The table does not include referrals to the Lawyers and Conveyancers Disciplinary Tribunal. The complaints outstanding at year end also include some matters that were referred back to the Lawyers Complaints Service by the Legal Complaints Review Officer.

EARLY RESOLUTION SERVICE

YEAR TO 30 JUNE

Measure	2021	2020	2019	2018	2017
ERS complaints accepted	530	508	516	565	644
ERS complaints outstanding at end of year	124	60	132	54	14
ERS complaints closed during year	435	562	414	486	598
ERS complaints where a decision to take no action	395	496	373	439	488
ERS complaints resolved	40	66	41	47	110
ERS complaints not resolved and returned to standard process	29	26	29	41	52
ERS complaints as proportion of all complaints received	35.1%	36.3%	32.4%	35.7%	45.4%
ERS complaints as proportion of all complaints closed	33.9%	36.9%	32.6%	36.8%	40.8%

PROPORTION OF COMPLAINTS CLOSED

YEAR TO 30 JUNE

Measure	2021	2020	2019	2018	2017
Within 1 Month	0.2%	1%	6%	22%	32%
Within 3 Months	23%	19%	28%	47%	47%
Within 6 Months	53%	52%	57%	70%	71%
Within 9 Months	70%	72%	78%	86%	85%
Within 1 Year	81%	82%	80%	93%	92%
More than 1 Year	19%	18%	10%	7%	8%

TIME TAKEN TO CONCLUDE STANDARD TRACK COMPLAINTS

YEAR TO 30 JUNE, MEASURED AS ORDINARY CALENDAR DAYS, NOT WORKING DAYS

Average number of days	2021	2020	2019	2018	2017
To conclude Standard Track complaints	308	319	254	222	231

Early Resolution Service

TIME TAKEN TO CONCLUDE COMPLAINTS BY EARLY RESOLUTION SERVICE

YEAR TO 30 JUNE, MEASURED AS ORDINARY CALENDAR DAYS, NOT WORKING DAYS

Average number of days	2021	2020	2019	2018	2017
To conclude all complaints within ERS	93	110	67	34	28
To conclude all complaints where decision to take no action	93	113	64	32	23
To conclude all complaints that were resolved	100	93	91	49	48

Publication of Information about Complaints

The Act strictly controls publication of information on standards committee decisions. Information on decisions may only be published if a standards committee considers it necessary or desirable in the public interest.

Where publication is required, a summary of the decision is published on the Law Society website and in LawPoints. The identity of a lawyer may not be disclosed unless a censure order has been made and the Law Society Board approves publication.

ORDERS BY STANDARDS COMMITTEES FOR PUBLICATION

YEAR TO 30 JUNE

Order	2021	2020	2019	2018	2017
Publication of facts	34	35	32	35	50
Publication of name	2	0	1	7	5

Referrals to the Lawyers and Conveyancers Disciplinary Tribunal

This year was the first time that a case involving sexual harassment in a workplace was heard by the Lawyers and Conveyancers Disciplinary Tribunal.

REFERRALS TO THE TRIBUNAL FROM STANDARDS COMMITTEES

YEAR TO 30 JUNE

Matter	2021	2020	2019	2018	2017
Referrals	38	35	40	33	47
Hearings	29	24	26	33	21
Struck off	2	4	5	5	4
Suspended*	10	10	5	10	10

*Note one order was for interim suspension and two were that a non-lawyer could not be employed.

The Act requires the Law Society to reimburse the Crown for costs of the hearing where the Tribunal hears a charge against any lawyer, former lawyer, incorporated law firm or employee or former employee of a lawyer or incorporated law firm. The amount payable is fixed by the chairperson.

LAW SOCIETY PAYMENTS FOR COSTS OF HEARINGS

YEAR TO 30 JUNE, EXCLUDING GST

	2021	2020	2019	2018	2017
Reimbursement	\$97,066	\$86,066	\$88,744	\$115,291	\$168,962

Financial Assurance Scheme

The financial assurance scheme is primarily in place to protect client money held in lawyers' trust accounts.

The Law Society inspectorate's role is to ensure lawyers are meeting the requirements of the Act and regulations in their handling of client funds.

Historically, reviews have been conducted onsite at a practitioner's place of business. With the increased

use of remote technology and in particular cloud-based systems, alongside improved trust accounting systems, parts of the Inspectorate's work can be completed remotely. This desktop review allows the Inspectorate to review risks associated with solicitors' trust accounts without needing to visit. However, it does not replace on-site visits. Inspectors also can ask for further information or visit after carrying out a remote review.

LAW SOCIETY INSPECTORATE REVIEWS OF TRUST ACCOUNTS

YEAR TO 30 JUNE

Type of Review	2021	2020	2019	2018	2017
General	0	1	0	4	2
Limited	97	296	361	314	359
Focus (including desktop)	174	105	3	10	6
Exit	58	54	50	30	14
New	47	18	41	46	40
Revisits	0	1	0	3	1
Total	376	475	455	407	422

List of submissions made by the New Zealand Law Society in 2021

July 2020	Screen Industry Workers Bill (supplementary submission)
August 2020	New Zealand Bill of Rights (Declarations of Inconsistency) Amendment Bill
	Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill
	SOP 510 (Unclaimed Money Act amendments)
	Overseas Investment Amendment Bill (No 3)
November 2020	Crown Pastoral Land Reform Bill
January 2021	Protected Disclosures (Protection of Whistleblowers) Bill
	Electoral (Integrity Repeal) Amendment Bill
	Rights for Victims of Insane Offenders Bill
	Arms (Firearms Prohibition Orders) Amendment Bill (No 2)
February 2021	Oranga Tamariki (Youth Justice Demerit Points) Amendment Bill
	Water Services Bill
	Family Court (Supporting Children in Court) Legislation Bill
March 2021	Family Court (Supporting Children in Court) Legislation Bill (supplementary submission)
April 2021	Films, Videos, and Publications Classification (Urgent Interim Classification of Publications and Prevention of Online Harm) Amendment Bill
	Land Transport (Drug Driving) Amendment Bill
	New Zealand Bill of Rights (Declarations of Inconsistency) Amendment Bill (supplementary submission)
	Immigration (COVID-19 Response) Amendment Bill

	Harmful Digital Communications (Unauthorised Posting of Intimate Visual Recording) Amendment Bill
	Contraception, Sterilisation, and Abortion (Safe Areas) Amendment Bill
	Commerce Amendment Bill
May 2021	Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Bill
	Lawyers and Conveyancers (Employed Lawyers Providing Free Legal Services) Amendment Bill
	Mental Health (Compulsory Assessment and Treatment) Amendment Bill
	Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill
	Incorporated Societies Bill
June 2021	Counterterrorism Legislation Bill

Discussion documents

July 2020	Draft Guidelines for the use of Electronic Devices in Court (Judiciary)
	Draft Jury Amendment Rules (Judiciary)
	Proposed implementation of COVID-19 Public Health Response Order 2020 (Judiciary)
	Coroner's recommendations following Christie Marceau inquest (Judiciary)
August 2020	Improving Access to Civil Justice, initial consultation (Rules Committee)
	Privacy Act 2020: updated Health Information Privacy Code (OPC)
	COVID-19 Response: Jury trial recommencement in Auckland-Manukau (Judiciary)
	Alert Level 2 Employment Court draft protocol (Employment Court)
September 2020	Donated trading stock (IRD)
	Tax Legislation Drafting Review (IRD – Independent Reviewer)
	ED0223 Non-resident employers' obligations to deduct PAYE, FBT, ESCT in cross-border employment (IRD)
	Family Legal Advice Service Review (MOJ)
	Review of the Plant Variety Rights Act 1987 (MBIE)

October 2020	Referral process to provide baseline documents to Forensic Court Liason staff (MOJ)
	COVID-19 Response – returned to level 1 in Auckland-Manukau (Judiciary)
	Options for establishing a consumer data right in NZ (MBIE)
	Proposed Guidelines for the posthumous use of gametes, reproductive tissue and stored embryos (MOH/ACART)
	Corrections review of prison communications (Corrections)
	PUB00327 Goods and services tax – draft interpretation statement (IRD)
	Costs for litigants-in-person (Rules Committee)
	Refugee Status Unit draft Practice Note following Casey Review (INZ)
November 2020	Proposal to amend s 70 Criminal Procedure Act (MOJ)
	Refugee Status Unit draft Practice Note (INZ)
	PUB00381 Do certain supplies wholly or partly consist of land for compulsory zero-rating rules (IRD)
	NZBA application for class exemption for barristers sole: AML/CFT (MOJ)
December 2020	Refugee Status Unit draft Practice Note, final draft (INZ)
	PUB00332 Goods and Services Tax – unconditional gifts (IRD)
	PUB00364 Employee share schemes (IRD)
January 2021	Trust annual return/disclosure rules exemptions (IRD)
February 2021	PUB00359 Charities Business Exemption (IRD)
	Draft memorandum for counsel appearing before the Parole Board
	Court-appointed Communications Assistance (draft quality framework) (MOJ)
	PDLA Scheme improvements (MOJ)
	IRRUIP14 Income Tax – cryptoassets (IRD)
March 2021	Statutes Revision Programme (Parliamentary Counsel Office)
	Class Actions and Litigation Funding Issues Paper (Law Commission)
	AML/CFT Draft Guidance on Electronic Identify Verification (DIA)
	Review of the Insurance (Prudential Supervision) Act 2010 (Reserve Bank)
	Retirement Villages Legislative Framework White Paper (Commission for Financial Capability)

	IRRUIP15 Income Tax – Trusts in the Australia New Zealand double agreement (IRD)
	Bullying and Harrassment at work (MBIE)
April 2021	Alcohol and Other Drug Treatment Court (MOJ)
	PUB00305 Tax Avoidance and the interpretation of the general anti-avoidance provisions sections BG1 and GA1 of the Income Tax Act (IRD)
	Proposed changes to the way Supreme Court proceedings are published (Judiciary)
	Solicitor General's Prosecution Guidelines updates (Crown Law)
May 2021	Proposal to repeal section 202 Evidence Act 2006 (MOJ)
	Domestic Teritary Learners: Dispute Resolution Scheme (MoE)
June 2021	AML/CFT Draft Guidance for Barristers (DIA)
	Succession Law Issues Paper (Law Commission)

Other Activities

Lawyers' Fidelity Fund

The Law Society established this Fund to meet the requirements of the Act. Its purpose is to compensate, in whole or in part, people who suffer pecuniary loss in circumstances set out in Part 10 of the Act as a result of the actions of a lawyer, incorporated law firm or the agent of a lawyer.

LAWYERS' FIDELITY FUND PAYMENTS

YEAR TO 30 JUNE

Measure	2021	2020	2019	2018	2017
Value of claims settled	\$244,000	\$201,000	-	\$100,000	\$119,000
Amount set aside for future payments of claims relating to known or suspected thefts	\$13,000	\$8,000	\$389,000	-	\$100,000
Value of funds recovered	-	\$1,000	\$12,000	\$2,000	\$38,000

Solicitors' Fidelity Guarantee Fund

This was established under Part IX of the Law Practitioners Act 1982. Its purpose is to compensate people in relation to theft by a lawyer that was committed before 1 August 2008. Claims after this date need to be made to the Lawyers' Fidelity Fund. At 30 June 2021, there were no current claims under investigation or awaiting settlement.

SOLICITORS' FIDELITY GUARANTEE FUND PAYMENTS

YEAR TO 30 JUNE

Measure	2021	2020	2019	2018	2017
Value of claims settled	-	\$44,000	-	\$103,000	-
Amount set aside for future payments of claims relating to known or suspected thefts	-	-	\$44,000	-	\$150,000
Value of funds recovered	-	-	\$5,000	-	-

Lawyers and Conveyancers Special Fund

New Zealand's 24 community law centres receive a large proportion of their funding from the Special Fund. The Fund collects interest from banks on solicitors' and licensed conveyancers' nominated trust accounts. The reduction in interest for the year to 30 June 2021 reflects continued low bank interest rates.

LAWYERS AND CONVEYANCERS SPECIAL FUND

YEAR TO 30 JUNE

Measure	2021	2020	2019	2018	2017
Interest received	\$4,005,000	\$7,187,000	\$10,935,000	\$9,346,000	\$6,998,000
Administration	\$31,000	\$29,000	\$28,000	\$28,000	\$28,000

Financial statements

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New Zealand Law Society Regulatory

Financial Statements for the year ended 30 June 2021

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
REVENUE			
<i>Revenue from exchange transactions</i>			
Practising and other service fees		22,627	21,245
Interest income		277	717
Total revenue		22,904	21,962
EXPENSES			
Administration and library	2	22,039	24,808
Total expenses		22,039	24,808
(Deficit) / surplus before income tax		865	(2,846)
Income tax expense	3	42	196
Net (deficit) / surplus for the year		823	(3,042)
Total comprehensive revenue and expense for the year		823	(3,042)

Statement of Changes in Net Assets / Equity

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$000	2020 \$000
Equity at beginning of year	12,830	15,872
Total comprehensive revenue and expense for the year	823	(3,042)
Equity at end of year	13,653	12,830

Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
ASSETS			
Current assets			
Cash and cash equivalents		36,667	4,684
Bank term deposits		2,509	29,277
Trade and other receivables	4	1,868	1,749
Tax receivable	3	191	-
Total current assets		41,235	35,710
Non-current assets			
Property, plant and equipment	5	128	236
Intangible assets	6	20	61
Total non-current assets		148	297
Total assets		41,383	36,007
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other liabilities	7	27,730	23,135
Tax payable	3	-	42
Total current liabilities		27,730	23,177
Equity			
Retained earnings		13,653	12,830
Total equity		13,653	12,830
Total equity and liabilities		41,383	36,007

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



T EPATI
President

8 October 2021



J SIMON
Executive Director

8 October 2021

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Practising and other service fees		24,517	21,432
Interest		277	717
Total		24,794	22,149
Cash was applied to:			
Payments to suppliers and employees		19,303	24,444
Income tax paid		275	201
Total		19,578	24,645
Net cash flows from/(used in) operating activities	8	5,216	(2,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Investment in bank term deposits		60,527	47,654
Cash was applied to:			
Investment in bank term deposits		33,759	47,777
Payments for property, plant and equipment, and intangible assets		1	106
Total		33,760	47,883
Net cash flows (used in) / from investing activities		26,767	(229)
Net increase/(decrease) in cash and cash equivalents		31,983	(2,726)
Cash and cash equivalents at beginning of year		4,684	7,410
Cash and cash equivalents at end of year		36,667	4,684

	2021 \$000	2020 \$000
Comprising:		
Cash at bank	5,167	4,686
Cash on call account	31,500	-
Total cash and cash equivalents	36,667	4,684

Notes to the Financial Statements

New Zealand Law Society Regulatory

FOR THE YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

Reporting entity

The New Zealand Law Society (“NZLS”) is governed by the Lawyers and Conveyancers Act 2006 (the “LCA”). The LCA came into effect on 1 August 2008, replacing the Law Practitioners Act 1982 (the “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 Regulatory function (“NZLS Regulatory”).

NZLS Regulatory’s functions are set out in section 65 of the LCA. The primary functions are to regulate practice by lawyers, uphold the fundamental obligations imposed on lawyers, to monitor and enforce the provisions of the LCA and to assist and promote the reform of the law.

NZLS Regulatory incorporates lawyer registration, professional standards functions, including the Complaints Service, the Inspectorate, the law libraries, and support of law reform.

Statement of compliance

The financial statements have been prepared in

accordance with Generally Accepted Accounting Practice in New Zealand as applied for a Tier 2 entity (“NZ GAAP”). They comply with Public Benefit Entity Standards (“PBE Standards”) and Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”) that have been authorised for use by the External Reporting Board for Not-For-Profit entities. The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied (“RDR”).

NZLS Regulatory is a public benefit not for profit entity and is eligible to apply Tier 2 PBE Standards on the basis that it does not have public accountability and is not defined as large.

Basis of preparation

The financial statements are presented in New Zealand dollars (“NZD”) which is the functional and presentation currency, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis.

The accounting policies have been applied consistently to all periods in these financial statements.

The preparation of financial statements in conformity with PBE Standards requires management to make judgements, estimates and assumptions that affect the

application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of PBE Standards that have significant effect on the financial statements include the assessment of impairment of assets and determination of deferred revenue. The particular accounting policies record the basis of judgements made.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to NZLS Regulatory and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, taking into account contractually defined terms of payment, net of discounts and GST.

The specific recognition criteria described below must also be met before revenue is recognised:

Revenue from exchange transactions:

Practicing and other service fees – Revenue from a transaction to provide services is recognised by reference to the stage of completion of the transaction at balance date.

Interest – Interest income is recognised on an accruals basis using the effective interest method.

Financial instruments

Financial instruments are those contracts entered into by NZLS Regulatory which result in the creation of either a financial asset or liability for both NZLS

Regulatory and the other contracting entity or individual. Financial instruments result in the recognition of financial assets and liabilities for NZLS Regulatory at the point where NZLS Regulatory becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. NZLS Regulatory only holds financial assets classified as held to maturity and loans and receivables.

Investments held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates and where there is a positive intent and ability to hold to maturity. The held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. The NZLS Regulatory held-to-maturity investments primarily comprise of term deposits which will not mature within the next accounting period.

Loans and Receivables

Loans and receivables include trade and other receivables including cash and cash equivalents which are initially recorded at fair value and subsequently recorded at amortised cost less any impairment using the effective interest rate method.

Financial liabilities

Financial liabilities are classified either ‘at fair value through profit or loss’, or ‘other financial liabilities’. NZLS Regulatory only holds other financial liabilities.

Other financial liabilities

Other financial liabilities (trade and other payables) are recognised when NZLS Regulatory becomes obliged to make future payments resulting from the purchase of goods and services. Other financial liabilities are

initially measured at fair value and subsequently measured at amortised cost.

Receivables

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

Property, plant and equipment

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

Depreciation

Depreciation of property, plant and equipment, other than land, is calculated on a straight-line ("SL") basis so as to write off the cost or fair value amount of each asset, less any residual value, over its estimated remaining useful life. Management have used judgement to determine the depreciation rates that best approximate the remaining useful lives and residual values and reviews the depreciation rates and residual values at the end of each annual reporting period.

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

Class	Method	Rate
Computer hardware	SL	20-36%
Furniture and office equipment	SL	6-48%
Library Books	SL	7 years

Intangible assets

Intangible assets, which comprise software applications, are stated at cost less accumulated amortisation and subsequent impairment losses. The assets are amortised using the straight-line method over their estimated useful life of 2-7 years.

Impairment of assets

NZLS Regulatory's assets are considered to be non-cash generating as they are not held for the primary purpose of generating a commercial return.

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 service amount of the asset (as defined in PBE IPSAS 21: Impairment of non-cash generating assets) is estimated in order to determine the extent of the loss (if any).

The recoverable service amount is calculated as the higher of the assets fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic

benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

A reversal of an impairment loss in subsequent periods is recognised immediately in profit or loss. However, any reversal 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 revenue comprises practising and other service fees which have been received but relate to 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

The statement of comprehensive income has been prepared on a goods and services tax ("GST") exclusive basis. All items in the statement of financial position are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Income tax

Income tax in the statement of financial performance is 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 year. 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 years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when NZLS Regulatory has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, and investments in bank term deposits maturing within one month. 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 the activities that result in changes in the size and composition of the contributed equity and borrowings.

Critical accounting estimates and assumptions

In preparing these financial statements the Board have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions made are reviewed on an on-going basis. Revisions to accounting estimates or material judgements are recognised in the period in which the estimate or judgement is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

One such area where significant estimates and assumptions have been made is in relation to the collectability of our fines and costs receivable. Key assumptions applied are explained in detail in note 4.

2. Total expenses

	2021 \$000	2020 \$000
Audit fees – audit of the financial statements	46	30
Other fees paid to auditors – taxation and other services	23	-
Depreciation of property, plant and equipment	109	221
Amortisation of intangible assets	41	42
Employee benefit expenses	12,332	13,443
Legal Complaints Review Office	1,853	1,710
New Zealand Council of Legal Education	312	312
Lease costs	944	979
Legal opinions and prosecution costs	1,271	1,502
Presidents' honoraria	266	500
Library resource costs	1,452	2,085
Other administration costs	3,390	3,984
Total	22,039	24,808

Honoraria payments in 2021 were lower than what was paid in the prior year as there was an overlap of payments between the outgoing president and the newly appointed president in 2020. There were also some additional duties carried out in 2020 which resulted in higher honoraria payments for the period.

3. Taxation

	2021 \$000	2020 \$000
(A) INCOME TAX RECOGNISED IN SURPLUS OR DEFICIT FOR YEAR		
Tax expense comprises:		
Tax expense for years income	78	201
UOMI interest and penalties	-	2
Adjustments recognised in the current period in relation to tax of prior periods	(36)	(7)
Total tax expense for the year	42	196
(B) THE PRIMA FACIE INCOME TAX EXPENSE ON PRE-TAX ACCOUNTING SURPLUS FROM OPERATIONS RECONCILES TO THE INCOME TAX EXPENSE IN THE FINANCIAL STATEMENTS AS FOLLOWS:		
(Deficit)/Surplus from operations before income tax	865	(2,846)
Income tax (credit)/expense calculated at 28%	242	(797)
Adjustment for tax on non-assessable income	(164)	998
UOMI interest and penalties	-	2
(Over)/under provision of tax in previous periods	(36)	(7)
Income tax expense recognised in surplus or deficit for year	42	196
(C) CURRENT TAX PAYABLE/(RECEIVABLE)		
Balance at beginning of year	42	47
Taxation paid	(275)	(201)
Tax expense for years income	78	203
Over provision of tax in previous periods	(36)	(7)
Balance at end of the year	(191)	42

4. Trade and other receivables

	2021 \$000	2020 \$000
Trade receivables	1,431	506
Prepayments and accrued income	79	615
GST receivable	170	494
Related party receivables	188	134
Total trade and other receivables	1,868	1,749

The trade receivables amount of \$1,431,000 includes a fines and cost order receivable amounting to \$785,509 (2020: \$120,451). Given that the majority of our fines and costs receivables are aged, management have applied some assumptions in order to calculate the amount deemed collectible as at 30 June 2021. Accordingly, the following assumptions have been applied:

Fines and costs debt on payment plan

If payment plan terms result in the debt being fully recovered within seven years, then entire debt is deemed to be fully recoverable. However, if the debt takes longer than seven years to recover, recoverability rate is decreased to 30% of the outstanding balance.

Non payment plan fines and costs debt

The collectible amount is determined by the age of the debt in accordance with the table below.

Age profile	Probability of collection
0–30 days	99%
31–60 days	95%
61–90 days	75%
91–150 days	55%
151–365 days	40%
+ 365 days	5%

Management sees these assumptions as reasonable as the recovery of this debt is becoming an increasing focus and processes are being put in place to enhance recoverability going forward.

5. Property, plant and equipment

	Computer hardware \$000	Furniture & office equipment \$000	Library books \$000	Total \$000
GROSS CARRYING AMOUNT				
Balance at 30 June 2019	313	234	5,883	6,430
Additions	7	-	-	7
Balance at 30 June 2020	320	234	5,883	6,437
Additions	1	-	-	1
Balance at 30 June 2021	321	234	5,883	6,438
ACCUMULATED DEPRECIATION				
Balance at 30 June 2019	287	70	5,623	5,980
Depreciation expense	26	19	176	221
Balance at 30 June 2020	313	89	5,799	6,201
Depreciation expense	6	19	84	109
Balance at 30 June 2021	319	108	5,883	6,310
NET BOOK VALUE				
As at 30 June 2020	7	145	84	236
As at 30 June 2021	2	126	-	128

6. Intangible assets

Computer software

\$000

GROSS CARRYING AMOUNT

Balance at 30 June 2019	319
Additions	100
Balance at 30 June 2020	419
Additions	-
Balance at 30 June 2021	419

ACCUMULATED AMORTISATION

Balance at 30 June 2019	316
Amortisation	42
Balance at 30 June 2020	358
Amortisation	41
Balance at 30 June 2021	399

NET CARRYING VALUE

As at 30 June 2020	61
As at 30 June 2021	20

7. Trade payables and other liabilities

	2021 \$000	2020 \$000
Trade payables from exchange transactions	724	823
Other liabilities and accrued expenses	6,388	4,068
Employee benefits	790	768
Deferred revenue	18,834	16,500
Related party payables	994	976
Total trade and other liabilities	27,730	23,135

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.

8. Reconciliation of cash flows from operating activities with net surplus for the year

	2021 \$000	2020 \$000
Net (Deficit)/surplus for the year	823	(3,042)
ADD NON-CASH ITEMS:		
Depreciation	109	221
Amortisation	41	42
	150	263
ADD MOVEMENTS IN OTHER WORKING CAPITAL ITEMS:		
Trade & other receivables	(120)	(539)
Trade & other payables	4,596	826
Tax payable	(233)	(5)
	4,243	283
Net cash inflow from operating activities	5,216	(2,496)

9. Leasing arrangements

	2021 \$000	2020 \$000
NON-CANCELLABLE OPERATING LEASE PAYMENTS		
Not later than 1 year	1,039	456
Later than 1 year and not later than 5 years	3,634	1,325
Later than 5 years	2,105	36
	6,778	1,818

The operating lease payments comprise leased premises for the Auckland, Waikato-Bay of Plenty and Otago Branches, the National Office in Wellington, and the Otago NZLS Library. There is no option to purchase the leased assets at the expiry of the lease period.

On the 14th September 2020 NZLS entered into a nine year lease for Level 2, 4 and 7 Whitmore Street, Wellington. The annual rent is \$619,300.

10. 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 carrying value as reflected in the statement of financial position.

Interest rate risk

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

Credit risk

The maximum credit risk associated with the financial instruments held is considered to be the carrying value reflected in the statement of financial position. The risk of non-recovery of these amounts is considered to be minimal given that the investments are made with a variety of NZ registered banks. NZLS Regulatory does not require collateral or other security to support financial instruments with credit risk.

Maturity analysis

The maturity tables below provide a breakdown of cash and the contractual non-discounted cashflows relating to financial assets and financial liabilities for the reporting period.

The table below includes both interest and principal cashflows:

30 June 2021	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Over 2 years \$000	Total \$000
Cash at bank	1.00%	4,667	-	-	-	-	4,667
Cash on call account	0.08%	31,500	-	-	-	-	31,500
Fixed term bank deposits	0.70%	500	2,510	-	-	-	3,010
Trade/other receivables		1,868	-	-	-	-	1,868
Total financial assets		38,535	2,510	-	-	-	41,045
Trade/other liabilities (excluding deferred revenue)		8,896	-	-	-	-	8,896
Total financial liabilities		8,896	-	-	-	-	8,896
30 June 2021	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Over 2 years \$000	Total \$000
Cash at bank	1.0%	4,684	-	-	-	-	4,684
Fixed term bank deposits	2.19%	-	13,123	16,334	-	-	29,457
Trade/other receivables		1,749	-	-	-	-	1,749
Total financial assets		6,433	13,123	16,334	-	-	35,890
Trade/other liabilities (excluding deferred revenue)		6,634	-	-	-	-	6,634
Total financial liabilities		6,634	-	-	-	-	6,634

11. Related party disclosures

Related parties are considered to be those entities which the Board or key management personnel have the ability to exert significant influence or control over. During the year NZLS Regulatory has undertaken transactions with related parties which comprise the recovery of costs relating to the direct salaries and general administration expenses paid by NZLS Regulatory. As these transactions are not comparable to transactions that would occur through the course of a normal client/supplier relationship all transactions have been disclosed below along with any amounts receivable and payable to related parties at balance date.

	2021 \$000	2020 \$000
ALLOCATION OF COSTS TO:		
NZLS Representative	2,230	2,174
NZLS CLE Limited	368	363
NZLS Solicitors' Fidelity Guarantee Fund	40	40
NZLS Lawyers' Fidelity Fund	40	40
The Lawyers and Conveyancers Special Fund	24	24
	2,702	2,641
DEPRECIATION/AMORTISATION COSTS PAID FOR USE OF ASSETS:		
NZLS Representative	423	278
	2021 \$000	2020 \$000
NZLS RELATED ENTITY RECEIVABLES/(PAYABLES) AT END OF YEAR:		
NZLS Representative	96	(27)
NZLS CLE Limited	87	125
NZLS Lawyers Fidelity Fund	(994)	(949)
NZLS Solicitors' Fidelity Guarantee Fund	3	7
The Lawyers and Conveyancers Special Fund	2	2
	(806)	(842)

Key management personnel

The remuneration of key management personnel during the year was as follows:

	2021 \$000	2020 \$000
Short Term Employee Benefits	1,775	1,874

Short term employee benefits comprise salary and bonus payments attributable to key management personnel during the period.

12. Contingent liabilities

There are no contingent liabilities at 30 June 2021 (2020 - nil). In the ordinary course of business NZLS Regulatory is exposed to legal claims against decisions made by the Legal Complaints Review Officer or the Standards Committee. No provision is made in these financial statements in relation to the possible legal costs and disbursements which may be incurred in defending these decisions.

13. Capital commitments

There are no capital commitments at 30 June 2021 (2020 - nil).

14. Subsequent events

There are no material non-adjusting events after the reporting date (2020 - nil).

The ongoing Covid19 pandemic is likely to continue to impact the entity due to continued low interest offered by banks in the market resulting in lower bank term deposit rates being earned. Despite this reduction management are satisfied that the entity will be able to maintain its capital base and continue

as a going concern.

Additionally, the pandemic has resulted in a lockdown post balance date, with the possibility of further lockdowns in the future. The lockdown has had a minimal impact on the entity's business operations as all business functions are able to be carried out remotely.

Additional information

Registered office / Principal place of operations:

Level 4, Customs House
17-21 Whitmore St
Wellington

Auditor:

Deloitte Limited
Level 12, 20 Customhouse Quay
Wellington

Bankers:

ASB Bank

Independent Auditor's Report

To the Members of New Zealand Law Society Regulatory

Opinion

We have audited the financial statements of New Zealand Law Society Regulatory (the 'Society'), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 63 to 79, present fairly, in all material respects, the financial position of the Society as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Society in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Society.

Other information

The Board is responsible on behalf of the Society for the other information. The other information comprises the information in the Financial Statements that accompanies the financial statements and audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board's responsibilities for the financial statements

The Board is responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
8 October 2021

New Zealand Law Society Lawyers' Fidelity Fund

Financial Statements for the year ended 30 June 2021

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
REVENUE			
Revenue from exchange transactions			
Annual contributions		994	1,003
Claim recoveries		-	1
Interest		145	317
Total revenue		1,139	1,321
EXPENSES			
Change in claims provision	2	249	(180)
Investigation and other costs		57	51
Audit fee		7	4
Administration	3	40	40
Total expenses		353	(85)
Surplus before income tax		786	1,406
Income tax expense	4	47	105
Net surplus for the year		739	1,301
Total comprehensive revenue and expense for the year		739	1,301

Statement of Changes in Net Assets/Equity

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$000	2020 \$000
Equity at beginning of year	10,638	9,337
Total comprehensive revenue and expense for the year	739	1,301
Total recognised revenue and expense	739	1,301
Equity at end of year	11,377	10,638

Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
ASSETS			
Current assets			
Cash at bank		6,184	1,059
Bank deposits		4,720	9,279
Related party receivables	3	1,102	949
Income tax receivable	4	9	-
GST receivable		-	3
Other debtors		375	379
Total current assets		12,390	11,669
Total assets		12,390	11,669
EQUITY AND LIABILITIES			
Current liabilities			
Income in advance		993	986
Claims provision	2	13	8
Other payables		7	4
Income tax payable	4	-	33
Total current liabilities		1,013	1,031
Equity			
Retained earnings		11,377	10,638
Total equity		11,377	10,638
Total equity and liabilities		12,390	11,669

The accompanying notes on pages 86 to 92 form part of and are to be read in conjunction with these financial statements.

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



T EPATI
President

8 October 2021



J SIMON
Executive Director

8 October 2021

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Contributions		852	1,041
Claim recoveries		-	1
Interest		145	317
		997	1,359
Cash was applied to:			
Claims		231	201
Payments to suppliers		111	488
Income tax paid		89	106
		431	795
Net cash flows from operating activities	5	566	564
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Investments in term deposits		23,679	12,061
Cash was applied to:			
Investments in term deposits		19,120	11,780
Net cash flows (used in) investing activities		4,559	281
Net increase (decrease) in cash and cash equivalents		5,125	845
Cash and cash equivalents at beginning of year		1,059	214
Cash and cash equivalents at end of year		6,184	1,059
Comprising:			
Cash at bank		384	1,059
Cash on call		5,800	-
Total cash and cash equivalents		6,184	1,059

Notes to the Financial Statements

New Zealand Law Society Lawyers' Fidelity Fund

FOR THE YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

Reporting entity

The New Zealand Law Society Lawyers Fidelity Fund (the "Lawyers Fidelity Fund") is the property of the New Zealand Law Society and is held in trust for the purpose of reimbursing persons who have suffered pecuniary loss arising from theft, as is defined in the Crimes Act, by lawyers in public practice.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand as applied for a Tier 2 entity ("NZ GAAP"). They comply with Public Benefit Entity Standards ("PBE Standards"). The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied ("RDR").

The Lawyers Fidelity Fund is a public benefit not for profit entity and has elected to apply Tier 2 PBE Standards on the basis that it does not have public accountability and is not defined as large.

Basis of preparation

The financial statements are presented in New Zealand dollars ("NZD") which is the functional and presentation currency, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis.

The accounting policies have been applied consistently to all periods in these financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Lawyers Fidelity Fund and the revenue can be reliably measured, regardless of when the payment

is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, taking into account contractually defined terms of payment, net of discounts and GST.

The specific recognition criteria described below must also be met before revenue is recognised:

Revenue from exchange transactions:

Interest – Interest revenue is recognised on an accruals basis using the effective interest method.

Receivables

Other receivables are recognised at their estimated realisable value.

Payables

Claims payable are recognised at the best estimate of the expenditure expected to be required to settle the claims and costs notified to the Lawyers Fidelity Fund.

Other payables are recognised at cost.

Goods and services tax

The statement of comprehensive revenue and expense has been prepared on a goods and services tax (GST) exclusive basis. All items in the statement of financial position are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Income tax

Income tax in the statement of comprehensive revenue and expense comprises current tax on interest income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable for previous years.

Income in advance

Income in advance comprises annual contributions that are received for the next financial reporting period. The contributions are recorded as a liability and recognised as revenue on a straight line basis over the period to which the annual contributions relate.

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, and investments in bank term deposits maturing within one month. 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 the activities that result in changes in the size and composition of the contributed equity and borrowings.

Critical accounting estimates and assumptions

In preparing these financial statements the Board have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions made are reviewed on an on-going basis. Revisions to accounting estimates or material judgements are recognised in the period in which the estimate or judgement is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Claims provision

	2021 \$000	2020 \$000
Opening balance at beginning of year	8	389
Amounts settled during year	(244)	(201)
Amounts released through profit or loss during year	-	(200)
Amounts recognised through profit or loss during year	249	20
Closing claims provision at end of year	13	8

The Lawyers' Fidelity Fund is available to meet claims of theft committed from 1 August 2008 onwards. A provision is made for claims which have been notified and quantified through investigation at year end, and are expected to be settled in the next financial year. No provision has been made for claims which have not been notified, or having been notified are unable to be quantified pending further investigation, at year end.

3. Related party disclosures

Related parties are considered to be those entities which the Board or key management personnel have the ability to exert significant influence or control over. During the year the Lawyers' Fidelity Fund has a related party relationship with NZLS Regulatory and NZLS Solicitors' Fidelity Guarantee Fund. The transactions with NZLS Regulatory comprise:

- the collection of levies from practicing lawyers who operate trust accounts by NZLS Regulatory which are passed onto the Lawyers Fidelity Fund; and
- a share of costs charged by NZLS Regulatory to cover administrative and accounting services provided to the Lawyers' Fidelity Fund.

The transactions with NZLS Regulatory and and NZLS Solicitors' Fidelity Guarantee Fund are not comparable to transactions that would occur through the course of a normal client/supplier relationship and have been disclosed below along with any amounts receivable and payable to related parties at balance all transactions.

	2021 \$000	2020 \$000
Allocation of administrative and accounting service costs from:		
NZLS Regulatory	40	40
NZLS related entity receivables at end of year:		
NZLS Regulatory	994	949
NZLS Solicitors' Fidelity Guarantee Fund	108	-
	1,102	949

4. Taxation

	2021 \$000	2020 \$000
(A) INCOME TAX RECOGNISED IN SURPLUS OR DEFICIT FOR YEAR		
Tax expense comprises:		
Tax expense for years income	48	105
Adjustments recognised in the current period in relation to tax of prior periods	(1)	-
Total tax expense for the year	47	105
(B) THE PRIMA FACIE INCOME TAX EXPENSE ON PRE-TAX ACCOUNTING SURPLUS FROM OPERATIONS RECONCILES TO THE INCOME TAX EXPENSE IN THE FINANCIAL STATEMENTS AS FOLLOWS:		
Surplus from operations before income tax	786	1,406
Income tax expense calculated at 33%	260	464
Adjustment for tax on non-assessable income	(212)	(359)
Prior period tax adjustment	(1)	-
Income tax expense recognised in surplus or deficit for year	47	105
(C) CURRENT TAX PAYABLE/(RECEIVABLE)		
Balance at beginning of year	33	34
Taxation paid	(89)	(106)
Prior period tax adjustment	(1)	-
Tax expense for years income	48	105
Balance at end of the year	(9)	33

5. Reconciliation of cash flows from operating activities with net surplus for the year

	2021 \$000	2020 \$000
Net surplus for the year	739	1,301
ADD MOVEMENTS IN OTHER WORKING CAPITAL ITEMS:		
Trade and other receivables	(149)	(327)
Trade payables and other liabilities	18	(409)
Tax payable	(42)	(1)
	(173)	(737)
Net cash flows from operating activities	566	564

6. 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 carrying value as reflected in the statement of financial position.

Interest rate risk

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

Credit risk

The maximum credit risk associated with the financial instruments held is considered to be the carrying value reflected in the statement of financial position. The risk of non-recovery of these amounts is considered to be minimal given that the investments are made with a variety of NZ registered banks. The Lawyers Fidelity Fund does not require collateral or other security to support financial instruments with credit risk.

Maturity analysis

The maturity tables below provide a breakdown of cash and the contractual non-discounted cashflows relating to financial assets and financial liabilities for the reporting period.

The table below includes both interest and principal cashflows:

30 June 2021	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Over 2 years \$000	Total \$000
Cash at bank	1%	384	-	-	-	-	384
Cash account deposits	0.08%	5,800	-	-	-	-	5,800
Fixed term bank deposits	0.83%	2,519	-	2,208	-	-	4,727
Trade/other receivables		1,477	-	-	-	-	-
Total financial assets		10,180	-	2,208	-	-	12,388
Trade/other liabilities (excluding deferred revenue)		7	-	-	-	-	7
Total financial liabilities		7	-	-	-	-	7
30 June 2020	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Over 2 years \$000	Total \$000
Cash at bank	1%	1,059	-	-	-	-	1,059
Fixed term bank deposits	2.59%	1,507	4,989	2,851	-	-	9,347
Trade/other receivables		1,328	-	-	-	-	1,328
Total financial assets		3,894	4,989	2,851	-	-	11,734
Trade/other liabilities (excluding deferred revenue)		4	-	-	-	-	4
Total financial liabilities		4	-	-	-	-	4

7. Contingent liabilities

During the reporting period, one claim was received to the value of \$30,000 (including estimated interest). Management expect the claimant to pursue the Partners of the law firm involved in the first instance under section 18 of the Lawyers and Conveyancers Act ("Liability of lawyer principals in respect of pecuniary loss by reason of theft"). Since it is not probable that payment will materialise, the claim has been disclosed as a contingent liability as at 30 June 2021 (2020 - nil).

8. Commitments

There are no capital or operating lease commitments as at 30 June 2021 (2020 - nil).

9. Subsequent events

There are no material non-adjusting events after the reporting date (2020 - nil).

The ongoing Covid19 pandemic is likely to continue to impact the entity due to continued low interest offered by banks in the market resulting in lower

bank term deposit rates being earned. Despite this reduction management are satisfied that the entity will be able to maintain its capital base and continue as a going concern.

Additionally, the pandemic has resulted in a lockdown post balance date, with the possibility of further lockdowns in the future. The lockdown has had a minimal impact on the entity's business operations as all business functions are able to be carried out remotely.

Additional Information

Principal place of operations:

Level 4, Customs House, 17-21 Whitmore St
Wellington

Auditor:

Deloitte Limited
Level 12, 20 Customhouse Quay
Wellington

Banker:

ASB Bank

Independent Auditor's Report

To the Members of the New Zealand Law Society Lawyers' Fidelity Fund

Opinion

We have audited the financial statements of the New Zealand Law Society Lawyers' Fidelity Fund (the 'Fund'), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 82 to 92, present fairly, in all material respects, the financial position of the Fund as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.

Other information

The Board is responsible on behalf of the Fund for the other information. The other information comprises the information in the financial Statements that accompanies the financial statements and the audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board's responsibilities for the financial statements

The Board is responsible on behalf of the Fund for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
8 October 2021

New Zealand Law Society Solicitors' Fidelity Guarantee Fund

Financial Statements for the year ended 30 June 2021

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
REVENUE			
Revenue from exchange transactions			
Interest		190	364
Total revenue		190	364
EXPENSES			
Change in claims provision	2	-	(44)
Investigation and other costs		46	10
Audit Fee		7	5
Administration	3	40	40
Total expenses		93	11
Surplus before income tax		97	353
Income tax expense	4	61	120
Net surplus for the year		36	233
Total comprehensive revenue and expense for the year		36	233

Statement of Changes in Net Assets/Equity

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$000	2020 \$000
Equity at beginning of year	13,804	13,571
Total comprehensive revenue and expense for the year	36	233
Total recognised revenue and expenses	36	233
Equity at end of year	13,840	13,804

Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
ASSETS			
Current assets			
Cash at bank		13,162	351
Bank deposits		751	13,468
Income tax receivable	4	43	-
GST receivable		-	1
Total current assets		13,956	13,820
Total assets		13,956	13,820
EQUITY AND LIABILITIES			
Current liabilities			
Income tax payable	4	-	4
Other payables		5	5
Related party payables	3	111	7
Total current liabilities		116	16
Equity			
Retained earnings		13,840	13,804
Total equity		13,840	13,804
Total equity and liabilities		13,956	13,820

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



T EPATI
President

8 October 2021



J SIMON
Executive Director

8 October 2021

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Interest		190	364
		190	364
Cash was applied to:			
Payments to suppliers		92	38
Income tax paid		4	162
		96	200
Net cash flows from operating activities	5	94	164
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Investments in term deposits		38,186	23,930
Cash was applied to:			
Investments in term deposits		25,451	23,775
Net cash flows received from investing activities		12,717	155
Net increase in cash and cash equivalents		12,811	319
Cash and cash equivalents at beginning of year		351	32
Cash and cash equivalents at end of year		13,162	351
Comprising:			
Cash at bank		162	351
Cash on call		13,000	-
Total cash and cash equivalents at end of year		13,162	351

Notes to the Financial Statements

New Zealand Law Society Solicitors' Fidelity Guarantee Fund

FOR THE YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

Reporting entity

The New Zealand Law Society Solicitors' Fidelity Guarantee Fund (the "Fidelity Guarantee Fund") is the property of the New Zealand Law Society and is held in trust for the purpose of reimbursing persons who have suffered pecuniary loss arising from theft, as is defined in the Crimes Act 1961, by lawyers in public practice.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand as applied for a Tier 2 entity ("NZ GAAP"). They comply with Public Benefit Entity Standards ("PBE Standards"). The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied ("RDR").

The Fidelity Guarantee Fund is a public benefit not for profit entity and is eligible to apply Tier 2 PBE Standards on the basis that it does not have public accountability and is not defined as large.

Basis of preparation

The financial statements are presented in New Zealand dollars ("NZD") which is the functional and presentation currency, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis.

The accounting policies have been applied consistently to all periods in these financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Fidelity Guarantee Fund and the revenue

can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, taking into account contractually defined terms of payment, net of discounts and GST.

The specific recognition criteria described below must also be met before revenue is recognised:

Revenue from exchange transactions:

Interest – Interest revenue is recognised on an accruals basis using the effective interest method.

Receivables

Other receivables are recognised at their estimated realisable value.

Payables

Claims payable are recognised at the best estimate of the expenditure expected to be required to settle the claims and costs notified to the Fidelity Guarantee Fund.

Other payables are recognised at cost.

Goods and services tax

The statement of comprehensive revenue and expense has been prepared on a goods and services tax (GST) basis. All items in the statement of financial position are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Income tax

Income tax in the statement of comprehensive revenue and expense comprises current tax on interest income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable for previous years.

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, and investments in bank term deposits maturing within one month. 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 the activities that result in changes in the size and composition of the contributed equity and borrowings.

Critical accounting estimates and assumptions

In preparing these financial statements the Board has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In this entity, estimates may be made in relation to provisioning for claims that have been received but not yet determined as at balance date. This may result in a claims expense in the subsequent financial year which is either less than or more than the claims provision expense. Any over or under provisioning is recognised against the change in claims provision in the Statement of Comprehensive Revenue and Expense.

2. Claims provision

	2021 \$000	2020 \$000
Opening balance at beginning of year	-	44
Amounts released through profit or loss during year	-	(44)
Amounts recognised through profit or loss during year	-	-
Closing claims provision at end of year	-	-

The Solicitors' Fidelity Guarantee Fund is available to meet claims of theft committed prior to 1 August 2008. A provision is made for claims which have been notified and quantified through investigation at year end, and are expected to be settled in the next financial year. No provision has been made for claims which have not been notified, or having been notified are unable to be quantified pending further investigation, at year end.

The claims provision in 2018-19 did not result in a settled claim and was therefore released in 2019-20. There were no claims of enough certainty to require provisioning in 2020-21.

3. Related party transactions

Related parties are considered to be those entities which the Board or key management personnel have the ability to exert significant influence or control over. During the year the Fidelity Guarantee Fund had a related party relationship with New Zealand Law Society Regulatory (Regulatory) and New Zealand Law Society Lawyers' Fidelity Fund (Lawyers' Fidelity Fund). The transactions with Regulatory comprise a share of costs charged by Regulatory to cover administrative and accounting services provided to the Fidelity Guarantee Fund.

The transactions with Regulatory and the Fidelity Fund are not comparable to transactions that would occur through the course of a normal client/supplier relationship and have been disclosed below along with any amounts receivable and payable to related parties at balance all transactions.

2021 **2020**
\$000 \$000

ALLOCATION OF ADMINISTRATIVE AND ACCOUNTING SERVICE COSTS FROM:

NZLS Regulatory	40	40
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NZLS RELATED ENTITY PAYABLES AT END OF YEAR:

NZLS Regulatory	3	7
NZLS Lawyers' Fidelity Fund	108	-
	111	7

4. Taxation

	2021 \$000	2020 \$000
(A) INCOME TAX RECOGNISED IN SURPLUS OR DEFICIT FOR YEAR		
Tax expense comprises:		
Tax expense for year's income	63	120
Adjustments recognised in the current period in relation to tax of prior periods	(2)	-
Total tax expense for the year	61	120
(B) THE PRIMA FACIE INCOME TAX EXPENSE ON PRE-TAX ACCOUNTING SURPLUS FROM OPERATIONS RECONCILES TO THE INCOME TAX EXPENSE IN THE FINANCIAL STATEMENTS AS FOLLOWS:		
Surplus from operations before income tax	97	353
Income tax expense calculated at 33%	32	116
Adjustment for tax on non-assessable income	32	5
Nonprofit organisation exemption	(1)	(1)
Prior period tax adjustment	(2)	-
Income tax expense recognised in surplus or deficit for year	61	120
(C) CURRENT TAX PAYABLE/(RECEIVABLE)		
Balance at beginning of year	4	46
Taxation paid	(108)	(162)
Prior period tax adjustment	(2)	-
Tax expense for year's income	63	120
Balance at end of the year	(43)	4

5. Reconciliation of net cash flows from operating activities with net surplus for the year

	2021 \$000	2020 \$000
Net surplus for the year	36	233
Add movements in other working capital items:		
Trade and other receivables	-	11
Trade payables and other liabilities	105	(38)
Tax payable	(47)	(42)
	58	(69)
Net cash flows from operating activities	94	164

6. 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 carrying value as reflected in the statement of financial position.

Interest rate risk

NZLS Regulatory is exposed to interest rate risk in that future interest rate movements will affect cash flows and the market value of fixed interest investment assets. The Solicitors' Fidelity Guarantee Fund does not use any derivative products to manage interest rate risk.

Credit risk

The maximum credit risk associated with the financial instruments held is considered to be the carrying value reflected in the statement of financial position. The risk of non-recovery of these amounts is considered to be minimal given that the investments are made with a variety of NZ registered banks. The Solicitors' Fidelity Guarantee Fund does not require collateral or other security to support financial instruments with credit risk.

Maturity analysis

The maturity tables below provide a breakdown of cash and the contractual non-discounted cashflows relating to financial assets and financial liabilities for the reporting period.

The table includes both interest and principal cashflows:

30 June 2021	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Total \$000
Cash at bank	-	162	-	-	-	162
Cash account deposits	0.08%	13,000	-	-	-	13,000
Fixed term bank deposits	0.75%	-	-	753	-	753
Trade/other receivables		-	-	-	-	-
Total financial assets		13,162	-	753	-	13,915
Trade/other liabilities (excluding deferred revenue)		116	-	-	-	116
Total financial liabilities		116	-	-	-	116
30 June 2020	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Total \$000
Cash at bank	1.00%	351	-	-	-	351
Fixed term bank deposits	1.74%	703	5,271	7,638	-	13,612
Trade/other receivables		-	-	-	-	-
Total financial assets		1,054	5,271	7,638	-	13,963
Trade/other liabilities (excluding deferred revenue)		12	-	-	-	12
Total financial liabilities		12	-	-	-	12

7. Contingent liabilities

There are no contingent liabilities at 30 June 2021 (2020 - \$501,399).

8. Commitments

There are no capital or operating lease commitments at 30 June 2021 (2020 - nil).

9. Subsequent events

There are no material non-adjusting events after the reporting date (2020 - nil).

The ongoing Covid19 pandemic is likely to continue to impact the entity due to continued low interest offered by banks in the market resulting in lower bank term deposit rates being earned. Despite this reduction management are satisfied that the entity will be able to maintain its capital base and continue as a going concern.

Additionally, the pandemic has resulted in a lockdown post balance date, with the possibility of further lockdowns in the future. The lockdown has had a minimal impact on the entity's business operations as all business functions are able to be carried out remotely.

Additional Information

Principal place of operations:

Level 4, Customs House, 17-21 Whitmore St
Wellington

Auditor:

Deloitte Limited
Level 12, 20 Customhouse Quay
Wellington

Banker:

ASB Bank

Independent Auditor's Report

To the Members of the New Zealand Law Society Solicitors' Fidelity Guarantee Fund

Opinion

We have audited the financial statements of New Zealand Law Society Solicitors' Fidelity Guarantee Fund (the 'Fund'), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 95 to 105, present fairly, in all material respects, the financial position of the Fund as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.

Other information

The Board responsible on behalf of the Fund for the other information. The other information comprises the information in the financial statements that accompanies the financial statements and the audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board's responsibilities for the financial statements

The Board is responsible on behalf of the Fund for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
8 October 2021

The Lawyers and Conveyancers Special Fund

Financial Statements for the year ended 30 June 2021

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
REVENUE			
Revenue from exchange transactions			
Fund management	2	31	29
Total revenue		31	29
EXPENSES			
Audit fees		7	5
Fund management and processing costs	6	24	24
Total expenses		31	29
Net surplus for the year		-	-
Total comprehensive revenue and expense for the year		-	-

Statement of Changes in Net Assets/Equity

FOR THE YEAR ENDED 30 JUNE 2021

There were no changes in net assets/equity for the year ended 30 June 2021 (2020 – nil).

Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
ASSETS			
Current assets			
Cash at bank		-	267
Other receivables	3	387	258
Total current assets		387	525
Total assets		387	525
EQUITY AND LIABILITIES			
Current liabilities			
Other payables	4	385	523
Payable to NZLS	5	2	2
Total current liabilities		387	525
Equity			
Retained earnings		-	-
Total equity		-	-
Total equity and liabilities		387	525

The financial statements were approved for issue by the Management Committee established under section 292 of the Lawyers and Conveyancers Act 2006 ('LCA'):



Committee Member

27 September 2021



Committee Member

27 September 2021

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Interest on Nominated Trust Accounts		4,005	7,185
Other interest		-	2
		4,005	7,187
Cash was applied to:			
Payments to Ministry of Justice		4,241	7,223
Payments to suppliers		31	29
		4,272	7,252
Net cash flows used in operating activities	5	(267)	(65)
Net cash used in investing activities		-	-
Net decrease in cash and cash equivalents		(267)	(65)
Cash and cash equivalents at beginning of year		267	332
Cash and cash equivalents at end of year		-	267
Comprising:			
Cash at bank		-	267

Notes to the Financial Statements

The Lawyers and Conveyancers Special Fund

FOR THE YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

Reporting entity

The Lawyers and Conveyancers Special Fund (the “Special Fund”) was originally established as the New Zealand Law Society Special Fund under the Law Practitioners Act 1982 (the “LPA”). The LPA was repealed on 1 August 2008 by the Lawyers and Conveyancers Act 2006 (the “LCA”) and the Special Fund was renamed to The Lawyers and Conveyancers Special Fund at that date.

The Special Fund receives income in the form of interest earned on moneys held in lawyers and conveyancers nominated trust accounts kept at New Zealand registered banks in accordance with the provisions of the LCA. The income, after deduction of allowed expenditure, is distributed to the Ministry of Justice for the purpose of funding Community Law Centres.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”). They comply with Public Benefit Entity Standards (“PBE Standards”). The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied (“Reduced Disclosure Regime”). The Special Fund is a public benefit not for profit entity and is eligible to apply Tier 2 PBE Standards on the basis that it does not have public accountability and is not defined as large.

Basis of preparation

The financial statements are presented in New Zealand dollars (“NZD”) which is the functional and presentation

currency, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis.

The accounting policies have been applied consistently to all periods in these financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Special Fund and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, taking into account contractually defined terms of payment, net of discounts and GST.

The specific recognition criteria described below must also be met before revenue is recognised

Revenue from exchange transactions:

Fund Management – Revenue from the fund management fee is recognised once the services have been rendered, taking into account contractually defined terms of payment, net of discounts and GST, and when the amount of revenue can be reliability measured.

Receivables

Other receivables are recognised at their estimated realisable value.

Payables

Other payables are recognised at cost.

Goods and services tax

The Special Fund is not registered for goods and

services tax (GST) and therefore the financial statements are prepared on a GST inclusive basis.

Income tax

The Special Fund is not liable for income tax as it is a trustee and agent of beneficiaries who are not liable for income tax.

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, and investments in bank term deposits maturing within one month. 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 the activities that result in changes in the size and composition of the contributed equity and borrowings.

Critical accounting estimates and assumptions

In preparing these financial statements the

Management Committee have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions made are reviewed on an on-going basis. Revisions to accounting estimates or material judgements are recognised in the period in which the estimate or judgement is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Fund management

The Special Fund is required to collect interest earned on nominated trust accounts held by lawyers and conveyancers at the major trading banks, and pass these funds to the Ministry of Justice. A deduction is made from the interest received to reimburse the Special Fund for the cost of managing the fund, and administering the monthly collection and payment process.

The reimbursement of the Special Fund has been calculated as follows:

	2021 \$000	2020 \$000
Interest collected from:		
ANZ	1,313	2,336
ASB	323	1,959
BNZ	1,432	1,352
TSB	2	5
Westpac	1,064	1,035
	4,134	6,687
Payments to Ministry of Justice	4,103	6,658
	31	29

3. Other receivables

	2021 \$000	2020 \$000
Interest receivable	387	258
Total trade payables and other liabilities	387	258

4. Other payables

	2021 \$000	2020 \$000
Audit fee	6	5
Payment to Ministry of Justice	379	518
Total trade payables and other liabilities	385	523

5. Reconciliation of cash flows from operating activities with net surplus for the year

	2021 \$000	2020 \$000
Net surplus for the year	-	-
ADD MOVEMENTS IN OTHER WORKING CAPITAL ITEMS:		
Trade and other receivables	(129)	500
Trade payables and other liabilities	(138)	(565)
	(267)	(65)
Net cash flows from operating activities	(267)	(65)

6. Related party transactions

Identity of related parties

The Special Fund has a related party relationship with New Zealand Law Society Regulatory (Regulatory). Both entities are governed by the same Board. In accordance with the Lawyers and Conveyancers Act 2006, the Board appoints two representatives to the

Management Committee responsible for the managing the Special Fund.

Related party transactions

The transactions with Regulatory comprise service fees charged by Regulatory for administrative and accounting services provided to the Special Fund.

	2021 \$000	2020 \$000
ALLOCATION OF COSTS FROM:		
New Zealand Law Society Regulatory	24	24
NEW ZEALAND LAW SOCIETY RELATED ENTITY PAYABLES AT END OF YEAR:		
New Zealand Law Society Regulatory	2	2

7. Contingent liabilities

There are no contingent liabilities as at 30 June 2021 (2020 - nil).

Additionally, the pandemic has resulted in a lockdown post balance date, with the possibility of further lockdowns in the future. The lockdown has had a minimal impact on the entity's business operations as all business functions are able to be carried out remotely.

8. Commitments

There are no capital or operating lease commitments as at 30 June 2021 (2020 - nil)

Additional Information

9. Subsequent events

There are no material non-adjusting events after the reporting date (2020 - nil).

Principal place of operations:

Level 4, Customs House, 17-21 Whitmore St
Wellington

The ongoing Covid19 pandemic is likely to continue to impact the entity due to continued low interest offered by banks in the market resulting in lower bank term deposit rates being earned. Despite this reduction management are satisfied that the entity will be able to maintain its capital base and continue as a going concern.

Auditor:

Deloitte Limited
Level 12, 20 Customhouse Quay
Wellington

Banker:

ASB Bank

Independent Auditor's Report

To the Members of the Lawyers and Conveyancers Special Fund

Opinion

We have audited the financial statements of the Lawyers and Conveyancers Special Fund (the 'Fund'), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity, statement of financial position and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 108 to 114, present fairly, in all material respects, the financial position of the Fund as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.

Management Committee's responsibilities for the financial statements

The Management Committee is responsible on behalf of the Fund for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
27 September 2021

New Zealand Law Society Representative (Group)

Financial Statements for the year ended 30 June 2021

Consolidated Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
REVENUE			
Revenue from exchange transactions			
Practising, registration and other service fees		464	513
Interest income		179	449
Other income		934	422
ILANZ funds introduced		3	114
Courses and booklets		4,579	4,405
Profit on Disposal of Assets	5	-	2,200
Total revenue		6,159	8,103
EXPENSES			
Administration and occupancy	2	6,633	6,833
(Reversal)/provision for onerous lease	5	-	(259)
Total expenses		6,633	6,574
Surplus/(deficit) before income tax		(474)	1,529
Income tax expense	3	317	180
Net surplus/(deficit) for the year		(791)	1,349
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Land and building revaluation	5	90	-
Total comprehensive revenue and expense for the year		(701)	1,349

Consolidated Statement of Changes in Net Assets/Equity

FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve \$000	Retained earnings \$000	Total \$000
Equity at 1 July 2019	163	18,109	18,272
Total comprehensive revenue and expense for the year	-	1,349	1,349
Equity at 30 June 2020	163	19,458	19,621
Total comprehensive revenue and expense for the year	90	(791)	(701)
Equity at 30 June 2021	253	18,667	18,920

Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
ASSETS			
Current assets			
Cash and cash equivalents		14,620	2,260
Bank term deposits		3,224	14,997
Trade and other receivables	4	311	487
Current Tax Receivable	3	-	76
Total current assets		18,155	17,820
Non-current assets			
Property, plant and equipment	5	2,248	2,129
Intangible assets	6	702	1,096
Total non-current assets		2,950	3,225
Total assets		21,105	21,045
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and other liabilities	7	2,115	1,424
Current tax payable	3	70	-
Total liabilities		2,185	1,424

	2021 \$000	2020 \$000
Equity		
Revaluation reserve	253	163
Retained earnings	18,667	19,458
Total equity	18,820	19,621
Total equity and liabilities	21,105	21,045

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



T EPATI
President

8 October 2021



J SIMON
Executive Director

8 October 2021

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$000	2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Practising, registration and other service fees		592	692
Courses and booklets		5,101	3,982
Other income		934	422
Interest received		179	410
		6,806	5,506
Cash was applied to:			
Payments to suppliers and employees		5,959	6,884
Income tax paid		171	380
		6,130	7,264
Net cash flows (used in)/from operating activities	8	676	(1,758)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Gain on sale of fixed assets		-	2,200
Investment in bank term deposits		35,846	35,354
Disposals of intangibles		245	-
Cash was applied for:			
Investment in bank term deposits		24,036	34,648
Purchase of property, plant and equipment		374	467
		24,410	35,732
Net cash from/(used in) investing activities		11,681	1,823

	2021 \$000	2020 \$000
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was received from:		
Funds introduced by section	3	114
Net cash flows from financing activities	3	114
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	2,260	2,081
Cash and cash equivalents at end of year	14,620	2,260
Comprising:		
Cash at bank	2,820	2,260
Cash on call	11,800	-
Total cash and cash equivalents	14,620	2,260

Notes to the Financial Statements

New Zealand Law Society Representative (Group)

FOR THE YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

Reporting entity

The New Zealand Law Society (“NZLS”) is governed by the Lawyers and Conveyancers Act 2006 (the “LCA”). The LCA came into effect on 1 August 2008, replacing the Law Practitioners Act 1982 (the “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 (“NZLS

Representative”).

NZLS Representative’s functions are set out in section 66 of the LCA. The primary functions are to represent members and to serve their interests. NZLS Representative includes the Family Law, Property Law, and In-house Lawyers sections of NZLS.

The NZLS Representative Group (the “Group”) consists of NZLS Representative and its subsidiary, NZLS CLE Limited (“NZLS CLE”).

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting

Practice in New Zealand as applied for a Tier 2 entity (“NZ GAAP”). They comply with Public Benefit Entity Standards (“PBE Standards”) and Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”) that have been authorised for use by the External Reporting Board for Not-For-Profit entities. The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied (“RDR”). NZLS Representative is a public benefit not for profit entity and is eligible to apply Tier 2 PBE Standards on the basis that it does not have public accountability and is not defined as large.

Basis of preparation

The financial statements are presented in New Zealand dollars (“NZD”) which is the functional and presentation currency, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis modified by the revaluation of the land and buildings as identified in the accounting policy below.

The accounting policies have been applied consistently to all periods in these financial statements.

The preparation of financial statements in conformity with PBE Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of PBE Standards that have a significant effect on the financial statements include the valuation of land and buildings, the assessment of impairment of assets and the determination of deferred revenue. The particular accounting policies record the basis of judgements made.

Basis for consolidation

The consolidated financial statements are prepared by

combining the financial statements of all the entities that comprise the Group, being NZLS Representative (the “Parent”) and its subsidiary NZLS CLE, as defined under IPSAS 6: 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.

NZLS CLE is a for profit entity and has elected to report on a standalone basis in accordance with Tier 2 For-profit Accounting Standards on the basis it does not have public accountability and is not defined as large. On a standalone basis, NZLS CLE has elected to apply New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (“NZ IFRS (RDR)”).

For the purpose of the consolidated financial statements under PBE Standards, consistent accounting policies have been employed. There are no material adjustments required on consolidation of the financial statements of NZLS CLE.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, taking into account contractually defined terms of payment, net of discounts and GST.

The specific recognition criteria described below must also be met before revenue is recognised:

Revenue from exchange transactions:

Courses and booklets – Revenue from the provision of products or services in the normal course of business is recognised once the services have been rendered

or the products have been sold, taking into account contractually defined terms of payment, net of discounts and GST. The Group recognises revenue when the amount of revenue can be reliably measured.

Membership fees – Revenue from a transaction to provide services is recognised by reference to the stage of completion of the transaction at balance date.

Interest – Interest income is recognised on an accruals basis using the effective interest method.

Other income – Other income includes event and advertising related income. This income is recognised once the services have been rendered or the event has been held, and the amount of revenue can be reliably measured.

Financial instruments

Financial instruments are those contracts entered into by the Group which result in the creation of either a financial asset or liability for both the Group and the other contracting entity or individual. Financial instruments result in the recognition of financial assets and liabilities for the Group at the point where the Group becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group only holds financial assets classified as held to maturity and loans and receivables.

Investments held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates and where there is a positive intent and ability to hold to maturity. The held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. The Group held-to-maturity investments primarily comprise of term deposits which will not

mature within the next accounting period.

Loans and Receivables

Loans and receivables include trade and other receivables including cash and cash equivalents which are initially recorded at fair value and subsequently recorded at amortised cost less any impairment using the effective interest rate method.

Financial Liabilities

Financial liabilities are classified either ‘at fair value through profit or loss’, or ‘other financial liabilities’. The Group only holds other financial liabilities.

Other financial liabilities

Other financial liabilities (trade and other payables) are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

Receivables

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

Property, plant and equipment

Land and buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent impairment losses. The building revaluations are performed by an independent valuer with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. The buildings are not depreciated between the two yearly valuations.

Gains and losses on revaluation are recognised in other comprehensive revenue and expense and presented in the revaluation reserve within net assets/equity. Gains or losses relating to individual items are offset against those from other items in the same class of property, plant and equipment, however gains or losses between classes of property, plant and equipment are not offset.

Any revaluation losses in excess of credit balance of the revaluation reserve for that class of property, plant

and equipment are recognised in surplus or loss as an impairment.

All other property, plant and equipment are stated at cost less accumulated depreciation and any subsequent impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation

Depreciation of property, plant and equipment, other than land, is calculated on a straight-line ("SL") basis so as to write off the cost or fair value amount of each asset, less any residual value, over its estimated remaining useful life. Management have used judgement to determine the depreciation rates that best approximate the remaining useful lives and residual values and reviews the depreciation rates and residual values at the end of each annual reporting period.

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

Class	Method	Rate
Computer hardware	SL	20-36%
Furniture and equipment	SL	6-48%
Plant	SL	5-20%

Intangible assets

Intangible assets comprise computer software applications and capitalised developer time that have a finite useful life and are recorded at cost less accumulated amortisation and subsequent impairment losses. The assets are amortised on a straight-line basis from the date they are in the location and condition for use over their useful lives of 2 years.

Impairment of assets

The Group's assets are considered to be non-cash generating as they are not held for the primary purpose of generating a commercial return.

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 service amount of the asset (as defined

in PBE IPSAS 21: Impairment of non-cash generating assets) is estimated in order to determine the extent of the loss (if any).

The recoverable service amount is calculated as the higher of the assets fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

A reversal of an impairment loss in subsequent periods is recognised immediately in profit or loss. However, any reversal 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 revenue comprises membership and other service fees which have been received but relate to 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

The statement of comprehensive revenue and expense has been prepared on a goods and services tax ("GST") exclusive basis. All items in the statement of financial position are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Income 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 year. 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 years 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 Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in bank term deposits maturing within one month.

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

Critical accounting estimates and assumptions

In preparing these financial statements the Board have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions made are reviewed on an on-going basis. Revisions to accounting estimates or material judgements are recognised in the period in which the estimate or judgement is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of land and buildings:

Land and buildings owned by the Group are held at fair value. Revaluations are carried out, by independent valuers, with sufficient regularity to ensure that the carrying amount does not differ from the fair value at balance date. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time, these assumptions have been discussed further within note 5.

2. Total expenses

	2021 \$000	2020 \$000
Audit fees – audit of financial statements	35	43
Other fees paid to auditors – taxation services	-	6
Depreciation	345	261
Amortisation of intangible assets	149	56
Employee benefit expenses	2,552	1,743
Lease costs	-	363
Presidents' honoraria	138	95
Courses and booklets	1,612	1,951
Other administration and occupancy costs	1,802	2,358
	6,633	6,833

3. Taxation

	2021 \$000	2020 \$000
(A) INCOME TAX RECOGNISED IN SURPLUS OR DEFICIT FOR YEAR		
Tax expense comprises:		
Tax expense for years income	324	186
Adjustments recognised in the current period in relation to the current tax of prior periods	(7)	(6)
Total tax expense for the year	317	180
(B) THE PRIMA FACIE INCOME TAX EXPENSE ON PRE-TAX ACCOUNTING SURPLUS FROM OPERATIONS RECONCILES TO THE INCOME TAX EXPENSE IN THE FINANCIAL STATEMENTS AS FOLLOWS:		
(Deficit)/surplus from operations before income tax	(474)	1,529
Income tax expense calculated at 28%	-	428
Adjustment for tax on non-assessable income and non-deductible expenditure	325	(241)
Non-profit organisation exemption	(1)	(1)
(Over)/under provision of tax in previous periods	(7)	(6)
Income tax expense recognised in surplus for year	317	180
(C) CURRENT TAX (RECEIVABLE)/PAYABLE		
Balance at beginning of year	(76)	124
Taxation paid	(171)	(380)
Tax expense for years income	324	186
(Over)/under provision of tax in previous periods	(7)	(6)
Balance at end of the year	70	(76)

4. Trade and other receivables

	2021 \$000	2020 \$000
Trade receivables from exchange transactions	309	420
Interest receivable	2	40
Related party receivables	-	27
Total trade and other receivables	311	487

5. Property, plant and equipment

	Land \$000	Buildings \$000	Furniture and equipment \$000	Plant \$000	Computer hardware \$000	Total \$000
GROSS CARRYING AMOUNT						
Balance at 30 June 2019	300	810	4,046	786	940	6,882
Additions	-	-	119	-	348	467
Balance at 30 June 2020	300	810	4,165	786	1,288	7,349
Revaluations	-	90	-	-	-	90
Additions	-	-	98	-	276	374
Balance at 30 June 2021	300	900	4,263	786	1,564	7,813
ACCUMULATED DEPRECIATION						
Balance at 30 June 2019	-	-	3,392	742	825	4,959
Depreciation	-	-	121	14	126	261
Balance at 30 June 2020	-	-	3,513	756	951	5,220
Depreciation	-	-	131	5	209	345
Balance at 30 June 2021	-	-	3,644	761	1,160	5,565
NET BOOK VALUE						
As at 30 June 2020	300	810	652	30	337	2,129
As at 30 June 2021	300	900	619	25	404	2,248

Land and buildings carried at fair value

Christchurch, Level 1, 307 Durham Street:

Christchurch land and building (share): Hayden Doody, ANZIV; SPINZ; BCom (VPM), Registered Valuer, of Telfer Young, Independent Valuers, valued the Law Society share of the Christchurch land and building at \$1,200,000 as at 30 June 2021. Accordingly, the value of the asset and the asset revaluation reserve was increased by \$90,000 at that date. The valuer utilised the capitalised income approach for the valuation of the Christchurch property. This approach involves capitalising the actual or potential net income at an appropriate market derived rate of return of 6.0%. A rate of return of 6.7% was used when the building was last valued as at 30 June 2019.

Wellington, Law Society Building, 26 Waring Taylor Street:

A detailed seismic assessment (DSA) determined that part of the building was earthquake prone, and the

building was vacated on 5 July 2019. Estimates of the time and costs for the required strengthening and remediation works were obtained, with the result that the asset was expected to have a zero (or negative) remaining value. Accordingly, the carrying value of the land and building asset (\$2,870,000) was decreased to zero at 30 June 2019. The building was then sold for \$2,200,000 in during the financial year ended 30 June 2020.

Provision for onerous lease

A provision for the onerous lease of the land and building asset was established in the 2019 representative (Group) financial statements, pending a future decision of their use. The provision recognised unavoidable costs being incurred while the asset was out of use, which came to a total of \$603,000. In the previous financial year the building was sold and therefore the unused portion of the provision was reversed (\$259,000).

6. Intangible assets

Computer Software

\$000

GROSS CARRYING AMOUNT

Balance at 30 June 2019	3,203
Additions	29
WIP	587
Balance at 30 June 2020	3,819
Disposals	(245)
Balance at 30 June 2021	3,574

ACCUMULATED AMORTISATION

Balance at 30 June 2019	2,667
Amortisation	56
Balance at 30 June 2020	2,723
Amortisation	149
Balance at 30 June 2021	2,872

NET CARRYING VALUE

As at 30 June 2020	1,096
As at 30 June 2021	702

7. Trade payables and other liabilities

	2021 \$000	2020 \$000
Trade payables from exchange transactions	386	299
GST payable	109	83
Employee benefits	122	115
Deferred revenue	1,315	803
Related party payables	183	124
Total	2,115	1,424

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.

8. Reconciliation of cash flows from operating activities with net surplus for the year

	2021 \$000	2020 \$000
NET (DEFICIT)/SURPLUS FOR THE YEAR	(791)	1,349
Add non-cash items:		
Depreciation and amortisation	495	316
Recognition/(Reversal) of onerous lease provision	-	(603)
	(296)	1,062
Add movements in other working capital items:		
Trade and other receivables	139	318
Trade and other payables	690	(624)
Current tax payable	146	(200)
NET MOVEMENT IN WORKING CAPITAL	975	(506)
Remove non-operating cash flows:		
Gain on disposal of fixed assets	-	(2,200)
Funds ex ILANZ	(3)	(114)
	(3)	(2,314)
Net cash flows (used in)/from operating activities	676	(1,758)

9. 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 statement of financial position.

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 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 carrying value reflected in the statement of financial position. The risk of non-recovery of these amounts is considered to be minimal given that the investments are made with a variety of NZ registered banks. The Group does not require collateral or other security to support financial instruments with credit risk.

Maturity analysis

The maturity tables below provide a breakdown of cash and the contractual non-discounted cashflows relating to financial assets and financial liabilities for the reporting period.

The table includes both interest and principal cash-flows:

30 June 2021

	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Total \$000
Cash at bank	1.00%	2,820	-	-	-	2,820
Cash on call account	0.08%	11,800	-	-	-	11,800
Fixed term bank deposits	0.24%	3,100	124	-	-	3,224
Trade/other receivables		311	-	-	-	311
Total financial assets		18,031	124	-	-	18,155
Trade/other liabilities (excluding deferred revenue)		800	-	-	-	800
Total financial liabilities		800	-	-	-	800

30 June 2020	Weighted average effective interest rate	Within 1 month \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 2 years \$000	Total \$000
Cash at bank	0.97%	2,260	-	-	-	2,260
Fixed term bank deposits	1.88%	3,548	7,354	4,200	-	15,102
Trade/other receivables		487	-	-	-	487
Total financial assets		6,293	7,354	4,200	-	17,847
Trade/other liabilities (excluding deferred revenue)		621	-	-	-	621
Total financial liabilities		621	-	-	-	621

11. Investment in subsidiaries

Entity Name	Country of Incorporation	Ownership Interest		Principal Activity
		2021 %	2020 %	
NZLS CLE Limited	NZ	100	100	Development and provision of legal education services to members of NZLS

All entities within the group have 30 June balance dates.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent in the form of cash distributions or to repay loans or advances.

12. Related party disclosures

Related parties are considered to be those entities which the Board or key management personnel have the ability to exert significant influence or control over. During the year the Group has undertaken transactions with related parties which comprise a share of direct salaries and general administration expenses paid by NZLS Regulatory and a recovery of depreciation and amortisation costs incurred by NZLS Representative. As these transactions are not comparable to transactions that would occur through the course of a normal client/supplier relationship all transactions have been disclosed below along with any amounts receivable and payable to related parties at balance date.

	2021 \$000	2020 \$000
ALLOCATION OF COSTS FROM:		
NZLS Regulatory	2,598	2,537
RECOVERY OF DEPRECIATION AND AMORTISATION COSTS RECEIVED FOR USE OF ASSETS:		
NZLS Regulatory	423	278
NZLS RELATED ENTITY NET RECEIVABLES/ (PAYABLES) AT END OF YEAR:		
NZLS Regulatory	(183)	124

Compensation of key management personnel:

The remuneration of key management personnel during the year was as follows:

	2021 \$000	2020 \$000
Short term employee benefits	1,062	987

Short term employee benefits comprise salary and bonus payments attributable to key management personnel during the period.

13. Contingent liabilities

There are no contingent liabilities for the Parent or Group at 30 June 2021 (2020: nil)

14. Capital commitments

There are no capital or lease commitments for the Parent or Group at 30 June 2021 (2020: nil).

15. Subsequent events

There are no material non-adjusting events after the reporting date (2020: nil).

16. Covid 19

The ongoing Covid19 pandemic is likely to continue to impact the entity due to continued low interest offered by banks in the market resulting in lower bank term deposit rates being earned. Despite this reduction management are satisfied that the entity will be able to maintain its capital base and continue as a going concern.

Additionally, the pandemic has resulted in a lockdown post balance date, with the possibility of further lockdowns in the future. The lockdown has had a minimal impact on the entity's business operations as all business functions are able to be carried out remotely.

Additional Information

Principal place of operations:

Level 4, Customs House, 17-21 Whitmore St
Wellington

Auditor:

Deloitte Limited
Level 12, 20 Customhouse Quay
Wellington

Banker:

ASB Bank

Independent Auditor's Report

To the Members of New Zealand Law Society Representative

Opinion

We have audited the financial statements of New Zealand Law Society Representative (the 'Society') and its subsidiary (the 'group'), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 117 to 135, present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Society in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Society or the group, except that partners and employees of our firm deal with the Society or the group on normal terms within the ordinary course of trading activities of the business of the Society or the group. These services have not impaired our independence as auditor of the Society and the group.

Other information

The Board is responsible on behalf of the group for the other information. The other information comprises the information in the consolidated Financial Statements that accompanies the consolidated financial statements and audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board's responsibilities for the consolidated financial statements

The Board is responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body, in accordance with section 19 of the Constitution of the New Zealand Law Society. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
8 October 2021

