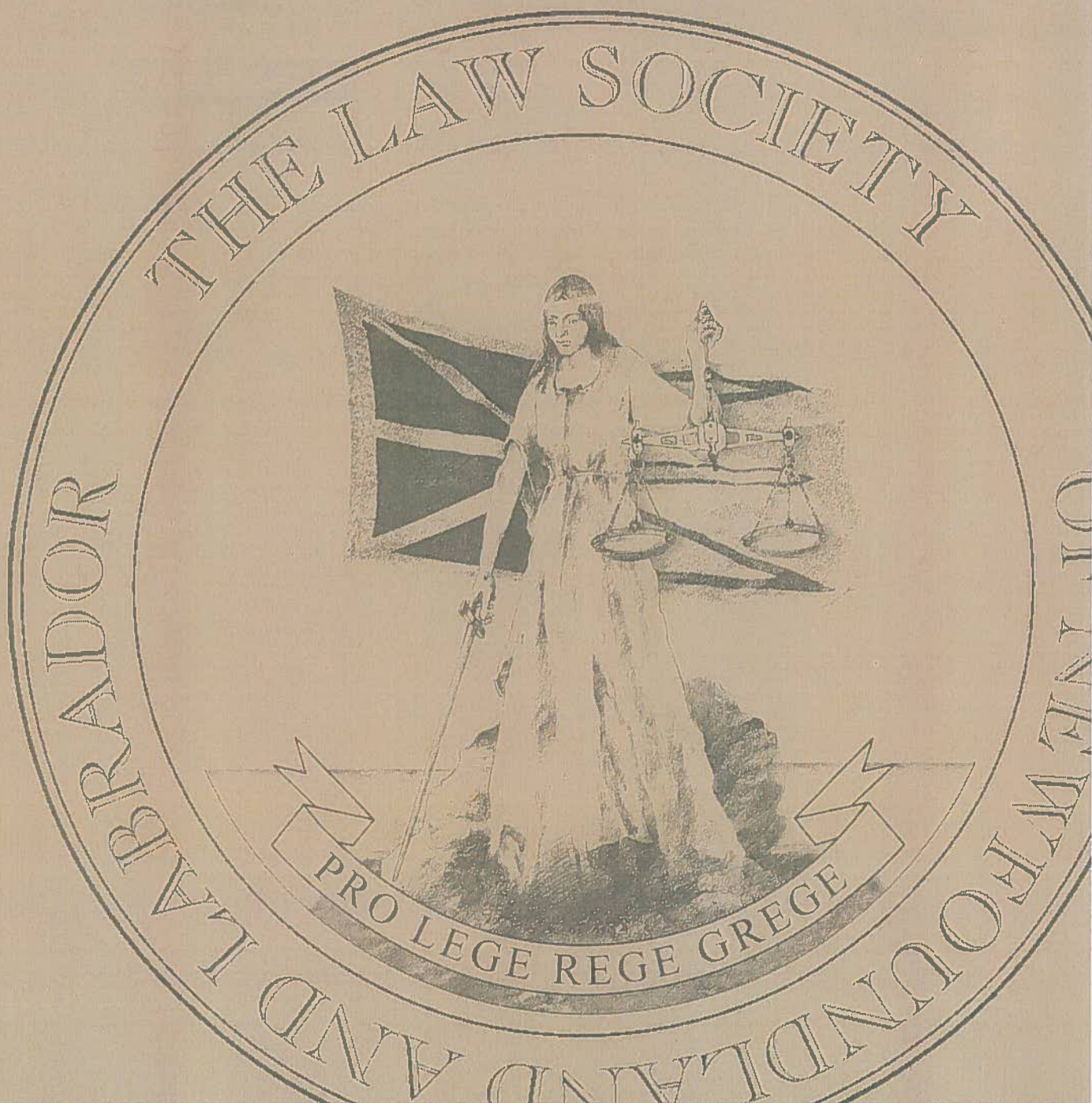

**AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

**for the
Fiscal Year Ended December 31, 2008**



**Law Society of Newfoundland and
Labrador**

**Financial Statements
December 31, 2008**

April 22, 2009

Auditors' Report

**To the Members of
Law Society of Newfoundland and Labrador**

We have audited the balance sheet of **Law Society of Newfoundland and Labrador** as at December 31, 2008, the statements of revenue, expenses and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Law Society of Newfoundland and Labrador

Balance Sheet

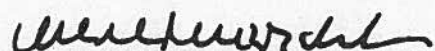
As at December 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash (note 3)	435,894	790,292
Short-term investments	804,311	778,525
Accounts receivable		
Members fees	37,164	68,248
Other	342,871	435,167
Prepaid expenses	-	40,054
Due from the General Assurance Fund	864,256	372,910
	<u>2,484,496</u>	<u>2,485,196</u>
Capital assets (note 4)	1,560,353	1,656,206
General Assurance Fund (note 8)	597,824	1,131,935
	<u>4,642,673</u>	<u>5,273,337</u>
Liabilities		
Current liabilities		
Accounts payable	86,713	13,459
Due to the Self Insurance Funds (net)	1,510,295	1,504,552
Insurance levy	352,664	352,664
Capital fund levy	241,968	241,968
Current portion of long-term debt	53,015	85,402
	<u>2,244,655</u>	<u>2,198,045</u>
Long-term debt (note 5)	1,287,585	1,344,699
	<u>3,532,240</u>	<u>3,542,744</u>
Members' Equity		
Surplus	512,609	598,658
	<u>4,044,849</u>	<u>4,141,402</u>
General Assurance Fund (note 8)	597,824	1,131,935
	<u>4,642,673</u>	<u>5,273,337</u>

Approved on behalf of the Society



President



Vice-President

Law Society of Newfoundland and Labrador
Statement of Revenue, Expenses and Surplus
For the year ended December 31, 2008

	2008	2007
	\$	\$
Revenue		
Administration fee		
Admission fees (note 7)	107,600	77,000
Annual fees - certificates	78,350	44,575
Bar admission course	1,215,077	1,170,380
Contributions from the Law Foundation of Newfoundland and Labrador	55,900	68,800
Copy machines and other recoveries	153,000	139,000
Interest	5,662	70,236
Process fees	175,146	189,094
Seminars	12,507	13,053
	33,495	22,116
	<u>1,836,737</u>	<u>1,794,254</u>
Expenses		
Bar admission course	15,503	22,850
Benchers' receptions	6,996	7,011
Committees	19,845	19,471
Continuing legal education	20,505	12,942
Contributions	29,067	27,720
Conventions	10,336	34,742
Convocations	57,218	32,291
Copy machines	27,972	30,169
Discipline	526	22,485
Interest and bank charges	10,434	10,082
Libraries	261,662	259,394
Miscellaneous and courier	15,615	14,838
Postage	16,378	10,332
Printing and publishing	8,256	1,158
Professional fees	100,307	48,926
Property costs - amortization	95,853	101,998
Property costs - operating	179,070	201,924
Rent	5,430	6,847
Salaries and employee benefits	930,971	893,574
Supplies and equipment	59,258	67,960
Telephone	23,891	21,471
Travel	27,693	12,796
	<u>1,922,786</u>	<u>1,860,981</u>
Excess of expenses over revenue	(86,049)	(66,727)
Surplus - Beginning of year	598,658	665,385
Surplus - End of year	<u>512,609</u>	<u>598,658</u>

Law Society of Newfoundland and Labrador
Statement of Cash Flows
For the year ended December 31, 2008

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue	(86,049)	(66,727)
Item not affecting cash		
Amortization	95,853	101,998
	9,804	35,271
Change in non-cash working capital balances		
Decrease (increase) in accounts receivable		
Members fees	31,084	53,539
Other	92,296	(267,319)
Decrease (increase) in prepaid expenses	40,054	(35,536)
Increase in due from General Assurance Fund	(491,346)	(179,048)
Decrease in current and deferred grants receivable	-	139,000
Increase (decrease) in accounts payable	73,254	(59,543)
Decrease in current and deferred grants payable	-	(139,000)
Increase in due to Self - Insurance Funds (net)	5,743	1,249,606
Decrease in insurance levy	-	(401)
	(239,111)	796,569
Financing activity		
Repayment of long-term debt	(89,501)	(93,680)
Investing activity		
Purchase of capital assets	-	(7,284)
Net change in cash during the year	(328,612)	695,605
Cash and cash equivalents – Beginning of year	1,568,817	873,212
Cash and cash equivalents – End of year	1,240,205	1,568,817
Cash and cash equivalents is comprised of:		
Cash	435,894	790,292
Short-term investments	804,311	778,525
	1,240,205	1,568,817
Additional information required:		
Interest paid	62,264	70,599

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2008

1 Basis of presentation

These financial statements reflect the accounts and operations of the Law Society of Newfoundland and Labrador – General Fund and General Assurance Fund. The operations of the General Assurance Fund are not reflected in the statement of revenue, expenses and surplus of the Law Society of Newfoundland and Labrador – General Fund, but are disclosed in Note 8 to these financial statements.

On January 1, 1983, the Law Society of Newfoundland and Labrador established a Self-Insurance Fund for practising Newfoundland and Labrador lawyers. Each year, the Society assesses its members an amount which is paid to that year's Self-Insurance Fund. Separate financial statements are prepared for each year's Fund and their assets, liabilities and surpluses or deficiencies are not reflected in these statements.

2 Accounting policies

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the society and the amount of revenue can be measured reliably. Revenue from annual fees – certificates is recognized over the course of the calendar year. Revenue from various other services provided by the society are recognized over time as the services are provided.

Amortization

Capital assets are carried at cost less contributions received and are amortized using the following methods and rates:

Assets	Method	Rate %
Building	Straight line	4
Furniture and fixtures	Declining balance	25

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

3 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rates less 2½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2008

4 Capital assets

			2008	2007
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	73,429	-	73,429	73,429
Building	1,935,376	503,764	1,431,612	1,509,000
Furniture and fixtures	272,678	217,366	55,312	73,700
	<u>2,281,483</u>	<u>721,130</u>	<u>1,560,353</u>	<u>1,656,200</u>

5 Long-term debt

	2008 \$	2007 \$
3.08% unsecured advance from the Law Society of Newfoundland and Labrador – 1983 to 1987 Self-Insurance Funds, payable in blended monthly payments of \$7,793	1,340,600	1,383,400
TD Canada Trust loan at prime, repaid during the year	-	46,600
	<u>1,340,600</u>	<u>1,430,000</u>
Current portion	53,015	85,400
	<u>1,287,585</u>	<u>1,344,600</u>

Aggregate annual principal payments on long-term debt for the next five years are as follows:

	\$
Year ending December 31, 2009	53,015
2010	55,000
2011	56,000
2012	58,000
2013	60,000

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2008

6 Obligations under operating leases

The following is an analysis of the future minimum lease payments on operating leases, expiring 2010 to 2013:

	\$
Year ending December 31, 2009	24,000
2010	23,000
2011	22,000
2012	22,000
2013	10,000

7 Admission fees

Admission fees consist of the following:

	2008	2007
	\$	\$
Articled clerks	9,900	8,100
Call-to-bar	27,600	15,525
Other	40,850	20,950
	<hr/>	<hr/>
	78,350	44,575
	<hr/>	<hr/>

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2008

8 General Assurance Fund

During the year, the following transactions occurred in this fund:

	2008 \$	2007 \$
Revenue		
Contributions		
Members	33,180	31,800
Interest	41,224	45,400
	<u>74,404</u>	<u>77,200</u>
Expenses		
Members' insurance deductibles	1,974	10,300
Insurance expense	132,168	100,200
Claims	33,985	37,500
Miscellaneous	7,537	7,800
	<u>175,664</u>	<u>118,400</u>
Excess of expenses over revenue	(101,260)	(41,140)
Surplus -- Beginning of year	1,131,935	1,173,075
Transfer to Lawyer's Insurance Program	(432,851)	-
Surplus -- End of year	<u>597,824</u>	<u>1,131,935</u>
Comprised of:		
Cash	149,879	4,400
Interest receivable	5,250	5,960
Prepaid insurance	31,875	100,200
Short-term investments	857,576	826,680
Due from the 1983 - 1987 Self-Insurance Funds	-	150,000
Due from the 1988 - 1994 Self-Insurance Funds	175,000	175,000
Due from the 1995 - 2004 Self-Insurance Funds	242,500	242,500
Due to the General Fund	(864,256)	(372,910)
	<u>597,824</u>	<u>1,131,935</u>

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2008

9 Financial instruments

Fair value

Financial instruments consist of cash, investments, accounts receivable, due from the General Assurance Fund, accounts payable, payables to Self Insurance Funds, insurance levy and capital fund levy, and long-term debt. The fair values of cash, investments, accounts receivable, due from the General Assurance Fund, accounts payable, and payables to Self Insurance Funds, insurance levy and capital fund levy approximate their carrying amounts due to their short term maturity. The fair value of the long-term debt approximates its carrying amount as the rate of interest is comparable to market rates.

Interest rate risk

The company is exposed to interest rate risk in respect of the long-term debt, which has a fixed rate rate of interest.

Credit risk

The company is exposed to credit risk in the event of non-performance by counterparties, but does not anticipate such non-performance. The company monitors the credit risk and credit standing of counterparties on a regular basis. The maximum credit risk is the fair value of the accounts receivable.

**Law Society of Newfoundland and
Labrador - 1983 to 1987
Self-Insurance Funds**

**Financial Statements
December 31, 2008**

PricewaterhouseCoopers LLP
Chartered Accountants
Atlantic Place
215 Water Street, Suite 802
Box 75
St. John's, Newfoundland and Labrador
Canada A1C 6C9
Telephone +1 (709) 722 3883
Facsimile +1 (709) 722 5874

March 31, 2009

Auditors' Report

To the Members of the Law Society of Newfoundland and Labrador - 1983 to 1987 Self-Insurance Funds

We have audited the balance sheet of the **Law Society of Newfoundland and Labrador - 1983 to 1987 Self-Insurance Funds** as at December 31, 2008 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

**Law Society of Newfoundland and Labrador -
1983 to 1987 Self-Insurance Funds**

Balance Sheet

As at December 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash (note 2)	248,297	300,080
Current portion of long-term receivable	53,015	38,735
	<u>301,312</u>	<u>338,815</u>
Other receivable		
4% unsecured advance receivable from the Law Society of Newfoundland and Labrador	1,340,600	1,383,434
Less: current portion of long-term receivable	53,015	38,735
	<u>1,287,585</u>	<u>1,344,699</u>
	<u>1,588,897</u>	<u>1,683,514</u>
Liabilities		
Current liabilities		
Accounts payable	3,170	3,170
Due to Law Society of Newfoundland and Labrador Assurance Fund	-	150,000
	<u>3,170</u>	<u>153,170</u>
Surplus	<u>1,585,727</u>	<u>1,530,344</u>
	<u>1,588,897</u>	<u>1,683,514</u>

Approved on behalf of the Society

 President

 Vice-President

**Law Society of Newfoundland and Labrador -
1983 to 1987 Self-Insurance Funds**

Statement of Revenue, Expenses and Surplus
For the year ended December 31, 2008

	2008 \$	2007 \$
Revenue		
Interest	57,669	64,024
Expenses		
Interest and bank charges	26	46
Professional fee	2,260	-
	2,286	46
Excess of revenue over expenses	55,383	63,978
Surplus – Beginning of year	1,530,344	1,466,366
Surplus – End of year	1,585,727	1,530,344

Law Society of Newfoundland and Labrador - 1983 to 1987 Self-Insurance Funds

Notes to Financial Statements
December 31, 2008

1 Accounting policies

Method of operations

The 1986 and 1987 Funds insure all practising members up to \$30,000 (1983 to 1985 funds - \$20,000) after an initial deductible of \$5,000 per member per claim. Claims exceeding \$35,000 (1983 to 1985 Funds - \$25,000) are insured up to an additional \$65,000 (1983 to 1985 Funds - \$75,000) by a separate liability insurance policy purchased by the Funds.

This insurance applies to acts or omissions committed by an Insured in connection with his/her practice as a member of the Law Society of Newfoundland and Labrador provided the original claim or suit for damages is brought during the policy period.

The 1986 and 1987 Funds are responsible for total annual claims up to \$300,000 (1983 and 1984 Funds - \$175,000, 1985 Fund - \$200,000) after which the insurance company pays all claims in excess of \$5,000. The Funds are responsible for any adjusting and legal fees involved in settling claims.

Reserve for claims

As at December 31, 2008, there are no claims outstanding for the 1983 to 1987 Self-Insurance Funds.

2 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rate less 2 ½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

**Law Society of Newfoundland and
Labrador - 1988 to 1994
Self-Insurance Funds**

Financial Statements
December 31, 2008

March 31, 2009

Auditors' Report

**To the Members of Law Society of Newfoundland
and Labrador - 1988 to 1994 Self-Insurance Funds**

We have audited the balance sheet of **Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds** as at December 31, 2008 and the statement of revenue, expenses and deficit for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

**Law Society of Newfoundland and Labrador -
1988 to 1994 Self-Insurance Funds**

Balance Sheet

As at December 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash (note 2)	4,260	6,950
Due from Law Society of Upper Canada	28,181	27,579
	<u>32,441</u>	<u>34,529</u>
Liabilities		
Current liabilities		
Accounts payable	2,825	2,825
Due to Law Society of Newfoundland and Labrador Assurance Fund	175,000	175,000
	177,825	177,825
Deficit	<u>(145,384)</u>	<u>(143,296)</u>
	<u>32,441</u>	<u>34,529</u>

Approved on behalf of the Society

S. La Orens President

W. W. W. W. W. Vice-President

**Law Society of Newfoundland and Labrador -
1988 to 1994 Self-Insurance Funds**

Statement of Revenue, Expenses and Deficit
For the year ended December 31, 2008

	2008 \$	2007 \$
Revenue		
Interest	737	1,486
Expenses		
Claims		
Legal and adjusting	-	5,276
Reserves		
Indemnity	-	(25,000)
Other expenses		
Professional and consulting fees	2,825	1,195
	2,825	(18,529)
Excess of revenue over expenses (expenses over revenue)	(2,088)	20,015
Deficit – Beginning of year	(143,296)	(163,311)
Deficit – End of year	(145,384)	(143,296)

Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds

Notes to Financial Statements

December 31, 2008

1 Accounting policies

Method of operations

Lawyers' Professional Indemnity Company (LawPRO) is an insurance company that is licensed to provide professional liability insurance and title insurance in numerous jurisdictions across Canada. This insurance applies to acts or omissions committed by an Insured in connection with his/her practice as a member of the Law Society of Newfoundland and Labrador, provided the original claim or suit for damages is brought during the policy period.

1988 to 1994 Insurance Program

The 1988 to 1994 Insurance Program insures all practising members up to a deductible amount of \$245,000 (\$145,000 for claims brought January to June 1988 which are included in the 1988 fund), after an individual deductible of \$5,000 per member per claim. Claims exceeding the deductible amount are insured by a separate liability policy purchased by the Insurance Program, up to an additional \$750,000 per claim, (\$450,000 for claims brought January to June 1988) to a maximum annual limit of \$2,000,000 per insured.

Reserve for claims

The adjusting company in Newfoundland is responsible for consulting with the Chairman of the Self-Insurance Claims committee in Newfoundland in arriving at an estimate of the reserve required for claims outstanding. The reserve includes potential claims, legal and adjusting fees attributable to the outstanding matters minus any possible recovery.

Any changes in subsequent periods relating to these reserves is a result of:

- a) Indemnity, legal and adjusting fees paid, and
- b) Adjustments as to the potential liability which would also increase or decrease the current period reserve expense.

Any cost, for which no reserve had been previously set up, is treated as a claims expense in the current period.

Law Society of Upper Canada

The insurance assessment from the annual fee is due to the Law Society of Upper Canada. The funds remaining with the Law Society of Newfoundland and Labrador pay certain administrative, operational and travel expenses.

The amount due to (from) the Law Society of Upper Canada includes reserves for indemnity, recoverable from members and other insurers, legal fees, adjusting fees, administration costs, and insurance premiums, less any advances made and interest earned thereon.

Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds

Notes to Financial Statements

December 31, 2008

When all of the claim files have been closed and all indemnities have been settled, any monies remaining with, or owed to the Law Society of Upper Canada will be paid or refunded together with interest earned on these funds. Upon receipt of assessments from the Law Society of Upper Canada, the Law Society of Newfoundland and Labrador recognizes an adjustment to the estimated balance in the fund to which it relates.

2 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rate less 2 ½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

3 Outstanding claims

As at December 31, 2008, there are no claims outstanding for the 1988 to 1994 Self-Insurance Funds.

**Law Society of Newfoundland and
Labrador - 1995 to 2004
Self-Insurance Funds**

**Financial Statements
December 31, 2008**

March 31, 2009

Auditors' Report

**To the Members of Law Society of Newfoundland
and Labrador - 1995 to 2004 Self-Insurance Funds**

We have audited the balance sheet of **Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds** as at December 31, 2008 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

**Law Society of Newfoundland and Labrador -
1995 to 2004 Self-Insurance Funds**

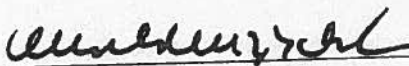
Balance Sheet

As at December 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash (note 2)	22,617	25,379
Due from Lawyer's Insurance Programme of Newfoundland and Labrador	1,387,659	1,387,659
	<u>1,410,276</u>	<u>1,413,038</u>
Liabilities		
Current liabilities		
Accounts payable	3,390	3,390
Due to Law Society of Newfoundland and Labrador – General Fund	164,790	164,790
Due to Law Society of Newfoundland and Labrador – General Assurance Fund	242,500	242,500
Provision for 10% risk sharing on 2003 and 2004 claims	320,000	320,000
	<u>730,680</u>	<u>730,680</u>
Surplus	<u>679,596</u>	<u>682,358</u>
	<u>1,410,276</u>	<u>1,413,038</u>

Approved on behalf of the Society

 President

 Vice-President

**Law Society of Newfoundland and Labrador -
1995 to 2004 Self-Insurance Funds**

Statement of Revenue, Expenses and Surplus
For the year ended December 31, 2008

	2008 \$	2007 \$
Revenue		
Interest	628	956
Expenses		
Professional and consulting fees	3,390	1,410
Provision for doubtful accounts expense (recovery)	-	(19,652)
Provision for members' deductible on custodian matter	-	(5,000)
Provision for 10% risk sharing on 2003 and 2004 claims	-	(130,000)
	3,390	(153,242)
Excess of revenue over expenses (expenses over revenue)	(2,762)	154,198
Surplus - Beginning of year	682,358	528,160
Surplus - End of year	679,596	682,358

Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds

Notes to Financial Statements

December 31, 2008

1 Accounting policies

Method of operations

Lawyers' Professional Indemnity Company (LawPRO) is an insurance company that is licensed to provide professional liability insurance and title insurance in numerous jurisdictions across Canada. This insurance applies to acts or omissions committed by an Insured in connection with his/her practice as a member of the Law Society of Newfoundland and Labrador, provided the original claim or suit for damages is brought during the policy period.

1995 to 2004 Insurance Program

The 1995 to 2004 Insurance Program insures all practising members up to \$1,000,000 per claim, after an individual deductible of at least \$5,000 per member per claim, to a maximum annual limit of \$2,000,000 per insured.

- The 1995 Insurance Program is responsible for all claims and legal and adjusting expenses and has arranged for 57% quota share reinsurance above the members' deductible, retaining the other 43% for its own account. The Law Society of Newfoundland and Labrador has agreed to share equally in this 43% retention.
- The 1996 to 2002 Insurance Program is responsible for 100% of all claims and legal and adjusting expenses above the members' deductible.
- The 2003 and 2004 Insurance Program is responsible for all claims and legal and adjusting expenses above the members deductible and has arranged for 80% quota share reinsurance above the members' deductible, retaining the other 20% for its own account. The Law Society of Newfoundland and Labrador has agreed to share equally in this 20% retention.

The determination of the provisions for unpaid claims and adjusting expenses requires the use of estimation and is subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time.

Any changes in subsequent periods relating to these provisions and any cost for which no provision has been previously recorded is treated as a claims expense in the current period.

2 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rate less 2 ½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

**LAWYERS' INSURANCE PROGRAMME
OF NEWFOUNDLAND & LABRADOR**

Financial Statements

Year Ended June 30, 2008

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR
Index to Financial Statements
Year Ended June 30, 2008

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Cash Flow	5
Notes to Financial Statements	6 - 8

AUDITORS' REPORT

To the Directors of Lawyers' Insurance Programme of Newfoundland & Labrador

We have audited the statement of financial position of Lawyers' Insurance Programme of Newfoundland & Labrador as at June 30, 2008 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Programme derives revenue from transaction levies, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Programme and we were not able to determine whether any adjustments might be necessary to transaction levies, excess of revenues over expenses, current assets and net assets.

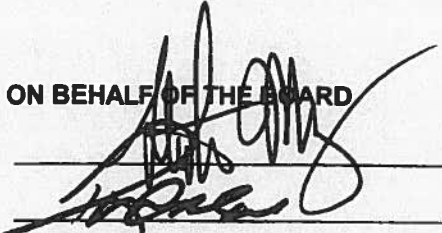
In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the transaction levies referred to in the preceding paragraph, these financial statements present fairly, in all material respects the financial position of the Programme as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Noseworthy Chapman
Chartered Accountants
St. John's, NL
January 15, 2009

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR
Statement of Financial Position
June 30, 2008

	2008	2007 <i>Note 8</i>
ASSETS		
CURRENT		
Cash	\$ 3,516,603	\$ 750,503
Transaction levy receivable	423,117	399,079
Accounts receivable	24,886	-
Accrued interest receivable	50,080	8,703
Prepaid insurance premiums	-	992,298
Due from related parties <i>(Note 4)</i>	-	131,685
	\$ 4,014,686	\$ 2,282,268
LIABILITIES		
CURRENT		
Accounts payable	\$ 24,989	\$ 27,956
Harmonized sales tax payable	54,405	148,602
Due to related parties <i>(Note 4)</i>	192,790	-
Provision for unpaid claims costs <i>(Note 5)</i>	220,146	203,718
	492,330	380,276
NET ASSETS		
General fund	3,522,356	1,901,992
	\$ 4,014,686	\$ 2,282,268

ON BEHALF OF THE BOARD


 _____ Director
 _____ Director

See notes to financial statements

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR
Statement of Revenues and Expenditures
Year Ended June 30, 2008

	2008	2007 <i>Note 8</i>
REVENUE		
Transaction levies	\$ 1,653,663	\$ 1,391,869
Member assessments	2,271,211	2,383,861
Voluntary excess insurance premiums	207,053	196,752
	4,131,927	3,972,482
INSURANCE PREMIUMS		
CLIA premiums	1,629,909	1,533,312
CLIA equity fund contributions	162,991	306,662
Voluntary excess insurance premiums	207,053	196,752
	1,999,953	2,036,726
NET REVENUE	2,131,974	1,935,756
CLAIMS COSTS AND CUSTODIANSHIP EXPENSES		
Claims costs (<i>Note 5</i>)	278,844	292,855
Custodianship expenses	164,008	94,492
	442,852	387,347
ADMINISTRATION		
Actuarial fees	9,625	15,326
Administrative charges	94,310	97,805
Bank charges	102	77
Miscellaneous	3,679	3,741
Office	200	314
Professional fees	40,633	27,160
Training	8,444	2,428
Travel	18,110	2,008
	175,103	148,859
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	1,514,019	1,399,550
OTHER INCOME (EXPENSES)		
Interest income	106,345	55,251
Transfer to Law Society Assurance Fund	-	(500,000)
	106,345	(444,749)
EXCESS OF REVENUE OVER EXPENSES	\$ 1,620,364	\$ 954,801

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR
Statement of Changes in Net Assets
Year Ended June 30, 2008

	2008	Note 8 2007
NET ASSETS - BEGINNING OF YEAR	\$ 1,901,992	\$ 947,190
Excess of revenue over expenses	1,620,364	954,801
NET ASSETS - END OF YEAR	\$ 3,522,356	\$ 1,901,991

See notes to financial statements

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR
Statement of Cash Flow
Year Ended June 30, 2008

	2008	2007 <i>Note 8</i>
OPERATING ACTIVITIES		
Cash receipts from member assessments and levies	\$ 4,083,003	\$ 3,926,091
Cash paid to suppliers and for premiums	(1,812,048)	(2,633,842)
Interest received	64,988	55,251
Bank charges paid	(102)	(77)
Harmonized sales tax	(94,196)	106,908
Cash flow from operating activities	2,441,625	1,454,331
FINANCING ACTIVITIES		
Advances from (to) related parties	324,475	(1,365,831)
Transfer to Law Society Assurance Fund	-	(500,000)
Cash flow from (used by) financing activities	324,475	(1,865,831)
INCREASE (DECREASE) IN CASH	2,766,100	(411,500)
Cash - beginning of year	750,503	1,162,003
CASH - END OF YEAR	\$ 3,516,603	\$ 750,503

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR

Notes to Financial Statements

Year Ended June 30, 2008

1. DESCRIPTION OF OPERATIONS

The Lawyers' Insurance Programme of Newfoundland & Labrador (the "Programme") is an unincorporated entity affiliated with the Law Society of Newfoundland & Labrador (the "Law Society"). The Programme commenced on January 1, 2005 and has been a member of the Canadian Lawyers' Insurance Association (CLIA), a reciprocal insurance exchange, since the 2005 policy year. The Programme's purpose is to administer a professional liability program for members of the Law Society whereby professional liability insurance is provided to the members of the Law Society by CLIA.

The Programme derives its revenue from annual insurance premiums charged to members of the Law Society. In addition, effective October 1, 2005, the Programme commenced the collection of transaction levies. The levies are collected from members of the Law Society on certain legal transactions and are then reported and remitted to the Programme on a quarterly basis.

The Programme is a not-for-profit entity and, as such, is exempt from the payment of income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenues are recorded in the accounts of the Programme on an accrual basis. Member assessments revenue is recognized over the term of the related policy year. Transaction levies are recorded on a quarterly basis as reported by and collected from the individual lawyers and firms.

Claim payments

Claims paid out of the Lawyers' Insurance Programme of Newfoundland & Labrador are subject to specific maximum limits set out in the insurance policy with CLIA. CLIA's liability is limited to \$1,000,000 per occurrence, and \$2,000,000 in aggregate per policy year. A deductible of \$5,000 is recoverable from the insured member at the time of claim pay-out.

The Programme does not retain any responsibility for the indemnification of claims.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for unpaid claims costs. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Programme's financial instruments consist of cash, transaction levy receivable, accounts receivable, accrued interest receivable, accounts payable, due to related parties and provision for unpaid claims costs. Unless otherwise noted, it is management's opinion that the Programme is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR

Notes to Financial Statements

Year Ended June 30, 2008

4. RELATED PARTIES

	2008	2007
<u>Related party transactions</u>		
Law Society of Newfoundland & Labrador		
<i>An affiliated entity</i>		
Administration charges	\$ 94,000	\$ 77,000
Custodianship expenses	164,008	94,492
These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.		
In addition to the above transactions, the Law Society collects assessments from its members on behalf of the Programme.		
<u>Due to (from) related parties</u>		
Law Society of Newfoundland & Labrador	\$ (1,194,869)	\$ (1,519,344)
Law Society of Newfoundland & Labrador 1995 to 2004		
Self-Insurance Funds	1,387,659	1,387,659
	\$ 192,790	\$ (131,685)

Amounts due to/from related parties are non-interest bearing and have no set repayment terms.

5. PROVISION FOR UNPAID CLAIMS COSTS

The estimated administration costs to settle a claim is subject to uncertainty and a provision is recorded based on management's best estimate of the costs to administer each claim existing at the balance sheet date. These estimates are revised as additional information is obtained. All changes in estimated claims costs are recorded in the period in which the change in estimate is determined.

	2008	2007
Provision for unpaid claims costs - beginning of period	\$ 203,718	\$ 208,650
Current period expense	278,844	292,855
Subtotal	482,562	501,505
Claims costs paid during the year	(262,416)	(297,787)
Provision for unpaid claims costs - end of period	\$ 220,146	\$ 203,718

6. EXCESS INSURANCE PROGRAM

The insurance premiums represent only basic insurance policy fees paid to the Canadian Lawyers' Insurance Association ("CLIA"). CLIA also offers optional excess insurance coverage to members of the Law Society, the provision of which is facilitated by the Programme. These excess insurance levies are collected from members and remitted directly to CLIA in their entirety.

LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND & LABRADOR

Notes to Financial Statements

Year Ended June 30, 2008

7. EQUITY IN CANADIAN LAWYERS' INSURANCE PROGRAM

The Programme is a subscriber to the Canadian Lawyers' Insurance Association (CLIA), a reciprocal insurance exchange through which the law societies of ten provinces and territories (or their associated liability insurance entities) enter into agreements of mutual indemnification. CLIA maintains separate reserves for each participating entity with regards to risks assumed, and the Programme has an interest in the surpluses of these reserves. CLIA prepares annual Subscriber Accounts as of December 31, which represents the end of their fiscal year, which are reviewed and approved by CLIA's Advisory Board. These accounts include a reserve for claims liabilities on a discounted basis. The Subscribers Accounts of CLIA as of December 31, 2007 show the Programme's subscriber's equity to be \$2,811,636 (December 31, 2006 \$1,440,668). This balance is not reflected in these financial statements.

8. COMPARATIVE FIGURES AND CORRECTION OF AN ACCOUNTING ERROR

Some of the comparative figures have been reclassified to conform to the current year's presentation.

The comparative figures reflect the correction of an accounting error whereby \$54,743 in custodianship expenses had not previously been properly accrued as an expense of the prior year. The correction of this error has resulted in a decrease in the excess of revenue over expenses of the prior year in the amount of \$54,743, a decrease in the amount due from related parties in the prior year in the amount of \$54,743 and a decrease in the opening general fund balance of the current year in the amount of \$54,743.