VISION

- Leadership of the profession
- Service to members
- A just legal system

MISSION

- Activities and services determined by the needs and welfare of members
- A profession effectively represented at government and community levels
- A competitive national profession
- A community served by ethical, competent and independent legal practitioners
- A community with reasonable and affordable access to justice
- Ongoing reform of the law and the legal system
LAW SOCIETY COUNCILLORS

AS AT 30 JUNE 2007

GEORGEY DUNLEVY
President
Chair of Criminal Law Committee; Director, LawCover Boards.

TIM ABBOTT
Chair of Litigation Law and Practice Committee. Member of Fidelity Fund and Injury Compensation Committees.

HUGH MACKEN
Senior Vice-President
Chair of Licensing Committee; Member of Employment Law, Litigation Law and Practice, and Professional Conduct Committees.

SCOTT ALDEN
Member of Business Law and Ethics Committees.

SHAUNA JARRETT
Junior Vice-President
Chair of Disclosure, Human Rights and Workplace Committees.

MARGARET BATEMAN
Member of Government Solicitors, Litigation Law and Practice, and Professional Conduct Committees.

JOE CATANZARITI
Treasurer
Chair of Finance and Employment Law Committees; Member of Audit Committee; Member, College of Law Board; Member, Specialist Accreditation Board; Director, Law Council of Australia.

GEOFFREY DUNLEVY
President
Chair of Criminal Law Committee; Director, LawCover Boards.

ROBERT BRYDEN
Member of Audit, Finance, Licensing and Professional Conduct Committees.

JUNE MCPHIE
Immediate Past President
Chair of Rural Issues Committee; Member of Disclosure and Professional Conduct Committees; Chair, College of Law Board; Law Society Member of the Law Council of Australia Executive.

GERALDINE DALEY
Chair of Dispute Resolution and Ethics Committees; Member of Injury Compensation Committee; Chair, Specialist Accreditation Committee.

TONY DE GOVRIK
Chair of Business Law and Audit Committees; Member of Corporate Lawyers and Professional Conduct Committees.
JOHN DOBSON
Chair of Arbitration, Legal Technology, Professional Conduct Joint Committee and Professional Conduct Sub-Committee.

JUSTIN DOWD
Member of Dispute Resolution, Family Issues and Professional Conduct Committees.

JOHN EADES
Chair of Family Issues and Fidelity Fund Committees; Member of Rural Issues Committee.

MATT LAFFAN
Member of Criminal Law, Disclosure and Fidelity Fund Committees.

MARY MACKEN
Chair of Environmental Planning and Development, and Government Lawyers Committees; Member of Property Law Committee.

SUSAN MACLAREN
Member of Litigation Law and Practice, and Professional Conduct Committees.

SCOTT ROULSTONE
Chair of Injury Compensation Committee; Deputy Chair of Litigation Law and Practice Committee; Member of Professional Conduct Committee.

MARGARET BATEMAN
Member of government Solicitors, Litigation Law and Practice, and Professional conduct committees.

TIM ABBOTT
Chair of Litigation Law and Practice committee. Member of fidelity fund and injury compensation committees.

HUGH MACKIN
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GEOFFREY DUNLEVY
President Chair of Criminal Law committee; director, Lawcover boards.

CHARLES XUEREB
Chair of Property Law and OSR Liaison committees; Member of Audit, Elder Law and Succession and Finance Committees.

MARY SNELL
Chair of Professional Conduct Sub-Committee; Member of Finance Committee.

PAMELA SUTTOR
Chair of Elder Law and Succession Committee; Member Audit, Ethics and Finance Committees.

STUART WESTGARTH
Member of Litigation Law and Practice Committee.

DEBORAH WILCOX
Chair of Corporate Solicitors Committee; Member of Professional Conduct Committee.

SCOTT ROULSTONE
Chair of Injury Compensation Committee; Deputy Chair of Litigation Law and Practice Committee; Member of Professional Conduct Committee.
Over the years, the Law Society of New South Wales has achieved a high level of standing in the community and become a key point of reference for members of the profession, peak bodies, state and federal Governments and the media.

Our level of commitment to justice and law reform as well as our dedication to promoting and enhancing all aspects of the profession continues to ensure that the legal profession throughout NSW remains not only strong but a formidable force capable of influencing law reform across the full spectrum of legal practice in NSW.

The Law Society faces new challenges each year as it seeks to provide leadership to the profession as well as continue to be influential in its guardianship of the rule of law. The detail of this report will show the initiatives undertaken by the Law Society which have sought to further the organisation’s strength and the interests of the profession in NSW.

MAKING OUR VOICE HEARD: LEADING THE WAY ON POLICY REFORM

This year the Law Society has succeeded in attracting its highest level of voluntary membership to date, and as of August 2007 represents 93.43 per cent of solicitors practising in NSW. This is an important achievement because it sends a clear message to the community, government, and the media that the Law Society is truly representative of a strong body of solicitors across NSW, many of whom are active within the organisation.

Throughout the year, the Law Society has been successful in harnessing the detailed legal knowledge and experience of its members, and continued to lobby all levels of government to effect change in key areas of reform such as property law, workplace issues, injury compensation, family issues, costs and litigation law and practice.

This year, in addition to continuing our lobbying efforts and fostering face-to-face relations with all sides of politics, the Law Society of NSW adopted a more proactive approach in steering public policy debate. It is important, particularly in a state and possibly federal election year, that the profession’s views are not only at the forefront of political discussion but that the profession is leading public opinion in areas of law reform and releasing comprehensive policy platforms in the lead-up to elections.

The Society’s NSW State Election Policy Platform launch on 20 February at the Art Gallery of NSW was attended by more than 120 people from government, legal and media organisations, and attracted a considerable amount of media attention.

The Law Society made 19 recommendations to all sides of politics. Key features of the policy platform included improved support for the mentally ill in the criminal justice system, extension of community-based sentencing options, implementation of a working-hours restricted licence and early intervention programs to prevent child abuse and neglect.

The Law Society sought support for the policy initiatives contained in the platform from relevant Cabinet Ministers in the Iemma Government and members of the Coalition, and succeeded in obtaining backing from a number of politicians from all sides of politics.

The success of the policy platform can be seen in the NSW State Budget released in June, which made provision for a number of the recommendations including additional remote witness facilities. Other policy platform initiatives adopted include the rolling-out of more audio-visual links to regional courthouses and making more community-based sentencing available in NSW.

The Law Society, in partnership with the NSW Bar Association, Law Council of Australia and the Australian Lawyers Alliance, continued lobbying the NSW Government in making changes to its unfair personal injury laws.

The ‘A Fair Go For Injured People’ campaign marked, for the first time in its 123-year history, the Law Society joining with other legal bodies to undertake a concerted lobbying effort. The campaign was successful in raising awareness about the rights of injured people in the lead-up to the state election through advertisements in metropolitan and regional media throughout the state. Post-election, the campaign will now enter a more scaled-down approach, but lobbying efforts with NSW state MPs.
will continue. The NSW Opposition has given a commitment to support the policy, and the Greens will be introducing legislation to the Parliament.

We will continue to monitor law and order issues at the State level and agitate for further funding initiatives and reforms as we continue to facilitate meetings throughout the year with parliamentarians from all sides of state politics.

HELPING THE PROFESSION

The state of NSW has a community of over 20,000 solicitors and 5,700 firms. It is easy to get lost in such a large group, and often hard for individual solicitors to find ways to ask advice, raise issues or bridge knowledge gaps within firms. But luckily, the profession stands as something which is much greater than individual firms and solicitors. This year one of the central themes of my presidency has been to improve collegiality and support systems within the profession.

Achieving a work-life family balance has always been a struggle for many lawyers, and anecdotal evidence has long suggested that practitioners suffer from high rates of depression. But due to the perceived stigma associated with the illness, and the potentially negative impact coming forward may have on one’s career, any hard statistical data indicating just how prevalent the problem is has been difficult to ascertain.

In an effort to counter the problem of depression across the profession and instigate further programs, the Law Society voluntarily participated in a survey conducted by Beaton Consulting in conjunction with beyondblue. Released earlier this year, the study found that lawyers experience the highest rates of depression of all the professions surveyed.

It is important that everything be done to ensure services are offered to combat the problem of depression and anxiety.

This year, the Law Society committed additional funds in the 2007/08 financial year to LawCare and the Lawyers Assistance Program so that solicitors can continue to receive the best possible medical and professional help in tackling personal or practice difficulties that they encounter.

The Law Society also recently expanded its regulatory assistance capacity and appointed an additional regulatory adviser. The Regulatory Compliance Support unit continues to provide help to members of the legal profession with regard to all types of regulatory issues, including advice on how to properly manage a legal practice taking into account work-life balance issues.

The Law Society, in partnership with NSW Young Lawyers, has also been working on a pilot program for a mentoring system designed to match newly admitted and younger solicitors with experienced practitioners who can give them advice beyond law and procedure.

HELPING THE COMMUNITY

Part of ensuring fair justice outcomes is making sure all members of the community have access to justice. This principle is not confined to the Society’s monitoring of various law and order debates or initiating legislative reforms, but also extends to making sure members of the community know their rights and can be easily connected to the profession when they require legal expertise.

In response to the floods that hit Newcastle, the Hunter and Central Coast regions in June this year, a special community hotline was set up within the Law Society’s Solicitor Referral Service to assist people whose homes, lives and businesses had been affected by floods. The aim of the hotline was to link flood victims to local and
Sydney-based practitioners with expertise in insurance law and property damage for a first-appointment free consultation. Some 226 calls were received during the hotline’s two week operation and I extend my sincere thanks and gratitude to the 25 firms who so willingly volunteered their skills, time and expertise to offer support.

I am also pleased to report that the Society’s Solicitor Referral Service made 21,410 referrals to solicitors across NSW in the 2006/07 financial year. The greatest demand currently is for services in family law, criminal law, employment law, personal injury, and wills and estates. Enhancements to the system are nearing completion and soon, members of the public will not only be able to obtain a referral to private firms by contacting the Law Society, but they will also be able to search for the contact details of a suitable firm through the new referral search facility on the Law Society website.

SERVING MEMBERS: CONNECTING OUR MEMBERS ACROSS NSW AND BEYOND

While the Law Society speaks for the profession across the state, it is also important to be mindful that many firms in NSW have a national focus, and that the majority of firms that operate close to state borders represent clients in the neighbouring state. The Law Society has been involved in initiatives aimed at breaking down the barriers to national legal practice and achieving consistency and uniformity of regulation. This project will continue to occupy much of our attention over the coming year and beyond.

Earlier this year, moves towards achieving a truly national profession prompted calls for the redeployment of resources and restructure within the Law Council of Australia. The Law Society of NSW believes the Law Council should be seen as the national policy agency for lawyers, with particular focus on practitioners who wish to practice nationally. The Law Council’s role in developing
The campaign “A Fair Go For Injured People”, which aimed to redress the imbalance in the state’s compensation laws, was in high gear for the state elections during the period under review.

An education campaign leafleting passers-by attracted attention in the Sydney CBD on 5 February. Later in the month more than 300,000 households in eight key electorates received a mailer entitled “What if it happened to you?”, plus a reply-paid letter for mailing to their local Member of Parliament asking where the MP stood on the issue.

A regional television advertising campaign to reach more than 3 million viewers across NSW was also rolled out.

The committee received 2,100 ethics enquiries during the period under review. The Committee is assisted by the Senior Ethics Solicitor and two other Ethics Solicitors from within the Law Society’s Professional Standards Department, and in expanding the outreach of educational offerings to the regions, individual members of the committee.

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The Law Society issued a Policy Platform for the NSW State Election 2007, widening the usual 'law and order' debate to focus on policy objectives that looked more broadly to issues concerning the causes of crime, ways to reduce crime and to target programs at preventing people coming into contact with the criminal justice system.

The platform contained 19 recommendations in the major areas of:

- Framing and conducting the debate
- Equal access to justice
- Treatment of the mentally ill in the justice system
- Extending community-based sentencing options
- Access to government
- Access to law
- Protecting the children of NSW
- Key principles guiding the reform process

The policy platform set out a constructive and cost-effective reform package to improve the operation of the NSW legal system for the next parliamentary term. Rather than providing a critical assessment of the respective political parties' legal policies, the Law Society formulated and costed recommendations to address some of the pressing issues at the centre of the state's legal system.


Narrabri and Moree, I have made a concerted effort to ensure that issues facing the various Regional Law Societies continue to be made known.

Increasing access to basic legal services continues to be a concern in regional areas, and the Law Society has been very vocal in trying to implement policies and initiatives that will attract young solicitors to rural areas of NSW. I am pleased to report that the Regional Solicitor Program is now up and running. The program offers salary subsidies and other financial incentives to private law firms to employ young practitioners in return for a proportionate amount of legal aid work to be completed.

During 2007 up until the date of this report in late August, I have made in excess of sixteen visits to regional areas of NSW to facilitate contact and information between the various regional law societies. Additionally, a number of Succession Act seminars have been conducted throughout the various societies so that regional practitioners can keep abreast of the changes and practical implications of the Succession Act 2006.

PRACTICE SUPPORT AND ETHICAL ADVICE

The legal profession is one that involves constant change and the management of sensitive and confidential issues. To ensure practitioners are able to deliver the best services to their clients, the Law Society continues to offer the best possible ethics advice and educative services to the profession.

The Law Society's Ethics Committee meets each month to assist in the enhancement of desirable professional practices, to ensure that members and future members of the profession have, and are assisted in having, an understanding of appropriate ethical behaviour and to provide education to the profession in relation to the ethical obligations of solicitors.

Thanks to the efforts of the Ethics Committee, the education of the profession and law students through presentations given by the Senior Ethics Solicitor have been significantly expanded and will continue to grow to meet the demands of the profession.

ACKNOWLEDGING THE TEAM

The Law Society undertakes a number of roles, from lobbying all levels of government to monitoring law-and-order issues and to providing leadership to the profession. The many achievements and initiatives would not be possible without the hard work of the Law Society Council, whose members so readily give up their time to chair various committees, make policy recommendations and attend meetings.

Similarly, I would like to acknowledge the many members of the Law Society staff who work tirelessly to help improve the profession and ensure that the Law Society continues to fulfil its duties and obligations. I am especially grateful to Chief Executive Officer, Michael Tidball who has given me enormous support throughout the year and who contributes a great deal to the Society and the profession.

It has been an honour to have helped lead the profession and contribute to its development and standing within the community.
The 2006–2007 reporting year presented new challenges to the Law Society of New South Wales as it sought to improve its representation of and support to the profession in an environment of dynamic change. Significant challenges to which the organisation successfully rose were the reform of the Law Council of Australia in response to the changing needs of large law firms, the roll-out of a significant policy platform for the March 2007 State Election, the running of a tort law campaign in collaboration with other representative associations, and a range of service improvements to enhance the value of Law Society membership to the solicitors of New South Wales in a voluntary membership environment. In rising to these challenges, the Society has fulfilled its regulatory, professional and other core functions to a level that sustains the community’s and Government’s confidence in the work which we do.

The Law Society throughout 2006–2007 continued to have a membership level representing 92 per cent of the profession. This excellent result provides no reason for complacency, but rather attests to a legacy of effective planning and strategy over many years. The maintenance of this level of membership in the future will necessitate continued rigour and improvement of all that we do.

FINANCIAL PERFORMANCE

The Law Society of New South Wales achieved a consolidated surplus after tax of $16.4 million for the year ended 30 June 2007, which represented an 8.3 per cent decrease on the prior year. Highlights for the year included a 3.8 per cent increase in revenue, accompanied by a 19.9 per cent increase in the net assets of the consolidated entity.

A 3.2 per cent increase in the number of practising certificates issued and membership take-up levels remaining in line with those of 2006 have contributed to the revenue increase. In addition to this, the Law Society’s investment strategy has continued to yield positive returns, resulting in investment revenues increasing 24.8 per cent over prior year levels.

MAKING REGULATION AND THE MODEL LAWS WORK EFFECTIVELY

The profession continues to adapt to the Legal Profession Act 2004, which commenced on 1 October 2005. This legislation has moved past the initial implementation stage and has now entered a ‘bedding down’ period in which the Law Society is closely monitoring its operation with a view to ultimately working with government to identify areas of difficulty and improvement. While no substantive changes to the legislation are anticipated over the coming year, it is expected that in the medium term refinements to the legislation will be possible. In all of this work, the Law Society will continue to work on behalf of the profession in conjunction with the Office of the Legal Services Commissioner and Government.

Since the commencement of the Legal Profession Act 2004, the Law Society has continued to shift the focus and resourcing of its regulatory functions to an education- and compliance-oriented approach. The profession has responded well to this change, and it has been significant to observe a continued reduction in professional conduct complaints to date. Furthermore, the Society is committed to increasing its efforts in the development of educational support to practitioners, with the principal objective being that of a profession which functions at the highest level of compliance, maintains high ethical standards and retains the confidence of the community.

This operational improvement focus will, in the longer term, be augmented by success in the drive for national uniformity of the complete practising framework for Australian lawyers. The Law Society of New South Wales is maintaining its lead role in contributing technical and financial resources to the Law Council of Australia so that a truly national profession is achieved within the set parameters of cooperative federalism.

LAW COUNCIL OF AUSTRALIA

Over the past two decades, there has been a growing trend for legislation and law making to be centralised and driven at a national level by the Australian Government. This is not a trend which is expected to change in the foreseeable future. Additionally, where the states have prescribed constitutional activities, the drive to harmonisation of laws between states has led to increased calls for enhanced national representation, coordination and leadership of policy at a national level.

Through the course of 2006, the Law Society of New South Wales engaged in negotiations with the Large Law Firm
Popular schemes continue to generate high participation, grown at an unprecedented rate over the past year. Our take-up levels of commercial products and services have their daily practising requirements and individual needs. We can access a diverse range of services, supportive of both adding new schemes to the program to ensure members are constantly adding new schemes to the program to ensure members are taking advantage of. Additions to the program, including American Express Personal Loans, Dell Computers, Voyages Hotels and Resorts and LivingWell Premier Health Club have also been welcomed by members.

As a result of member feedback and further research, the Law Society will continue expanding its suite of member privileges by leveraging the profession’s purchasing power to negotiate new discounts which will be of benefit to members both professionally and personally.

As members’ needs change over time, it is our responsibility to anticipate them, as well as identify new avenues of activity to ensure we continue providing members with the range of quality services and support programs that they expect and deserve.

Consistent with this, the Law Society has recently created the position of Relationship Manager, Large Law Firms, to improve the relevance and connection of Law Society activities with the solicitors who work in these firms. It is anticipated over the next year, having significantly responded to and invested in the needs of Large Law Firms, that the offering of professional services and support provided to sole practitioners and solicitors working in small firms will be a particular focus.

**Policy and Representation**

The Law Society has continued to produce a large number of policy submissions and provide expert legal advice to government, MPs and other key stakeholders in support of the law reform process.

In recent years, this representational focus has been supplemented by an increased investment in ensuring that our efforts on behalf of the profession are effectively communicated to the appropriate audiences.

The campaign “A Fair Go For Injured People” saw the Law Society work in partnership with the Law Council of Australia, the Bar Association of New South Wales and the Australian Lawyers Alliance to highlight the unjust impact of changes to personal injury and tort law. The campaign’s culmination coincided with the March 2007 New South Wales State Election. This campaign has been followed up in the post-election period, and usefully highlighted the unjust impact of these changes.

Other key policy representations undertaken during the reporting period included:

- a successful request for legislative amendment to the Crimes (Local Courts Appeal and Review) Act 2001 to clarify the District Court’s jurisdiction to hear appeals against the revocation of a good behaviour bond;
- a submission strongly opposing direct involvement of juries in the sentencing process;

In particular our Law Society American Express Cards are now owned by more than 50 per cent of members. ING and AMP continue to provide competitive products which members are taking advantage of. Additions to the program, including American Express Personal Loans, Dell Computers, Voyages Hotels and Resorts and LivingWell Premier Health Club have also been welcomed by members.

**Membership Attractive to Young Lawyers**

Some of New South Wales’ newest lawyers joined the profession on 18 May 2007 at the last admission ceremony for the 2006/2007 year. The group welcomed at a reception at the Law Society included: (l to r) Nicola Pachinger, Gary Johnston, Phillipa Vogelsinger, Eugene Yap, Jason Ng and Daniel Webster. They were among the 2,071 new solicitors admitted to the Supreme Court of New South Wales during the period. Women continued the trend of being in the majority of new admittees with 62 per cent of the numbers over the period (up from 58 per cent last year). The year saw 1,328 new practising certificates taken out in the state, and of those entering practice 1,225 (92.24 per cent) chose to become members of the Law Society.

Group, which asserted its position that the relevance and utility of Law Society membership among its firms would only be evident if the Law Council was resourced and equipped to drive this national agenda.

In concert with other state-based constituent bodies of the Law Council of Australia and the Law Council itself, a summit of these bodies was held in Canberra in December 2006 as the precursor to resolving a constitutional reform package which would progress these issues. A series of constitutional amendments was resolved by the Law Council of Australia on 24 March 2007, with the central feature being the admission of the Large Law Firm Group Limited as a constituent member.

**Servicing Members**

Since the introduction of voluntary membership in 2004, the Law Society has endeavoured to expand its range of services to ensure that membership fees represent excellent value for money. This service offering includes initiatives which support day-to-day legal practice, as well as personal benefits which reflect the combined purchasing strength of over 20,000 members.

The Law Society Member Privileges program is a key element of our membership service. We are constantly adding new schemes to the program to ensure members can access a diverse range of services, supportive of both their daily practising requirements and individual needs.

Take-up levels of commercial products and services have grown at an unprecedented rate over the past year. Our popular schemes continue to generate high participation,
a recommendation on expansion of the jurisdiction of the Workers Compensation Commission to give the Commission power to order an employer to accept liability for a worker’s future hospital or medical treatment. The Minister is now considering advice from WorkCover on possible amendments;

- a successful call for repeal of the Conveyancing (Sale of Land) Amendment (Smoke Alarm Notices) Regulation 2006 and its replacement with a notice to meet the government’s policy needs without unduly burdening the conveyancing process;

- an extensive project to educate the profession on changes and practical implications of the Succession Act 2006; and

- a submission supporting the harmonisation of laws on personal property securities.

The Law Society has also increased its contribution to various policy Committees of the Law Council of Australia over the past year. The elevation of the importance of the Law Council of Australia will continue to require a commitment by the Law Society to assist the national association to achieve its expanded policy brief.

CONCLUSION

The Law Society exists to represent and serve the interests of the solicitors in New South Wales. The contemporary profession operates in an environment which is constantly changing. The challenge for the Society is to further its services and relevance to the profession within this dynamic environment.

The strong membership base of the Law Society, its continued role in the regulation of the profession and its continued financial strength attest to a resilient, efficient and effective organisation. The challenge is to continue this strength into the future.

The strong results as measured and reported throughout the 2006–2007 period are a testament to the efforts, and contributions of a number of individuals. Councillors and the many other volunteer members of the profession who contribute to its network of Committees have resourced the Law Society, allowing it to respond to the many needs of the profession. The work of these individuals, councillors and committee members alike, is highly valued. It is ultimately the community which benefits from their contributions.

The staff of the Law Society have delivered high-quality service and a number of initiatives over the past year to the benefit of the profession, and they are also to be thanked. The leadership team of the Law Society has worked energetically and creatively throughout the reporting period. Mr. Charles Cawley, Ms Tracey Annear, Ms Anne Finet, Ms Sue Dawson and Mr. Andrew Shearer have provided individual support to my role and I express my gratitude to each of them.
MAJOR LAW REFORM SUBMISSIONS IN THE YEAR UNDER REVIEW

IN ADDITION TO SUBMISSIONS ON VARIOUS REFORM PROPOSALS FOR THE LEGAL PROFESSION ACT AND REGULATIONS, THE LAW SOCIETY DEVELOPED SOME 170 SUBMISSIONS TO GOVERNMENT AND GOVERNMENT AGENCIES IN 2006–2007, MAKING A SIGNIFICANT CONTRIBUTION TO THE DEVELOPMENT OF THE LAW IN NEW SOUTH WALES AND AUSTRALIA.

ARBITRATION LIAISON
- Uniform commercial arbitration legislation
- Remuneration for arbitrators
- Promotion of international arbitration
- Alternative Dispute Resolution Assistance Scheme of the Federal Department of Employment and Workplace Relations

BUSINESS LAW
- Better prospectus disclosure
- Expressing the voice of shareholders: a move to direct voting
- Component pricing
- Taxation secrecy and disclosure provisions
- Charitable Trusts Amendment Bill 2006
- Law on personal property securities: Extinguishment, priorities, conflict of laws, enforcement, insolvency
- Sanctions in corporate law
- Insider trading

COSTS
- Cap on party/party costs pilot scheme
- Holding solicitors liable for hearing allocation fees
- Legal Profession Further Amendment Act 2006
- Legal Profession Amendment Regulation 2007
- Maximum costs in the Local Courts General Division

CRIMINAL LAW
- Drug Court of NSW
- Review of privacy legislation
- Sentencing and juries
- Apprehended violence legislation
- Good behaviour bonds
- Transportation of children and bail
- Crimes and Courts Legislation Amendment Bill 2006
- Road Transport Legislation Amendment (Evidence) Bill 2006
- RTA’s privacy policy
- Police code of practice – recording refusals to be interviewed
- Crimes (Appeal and Review) Amendment (Double Jeopardy) Bill 2006
- Police investigation for AVOs against police officers
- Crimes Amendment (Bail and Sentencing ) Bill 2006
- Criminal Procedure Act 1986
- Coroner recommendations
- Security clearance for legal representatives
- Crimes Legislation Amendment (Gangs) Bill 2006
- Appeals against the revocation of a s.12 bond
- Jury service
- Crimes (Sentencing Procedure) Act 1999
- Use of AVL technology in courts
- Demerit points and rights of appeal
- Driving penalties
- Committal proceedings and terrorism allegations
- Bail Act 1978
- Police fact sheets
- Coroners Act 1980
- Commonwealth mediation/facilitation pilot
- Terrorism (Police Powers) Act 2002
- Legal Aid matters
- Mental Health (Criminal Procedure) Act 1990
- Briefs of evidence – CCTV and in-car video footage
- Local Court Draft Practice Notes
- Statistics for juvenile offenders
- Uniform Evidence Law Report
- Criminal Procedure Amendment (Vulnerable Persons) Bill 2006
- Criminal Procedure Amendment (Local Court Process Reforms) Bill
- Provisional sentencing for young offenders
- APEC Meeting (Police Powers) Bill 2007
- Suspended control orders and non-parole periods
- Legal Aid Commission’s representation/assignment policy

DISPUTE RESOLUTION
- Draft Dust Diseases Tribunal Regulation 2007
- Family law mediation contract/agreement
- Draft best practice guidelines for collaborative family law practice
- Referral procedures for mediations
- Protocol for the mediation of costs disputes
- National accreditation standards for mediators

ELDER LAW AND SUCCESSION
- Registration of transfers of shares in estates of deceased persons
- Rights of people whose capacity is in question
- Births, Deaths Marriages Registration Regulation 2006
- Uniform succession laws: the law of wills
- Inquiry into older people and the law
- Privacy Act

ENVIRONMENTAL PLANNING AND DEVELOPMENT
- Right of appearance by agents, conciliation in classes 1–3 actions, hearing in other merit appeals, reasons for decisions
- Opposition to repeal s.299(f), Corporations Act 2001
- Range of appeals where applicant is required to file and serve a statement of issues
- Trees (Disputes between Neighbours) Bill 2006
- Review of Heavens Door Pty Ltd v Hillpalm Pty Ltd
- Review of State Environmental Planning Policies (SEPPs)
- Discrepancies in relation to the definition of ‘existing use’
- Impact of Practice Direction 1 of 2005 in the Land and Environment Court
FAMILY ISSUES
- Arbitration in family law proceedings
- Family Law Amendment (Shared Parental Responsibility) Act 2006
- Reform of the Child Support Scheme
- Draft best practice guidelines for collaborative family law
- Judicial resources in the Family Court
- Use of photo-documentation for sexual assault and child physical abuse medical and forensic examinations
- Children and Young Persons (Care and Protection) Act 1998
- Conduct rules for solicitors acting in care proceedings
- Facilities at Parramatta Children’s Court
- Statutory child protection in NSW

HUMAN RIGHTS
- Mental Health Act 1990 and the Mental Health (Criminal Proceedings) Act 1990
- Migration issues
- Sedition laws

INJURY COMPENSATION
- Allowable costs in workers compensation matters
- Workers compensation processes
- Workers compensation appeals
- GST on workers compensation costs – conduct money
- Reasonable prospects of success – application in Workers Compensation Commission
- Liability to repay workers compensation benefits
- Qualifications for appointment as registrar, Workers Compensation Commission
- Workers Compensation Amendment (Transitional) Regulation 2007
- Power to order payment of future expenses
- Compensation for psychiatric injuries
- Medical report fees
- Negotiation of permanent impairment assessment
- Reconsideration of decisions, s.378 Workplace Injury Management and Workers Compensation Act
- Motor accident assessment reform agenda
- Guidelines for levels of attendant care for people with spinal cord injury
- Lifetime Care and Support Scheme
- Motor accident personal injury claim form
- Amendments to MAA claims handling guidelines
- Insurers’ communications with claimants
- Insurers and WPI assessment
- Delays in paying awards – no facility to claim interest
- Legal costs in motor accidents matters

LITIGATION LAW
- Legal Profession Further Amendment Bill 2006
- Litigation funding
- Liquor Bill 2005
- Liquor and Gaming Court Bill 2005
- Legal professional privilege: communications with auditors
- Uniform Civil Procedure Rule 362 and sale of judgments
- Access to court information
- Strict and absolute liability offences
- Affidavits of debt in support of default judgments in the Local Courts
- Accessibility of administrative justice
- Review of Privacy
- Practice Notes 1 and 2 of 2007
- Practice Note 1 of 2005
- Settlement negotiations after conclusion of hearing but before judgment
- Client legal privilege and federal investigatory bodies
- Trans-Tasman court proceedings
- Costs-capping and limitation on examination of witnesses
- Regulation under the Independent Pricing and Regulation Tribunal Act
- Client legal privilege
- Holding solicitors liable for the payment of court fees

PROPERTY LAW
- Licensing in the NSW home building industry
- National electronic conveyancing system
- Home Building Service
- Property Stock and Business Agents Amendment (Auctions) Regulation 2006
- Conveyancers Licensing Regulation 2006
- Trees (Disputes between Neighbours) Bill 2006
- Reform of planning certificates
- Community schemes legislation
- Conveyancing (Sale of Land) Amendment (Smoke Alarms Notices) Regulation 2006
- Land and Property Information fees
- Qualification requirements for conveyancer industry
- Notation on title searches
- Review of strata schemes regulations

RURAL ISSUES
- Succession Act privacy concerns
- Conversion of perpetual leases to freehold

WORKPLACE
- Inappropriate workplace behaviour
- WorkCover and Lift Inspections
- Occupational Health & Safety Amendment Bill 2006
- WorkChoices legislation and state government response
- Preventing and dealing with workplace bullying
OBJECTIVE 1  MEMBERS BENEFIT FROM FINANCIALLY ASTUTE MANAGEMENT

STRATEGY: Strategic Financial Management

Tasks
1. Investment Plan delivers maximum investment return within established risk parameters.
2. Integrated Triennial Financial Plan is designed and implemented to achieve a surplus before interest, and long term business viability.
3. Develop a comprehensive Group of Companies’ Strategy that: identifies and strengthens financial synergies with the subsidiaries; establishes appropriate strategic directions and management accountabilities for functions and activities that are critical to Law Society meeting the needs of members; and, ensures better integrated marketing.

STRATEGY: Organisational management and development

Tasks
1. Review and amend the Constitution to ensure that it embodies strong contemporary governance structures and processes.
2. Strategic quality and risk management practices are implemented and encompass compliance with international accounting standards and maintenance of ISO 9001:2000 certification.
3. Foster an organisational culture of open communication, member focussed servicing, shared commitment to corporate priorities, support and reward for the contributions of staff, and build future capability for the organisation.
4. Determine the future of the Law Society’s premises to maximise return on the asset and to meet contemporary service delivery requirements.

OBJECTIVE 2  LAW SOCIETY SERVICES MEET THE DIVERSE NEEDS AND PRIORITIES OF MEMBERS

STRATEGY: Service planning and systems to focus on members

Tasks
1. Develop and implement data base security risk management plan and protocols.
2. Maintain a strong data profile of the profession to inform planning and delivery of membership initiatives.
3. Attract and retain members through continuous invigoration of high value products and services to meet the different interests and needs of the range of members – sole practitioners, small firms, middle tier firms, large firms, and corporate and government lawyers.
4. Package and deliver practice-based business development products to support commercial development of legal firms.
5. Develop commercial partnerships that maximise purchasing power for the benefit of members.
6. Ensure that professional standards scheme is configured optimally.
7. Renovate the IT platform to improve communication with members, including upgrading the website to enhance functionality and interactivity; efficient delivery of computer based survey materials; and development and delivery of new online services.
8. Review the approach to law society education services, including CLE services and Specialist Accreditation functions.
9. Facilitate member access to carer support services.
10. Establish an Aboriginal Law Student Bursary to enable the student to access the supportive environment of university college accommodation.

STRATEGY: Well Targeted Communication and Service Delivery

Tasks:
1. Provide practice support that is high quality and focuses on the key areas of importance to members.
2. Profession-wide practice support is complemented by support that is targeted to the diverse and changing needs of all segments of the profession – sole practitioners, small firms, middle tier firms, large firms, and corporate and government lawyers.
3. Strengthen relationships with major firms through: appointment of a Relationship Manager to link with large firms; reinvigoration of large firm communications; and, implementation of a shared agenda for the national profession and national legal policy.
4. Implement mentoring program for lawyers.
5. Foster a more contemporary image by: consistent branding of law society communications and products; communication of successes; and, conducting events that meet the different interests and needs of the range of members – sole practitioners, small firms, middle tier firms, large firms, and corporate and government lawyers.
6. Promote Law Society supports and services to rural practitioners (including consolidation of the regional solicitors program and increasing awareness of the development benefits of the Solicitors Referral Scheme).
OBJECTIVE 3 THE COMMUNITY IS DEFENDED THROUGH A NSW LEGAL PROFESSION THAT IS EFFICIENT, ETHICAL AND ACCESSIBLE

STRATEGY: Promotion of Ethics and Efficiency in the Profession

Tasks
1. Education and advice to be a primary tool for ensuring that regulatory and ethics requirements are understood and met.
2. The regulatory models and initiatives of other Australian and overseas jurisdictions are understood and monitored to inform strategic directions on management of regulatory functions in NSW.
3. Ensure that developing state and national regulatory requirements are anticipated and managed effectively.
4. Current co-regulatory functions are carried out to the satisfaction of the community and government.

STRATEGY: Improving Community Access to Legal Services

Tasks
1. Promote the profession as an ethical body of practitioners offering a broad range of services to protect and advance personal and business interests.
2. Strengthen and increase community awareness of the Solicitor Referral Service, including online implementation.
3. Pro bono services are targeted to complement Legal Aid services and are well supported.
4. Review of the Specialist Accreditation Scheme will consider its effectiveness as a tool for improving community access to appropriate legal support.
5. Active support for ADR and collaborative law options.

OBJECTIVE 4 THE LAW SOCIETY IS A RESPECTED OPINION LEADER ON LEGAL POLICY IN NSW

STRATEGY: Strategic Policy and Advocacy

Tasks
1. Unifying policy principles (rule of law, access, a fair and just system, an ethical profession etc) to inform all policy work and communication.
2. Develop and implement a strategic approach to representation – this should be achieved through formulation of a NSW Law Reform Strategy, based on: an audit of current policies to identify areas for continued emphasis and gaps; research on law reform initiatives in other Australian and overseas jurisdictions; understanding the interests and issues of key community based advocacy groups; understanding linkages with policy directions foreshadowed by governments and parliaments, differentiation of issues across segments of the profession, and differentiation of national/state issues.
3. Ensure the functioning of the Law Society as a “policy community” by providing strong policy and research support to the Committees and ensuring alignment between strategic policy priorities and Committee deliberations.
4. Continue advocacy to restore access to just compensation for accident victims.
5. Build a strategic communication and liaison network to ensure ready access to key government policy decision makers, ensuring that the network extends to line agencies, central agencies and Ministers within and beyond the justice portfolios.
6. Forge strategic alliances with relevant non-government interest groups on policy issues of mutual interest.
7. Foster strong media connections to build media profile.
8. Law Society submissions to government are high quality, timely and consistently build on the key policy principles.
9. Ensure effective monitoring of the impacts of changes in key areas of the law to support advocacy and policy work.

OBJECTIVE 5 NSW LAW SOCIETY DRIVES DEVELOPMENT OF A STRONG AND COHESIVE NATIONAL PROFESSION

STRATEGY: Consolidate Structural and Operational Reforms of Law Council of Australia

Tasks
1. Ensure that the Law Council is appropriately supported and resourced.
2. In collaboration with the Constituent Bodies, work to ensure that the Law Council of Australia develops a Business Plan and delivers agreed policy and project outputs.
3. Provide leadership and direction about the further development and ultimate structure of the national representational association for Australian lawyers.
4. Harmonise communication to promote recognition of the national body and to distinguish the national and state bodies, including clear channels of communication with the profession.

STRATEGY: Promote Delivery of Key Reforms

Tasks
1. Seek Law Council commitment to expediting expansion of national regulation as a first order priority, with emphasis on promoting and driving finalisation of the national register of practitioners, establishment of a National Indemnity Insurance Scheme and uniformity of fidelity fund provisions.
2. Forge establishment of a national legal policy agenda to focus Law Council effort on matters of national and international complexion, and ensure prioritisation of areas for harmonisation of laws as part of this agenda.
The LawCover Group of Companies (LawCover) consists of LawCover Pty Limited, LawCover Insurance Pty Limited and LawCover Plus Pty Limited. Each company in the group is wholly owned by the Law Society of New South Wales.

LAWCOVER:
- underwrites compulsory professional indemnity insurance (PII) for solicitors through LawCover Insurance;
- arranges optional top-up insurance in addition to the compulsory layer through LawCover Plus;
- manages the Solicitors' Mutual Indemnity Fund (SMIF);
- handles claims and potential claims made against insured solicitors; and
- helps solicitors minimise the risk of claims being made against them.

COMPULSORY PROFESSIONAL INDEMNITY INSURANCE
The 2006/2007 insurance period was the third year LawCover Insurance assumed the risk for the $1.5 million compulsory layer of solicitors' PII. As an APRA regulated insurer, LawCover Insurance continues to successfully build its capital reserves to meet regulatory requirements and to provide a buffer that will better protect the profession against future premium spikes. The company held net assets of $31.3 million as at 30 June 2007, up from $19.93 million as at 30 June 2006. Average premiums paid by firms have remained stable for the 2006/2007 and 2007/2008 insurance periods.

Each firm's premium is based on a combination of their gross fee income (GFI), risk profile characteristics and, for most, choice of excess. A firm's premium is derived from an actuarially determined premium curve relative to fees. Discounts of up to 25 per cent are available for no-claim bonuses and risk management credits, and further discounts can be secured for higher excesses.

TOP-UP INSURANCE
LawCover Plus is a Coverholder of Lloyd's of London, meaning it has authority to arrange top-up insurance on behalf of certain underwriters at Lloyd's. It also acts as agent for the non-Lloyd's insurers who insure the LawCover Plus Top-Up Insurance scheme. LawCover Plus put together a top-up insurance scheme for 2006/2007 that provided:
- a limit of indemnity of up to $18.5m in excess of a firm's $1.5m compulsory PII arrangements;
- claims management in Australia by LawCover;
- continuity of cover for late notifications for firms that have been insured for two consecutive years;
- scheme arrangements supported by six insurers to avoid concentration of risk;
- pricing based on the turnover of the firm regardless of the number of partners, solicitors, paralegals, conveyancers or incorporated entities that produce this turnover; and
- discounts for firms with certain risk management certifications.

SOLICITORS' MUTUAL INDEMNITY FUND
SMIF continues to run off the claims liabilities for the coverage years from 1 July 1987 to 30 June 2001. Outstanding claim numbers have reduced from 87 at the end of June 2006 to 58 at the end of June 2007. SMIF finished the year in an improved financial position, with a small deficit in members' funds of $214,000, compared to a deficit of $1.87 million at 30 June 2006. It should be noted that the sensitivity of the Fund to changes in individual claim estimates increases as the number of claims decrease. Not unexpectedly, many of the remaining claims involve complex issues and have proved difficult to resolve.

The Fund's deficit also incorporates an additional claims-cost buffer, over and above both current estimates and the allowance for future claims development. However, uncertainty is inherent in the estimation of claim liabilities and the balance of the liabilities could either increase or decrease over time depending upon actual experience.

The first HIH distribution of 5 cents in the dollar was received during the year ended 30 June 2006. In addition to the amount that has already been received and with the agreement of the auditors, an amount of 12 cents in
the dollar has been taken up in the accounts as an HHIH
claim recovery, split between a current receivable of
5 cents in the dollar and a non-current receivable of
7 cents in the dollar. The non-current receivable has
been discounted back to present day dollars. This is a
conservative provision, given that the HHIH liquidator has
advised creditors that they might ultimately expect a
recovery between 15 cents and 25 cents in the dollar.

Finally, an additional amount of $7.023 million is currently
held by the Law Society in a special reserve and is
available to SMIF if it is required.

CLAIMS MANAGEMENT

LawCover’s staff of experienced solicitors continued their
excellent work in handling claims on behalf of insured
solicitors. LawCover has over 20 years claims handling
experience. During this time, LawCover has defended over
17,000 claims against solicitors throughout Australia.
LawCover’s claims philosophy remains that:
■ unjustified claims made against solicitors will be
  strenuously defended; but
■ clients who have suffered loss as a result of the
demonstrable negligence of their solicitors should be
appropriately compensated for that loss as quickly
as possible.

Updated notifications

Claim numbers continue to trend satisfactorily:
596 notifications have been received for the 2006/2007
insurance year as at 30/6/07, compared to 661 for
2005/2006 as at 30/6/06, 625 for 2004/2005 as at
30/6/05 and 617 for 2003/2004 as at 30/06/04.

<table>
<thead>
<tr>
<th>finalisations</th>
<th>Percentage of finalisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Year</td>
<td></td>
</tr>
<tr>
<td>2005/06</td>
<td>49%</td>
</tr>
<tr>
<td>2004/05</td>
<td>80%</td>
</tr>
<tr>
<td>2003/04</td>
<td>89%</td>
</tr>
</tbody>
</table>

RISK MANAGEMENT SERVICES

The Risk Management Services team continued to deliver
services and advice to assist solicitors in minimising the
risks inherent in legal practice. Our risk management
education programs were delivered through 89 courses
and events to 2,467 participants in 2006/2007. Seminars
given to graduates during the Practical Legal Training
course and to practitioners during the Legal Practice
Management course are an important part of the
program. These take place at the College of Law in
St Leonards, the University of Western Sydney, University
of Newcastle, UTS and the University of Wollongong.

Risk Management Services also provides advice to
practitioners, both on the phone and in person, on claims-
prone situations, provides practice advisory services for
firms and continues to produce the Schedule of Civil
Limitation Periods biannually, as well as monthly articles
in the Law Society Journal.

PERCENTAGE OF TOTAL INCURRED CLAIMS COSTS
AS AT 30 JUNE 2007

<table>
<thead>
<tr>
<th>Area of practice</th>
<th>Percentage of total incurred claims costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006/07</td>
</tr>
<tr>
<td>General Commercial</td>
<td>10</td>
</tr>
<tr>
<td>Sale and Purchase of Business</td>
<td>1</td>
</tr>
<tr>
<td>Conveyancing</td>
<td>18</td>
</tr>
<tr>
<td>Leases</td>
<td>6</td>
</tr>
<tr>
<td>Mortgages &amp; Commercial Borrowing</td>
<td>25</td>
</tr>
<tr>
<td>Tort and Workers’ Compensation</td>
<td>6</td>
</tr>
<tr>
<td>Out of Time Personal Injury</td>
<td>22</td>
</tr>
<tr>
<td>Out of Time Other</td>
<td>3</td>
</tr>
<tr>
<td>Other Litigation</td>
<td>7</td>
</tr>
<tr>
<td>Matrimonial</td>
<td>1</td>
</tr>
<tr>
<td>Probate &amp; Wills</td>
<td>1</td>
</tr>
<tr>
<td>Other *</td>
<td>–</td>
</tr>
</tbody>
</table>

* Includes: defamation, criminal, revenue and immigration

LawCover claims solicitor Simone Herbert-Lowe delivers
a risk management presentation to law students as part of
their practical legal training at the College of Law.
LawCover’s Risk Management Services aim to reduce
the incidence of professional negligence claims against
solicitors through education programs, lectures, articles
and legal practice management advice.
A year of growth

The College continued to grow in 2006–07, pursuing its mission of service to the national legal profession in Australia and growing influence in NZ and the region. There was growth in enrolments in the College’s practical legal training operations, growth geographically with the establishment of College of Law Western Australia and growth in the range of the College’s programs – now extending into credentialled post-admission offerings.

The College’s operations on the eastern seaboard, in partnership with the Law Institute of Victoria (LIV) and the Queensland Law Society (QLS), all saw substantial increases in enrolments and achieved financial results that significantly exceeded expectations. College Victoria moved into new, larger premises in Little Bourke Street in November 2006. College Queensland is looking to relocate to larger premises as a matter of urgency, and a major refurbishment of the ground floor of the NSW St Leonards campus was undertaken in 2006.

College of Law Western Australia P/L was launched in March 2007 under the leadership of Alison Gaines as Chair and Michael Cole as CEO. The WA College is currently servicing the needs of WA graduates undertaking the NSW Professional Program Online (PPO). Work is proceeding this year on the development of a WA version of the PPO with a view to achieving accreditation of that program in 2008, allowing direct admission to practice in WA for our students in the west.

The College and the Law Society continued to explore options for a new national constitution as a framework for the College’s national operations. Discussions with federal and state governments around a possible statutory solution were not fruitful, and alternative solutions are now being pursued.

The College of Law NZ P/L has continued to perform well, growing market share in calendar 2006, despite the adverse impact of the way its sector is regulated by government. From inception, the College in NZ has been denied access to government funding available to its sole NZ competitor and, in addition, in more recent times College students were removed from their previous access to government loans and allowances.

A major breakthrough was achieved this year with new government recognition of the College’s status, resulting in the restoration of student loans and allowances from 1 January 2007, together with access to partial government funding for the first time. This in turn has enabled the College to return a financial result much better than budget, a small deficit close to break-even. More significantly, under the new approach of government, it is likely that the NZ College will continue to receive incremental increases in government funding support into the future, possibly up to the same level as the competitor in due course. Overall, after many challenges on the regulatory side in the start-up years, the prospects for the long-term sustainability of the NZ operation appear positive.

PRACTICAL LEGAL TRAINING

The College has continued to emphasise service, flexibility and choice in its PLT programs, and this strategy has once again been successful in attracting a record level of enrolments. Total Australian enrolments were 1,933 equivalent full-time student units, a seven per cent increase on the previous year’s record numbers. NZ enrolments grew to 49 per cent, making a total Australasian enrolment of 2,352 (raw totals before accruals).

Seven national law firms now participate with the College in the cooperative mode of the PPO, with varying numbers of firms participating in Sydney, Melbourne, Brisbane and Perth. These programs continue to expand, with new partners likely to join the Victorian College over the coming year as the recommendations of the recently published Campbell Report are implemented.

CONTINUING PROFESSIONAL EDUCATION

In 2006/07 the interests of the College’s CPE directorate were twofold – maintaining and delivering continuing professional development programs for the NSW profession, and building towards the provision of structured and credentialled training. In February 2007 the College launched its Graduate Diploma of In-House Legal Practice (IHP) program. This program has been developed in association with the Australian Corporate Lawyers’ Association (ACLA) and is the first in a suite of new credentialled post-admission programs being developed by the College. The IHP program is offered nationally and has attracted 33 enrolments in 2007. Planned for 2008,
and subject to accreditation, are two courses in advanced professional legal education with awards up to masters level in family law practice and commercial litigation.

On other fronts, the College continued to offer educational programs and marketing assistance to support the work of the Specialist Accreditation Board. A new customer database and registration system has also been introduced for CPE customers. In the past financial year, the CLE directorate offered 590 hours of seminars and courses to around 5,500 practitioners, or 18,246 practitioner-hours in total.

PRACTICE DEVELOPMENT
The practice development directorate consolidated its range of courses and services, including the courses for practitioners seeking an unrestricted practising certificate and for firms seeking LAW 9000 certification. The directorate continued its liaison with QL Inc and SAI Global in support of their promotion of LAW 9000, and with the Office of the Legal Service Commissioner in relation to training for incorporated practices. Via the Alliance with the College of Law England and Wales, the directorate held the first series of examinations for the new online course in Australian constitutional law, as well as managing the onsite course components for Australian PLT students studying in London, and the English Transfer Test for lawyers in the Asia-Pacific region.

DEVELOPMENT OF IT INFRASTRUCTURE
Substantial progress was made during the year on the improvement and replenishment of the College’s IT infrastructure. Academic staff are already using a new Sharepoint program which has proved effective at improving academic administration and in delivering up-to-date teaching resources to lecturers across the College group. During the coming year it is planned to replace the course-builder that underpins the College’s extensive range of online programs to enable the College to keep pace with growth and with the latest development in online course design. Before the end of 2007 a new information management system will also be introduced, and the College is undertaking an across-the-board review of the way it collects, stores and uses data.

FINANCIAL OVERVIEW
The year of growth and consolidation resulted in a surplus that was substantially in excess of expectations. Enrolment growth, especially in Queensland, was greater than projected, and the return on investments exceeded budget forecasts. On the expenditure side, the shared services arrangements within the College group were well-established and continued to deliver economies of scale and, notwithstanding the growth in enrolments, expenditure on salaries was kept well under budget. This very healthy result allows the College to make the significant investments in capital expenditure that are planned for the coming financial year, and to support College of Law WA in its establishment phase.

CONCLUSION
On behalf of members, I thank the College Chair June McPhie, and the Chairs of the four subsidiary Colleges – Ian Haynes (NZ), Bill O’Shea (Vic), Glenn Ferguson (Qld), Alison Gaines (WA) – and Directors on all five boards for their efforts in the College cause this year.

I also thank the College’s General Manager Education, Lewis Patrick, who acted in my role during long leave from March to June, and to whom much of this report is attributable.

COLLEGE SETS UP IN WA
The presence of the College of Law continued to expand in the year under review with the formation of a new entity in Perth. Here Michael Cole, CEO of the College of Law Western Australia, speaks at the launch of the facility in March 2007. The WA College is developing a program planned to prepare students for direct admission to practice in the West.

A BRIDGE BETWEEN LEARNING AND PRACTICE
The commitment and service of those who have chaired the College of Law over its 33 years was honoured in December 2006 at the dedication of The Bridge, a sculpture by Keizo Ushio now gracing the foyer of the College of Law in Sydney, installed as part of refurbishments to the St Leonards campus during the period under review.
NSW Young Lawyers

is a professional association which represents all solicitors and barristers under the age of 36 or in their first five years of practice, and all law students. It is a division of the Law Society of NSW.

STRUCTURE

As at 30 June 2007, the organisation was led by an executive team of 15, five of whom were office bearers, being the President, Vice President (Joshua Knackstredt), Secretary (Tayanah Caldaralla), Treasurer (Duncan Brakell), and immediate Past President (Susannah Maclaren). All executive members had a portfolio area to address, with responsibilities for the website, careers and bullying, student liaison, pro bono and community services, professional associations, social, regional delegates, committees, Law Society representatives, sponsorship and marketing, and the Shadowing Program.

Our committees at the end of the period were: Animal rights, Bushweb, Business Law, Civil Litigation, CLE, Communications, Entertainment and Technology Law, Criminal Law, Employment and Industrial Law, Environmental Law, Family Law, Human Rights, International Law and Property Law.

COMMITTEES AND THEIR ACHIEVEMENTS

Some of the major achievements of the committees over the past year include:

- a successful forum on lawyers’ job satisfaction under the title “Professional Darwinism”;
- a Law and Order forum held in the Martin Place amphitheatre in the run-up to the March state election;
- a barbeque held in Martin Place to raise awareness of the AustLII funding crisis, and to provide an opportunity for lawyers to make a personal contribution;
- a sold-out Animal Law Conference at the University of NSW;
- publication of new editions of A Practitioners Guide to Civil Litigation and A Practitioners Guide to Corporate Law;
- solid work towards updates of A Practitioners Guide to Family Law and the human rights publication New Land, New Law;
- holding of the annual Human Rights Essay Competition for NSW law students;
- development of The McCallum Medal Presentation Competition into a national competition for law students or new graduates interested in industrial law.

SUBMISSIONS

One of the important roles which each NSW Young Lawyers’ committee undertakes is keeping abreast of recent legislative changes and proposals. Committee submissions are a medium through which committee members can express an opinion on these developments. In the period under review, NSW Young Lawyers made numerous submissions in the area of business law, animal rights, environmental law, human rights, family law, and litigation.

CONTINUING LEGAL EDUCATION

NSW Young Lawyers provides a diverse and competitive CLE program. This year we have had some very popular events as well as continuing our one-day presence in the regions, a push I was particularly supportive of. The inaugural all-day Evidence CLE in October was sold-out with almost 200 people attending to hear presentations by Stephen Ogders and Justice Einstein.

In the period under review over 5,000 practitioners attended CLE seminars organised by NSW Young Lawyers.

MENTORING

This year has seen a major focus by the association on job satisfaction and depression within the legal profession. One of the initiatives of NSW Young Lawyers to make a positive contribution in these areas has been work towards the establishment, in conjunction with the Law Society, of a pilot mentoring program. It is hoped that the pilot will be announced and rolled out in November 2007.

NETWORKING

NSW Young Lawyers organises numerous functions throughout the year to assist networking among young lawyers. In the period under review, this has included the Civil Litigation Opening of Law Term Dinner in the Rocks, the 15th annual Golden Gavel Competition, the Environmental Law Committee’s Annual Trivia Night, Christmas Cocktail Drinks for committee members at the Museum of Sydney and planning for the Inter-Professional Ball on 1 September 2007 at the Hilton Hotel. NSW Young
Lawyers has selected the Starlight Foundation as its charity for the Ball this year.

**SPONSORSHIP**

We are very pleased to have secured the sponsorship of legal recruitment consultants Naiman Clarke as our overall sponsor for the 2007 year. We are also being supported by specialist home-loan lender First Permanent, who will sponsor the Inter-Professional Ball. This is the first year NSW Young Lawyers has engaged so well with sponsors, and we will continue to work to ensure the relationships remain mutually rewarding.

**PRO BONO**

The Pro Bono Taskforce established at the NSW Young Lawyers Annual Assembly in November 2006 has met regularly to continue to investigate and report on the benefits or otherwise of establishing a separate entity from NSW Young Lawyers to better perform this function.

**STUDENTS**

NSW Young Lawyers has sought to actively engage with law students in the period under review by continuing to appoint a student liaison representative, undertaking ‘student roadshows’ to the universities, and hosting a stall at the annual careers fair at Darling Harbour. At the fair in late 2006 hundreds of students showed an interest in the association.

An office-bearer representative of NSW Young Lawyers spoke at each of the Law Society receptions for newly admitted solicitors during the period under review, and we used the opportunity provided by the occasions to provide further information about our committees and activities, with a display of the many publications the association offers to help those entering practice for the first time.

**A WAY WITH WORDS**

An opportunity for young lawyers to showcase their rhetorical skills is one of the highlights of Law Week. For the 2007 Golden Gavel competition, over 500 lawyers filled the Hilton Ballroom to hear 12 of their colleagues argue a case before adjudicator Justice Michael Kirby of the High Court (right). Anthony Tesvic (left) winningly spoke on “I’ll sleep when I’m dead – how to get ahead and succeed in the law”; runner-up Kristin van Zwieten (centre) explained “Why you should never spin the bottle with a lawyer”.

**A FUNd OF INFORMATION FOR THE PROFESSION AND THE COMMUNITY**

Over 160 speakers at continuing legal education events in 2006/2007 contributed to the wall of seminar papers and DVDs that complement NSW Young Lawyers’ extensive professional development program administered by staff members (l to r) Christina Piazza, Poppy Drekis (Manager), and Amy O’Rourke. Through its 12 committees, NSW Young Lawyers also conducts an active publishing program aimed at helping the community with basic guides to the law in plain English, and helping young lawyers with the latest information on core areas of practice.

In the period under review, Young Lawyers completed distribution of the fourth edition of its Older People and the Law handbook, and two updated practitioner guides were released, A Practitioner’s Guide to Civil Litigation and A Practitioner’s Guide to Corporate Law.
The objective of the Law Society's governance framework is an efficient Council that is forward thinking and outcome driven in leading the profession, representing its members and addressing the public interest. This framework:
- defines the Society's mission and the Council's role;
- defines Councillor and office-bearer roles, responsibilities and accountabilities; and
- provides procedural guidelines in relation to Council committees, reporting obligations of representatives on outside bodies and control of the Council's agenda.

THE COUNCIL
The Council carries out its responsibilities in accordance with the following mandate included in the Society's Memorandum and Articles of Association:
- the Council shall consist of 21 elected or appointed Councillors together with ex officio members (any serving senior office bearer whose elected term has expired);
- the Chair of the Council shall be the President of the Law Society;
- the Council may meet as it thinks fit (Council meets monthly, with special meetings convened as required).

Councillors in office at the date of this Annual Report and his or her attendance at monthly meetings in the 2006–2007 financial year are as follows:
- G. Dunlevy (President) (13 of 13);
- H. Macken (Senior Vice President) (13 of 13);
- S. Jarrett (Junior Vice President) (13 of 13);
- J. Catanzariti (Treasurer) (11 of 13);
- J. McPhie (Immediate Past President) (12 of 13);
- T. Abbott (12 of 13);
- S. Alden (5 of 5);
- M. Bateman (9 of 9);
- R. Bryden (12 of 13);
- G. Daley (13 of 13);
- A. de Govrik (11 of 13);
- J. Dobson (13 of 13);
- S. Dowd (7 of 8);
- J. Eades (11 of 13);
- M. Laffan (7 of 8);
- M. Macken (9 of 9);
- S. Roulstone (8 of 9);
- M. Snell (12 of 13);
- P. Sutor (13 of 13);
- S. Westgarth (1 of 1);
- D. Wilcox (7 of 9); and
- C. Xuereb (13 of 13).

Councillors who retired or resigned during the 2006–2007 year and meetings attended are:
- K. Cull (5 of 5);
- N. Laird (4 of 4);
- S. Maclaren (3 of 3);
- J. McIntyre (5 of 5);
- T. Stern (3 of 4);
- G. Stubbs (8 of 11); and
- P. Wright (5 of 5).

The primary responsibilities of the Council are to:
- set vision, objectives, policies and strategic directions;
- communicate and liaise with members and other stakeholders;
- ensure compliance with statutory requirements;
- assess and manage risk; and
- monitor organisational performance.

FINANCE COMMITTEE
The Council's Finance Committee is convened annually and comprises the Treasurer (Chair), at least three other Councillors selected by the President and senior officers of the Society. Current members of this Committee are: Councillors J. Catanzariti (Chair), R. Bryden, M. Snell, P. Sutor and C. Xuereb; C. Cawley (Secretary); M. Tidball (Chief Executive Officer); A. Shearer (Chief Financial Officer).

The primary responsibilities of the Finance Committee are to:
- advise on the Council's budget and business plan;
- develop investment policies and guidelines;
- consider allocations for staff salary increases; and
- approve capital expenditure up to $100,000.

AUDIT COMMITTEE
The Council's Audit Committee is convened annually. Its membership comprises the Treasurer and no less than two and no more than four other Councillors selected by the President. Current members are Councillors A. de Govrik (Chair), R. Bryden, J. Catanzariti, P. Sutor and C. Xuereb. Meetings are held quarterly but more frequently if considered necessary. A special meeting is always convened, generally in late August, to discuss the annual financial statements.

The Audit Committee reviews the activities of the Law Society Group of companies in key financial areas and ensures that appropriate internal control systems, audit processes and risk management strategies are in place. It also consults routinely with the Law Society's external auditors.
auditors, the Chief Executive Officer and the Chief Financial Officer. The Audit Committee process promotes accountability and provides Council with additional assurance regarding the quality and reliability of information used by the Council.

**RISK MANAGEMENT**

The Council is responsible for corporate governance within the Law Society Group of companies. The Council monitors the operational and financial aspects of the Group's activities and, through the Audit Committee, considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Group.

The Council ensures that the recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the companies in the Group have internal controls to manage the key risks identified.

Both directly and through its Audit Committee, the Council investigates ways of enhancing existing risk management strategies.

**CODE OF CONDUCT**

As elected representatives of the solicitors of New South Wales, members of the Council acknowledge their responsibility:

- to put the interests of the Society's members ahead of personal or sectional interests;
- to act with integrity;
- to respect the confidentiality of Council business;
- to adhere diligently to the Society's mission and the Council's role;
- to avoid conflicts of interest as prescribed in the Manual for Councillors;
- to respect the values inherent in the Council's statement of ethics for solicitors; and
- to meet statutory requirements.

**CONFIDENTIAL PROFESSIONAL SERVICES**

WITH CONCERN FOR ALL MEMBERS OF THE LEGAL PROFESSION IN NEW SOUTH WALES, THE LAW SOCIETY OFFERS MEMBERS AND NON-MEMBERS ALIKE ACCESS TO CONFIDENTIAL SERVICES THEY CAN CONSULT FOR HELP WITH PRACTICE ISSUES, OR TO TURN TO IN TIMES OF PERSONAL OR PROFESSIONAL DIFFICULTY.

**SUPPORT ON REGULATORY COMPLIANCE**

The Law Society's Regulatory Compliance Support unit provides assistance to practitioners dealing with issues of a regulatory nature, especially with regard to the establishment and management of incorporated legal practices, practising certificates, advertising, interstate practice, risk management, closure of practices and practice platforms generally.

Educating the profession towards compliance with its professional obligations is a major strategy of the unit. Over the period under review, this has involved speaking at continuing legal education sessions conducted by law firms and regional law societies, as well as the publication of material in the Law Society Journal. During the period, the unit fielded some 950 enquiries from practitioners, over 80 per cent of which concerned incorporated legal practice, practising certificates and practice management issues.

**DISCUSS YOUR PROBLEMS**

The Lawyers Assistance Program helps practitioners in difficulty with a confidential service that aims to prevent practitioners’ problems being exacerbated, and to reduce the risk of impact on themselves, their families, partners and clients. Contact the coordinator on 1800 777 662 or visit www.lap.com.au for details.

LAWCARE

Solicitors and their immediate family have access to a professional counsellor for strictly confidential advice on personal issues that may interfere with work or family life. To speak to a professional counsellor call 0416 200 788.

HELP WITH COMPLAINTS

If you are the subject of a complaint to the Legal Services Commissioner or the Law Society and need someone you can discuss the complaint with, and who is able to assist in the preparation of a written response, contact one of the panel members of the Law Society's Senior Solicitors' Scheme. A full list of panel members is available at: www.lawsociety.com.au/537.

ADVICE ON ETHICS

The Law Society's ethics advisory service provides solicitors with practical and confidential advice to resolve ethical dilemmas and to help avoid complaints from clients or colleagues. Typical issues involve conflict of interest, duties to colleagues, termination of retainer, confidentiality, communications and undertakings. To access this service, call 9926 0390 or email ethics@lawsocnsw.asn.au.

ADVICE ON LEGAL COSTS

The Law Society's Legal Costs Unit offers advice on all issues relating to costs, including on disclosure, costs agreements, assessment, and resolution of costs disputes: phone 9926 0382.
I am pleased to report that The Law Society of New South Wales has again delivered a solid performance for the year ended 30 June 2007. The consolidated group recorded a surplus after tax of $16.4 million, which included a 3.8% increase in overall revenues on the prior year. This continued strong growth contributed to a 19.9% increase in the net assets of the group to $99.5 million.

One of the key drivers in our performance has been strong growth in investment returns. The Law Society’s investment strategy has allowed it to capitalise on the favourable fixed interest and equity markets experienced in recent years.

A breakdown by entity of the consolidated surplus after tax is show below:

<table>
<thead>
<tr>
<th>Entity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Law Society of New South Wales</td>
<td>2,152,626</td>
<td>1,927,476</td>
</tr>
<tr>
<td>LawCover Pty Limited</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LawCover Plus Pty Limited</td>
<td>144,554</td>
<td>516,509</td>
</tr>
<tr>
<td>LawCover Insurance Pty Limited</td>
<td>11,368,871</td>
<td>9,081,965</td>
</tr>
<tr>
<td>Solicitors’ Mutual Indemnity Fund</td>
<td>1,659,310</td>
<td>4,824,798</td>
</tr>
<tr>
<td>College of Law Pty Limited</td>
<td>1,437,858</td>
<td>1,958,713</td>
</tr>
<tr>
<td>Surplus after tax</td>
<td>16,763,219</td>
<td>18,309,461</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(348,200)</td>
<td>(399,600)</td>
</tr>
<tr>
<td>Consolidated surplus after tax</td>
<td>16,415,019</td>
<td>17,909,861</td>
</tr>
</tbody>
</table>

The Law Society achieved a surplus of $2.2 million, which represented an 11.7% increase on the prior year. Revenues increased by 4.7% to $19.6 million. A rise in practising certificate numbers, with membership take-up levels remaining in line with those of the prior year, has contributed to this increase. The result has also been supplemented by further growth of the Law Society’s Member Privileges program, which continues to offer additional benefits to the Society’s members.

The financial strength of the Law Society continues to grow, with net assets increasing 4.6% to $48.6 million. This asset base, accompanied by ongoing sound fiscal management, will enable the Society to both continue, and improve its support and representation of the profession.

The Law Society’s subsidiary companies continued to perform well throughout the year.

LawCover Insurance finished the year with a surplus after tax of $11.4 million, a 25.2% increase on last year’s result. The company has generated strong investment returns, and this has been a major factor in the positive result.

Net assets of LawCover Insurance have increased 57.0% to $31.3 million. In addition to this, the company has also retained its strong capital position, with a multiplier 1.84 times APRAs minimum capital requirement.

LawCover Plus experienced a decrease of $0.4 million in surplus after tax for the year. Net assets also fell $0.2 million, a decrease of 8.6%.

College of Law recorded yet another positive result, as its expansion continued with the launch of College of Law Western Australia in March 2007. Overall, a record number of Practical Legal Training program enrolments contributed to an 8.1% increase in revenue to $17.7 million. A surplus of $1.4 million, in addition to several other gains booked directly to equity, saw the College and its subsidiaries combine to recognise a 6.6% increase in group net assets, to $24.5 million.

Management and staff of both the Law Society and its subsidiary companies are thanked for their contribution in once again making this a very successful year. I would also like to record my personal thanks to Michael Tidball, the Chief Executive Officer, and Andy Shearer, the Chief Financial Officer, for giving me every assistance in my role as Treasurer this year.
The concise financial report is an extract from the full financial report of The Law Society of New South Wales. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report of The Law Society of New South Wales, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

Further financial information can be obtained from The Law Society of New South Wales’ full financial report, a copy of which, including the independent audit report, is available to all members, and will be sent to members without charge on request.
COUNCILLORS’ REPORT

The Council of The Law Society of New South Wales ("the Company") submits herewith the annual financial report for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the Councillors report as follows:

The members of the Council in office during or since the end of the financial year were:

Timothy James Abbott
Scott Dominic Alden
Margaret Anne Bateman
Robert Stanley Bryden
Joseph John Catanzariti
Kim Cull
Geraldine Anne Daley
Anthony Charles de Govrik
John Clarence Dobson
Justin Joseph Dowd
Geoffrey James Dunlevy
John Francis Eades
Shauna Mary Jarrett
Richard Matthew Laffan
Nathan Paul Laird
Hugh Ignatius Macken
Mary Josephine Esther Macken
Susannah Elizabeth Maclaren
John Eric McIntyre
June McPhie
Scott John Roulstone
Mary Catherine Snell
Terence Leland Stern
Glenda Margaret Stubbs
Pamela Gaibrielle Suttor
Stuart David Westgarth
Deborah Lee Willcox
Pauline Jennifer Wright
Charles Richard Xuereb

All members of the Council are practising solicitors of the Supreme Court of New South Wales.

During the year, the following Councillors were elected, re-elected or appointed to Council: Mr T J Abbott (re-elected 26.10.06); Mr S D Alden (appointed 1.02.07); Ms M A Bateman (elected 26.10.06); Mr J C Dobson (re-elected 26.10.06); Mr J J Dowd (appointed 4.12.06); Mr R M Laffan (appointed 4.12.06); Mr H I Macken (re-elected 26.10.06); Ms M J E Macken (appointed 26.10.06); Ms S E Maclaren (appointed 26.10.06); Mr S J Roulstone (elected 26.10.06); Ms G M Stubbs (appointed 15.06.06); Mr S D Westgarth (appointed 21.06.07); Ms D L Willcox (elected 26.10.06); and Ms P J Wright (re-elected 26.10.06).

During the year, the following Councillors retired or resigned from Council: Ms K Cull (resigned 23.11.06); Mr N P Laird (retired 26.10.06); Ms M J E Macken (retired 01.07.06); Ms S E Maclaren (resigned 23.01.07); Mr J E McIntyre (resigned 23.11.06); Mr T L Stern (retired 26.10.06); Ms G M Stubbs (resigned 17.05.07); and Ms P J Wright (resigned 23.11.06).

The company secretaries of The Law Society of New South Wales are Mr C Cawley and Mr A Brown. Please refer to the corporate governance statement for the qualifications and experience of Councillors.

Principal activities

The principal activities of the consolidated entity in the course of the year consisted of the conduct and administration of The Law Society of New South Wales, Legal Practitioners Fidelity Fund, and the operation of LawCover Pty Ltd, LawCover Plus Pty Ltd, LawCover Insurance Pty Ltd, Solicitors’ Mutual Indemnity Fund, and College of Law Pty Ltd. During the course of the year there was no significant change in the nature of those activities.

Review of operations

The surplus of the company for the year was $2,152,626 (2006: $1,927,476). The surplus of funds for subsidiaries are as set out in their respective financial statements. The result of group operations for the year was a surplus of $16,415,019 (2006: surplus of $17,909,861). The company’s constitution prohibits the distribution of dividends to its members.

Change in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.
Subsequent events
There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments
Likely developments in the activities of the consolidated entity are noted elsewhere in the Annual Report. The consolidated entity continues to work towards the achievement of its objectives and maintaining a surplus in the coming financial periods.

Indemnification of officers and auditors
During the financial year, the company arranged Errors and Omissions insurance cover which indemnifies current and former Councillors, directors, officers and employees of the company for:
- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcomes; and
- other liabilities that may arise from their negligent acts, errors, omissions or defamatory statements occurring in the course of conducting the company's business, with the exception of conduct involving a dishonest, fraudulent, criminal or malicious act or omission.

The contract of insurance prohibits disclosure of the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify a Councillor, director, officer or auditor of the company against a liability incurred as such a Councillor, director, officer or auditor.

Council meetings
A table setting out the number of Council meetings held during the financial year and the number of meetings attended by each Councillor is included in the corporate governance statement.

Auditor’s independence declaration
The auditor’s independence declaration is included on page 31 of the financial report.

Signed in accordance with a resolution of the Council made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Council

G Dunlevy
Councillor

H Macken
Councillor
Sydney, 3 September 2007
Dear Councillors,

The Law Society of New South Wales

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Councillors of The Law Society of New South Wales.

As lead audit partner for the audit of the financial statements of The Law Society of New South Wales for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

DeLoitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE LAW SOCIETY OF NEW SOUTH WALES

Scope
The concise financial report and councillors’ responsibility

The concise financial report of The Law Society of New South Wales comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, and accompanying notes for the consolidated entity for the year ended 30 June 2007 as set out on pages 34 to 45. The consolidated entity comprises both The Law Society of New South Wales (the company) and the entities it controlled at the year’s end or from time to time during the financial year.

The Council is responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 “Concise Financial Reports”. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach
We have conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2007. Our audit report on the full financial report was signed on 3 September 2007, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 “Concise Financial Reports”.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion
In our opinion, the concise financial report of The Law Society of New South Wales for the year ended 30 June 2007 complies with Accounting Standard AASB 1039 “Concise Financial Reports”.

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 3 September 2007

Liability limited by a scheme approved under Professional Standards Legislation.
COUNCILLORS’ DECLARATION

The Councillors declare that:

(a) in the Councillors’ opinion, the attached financial statements and notes thereto comply with Accounting Standard AASB 1039 ‘Concise Financial Reports’; and

(b) the attached financial statements and notes thereto have been derived from the full financial report of the company.

Signed in accordance with a resolution of Council.

On behalf of the Council

G Dunlevy
Councillor

H Macken
Councillor

Sydney, 3 September 2007
### INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

<table>
<thead>
<tr>
<th>Note</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenue</td>
<td>5</td>
<td>153,645,833</td>
</tr>
<tr>
<td>Consumables used</td>
<td></td>
<td>(1,546,985)</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td></td>
<td>(21,798,571)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td></td>
<td>(4,046,704)</td>
</tr>
<tr>
<td>Catering and functions expense</td>
<td></td>
<td>(840,228)</td>
</tr>
<tr>
<td>Computer and software expense</td>
<td></td>
<td>(514,670)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td></td>
<td>(1,689,225)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(1,072)</td>
</tr>
<tr>
<td>Law Council capitation fees</td>
<td></td>
<td>(1,519,211)</td>
</tr>
<tr>
<td>Library and subscriptions expense</td>
<td></td>
<td>(672,117)</td>
</tr>
<tr>
<td>Marketing and public relations expense</td>
<td></td>
<td>(1,692,180)</td>
</tr>
<tr>
<td>Professional fees expense</td>
<td></td>
<td>(4,113,841)</td>
</tr>
<tr>
<td>Property expense</td>
<td></td>
<td>(2,442,098)</td>
</tr>
<tr>
<td>Travel expense</td>
<td></td>
<td>(1,006,896)</td>
</tr>
<tr>
<td>Outwards reinsurance premium expense</td>
<td></td>
<td>(33,087,500)</td>
</tr>
<tr>
<td>Claims expense</td>
<td></td>
<td>(56,495,433)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(745,419)</td>
</tr>
<tr>
<td>Surplus before income tax</td>
<td></td>
<td>21,433,683</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>6</td>
<td>(5,018,664)</td>
</tr>
<tr>
<td><strong>Surplus for the year</strong></td>
<td></td>
<td><strong>16,415,019</strong></td>
</tr>
</tbody>
</table>

Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Members of The Law Society of New South Wales</td>
<td>16,426,169</td>
<td>17,924,966</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(11,150)</td>
<td>(15,105)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,415,019</strong></td>
<td><strong>17,909,861</strong></td>
</tr>
</tbody>
</table>

The above income statement should be read in conjunction with the accompanying notes.
## BALANCE SHEET
### AS AT 30 JUNE 2007

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,020,434</td>
<td>13,811,025</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>30,196,192</td>
<td>31,909,282</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>129,503,604</td>
<td>140,481,588</td>
</tr>
<tr>
<td>Inventories</td>
<td>53,058</td>
<td>108,305</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>415,557</td>
<td>286,163</td>
</tr>
<tr>
<td>Other</td>
<td>1,032,341</td>
<td>809,478</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>171,221,186</td>
<td>187,405,841</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>51,318,964</td>
<td>36,938,408</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>89,628,777</td>
<td>48,041,308</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>33,962,990</td>
<td>33,872,175</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>6</td>
<td>1,212,241</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>540,545</td>
<td>434,826</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>176,663,517</td>
<td>120,150,497</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>347,884,703</td>
<td>307,556,338</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>15,923,767</td>
<td>17,317,918</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>4,971,992</td>
<td>5,376,643</td>
</tr>
<tr>
<td>Provisions</td>
<td>45,172,723</td>
<td>38,446,435</td>
</tr>
<tr>
<td>Other</td>
<td>85,587,745</td>
<td>83,971,429</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>151,656,227</td>
<td>145,112,425</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>94,579,498</td>
<td>76,722,872</td>
</tr>
<tr>
<td>Other</td>
<td>2,130,629</td>
<td>2,697,304</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>96,710,127</td>
<td>79,420,176</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>248,366,354</td>
<td>224,532,601</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>99,518,349</td>
<td>83,023,737</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>7</td>
<td>37,090,527</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>8</td>
<td>62,413,700</td>
</tr>
<tr>
<td><strong>Total members’ funds</strong></td>
<td>99,504,227</td>
<td>83,008,579</td>
</tr>
<tr>
<td>Minority interest</td>
<td>14,122</td>
<td>15,158</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>99,518,349</td>
<td>83,023,737</td>
</tr>
</tbody>
</table>

The above balance sheet should be read in conjunction with the accompanying notes.
### STATEMENT OF RECOGNISED INCOME AND EXPENSE

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gain/(loss) on revaluation of property, plant and equipment</strong></td>
<td>19,600</td>
<td>–</td>
</tr>
<tr>
<td><strong>Gain/(loss) on sale of interest in subsidiary</strong></td>
<td>9,886</td>
<td>(10,263)</td>
</tr>
<tr>
<td><strong>Exchange differences arising on translation of foreign operations</strong></td>
<td>39,993</td>
<td>(21,892)</td>
</tr>
<tr>
<td><strong>Net income/(expense) recognised directly in equity</strong></td>
<td>69,479</td>
<td>(32,155)</td>
</tr>
<tr>
<td><strong>Surplus for the period</strong></td>
<td>16,415,019</td>
<td>17,909,861</td>
</tr>
<tr>
<td><strong>Total recognised income and expense for the period</strong></td>
<td>16,484,498</td>
<td>17,877,706</td>
</tr>
</tbody>
</table>

**Attributable to:**

- **Members of The Law Society of New South Wales** | 16,495,648 | 17,892,811 |
- **Minority interest** | (11,150) | (15,105) |

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.
## CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>57,871,733</td>
<td>62,298,402</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(61,799,182)</td>
<td>(64,237,863)</td>
</tr>
<tr>
<td>Interest and other costs of finance paid</td>
<td>1,787,932</td>
<td>1,255,077</td>
</tr>
<tr>
<td>Premiums received</td>
<td>77,108,593</td>
<td>82,966,381</td>
</tr>
<tr>
<td>Reinsurance and other recoveries received</td>
<td>12,481,459</td>
<td>11,300,379</td>
</tr>
<tr>
<td>Outwards reinsurance premiums paid</td>
<td>(33,072,538)</td>
<td>(32,918,962)</td>
</tr>
<tr>
<td>Claims paid</td>
<td>(29,705,952)</td>
<td>(29,032,227)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(5,901,171)</td>
<td>(2,106,671)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>18,770,874</td>
<td>29,524,516</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for investment securities</td>
<td>(80,492,189)</td>
<td>(77,700,000)</td>
</tr>
<tr>
<td>Proceeds on sale of investment securities</td>
<td>60,022,990</td>
<td>43,201,903</td>
</tr>
<tr>
<td>Interest received</td>
<td>849,956</td>
<td>112,494</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(1,667,498)</td>
<td>(731,512)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>–</td>
<td>69,119</td>
</tr>
<tr>
<td>Payments for intangible assets</td>
<td>(242,314)</td>
<td>(51,501)</td>
</tr>
<tr>
<td>Payment for investment in subsidiary</td>
<td>– (2)</td>
<td></td>
</tr>
<tr>
<td>Proceeds on sale of investment in subsidiary</td>
<td>133,500</td>
<td>14,363</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(21,395,555)</td>
<td>(35,085,136)</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(2,624,681)</td>
<td>(5,560,620)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the beginning of the financial year</strong></td>
<td>24,720,892</td>
<td>30,281,512</td>
</tr>
<tr>
<td>Effects of exchange rate changes on the balance of cash held in foreign currencies</td>
<td>23,976</td>
<td>–</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the financial year</strong></td>
<td>22,120,187</td>
<td>24,720,892</td>
</tr>
</tbody>
</table>

The above cash flow statement should be read in conjunction with the accompanying notes.
FINANCIAL COMMENTARY
FOR THE YEAR ENDED 30 JUNE 2007

Income statement
The consolidated entity achieved a surplus of $16.4m for the year (2006: $17.9m). Revenue increased by 3.8% to $153.6m, while expenses increased 5.4% to $137.2m.

The major movements in revenue were underpinned by:
- An increase in practising certificate numbers of 3.2%, which, when accompanied by a voluntary membership take-up remaining in line with 2006 levels, combined to increase membership and practising certificate revenues.
- A record number of enrolments in the practical legal training program, in addition to continued positive results stemming from post-admission legal education revenues.
- Strong growth in investment revenues, driven by buoyant investment markets and the ongoing implementation of a successful investment strategy.

The increase in overall expenditure was the result of several factors, including:
- An increase in professional fees and marketing and publication expenses, which was largely driven by the cost of campaigns undertaken by the Law Society on behalf of its members.
- An increase in claims expense over that of prior periods, however this is largely offset by a corresponding increase in reinsurance recoveries revenue for the year.
- An increase in capitation fees paid to the Law Council of Australia.

Balance sheet
The consolidated entity’s balance sheet has continued to improve, with net assets increasing 19.9% on 2006 figures. Total assets increased 13.1%, this being primarily the result of both positive investment returns and the recognition of increased reinsurance recoveries.

Total liabilities have increased 10.6%, mainly due to an increase in the outstanding claims liability to $135.6m.

The consolidated entity’s insurance operations maintained a strong capital position, with a capital adequacy multiplier of 1.84 times APRA’s minimum capital requirement at 30 June 2007.

Statement of recognised income and expense
In addition to the surplus achieved, the consolidated entity recognised several gains directly in equity during the year. These included the revaluation of several pieces of artwork, a gain relating to the further sale of equity to a minority interest, as well as an exchange difference benefit realised on the translation of foreign operations.

Cash flow statement
While cash and cash equivalents decreased by 10.5% compared to 2006, the consolidated entity maintained its strong cash position throughout the year. Net cash provided by operating activities decreased by 36.4%. This reduction in operating cash flows was largely driven by both a decrease in the amount of premiums received and an increase in overall income taxes paid.

Net cash used in investing activities decreased 39.0%. The Council continues to closely monitor the investment strategies that both the Law Society and its subsidiaries undertake to ensure that appropriate returns are adequately balanced against any risks assumed.
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. GENERAL INFORMATION
The Law Society of New South Wales is a company limited by guarantee, incorporated and operating in Australia.

Registered office and principal place of business
Level 1
170 Phillip Street
SYDNEY NSW 2000
Tel: (02) 9926 0333

2. BASIS OF PREPARATION
The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 ‘Concise Financial Reports’. The concise financial report, including the financial statements and specific disclosures included in the concise financial report, has been derived from the full financial report of The Law Society of New South Wales.

All amounts are presented in Australian dollars.

A full description of the accounting policies adopted by the consolidated entity is provided in the notes to the financial statements which form part of the full financial report.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS
In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 7 ‘Financial Instruments: Disclosures’ and consequential amendments to other accounting standards resulting from its issue
  - Effective for annual reporting periods beginning on or after 1 January 2007

- AASB 101 ‘Presentation of Financial Statements’ – revised standard
  - Effective for annual reporting periods beginning on or after 1 January 2007

- Interpretation 10 ‘Interim Financial Reporting and Impairment’
  - Effective for annual reporting periods beginning on or after 1 November 2006

The Councillors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the consolidated entity. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company’s or the consolidated entity’s previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company’s and the consolidated entity’s financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company’s annual reporting period beginning on 1 July 2007.
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

4. BUSINESS SEGMENTS

The consolidated entity’s primary segment reporting format is business segments as the risks and rates of return are affected predominantly by differences in the products and services performed.

The consolidated entity comprises the following main business segments:

(i) **Members support services and statutory responsibilities.** The Law Society of New South Wales performs functions and provides services and benefits directed at supporting the interests of members. In addition to this, the company is empowered by legislation to administer certain functions pursuant to the Legal Profession Act 2004 within New South Wales.

(ii) **Insurance activities.** LawCover Pty Ltd, LawCover Insurance Pty Ltd and LawCover Plus Pty Ltd provide professional indemnity insurance for the legal profession in New South Wales.

(iii) **Legal training.** College of Law Pty Ltd and its subsidiaries provide education and ongoing continuous learning to law graduates and legal practitioners predominantly in Australia and New Zealand.

<table>
<thead>
<tr>
<th>Segment revenues</th>
<th>External sales</th>
<th>Inter-segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td></td>
</tr>
<tr>
<td>Members support services and statutory responsibilities</td>
<td>19,032</td>
<td>18,181</td>
<td>568</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>116,922</td>
<td>113,501</td>
<td>6,841</td>
</tr>
<tr>
<td>Legal training</td>
<td>17,692</td>
<td>16,367</td>
<td>–</td>
</tr>
<tr>
<td>Total of all segments</td>
<td>161,055</td>
<td>154,436</td>
<td></td>
</tr>
<tr>
<td>Eliminations</td>
<td>(7,409)</td>
<td>(6,387)</td>
<td></td>
</tr>
<tr>
<td>Consolidated revenue</td>
<td>153,646</td>
<td>148,049</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment results</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members support services and statutory responsibilities</td>
<td>2,153</td>
<td>1,927</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>18,107</td>
<td>18,538</td>
</tr>
<tr>
<td>Legal training</td>
<td>1,522</td>
<td>1,948</td>
</tr>
<tr>
<td>Total of all segments</td>
<td>21,782</td>
<td>22,413</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(348)</td>
<td>(400)</td>
</tr>
<tr>
<td>Surplus before tax</td>
<td>21,434</td>
<td>22,013</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(5,019)</td>
<td>(4,103)</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>16,415</td>
<td>17,910</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment assets and liabilities</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td>Members support services and statutory responsibilities</td>
<td>61,846</td>
<td>59,275</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>263,797</td>
<td>228,275</td>
</tr>
<tr>
<td>Legal training</td>
<td>32,908</td>
<td>31,059</td>
</tr>
<tr>
<td>Total of all segments</td>
<td>358,551</td>
<td>318,609</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(10,666)</td>
<td>(11,053)</td>
</tr>
<tr>
<td>Consolidated</td>
<td>347,885</td>
<td>307,556</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

5. REVENUE

An analysis of the consolidated entity’s revenue for the year is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership and practising certificate fees</td>
<td>$9,326,119</td>
<td>$9,127,258</td>
</tr>
<tr>
<td>Investment and interest revenue</td>
<td>$10,239,406</td>
<td>$8,205,278</td>
</tr>
<tr>
<td>Property rental revenue</td>
<td>$864,027</td>
<td>$853,885</td>
</tr>
<tr>
<td>Member support services</td>
<td>$3,689,778</td>
<td>$3,304,693</td>
</tr>
<tr>
<td>Product sale revenue</td>
<td>$1,214,186</td>
<td>$1,447,852</td>
</tr>
<tr>
<td>Direct premium revenue</td>
<td>$76,230,674</td>
<td>$75,507,901</td>
</tr>
<tr>
<td>Reinsurance and other recoveries</td>
<td>$32,282,353</td>
<td>$28,891,866</td>
</tr>
<tr>
<td>Legal training revenue</td>
<td>$15,974,283</td>
<td>$15,088,451</td>
</tr>
<tr>
<td>Other revenue</td>
<td>$3,825,007</td>
<td>$5,622,161</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$153,645,833</strong></td>
<td><strong>$148,049,345</strong></td>
</tr>
</tbody>
</table>

6. INCOME TAXES

Tax expense comprises:

- Current tax expense $4,932,552 $4,168,651
- Deferred tax expense relating to the origination and reversal of temporary differences $7,427 $6,802
- Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:
  - current tax expense $94,060 $(55,535)
  - deferred tax expense $(15,375) $(17,288)
- Total tax expense $5,018,664 $4,102,630

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

- Surplus from continuing operations $21,433,683 $22,012,491
- Less surplus from tax-free operations $(4,968,236) $(8,100,600)
- Surplus from taxed operations $16,465,447 $13,911,891

Income tax expense calculated at 30% $4,939,634 $4,173,567

Effect of expenses that are not deductible in determining taxable profit $75,630 $40

Effect of unused tax losses and tax offsets not recognised as deferred tax assets $2,270 $1,020

Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets $– $(72,823)

Effect of different tax rates of subsidiaries operating in other jurisdictions $(206) 826

Adjustments recognised in the current year in relation to the current tax of prior years $1,336 $–

Total tax expense $5,018,664 $4,102,630
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

6. INCOME TAXES (cont’d)

Current tax liabilities
The current tax liability for the consolidated entity of $4,971,992 (2006: $5,376,643) represents the amount of income taxes payable in respect of current and prior financial periods.

Deferred tax balances
Deferred tax assets arise from the following:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td><strong>Temporary differences</strong></td>
<td></td>
</tr>
<tr>
<td>Insurance provisions</td>
<td>1,142,820</td>
</tr>
<tr>
<td>Other</td>
<td>13,765</td>
</tr>
<tr>
<td><strong>Unused tax losses</strong></td>
<td></td>
</tr>
<tr>
<td>Tax losses</td>
<td>55,656</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,212,241</td>
</tr>
</tbody>
</table>

All of the entities within the consolidated group, other than LawCover Plus Pty Ltd, LawCover Insurance Pty Ltd, College of Law New Zealand Ltd, College of Law Queensland Pty Ltd, College of Law Victoria Pty Ltd and College of Law Western Australia Pty Ltd are exempt from tax.

7. RESERVES

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset revaluation reserve</td>
<td>29,552,987</td>
</tr>
<tr>
<td>Special projects reserve</td>
<td>7,023,405</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>14,135</td>
</tr>
<tr>
<td>Staff development reserve</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37,090,527</td>
</tr>
</tbody>
</table>

8. RETAINED EARNINGS

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of financial year</td>
<td>39,977,645</td>
</tr>
<tr>
<td>Sale to minority interest</td>
<td>9,886</td>
</tr>
<tr>
<td>Surplus attributable to members of the parent entity</td>
<td>16,426,169</td>
</tr>
<tr>
<td>Transfer from special projects reserve</td>
<td>6,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>62,413,700</td>
</tr>
</tbody>
</table>

HIH Claim Liabilities

HIH and related companies were placed in provisional liquidation on 15 March 2001 and placed in liquidation on 27 August 2001. LawCover Pty Ltd constructed a “Rescue Package” to cover all the liabilities which otherwise would have been met by HIH under the compulsory PII Scheme (HIH Claims). The package was based on the unallocated retained earnings in the Solicitors’ Mutual Indemnity Fund (“the Fund”). The LawCover Board, the Council of The Law Society of New South Wales, and the NSW Attorney General approved this package.

The Legal Profession Act 2004 enables LawCover Pty Ltd to pay HIH Claims from the Fund.

By agreement with the Liquidators of HIH, LawCover Pty Ltd will continue to have responsibilities for handling claims against solicitors. Solicitors with claims have been asked to assign their rights to LawCover Pty Ltd, which LawCover Pty Ltd will then enforce in any winding-up of HIH as an unsecured creditor.
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

8. RETAINED EARNINGS (cont’d)

The Fund has an accumulated deficit of $214,113 as at 30 June 2007 (2006: $1,873,423).

This deficit includes $15,857,432 (2006: $14,066,310), which has been brought to account as a recovery from the Liquidators of HIH.

The Fund’s actuary has estimated the outstanding HIH Claims liabilities to be net $9,457,000 (2006: $14,067,000). These liabilities have been recognised in the financial statements as at 30 June 2007.

However, uncertainty is inherent in the estimation of claim liabilities and the balance of the liabilities could either increase or decrease over time depending on actual experience. In particular there is potential for significant variations beyond the estimates incorporated in the financial statements as at 30 June 2007.

The Fund has the ability to meet this deficit by:

(i) Further recoveries from HIH

A further HIH recovery of $11,094,718 (2006: $9,584,488), 12 cents (2006: 10 cents) in the dollar has been recognised in the financial statements. The first distribution of 5 cents in the dollar ($4,762,714) has been received. Further HIH recoveries may become available as indicated by the HIH Liquidator in media reports.

(ii) Access to the HIH commissions previously paid to The Law Society of New South Wales

The Council of The Law Society of New South Wales resolved that the balance of premium commission received from HIH of $7,023,000 held in the Special Projects Reserve be so retained in case funds are needed to meet liabilities of the Fund arising from the collapse of HIH.

(iii) A legally enforceable levy on members of the legal profession

Section 417 of the Legal Profession Act 2004 allows LawCover Pty Ltd to levy insurable solicitors who were insured under an approved insurance policy issued or renewed by HIH. At the date of the Declaration by the Council, LawCover Pty Ltd had not made a decision to levy members.

9. SUBSIDIARIES

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Country of incorporation</th>
<th>Ownership interest 2007</th>
<th>Ownership interest 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent entity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Law Society of New South Wales</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th></th>
<th>Ownership interest 2007</th>
<th>Ownership interest 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>LawCover Pty Ltd (i)</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>LawCover Plus Pty Ltd (ii)</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>LawCover Insurance Pty Ltd (iii)</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Solicitors’ Mutual Indemnity Fund (iv)</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>College of Law Pty Ltd (v)</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsidiaries of College of Law Pty Ltd</th>
<th>Country of incorporation</th>
<th>Ownership interest 2007</th>
<th>Ownership interest 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>College of Law New Zealand Ltd (vi)</td>
<td>New Zealand</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>College of Law Queensland Pty Ltd (vii)</td>
<td>Australia</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>College of Law Victoria Pty Ltd (viii)</td>
<td>Australia</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>College of Law Western Australia Pty Ltd (ix)</td>
<td>Australia</td>
<td>100</td>
<td>–</td>
</tr>
</tbody>
</table>
9. SUBSIDIARIES (cont’d)

(i) LawCover Pty Ltd. Incorporated in New South Wales on 19 June 1987. Contributed equity of 2 ordinary shares fully paid. No contribution was made to group profit in the years ended 30 June 2007 and 30 June 2006.

(ii) LawCover Plus Pty Ltd. Incorporated in New South Wales on 1 June 1998. Contributed equity of 744,415 ordinary shares fully paid. The company was established to act as an agent for the sale of insurance products to the legal profession. The company generated a profit of $144,554 for the year ended 30 June 2007 and a profit of $516,509 in the year ended 30 June 2006.

(ii) LawCover Insurance Pty Ltd. Incorporated in New South Wales on 17 January 2001 and commenced operations in April 2004. Contributed equity of 6,000,000 ordinary shares fully paid. The company was established to underwrite compulsory professional indemnity insurance for solicitors. The company generated a profit of $11,368,871 for the year ended 30 June 2007 and a profit of $9,081,965 for the year ended 30 June 2006.

(iv) Solicitors’ Mutual Indemnity Fund. The Solicitors’ Mutual Indemnity Fund is set up under Division 3 of Part 3.3 of the Legal Profession Act 2004 to provide indemnity cover to solicitors. The Law Society of New South Wales has no investment in the Fund and all assets of the Fund can only be used for the purposes of Division 3 of Part 3.3 of the Legal Profession Act 2004.

(v) College of Law Pty Ltd. Incorporated in New South Wales on 5 September 1972. Contributed equity of 2 ordinary shares fully paid. The company was established for the purposes of legal education and the members of The Law Society of New South Wales have no exposure to either the gains or losses incurred by the company.

(vi) College of Law New Zealand Ltd. Incorporated in New Zealand on 3 March 2003. The company was established for the purposes of legal education and the members of The Law Society of New South Wales have no exposure to either the gains or losses incurred by the company.

(vii) College of Law Queensland Pty Ltd. Incorporated in New South Wales on 20 July 2004. The company was established for the purposes of legal education and the members of The Law Society of New South Wales have no exposure to either the gains or losses incurred by the company.

(vii) College of Law Victoria Pty Ltd. Incorporated in New South Wales on 6 July 2004. The company was established for the purposes of legal education and the members of The Law Society of New South Wales have no exposure to either the gains or losses incurred by the company.

(ix) College of Law Western Australia Pty Ltd. Incorporated in New South Wales on 23 January 2007. The company was established for the purposes of legal education and the members of The Law Society of New South Wales have no exposure to either the gains or losses incurred by the company.

10. MEMBERS GUARANTEE

The Law Society of New South Wales is a company limited by guarantee. In the event that The Law Society of New South Wales is wound up, the liability of members towards meeting any outstanding obligations of the consolidated entity is limited to $2 per member.

11. KEY MANAGEMENT PERSONNEL COMPENSATION

Councillors’ remuneration

Councillors are not provided with any remuneration in relation to the management of The Law Society of New South Wales, with the exception of the President of The Law Society of New South Wales. Each Presidency is for a calendar year whereas these accounts relate to the financial year ended 30 June 2007. The allowance provided to the Presidents during the financial period ended 30 June 2007 amounted to $238,999 (2006: $214,807).

Directors’ remuneration

Directors’ fees are paid to the Directors of LawCover Pty Ltd, LawCover Plus Pty Ltd, LawCover Insurance Pty Ltd and the College of Law Pty Ltd.
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

11. KEY MANAGEMENT PERSONNEL COMPENSATION (cont’d)

Key management personnel compensation

The aggregate compensation made to key management personnel of the consolidated entity is set out below:

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employment benefits</td>
<td>2,901,070</td>
<td>3,157,505</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>426,770</td>
<td>958,339</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,327,840</strong></td>
<td><strong>4,115,844</strong></td>
</tr>
</tbody>
</table>

12. RELATED PARTY TRANSACTIONS

Transactions with Councillors

During the financial year transactions were undertaken between The Law Society of New South Wales and firms of which Councillors are partners, consultants or employees. Such transactions were undertaken in the normal course of business and were made on normal commercial terms and conditions.

Transactions with other related parties

During the financial year the Public Purpose Fund paid The Law Society of New South Wales $60,000 (2006: $60,000) for management and administration services.

13. REMUNERATION OF AUDITORS

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Auditor of the parent company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit or review of the financial report</td>
<td>345,063</td>
<td>336,004</td>
</tr>
<tr>
<td>Taxation services</td>
<td>1,997</td>
<td>1,905</td>
</tr>
<tr>
<td>Attestation services</td>
<td>9,721</td>
<td>–</td>
</tr>
<tr>
<td>Other non-audit services</td>
<td>63,482</td>
<td>3,713</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>420,263</strong></td>
<td><strong>341,622</strong></td>
</tr>
</tbody>
</table>

The auditor of The Law Society of New South Wales is Deloitte Touche Tohamatsu.