

FINANCIAL REPORT

DIRECTORS' REPORT

The directors present their report together with the financial report of Law Institute of Victoria Ltd ("the Company") and of the consolidated entity, being the Company and its controlled entity, for the financial year ended 30 June 2007 and auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

DIRECTORS NAMES

The names of the directors in office at any time during or since the end of the financial year are:

Danny Barlow (since 21 January 2005)
Anthony Burke (since 17 June 2004)
Caroline Counsel (since 16 February 2006)
David Faram (since 28 April 1999)
Catherine Gale (since 7 August 2003)
Carol Geyer (since 1 January 2007)
Andrew Hudson (from 20 April 2006 to 31 December 2006)
Aurora Kostezky (since 26 April 2001)
Anthony May (since 26 April 2001)
Christopher Molnar (since 1 January 2007)
William O'Shea (since 10 May 2000)
Bruce Pippett (since 1 January 2006)
Geoff Provis (since 12 September 1996)
Erskine Rodan (from 31 December 1996 to 31 December 2006)
Dominique Saunders (since 1 January 2005)
Steven Stevens (since 1 January 2004)
Patrick Sweeney (since 1 January 2006)
Chris Thwaites (since 1 January 2006 to 31 December 2006)
Elissa Watson (since 1 January 2006)
Stuart Webb (since 1 January 2007)
Mark Woods (since 31 December 1996)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

RESULTS

The profit of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$1,653,612.

REVIEW OF OPERATIONS

The economic entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the economic entity's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the financial year was (i) to operate as a professional association of lawyers providing high standards, continuing education, informed debate on issues within the areas of its professional competence, setting and maintaining the highest professional and technical standards and promoting the role of members for the benefit of the community; and (ii) to carry on the delegated duties by the Legal Services Commission and Legal Services Board as defined by the *Legal Profession Act 2004*.

No significant change in the nature of these activities occurred during the year.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

LIKELY DEVELOPMENTS

The economic entity expects to maintain the present status and level of operations.

ENVIRONMENTAL ISSUES

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIVIDENDS PAID, RECOMMENDED, AND DECLARED

No dividends were paid or declared since the start of the financial year. The Law Insititute is prohibited by its constitution from paying a dividend.

INFORMATION ON DIRECTORS

Danny Barlow

Office Bearer / Treasurer (2007 calendar year)

Qualifications – LLB (Hons)

Experience – 11 years' legal experience – commercial litigation, personal injury work

Special Responsibilities – Audit Committee (Chair), Collaborative Law Committee, Continuing Professional Development Appeals Committee, Corporate Governance Review Taskforce, Country Law Associations Committee, Ethics Committee, Executive Committee, Rules of Practice Committee, Council liaison with Litigation Lawyers' Section

Anthony Burke

Office Bearer – Vice President (2007 calendar year)

Qualifications – BA / LLB / Grad Dip in Financial Management / Accredited Business Law Specialist

Experience – 23 years' legal experience – sole practitioner, small business law

Special Responsibilities – Audit Committee, Collaborative Law Committee, Continuing Professional Development Scheme Appeals Committee (Chair), Corporate Governance Review Taskforce (Chair), Executive Committee, LIV Journal Editorial Committee, Nominating Committee, Suburban Lawyers' Associations Committee, Council liaison with Small Practice Support Section

Caroline Counsel

Councillor

Qualifications – BA / LLB

Experience – Over 22 years' legal experience – Family Law practice

Special Responsibilities – Access to Justice Committee, Collaborative Law Committee, Continuing Professional Development Scheme Committee, Corporate Governance Review Taskforce, Ethics Committee, Family Law Section Executive (Council liaison), Family Law Section Property & Maintenance Sub Committee

David Faram

Councillor

Qualifications – B.Juris / LLB

Experience – Over 29 years' legal experience – family and criminal law, litigation, commercial and PI. President of Goulburn Valley Grammar School Council

Special Responsibilities – Awards Committee, Continuing Professional Development Scheme Committee (Chair), Country Law Associations Committee, Nominating Committee (Chair). External representation: Board of Examiners, Council of Legal Education

Catherine Gale

Office Bearer / Immediate Past President (2007 calendar year)

Qualifications – LLB / Trained Mediator

Experience – Over 27 years' legal experience – family law, civil litigation, education and training

Special Responsibilities – Audit Committee, Collaborative Law Committee (Chair), Executive Committee, Nominating Committee. External representation: LIV Representative to Law Council of Australia, Victoria Law Foundation

Carol Geyer

Councillor (from 1 January 2007)

Qualifications – BAppSc(Physiotherapy) / JD

Experience – Three years' legal experience – personal injury law, Chair Later Lawyers Network

Special Responsibilities – Accident Compensation Committee, Awards Committee, Corporate Governance Review Taskforce, Ethics Committee, Medico Legal Joint Standing Committee, Specialisation Board

Andrew Hudson

Councillor (from 20 April 2006 to 31 December 2006)

Qualifications – BA / LLB

Experience – Over 18 years' legal experience – Customs and trade, commercial, China services, health, property, banking and finance

Special Responsibilities – International Law Section (Chair), External representation: LIV Representative on Services Export Advisory Committee of the Victorian Government; China Working Group convened by International Law Services Advisory Council

Aurora Kostecky

Councillor

Qualifications – BA / LLB (Hons)

Experience – Nine years' legal experience – Business law including leasing and general commercial law

Special Responsibilities – Awards Committee (Chair), Corporate Governance Review Taskforce, Ethics Committee, Law Institute Journal Editorial Committee (Chair), Flexible Work Practices Committee (Chair), Council liaison with Property & Environmental Law Section

Anthony May

Councillor

Qualifications – BEc / LLB

Experience – Over 34 years' legal experience – Tax lawyer with an emphasis on tax litigation

Special Responsibilities – Audit Committee, Awards Committee, Ethics Committee, Nominating Committee, Rules of Practice Committee

Christopher Molnar

Councillor (from 1 January 2007)

Qualifications – BJur / LLB / LLM / MBA / Fellow Australian Institute of Company Directors

Experience – Over 20 years' legal experience and Accredited Specialist – Workplace Relations

Special Responsibilities – Continuing Professional Development Scheme Committee, Corporate Governance Review Taskforce, Law Institute Journal Committee, Council liaison with Workplace Relations Section

William O'Shea

Councillor

Qualifications – BSc / Dip Ed / LLB (Hons)

Experience – Over 20 years' legal experience – Commercial law, Asia/China international trade law, defence contracting, health law

Special Responsibilities – Awards Committee, Corporate Governance Review Taskforce, Elder Law/Succession Law Committee (Co Chair), Nominating Committee, In House Counsel Strategy Committee (Chair), External representation: College of Law Victoria Pty Ltd (Chair), Board of Examiners (alternate)

FINANCIAL REPORT

INFORMATION ON DIRECTORS

continued...

Bruce Pippett

Councillor

Qualifications – LLB / Diploma of Language (Chinese)

Experience – Over 33 years' legal experience – commercial law, property law, litigation, probate and estates, business law

Special Responsibilities – Continuing Professional Development Committee, Corporate Governance Review Taskforce, Costs Policy Committee (Chair), Rules of Practice Committee, Suburban Law Association Committee (Chair)

Geoff Provis

Office Bearer / President (2007 calendar year)

Qualifications – BEc / LLB

Experience – Over 27 years' legal experience – insurance and compensation

Special Responsibilities – Council (Chair), Executive (Chair), Accident Compensation Committee, ex officio member of all LIV Council Committees. External representation: Board of Examiners / Council of Law Reporting / Faculty of Law Monash and Victoria Universities, Victoria Law Foundation

Erskine Rodan

Councillor (to 31 December 2006)

Qualifications – LLB / Diploma Family Law

Experience – Over 31 years' legal experience – migration

Special Responsibilities – Access to Justice Committee (2006), Awards Committee (2006) Nominating Committee (2006), Small Practice Support Section (2006), Specialisation Board (2006), Suburban Law Associations Committee (2006), Council liaison with Administrative Law and Human Rights Section (2006). External representation: Supreme Court Library Committee, International Humanitarian Law Committee (Red Cross)

Dominique Saunders

Councillor

Qualifications – BSW / LLB

Experience – 16 years' legal experience – health and aged care, discrimination, disability and government law

Special Responsibilities – Access to Justice Committee, Elder Law/Succession Law Committee (Co Chair), Medico Legal Joint Standing Committee, Council liaison with Administrative Law & Human Rights Section. External representation: PILCH Board

Steven Stevens

Office Bearer – 5th Executive Member (2007 calendar year)

Qualifications – BEc (Hons) / MEc / LLB (Hons) / LLM

Experience – Over 18 years' legal experience – revenue law, financial services and trusts. Previously practised as an economist for 12 years

Special Responsibilities – Access to Justice Committee, Audit Committee, Ethics Committee Nominating Committee, Rules of Practice Committee (Chair) (from January 2006), Council liaison with Commercial Law Section (on their Executive). External representation: State Taxes, Tax and Revenue Committees

Patrick Sweeney

Councillor

Qualifications – BCom / LLB / FCPA / Accredited Business Law Specialist

Experience – 26 years' legal experience and five years' accounting experience in business, investment and superannuation structures and tax

Special Responsibilities – Audit Committee, Continuing Professional Development Scheme Appeals Committee, Corporate Governance Review Taskforce, Specialisation Board, Council liaison with Commercial Law Section

Chris Thwaites

Councillor (from 1 January 2006 to 31 December 2006)

Qualifications – BA / LLB

Experience – Over eight years' legal experience – human rights law and administrative law

Special Responsibilities – Access to Justice Committee (2006), Continuing Professional Development Scheme Appeals Committee (2006), LJJ Editorial Committee (2006), Council liaison with Government Lawyers' Section (2006)

Elissa Watson

Councillor

Qualifications – BEc / LLB

Experience – Over seven years' legal experience – Criminal law and general advocacy, Accredited criminal Law Specialist

Special Responsibilities – Access to Justice Committee, Corporate Governance Review Taskforce, Ethics Committee, Flexible Work practices Committee, Law Institute Journal Committee, Council liaison with Criminal Law Section and Young Lawyers/Later Lawyers' Section

Stuart Webb

Councillor (from 1 January 2007)

Qualifications – MPIL, LLB (Hons.), BA, Director, Amnesty International Australia

Experience – Three years' legal experience – administrative law – migration, social security, mental health

Special Responsibilities – Access to Justice Committee, Corporate Governance Review Taskforce, Elder law/Succession Law Committee, Flexible Work Practices Committee, Council liaison with Government Lawyers' Section

Mark Woods

Councillor

Qualifications – LLB

Experience – Over 25 years' legal experience – criminal law, family law, general advocacy. Accredited specialist criminal and family law. University of Melbourne Law Faculty

Special Responsibilities – Access to Justice Committee (Chair), Continuing Professional Development Scheme Committee, Corporate Governance Review Taskforce, Country Law Association Committee (Chair), Specialisation Board, Council liaison with Criminal Law Section and International Law Section. External representation: Law Council of Australia – Access to Justice Committee, Leo Cussen Institute Board, Victoria Law Foundation, Victoria Legal Aid – Community Consultation Committee

MEETINGS OF DIRECTORS

DIRECTORS	DIRECTORS' MEETINGS		EXECUTIVE COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Danny Barlow (since 21 January 2005)	12	11	36	32
Anthony Burke (since 17 June 2004)	12	11	36	33
Caroline Counsel (since 16 February 2006)	12	9	4	4
David Faram (since 28 April 1999)	12	8	-	-
Catherine Gale (since 7 August 2003)	12	10	36	31
Carol Geyer (since 1 January 2007)	6	5	2	2
Andrew Hudson (since 20 April 2006 to 31 December 2006)	6	5	3	3
Aurora Kostezky (since 26 April 2001)	12	12	-	-
Anthony May (since 26 April 2001)	12	12	3	2
Christopher Molnar (since 1 January 2007)	6	6	4	4
William O'Shea (since 10 May 2000)	12	11	17	15
Bruce Pippett (since 1 January 2006)	12	11	2	2
Geoff Provis (since 12 September 1996)	12	12	36	33
Erskine Rodan (since 31 December 1996 to 31 December 2006)	6	6	-	-
Dominique Saunders	12	8	3	3
Steven Stevens	12	10	21	18
Patrick Sweeney	12	10	4	4
Chris Thwaites	6	4	-	-
Elissa Watson	12	11	-	-
Stuart Webb	6	6	4	4
Mark Woods	12	11	2	2

OPTIONS

No options over unissued shares or interests in the economic entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

INDEMNIFICATION OF OFFICER

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's declaration under section 307C in relation to the audit for the financial year is provided with this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a

party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:



Geoff Provis, Director



Danny Barlow, Director


Dated this 21st day of September 2007

AUDITOR'S INDEPENDENCE DECLARATION

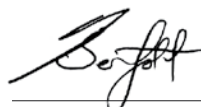
To the Directors of Law Institute of Victoria Ltd

In relation to the independent audit for the year ended 30 June 2007, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.



Pitcher Partners



T J Benfold, Partner
Melbourne, 21st September 2007

FINANCIAL REPORT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

		Economic Entity	
	Notes	2007	2006
		\$	\$
Revenue	2	19,199,437	20,020,708
Expenses:			
Membership Services		(8,006,402)	(7,015,806)
Regulation (Direct Costs)		(4,309,444)	(5,208,029)
Governance and representation		(1,435,725)	(1,773,222)
Finance and internal support		(2,825,439)	(3,555,194)
Capitation fees		(761,430)	(640,253)
Other expenses from ordinary activities		(237,830)	(750,920)
		(17,576,270)	(18,621,787)
Profit before income tax expense (income tax benefit)		1,623,167	1,398,921
Income tax benefit (income tax expense)	4	30,445	44,761
Profit from continuing operations		1,653,612	1,443,682

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2007

		Economic Entity	
	Notes	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	6	7,863,595	6,651,128
Trade receivables	7	1,104,974	1,237,322
Inventories	8	218,455	251,704
Other financial assets	10	1,545,066	1,760,221
Other	9	248,187	526,177
Total current assets		10,980,277	10,426,552
Non-current assets			
Other financial assets	10	1,692,862	774,363
Property, plant and equipment	11	9,376,673	9,408,241
Total non-current assets		11,069,535	10,182,604
Total assets		22,049,812	20,609,156
Current liabilities			
Trade and other payables	12	1,023,749	1,548,606
Provisions	13	823,597	880,021
Other	14	3,633,673	3,316,622
Total current liabilities		5,481,019	5,745,249
Non-current liabilities			
Provisions	13	321,287	239,568
Total non-current liabilities		321,287	239,568
Total liabilities		5,802,306	5,984,817
Net assets		16,247,506	14,624,339
Equity			
Other reserves	15	2,349,212	2,379,657
Retained earnings	16	13,898,294	12,244,682
Total equity		16,247,506	14,624,339

The accompanying notes form part of these financial statements.

FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

		Economic Entity	
	Notes	2007	2006
		\$	\$
Total equity at the beginning of the financial year		14,624,339	13,675,642
Tax effect of revaluation of properties		(30,445)	(494,985)
Net income recognised directly in equity		(30,445)	(494,985)
Profit for the year		1,653,612	1,443,682
Total recognised income and expense for the year		1,623,167	948,697
Total equity at the end of the financial year		16,247,506	14,624,339

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

		Economic Entity	
	Notes	2007	2006
		\$	\$
Cash flow from operating activities			
Subscriptions		3,347,778	4,353,935
Receipts from Legal Services Board		8,978,394	9,724,521
Payments to suppliers and employees		(18,550,250)	(20,279,924)
Capitation fees		(761,430)	(704,278)
Interest received		559,276	427,168
Bookshop sales, administration fees and other member services		8,435,250	9,162,563
Net cash provided by operating activities	20 (b)	2,009,018	2,683,985
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		-	11,805
Proceeds from sale of investments		1,000,000	-
Payment for property, plant and equipment		(163,051)	(167,391)
Payment for investments		(1,633,500)	-
Net cash used in investing activities		(796,551)	(155,586)
Net increase in cash held		1,212,467	2,528,399
Cash at beginning of financial year		6,651,128	4,122,729
Cash at end of financial year	20 (a)	7,863,595	6,651,128

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Law Institute of Victoria Ltd and controlled entity as an economic entity. Law Institute of Victoria Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRSs).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Principles of Consolidations

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Law Institute of Victoria Ltd (the parent entity) and a dormant subsidiary entity (Lawyers Information Network Pty Ltd). As such the financial statements have only been presented on a consolidated basis.

(c) Income Tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Finance Costs

Finance costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Finance costs are expensed as incurred.

FINANCIAL REPORT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued...*

(e) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(f) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(g) Revenue

In general, revenue is recognised, where it can be reliably measured, in the period to which it relates or is invoiced. However, where there is not an established pattern of income flow, revenue is recognised on a cash receipts basis. Income generated from advertising in the Law Institute Legal Directory and Diary is recognised in the year received to more appropriately reflect the period in which it was earned.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Membership fees and Subscriptions

The subscription year is 1 July to 30 June. Subscriptions are payable annually in advance. Only those membership fees and subscription receipts, which are attributable to the current financial year, are recognised as revenue. Fees and subscription receipts relating to periods beyond the current financial year are shown in the Balance Sheet as deferred income under the heading Other Current Liabilities.

Revenue from trust distributions is recognised upon entitlement to receive distribution.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured at fair value. At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increase in the carrying amounts arising on revaluation of land and buildings are credited to reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit and loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

The revaluation of freehold land and buildings has taken into account the potential effect of the capital gains tax on disposal in the determination of the revalued carrying amount.

(i) Property, Plant and Equipment *continued...*

Plant and equipment

Plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets are depreciated over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The useful lives used for each class of assets are:

Class of fixed asset	Useful lives	Depreciation basis
Buildings	40 years	Straight Line
Furniture, Fixtures and Fittings	7 years	Diminishing Value
Computer Equipment	3 - 5 years	Straight Line/Diminishing Value

(j) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions made by the company to an employee superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(k) Financial Instruments

Classification

The company classifies its financial instruments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

Financial instruments, including investments in listed securities and derivatives (except for derivatives designated as hedges at inception) are carried at fair value through profit and loss. They are measured at their fair value at each reporting date. Any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period, and is also included in deferred income tax calculations.

Non-listed investments of which the fair value cannot be reliably measured are carried at cost and tested for impairment.

Held to maturity investments

Fixed term investments with an intention to be held to maturity are classified as held to maturity investments. They are measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Non-interest bearing loans and receivables are designated as receivable 'at call' and are therefore carried at face value.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Non-interest bearing loans and payables are payable on demand and are therefore carried at face value.

FINANCIAL REPORT

NOTE 2: REVENUE

		Economic Entity	
	Notes	2007	2006
		\$	\$
Operating activities			
Interest / other entities		629,121	387,444
Membership subscriptions		3,124,257	3,008,609
Legal Services Board contributions and reimbursements		8,125,049	8,989,266
Membership activities		5,233,375	4,154,441
Bookshop sales and commissions		1,094,605	1,104,841
Administration fees		747,265	1,036,861
Other revenue		245,765	1,339,246
Total Revenue		19,199,437	20,020,708

NOTE 3: PROFIT FROM CONTINUING ACTIVITIES

		Economic Entity	
	Notes	2007	2006
		\$	\$
Profit / (losses) before income tax has been determined after:			
Expenses:			
Cost of sales		650,824	689,689
Depreciation of non-current assets			
Buildings		-	213,483
Motor vehicles		-	245
Furniture, fixtures and fittings		194,619	198,943
Depreciation of property, plant and equipment		194,619	412,671
Bad debts:			
Bad debts written off – trade debtors		3,669	2,797
Movement in provisions for doubtful debts:		-	(26,822)
Bad and doubtful debts		3,669	(24,025)
Remuneration of the auditors for:			
Audit services		38,330	28,440
Other services		19,087	-
		57,417	28,440
Rental expense on operating leases		154,173	188,380
Net loss on disposal of non-current assets			
Property, plant and equipment		-	(1,777)
Amount set aside for provisions:			
Employee Provisions		25,295	-
Inventory		49,328	-

NOTE 4: INCOME TAX

		Economic Entity	
	Notes	2007	2006
		\$	\$
Income tax expense:			
Current tax		-	-
Deferred tax		(30,445)	(44,761)
Under / (over) provision in prior years		-	-
		(30,445)	(44,761)
Deferred income tax (revenue)/expense included in income tax expense comprises:			
Decrease / (increase) in deferred tax assets		(33,640)	-
(Decrease) / increase in deferred tax liabilities		3,195	(44,761)
		(30,445)	(44,761)
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:			
Prima facie income tax payable on profit before income tax at 30% (2006 - 30%)		486,950	419,676
Add:			
Tax effect of:			
Non deductible mutual expenditure		1,729,183	1,711,022
Other		4,987	-
Depreciation of buildings		-	16,508
Tax losses not brought to account		75,879	85,286
		2,296,999	2,232,492
Less:			
Tax effect of:			
Non assessable mutual income		2,186,532	2,089,175
Non mutual overheads		-	97,727
Statutory deductions		80,439	90,351
Tax depreciation of buildings		23,370	-
Web development costs		6,743	-
Non assessable distributions received		30,360	-
Income tax expense attributable to profit		(30,445)	(44,761)
Amounts recognised directly in equity:			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:			
Revaluation of property, plant and equipment		724,595	724,595
Current period adjustment to tax base for revalued property		30,445	-
		755,040	724,595
Deferred tax assets:			
The balance comprises temporary differences attributable to:			
Tax losses carried forward		477,839	454,709
Employee benefits		274,981	273,942
Provision for stock obsolescence		9,471	-
		762,291	728,651

FINANCIAL REPORT

NOTE 4: INCOME TAX *continued...*

	Notes	Economic Entity	
		2007	2006
		\$	\$
Deferred tax liabilities			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss:			
Accrued income		(7,251)	(4,056)
Revaluation of property, plant and equipment		(755,040)	(724,595)
		(762,291)	(728,651)
Balance after set off of deferred tax assets and liabilities		1,524,582	1,457,302

At balance date, a potential deferred tax asset existed in the form of unconfirmed accumulated tax losses of \$283,387.

The potential deferred tax asset attributable to tax losses has not been recognised as an asset because in the opinion of the Directors, recovery is not probable.

The deferred tax asset which has not been recognised as an asset will only be obtained if:

- (i) the Law Institute of Victoria derives future assessable income of a nature and an amount suffice to enable the benefit to be realised;
- (ii) the Law Institute of Victoria Ltd continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely effect the Law Institute of Victoria Ltd in realising the benefit.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

	Notes	Economic Entity	
		2007	2006
		\$	\$
The key management personnel comprise directors of the entity and Chief Executive Officer.			
Compensation received by key management personnel of the company			
Short term employee benefits		497,006	490,385
Termination benefits		-	48,835
		497,006	539,220

The names of directors who have held office during the financial year are:

Danny Barlow	Andrew Hudson	Geoff Provis	Elissa Watson
Anthony Burke	Aurora Kostezky	Erskine Rodan	Stuart Webb
Caroline Counsel	Anthony May	Dominique Saunders	Mark Woods
David Faram	Christopher Molnar	Steven Stevens	
Catherine Gale	William O'Shea	Patrick Sweeney	
Carol Geyer	Bruce Pippett	Chris Thwaites	

NOTE 6: CASH AND CASH EQUIVALENTS

		Economic Entity	
	Notes	2007	2006
		\$	\$
Cash on hand		1,300	1,300
Cash at bank		350,846	459,709
Short term bank bills		7,511,449	6,190,119
		7,863,595	6,651,128

The LIV formerly collected funds on behalf of the Legal Service Board and held these funds in trust in a bank account titled "Law Institute of Victoria Ltd Legal Service Board." This account had a balance of \$649 at 30 June 2006. This account has not been included in the cash assets of the LIV shown above. The account was closed during the year ended 30 June 2007.

During the period the deposits at call and short term money market securities had interest rates between 3.80 per cent and 5.99 per cent. All transactions are made with major trading banks with a minimum credit rating of A1.

NOTE 7: RECEIVABLES

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
Trade debtors		221,874	220,092
Other debtors		210,894	202,700
Amounts receivable from:			
Legal Services Board		672,206	814,530
		883,100	1,017,230
		1,104,974	1,237,322

NOTE 8: INVENTORIES

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
Raw materials and stores at cost		267,783	251,704
Less provision for obsolescence		(49,328)	-
		218,455	251,704

FINANCIAL REPORT

NOTE 9: OTHER ASSETS

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
Prepayments		248,187	526,177

NOTE 10: OTHER FINANCIAL ASSETS

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
Held to maturity financial assets:			
Mortgage Loans		-	285,000
		-	285,000
Financial assets at fair value through profit and loss:			
Property fund		550,381	-
Bond fund		480,335	1,475,215
Share fund		514,344	-
		1,545,060	1,475,215
Other financial assets:			
Shares in related corporations		6	6
		1,545,066	1,760,221
NON-CURRENT			
Held to maturity financial assets:			
Mortgage loan		1,545,000	760,000
		1,545,000	760,000
Other financial assets:			
Shares in unlisted entities		147,862	14,363
		147,862	14,363
		1,692,862	774,363

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Notes	Economic Entity	
		2007	2006
		\$	\$
Land and Buildings			
Freehold land and buildings at fair value		8,700,000	8,700,000
Total land and buildings		8,700,000	8,700,000
Plant and Equipment			
Furniture, fixtures and fittings			
At cost		1,988,069	1,825,018
Less accumulated depreciation		(1,311,396)	(1,116,777)
		676,673	708,241
Total property, plant and equipment		9,376,673	9,408,241

(a) Valuation

The economic entity's land and buildings were revalued at 30 June 2006 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

(b) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.

	Notes	Economic Entity	
		Freehold land	Motor vehicles
		\$	\$
2007			
Balance at the beginning of the year		8,700,000	-
Carrying amount at end of year		8,700,000	-
2006			
Balance at the beginning of the year		9,620,604	9,607
Disposals		-	(9,362)
Revaluations		(707,121)	-
Depreciation expense		(213,483)	(245)
Carrying amount at the end of the year		8,700,000	-

FINANCIAL REPORT

NOTE 11: PROPERTY, PLANT AND EQUIPMENT *continued...*

	Economic Entity	
	Furniture, fixtures & fittings	
	\$	
2007		
Balance at the beginning of the year		708,241
Additions		163,051
Depreciation expense		(194,619)
Carrying amount at the end of the year		676,673
2006		
Balance at the beginning of the year		740,213
Additions		167,391
Disposals		(420)
Depreciation expense		(198,943)
Carrying amount at the end of the year		708,241

(c) Carrying amounts that would have been recognised if land and buildings were stated at cost

		Economic Entity	
	Notes	2007	2006
		\$	\$
Freehold land and buildings			
Cost		6,533,586	6,533,586
Accumulated depreciation		(737,819)	(490,381)
Carrying amount		5,795,767	6,043,205

NOTE 12: PAYABLES

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
<i>Unsecured liabilities</i>			
Trade creditors		601,045	1,069,531
Sundry creditors and accruals		422,704	479,075
		1,023,749	1,548,606

NOTE 13: PROVISIONS

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
Employee benefits	(a)	823,597	880,021
		823,597	880,021
NON-CURRENT			
Employee benefits	(a)	321,287	239,568
		321,287	239,568
(a) Aggregate employee benefits liability		1,144,884	1,119,589
(b) Number of employees at year-end		156	129

NOTE 14: OTHER LIABILITIES

		Economic Entity	
	Notes	2007	2006
		\$	\$
CURRENT			
Deferred income		3,633,673	3,316,622

NOTE 15: RESERVES

		Economic Entity	
	Notes	2007	2006
		\$	\$
Asset revaluation reserve	15(a)	2,344,712	2,375,157
Other reserves		4,500	4,500
		2,349,212	2,379,657
(a) Asset Revaluation Reserve			
Movements during the financial year:			
Opening balance		2,375,157	2,870,142
Tax effect of capital allowance on building		(30,445)	(494,985)
Closing balance		2,344,712	2,375,157

The asset revaluation reserve records revaluations of non current assets

FINANCIAL REPORT

NOTE 16: RETAINED PROFITS

	Notes	Economic Entity	
		2007	2006
		\$	\$
Retained profits at the beginning of the financial year		12,244,682	10,801,000
Net profit (loss) attributable to members of the entity		1,653,612	1,443,682
Retained profits at the end of the financial year		13,898,294	12,244,682

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2007 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2007, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2007, of the consolidated entity.

NOTE 18: ECONOMIC DEPENDENCE

A significant portion of revenue is derived under the Legal Profession Act 2004 through the LIV's regulatory role. Under the regulatory model, the Legal Services Commissioner has the power to investigate and prosecute lawyers and mediate disputes between lawyers and clients, and is able to delegate some of these investigations to the LIV.

NOTE 19: SEGMENT REPORTING

The LIV and its controlled entity operate in the legal industry, predominately in Australia.

NOTE 20: CASH FLOW INFORMATION

	Notes	Economic Entity	
		2007	2006
		\$	\$
(a) Reconciliation of cash			
For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.			
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash on hand		1,300	1,300
Cash at bank		350,846	459,709
Short term bank bills		7,511,449	6,190,119
		7,863,595	6,651,128

NOTE 20: CASH FLOW INFORMATION *continued...*

	Notes	Economic Entity	
		2007	2006
		\$	\$
(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax			
Profit from ordinary activities after income tax		1,653,612	1,443,682
Non-cash flows in profit from ordinary activities			
Depreciation		194,619	412,671
Provision for doubtful debts		-	(26,822)
Provision for obsolete inventory		49,328	(19,292)
Net (gain) / loss on disposal of property, plant and equipment		-	(1,777)
Unrealised gain on investments		(69,844)	39,430
Changes in assets and liabilities			
(Increase) / decrease in receivables		(9,976)	349,732
(Increase) / decrease in amount owing from Legal Service Board		142,324	(148,792)
Increase in inventories		(16,079)	(9,607)
(Increase) / decrease in prepaid expenses		277,990	(184,747)
Increase / (decrease) in payables		(524,857)	(70,520)
Increase / (decrease) in deferred income		317,051	949,514
Decrease / (Increase) in deferred taxes		(30,445)	(44,714)
Increase / (decrease) in provisions		25,295	(4,773)
Cash flows from operations		2,009,018	2,683,985

NOTE 21: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2007

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
(i) Financial assets						
Cash	350,846	7,511,499	-	1,300	7,863,595	6.2
Trade and other receivables	-	-	-	1,104,974	1,104,974	-
Unlisted shares	-	-	-	147,868	147,868	-
Property fund units	-	-	-	480,335	480,335	-
Share fund units	-	-	-	514,344	514,344	-
Bond fund units	-	-	-	550,381	550,381	-
Mortgage loans	-	-	1,545,000	-	1,545,000	6.0
Total financial assets	350,846	7,511,499	1,545,000	2,799,203	12,206,498	

FINANCIAL REPORT

NOTE 21: FINANCIAL INSTRUMENTS *continued...*

2007

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
(ii) Financial liabilities						
Trade creditors	-	-	-	601,045	601,045	-
Deferred income	-	-	-	3,633,673	3,633,673	-
Total financial liabilities	-	-	-	4,234,718	4,234,718	-

2006

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
(iii) Financial assets						
Cash	459,709	6,190,119	-	1,300	6,651,128	5.8
Trade and other receivables	-	-	-	1,237,322	1,237,322	-
Unlisted shares	-	-	-	14,369	14,369	-
Bond fund units held	-	-	-	1,475,215	1,475,215	-
Mortgage loans	-	285,000	760,000	-	1,045,000	6.0
Total financial assets	459,709	6,475,119	760,000	2,728,206	10,423,034	
(iv) Financial liabilities						
Trade creditors	-	-	-	1,069,531	1,069,531	-
Deferred income	-	-	-	3,316,622	3,316,622	-
Total financial liabilities	-	-	-	4,386,153	4,386,153	

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

NOTE 22: ECONOMIC ENTITY DETAILS

The registered office of the company is:

Law Institute of Victoria Ltd
470 Bourke Street
Melbourne VIC 3000

NOTE 23: MEMBERS' GUARANTEE

The economic entity is limited by guarantee. If the economic entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the economic entity. At 30 June 2007 the number of members was 14,508 (2006: 13,097).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 42 to 59, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the financial year ended on that date of the economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Geoff Provis
Director



Danny Barlow
Director

Dated this 21st day of September 2007

FINANCIAL REPORT

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE LAW INSTITUTE OF VICTORIA LTD

We have audited the accompanying financial report of Law Institute of Victoria Group and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and, Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors' of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

In our opinion,

(a) the financial report of Law Institute of Victoria Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



T J Benfold
Partner



Pitcher Partners
Melbourne, 21st September 2007

Dated this 21st day of September 2007