The Law Society of New South Wales

ACN 000 000 699

Annual financial report for the year ended 30 June 2025

Councillors’ report

The Council present their report on the consolidated entity (hereafter referred to as the group) consisting of The Law Society of New South Wales (the company) and the entity it controlled at the end of, or during, the year ended 30 June 2025.

Councillors

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

Lauren Diana Absalom
Jennifer Ruth Ball
Cassandra Denise Banks
Angelo Bilias
Danielle Lee Captain-Webb
Vaughan James Roles
Jacqueline Mai Dawson
Sylvia Fernandez
Anthony Charles Gordon
Rebekah Victoria McEwin Hunter
Mary Josephine Esther Macken
Ronan MacSweeney
Brett Patrick McGrath
Moira Leonie Saville
Taylah Leigh Spirovski
Jade Elizabeth Tyrrell
Kymberlei Jill Goodacre
Ereboni Yazdani

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 V Roles (elected 24.10.24), Ms T Spirovski (appointed 24.10.24), Ms K Goodacre (elected 24.10.24).

During the year, the following Councillors retired or resigned from Council: Ms C Banks (retired 31.12.24), Ms M Macken (retired 24.10.24).

The company secretaries of The Law Society of New South Wales are Ms M Lewis and Mr D Carew.

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 which is in the published annual report.

Principal activities

The Law Society of New South Wales is the professional association for solicitors in New South Wales and fulfils both a regulatory and representative function on behalf of the profession. The Law Society of New South Wales is also the parent company of Lawcover Insurance, which provides professional indemnity insurance to legal firms. During the course of the year there was no significant change in the nature of these activities.

Dividends

The company’s constitution prohibits the distribution of dividends to its members.

Review of operations

The surplus of the company for the year was $10.7 million (2024: $9.1 million). The profit or loss of subsidiaries are as set out in their respective financial statements. The result of group operations for the year was a surplus of $20.6 million (2024: $21.7 million). Further information on the operations of the group can be found in the published annual report.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the group other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, event or transaction of a material or unusual nature likely, in the opinion of the Councillors, to affect significantly the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

Future developments

There are no likely developments in the operations of the group which would significantly affect the results of future operations.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the Councillors of the company (as named above) and all executive officers of the company against a liability incurred as such a Councillor or executive officer to the extent permitted by the *Corporations Act 2001*.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The company is of a kind referred to in *ASIC Corporations (Rounding in Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, related to the "rounding off" of amounts in the financial statements. Amounts in the Councillors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Council.

On behalf of the Council

J Ball
Councillor

R MacSweeney
Councillor

Sydney, 25 September 2025

Auditor's Independence Declaration

As lead auditor for the audit of The Law Society of New South Wales for the year ended 30 June 2025, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Law Society of New South Wales and the entity it controlled during the period.

SK Fergusson
Partner
PricewaterhouseCoopers

Sydney
25 September 2025

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: + 61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO BOX 1155, Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

		Consolidated		Company	
		2025	2024	2025	2024
	Note	$'000	$'000	$'000	$'000
Revenue	6	43,169	41,410	43,169	41,410
Investment revenue	7	8,608	6,950	8,608	6,950
Other income	8	17,088	14,467	17,088	14,467
Employee benefits expense	9	(33,259)	(31,619)	(33,259)	(31,619)
Depreciation and amortisation expense	9	(1,074)	(1,322)	(1,074)	(1,322)
Law Council capitation fees		(3,435)	(3,225)	(3,435)	(3,225)
Consulting and professional fees expense		(6,695)	(5,660)	(6,695)	(5,660)
Other expenses		(13,750)	(11,882)	(13,750)	(11,882)
Non insurance result		**10,652**	**9,119**	**10,652**	**9,119**
Insurance revenue	25	105,969	104,165	-	-
Insurance service expenses	25	(89,394)	(104,369)	-	-
Net (expenses) income from reinsurance contracts held	25	(20,237)	357	-	-
Insurance finance expenses	25	(9,112)	(1,867)	-	-
Reinsurance finance income (expenses)	25	1,372	(510)	-	-
Investment revenue	10	26,195	19,340		
Finance costs	17	(171)	(84)	-	-
Net insurance service and investment result		**14,622**	**17,032**	**-**	**-**
Profit before income tax		**25,274**	**26,151**	**10,652**	**9,119**
Income tax expense	11	(4,711)	(4,425)	-	-
Profit for the year		**20,563**	**21,726**	**10,652**	**9,119**
Other comprehensive income					
Items that will not be reclassifed to profit or loss					
Revaluation of land and buildings		(2,445)	(14,185)	(2,445)	(14,185)
Other comprehensive income for the year, net of tax		(2,445)	(14,185)	(2,445)	(14,185)
Total comprehensive income (loss) for the year		**18,118**	**7,541**	**8,207**	**(5,066)**
Profit is attributable to:					
Members of The Law Society of New South Wales		20,563	21,726	10,652	9,119
		20,563	**21,726**	**10,652**	**9,119**
Total comprehensive income (loss) for the year is attributable to:					
Members of The Law Society of New South Wales		18,118	7,541	8,207	(5,066)
		18,118	**7,541**	**8,207**	**(5,066)**

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

		Consolidated		Company	
		2025	**2024**	**2025**	**2024**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Current assets					
Cash and cash equivalents		22,969	28,899	10,771	13,234
Trade and other receivables	12	791	749	1,035	987
Investments	13	292,449	266,725	115,953	99,312
Reinsurance contract assets	25	19,539	18,331	-	-
Other assets	14	2,240	2,327	1,832	1,923
Total current assets		337,988	317,031	129,591	115,456
Non-current assets					
Reinsurance contract assets	25	17,768	28,122	-	-
Investments	15	279,174	254,230	34,600	34,600
Property, plant and equipment	16	62,109	64,650	61,587	64,055
Right-of-use assets	17	2,332	2,881	-	-
Deferred tax assets	18	2,373	1,729	-	-
Intangible assets	19	3,500	4,374	-	-
Total non-current assets		367,256	355,986	96,187	98,655
Total assets		705,244	673,017	225,778	214,111
Liabilities					
Current liabilities					
Trade and other payables	20	11,002	8,931	3,540	2,690
Insurance contract liabilities	25	198,613	182,729	-	-
Current tax liabilities		3,286	3,941	-	-
Lease liabilities	17	454	477	-	-
Provisions	21	4,593	4,309	3,768	3,333
Other liabilities	22	36,052	34,035	36,052	34,035
Total current liabilities		254,000	234,422	43,360	40,058
Non-current liabilities					
Insurance contract liabilities	25	125,219	130,464	-	-
Lease liabilities	17	1,982	2,436	-	-
Provisions	23	1,778	1,548	1,507	1,349
Total non-current liabilities		128,979	134,448	1,507	1,349
Total liabilities		382,979	368,870	44,867	41,407
Net assets		322,265	304,147	180,911	172,704
Equity					
Reserves	24	48,910	51,355	48,910	51,355
Retained earnings	24	273,355	252,792	132,001	121,349
Total equity		322,265	304,147	180,911	172,704

The above balance sheets should be read in conjunction with the accompanying notes.

Consolidated	**Note**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2023		65,540	231,066	296,606
Profit after income tax		-	21,726	21,726
Other comprehensive income		(14,185)	-	(14,185)
Total comprehensive income		(14,185)	21,726	7,541
Balance at 30 June 2024		51,355	252,792	304,147
Profit after income tax		-	20,563	20,563
Other comprehensive income	24	(2,445)	-	(2,445)
Total comprehensive income		(2,445)	20,563	18,118
Balance at 30 June 2025		48,910	273,355	322,265

Company		**Reserves $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2023		65,540	112,230	177,770
Profit after income tax		-	9,119	9,119
Other comprehensive income		(14,185)	-	(14,185)
Total comprehensive income		(14,185)	9,119	(5,066)
Balance at 30 June 2024		51,355	121,349	172,704
Profit after income tax		-	10,652	10,652
Other comprehensive income	24	(2,445)	-	(2,445)
Total comprehensive income		(2,445)	10,652	8,207
Balance at 30 June 2025		48,910	132,001	180,911

The above statements of changes in equity should be read in conjunction with the accompanying notes.

		Consolidated		Company	
		2025	**2024**	**2025**	**2024**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Cash flows from operating activities					
Receipts from customers		62,226	57,213	62,226	57,213
Payments to suppliers and employees		(76,559)	(73,945)	(55,605)	(52,512)
Interest paid		(171)	(84)	-	-
Premiums received		108,209	104,353	-	-
Outwards reinsurance premiums paid		(11,281)	(11,180)	-	-
Claims paid		(66,516)	(51,290)	-	-
Reinsurance and other recoveries received		1,562	408	-	-
Income taxes paid		(6,008)	(579)	-	-
Net cash inflow from operating activities	34	11,462	24,896	6,621	4,701
Cash flows from investing activities					
Payments for purchase of investments		(290,925)	(197,458)	(35,500)	(25,000)
Proceeds on sale of investments		272,741	164,561	25,000	10,000
Interest received		2,821	2,504	2,467	2,211
Payments for property, plant and equipment		(1,139)	(1,096)	(1,051)	(962)
Proceeds from sale of property, plant and equipment		4	-	-	-
Payments for intangible assets		(417)	(942)	-	-
Net cash outflow from investing activities		(16,915)	(32,431)	(9,084)	(13,751)
Cash flows from financing activities					
Payments of lease liabilities		(477)	(768)	-	-
Net cash outflow from financing activities		(477)	(768)	-	-
Net decrease in cash and cash equivalents		(5,930)	(8,303)	(2,463)	(9,050)
Cash and cash equivalents at the beginning of the year		28,899	37,202	13,234	22,284
Cash and cash equivalents at the end of the year		22,969	28,899	10,771	13,234

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Reporting entity

The Law Society of New South Wales is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

The Law Society of New South Wales
170 Phillip Street
Sydney NSW 2000

The company is a not-for-profit entity for the purpose of preparing the financial statements. These financial statements cover both the separate financial statements of The Law Society of New South Wales as an individual entity (the company) and the consolidated financial statements for the consolidated entity consisting of The Law Society of New South Wales and its subsidiaries (the group). The only subsidiary as at 30 June 2025 is Lawcover Insurance Pty Limited (Lawcover Insurance).

The financial statements are presented in the Australian currency. The financial statements were authorised for issue by the Councillors on 25 September 2025. The Councillors have the power to amend and reissue the financial statements.

2. Summary of material accounting policies

This note provides a list of all material accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195 and the *Corporations Act 2001*.

(i) Compliance with IFRS

The consolidated financial statements of the group and the financial statements of the company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared on the basis of historical cost, except for certain properties and investments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

(iii) New and amended standards adopted by the group

The group has applied the following standard for the first time in the annual reporting period beginning on 1 July 2024:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current [AASB 101]*

(iv) New standards and interpretations not yet adopted

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning on 1 July 2024, including:

- AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments [AASB 7 & AASB 9]*
- AASB 2024-3 *Amendments to Australian Accounting Standards – Annual Improvements Volume 11 [AASB 1, AASB 7, AASB 9, AASB 10 & AASB 107]*
- AASB 18 *Presentation and Disclosure in Financial Statements*

When these standards are adopted for the first time on the effective dates set out above, the group does not expect there will be any material impact on the transactions and balances recognised in the financial statements.

2. Summary of material accounting policies (continued)

(v) Changes to comparatives
Where necessary, comparatives have been restated to conform to changes in presentation in the current year.

(vi) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Information about crucial judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 3 – *Actuarial assumptions and methods – insurance activities*, and note 16(a) – *Valuation of land and buildings*.

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk.

In the process of determining a provision or contingent liability, significant judgement is applied in determining the probability of outflow, or the best estimate of the provision based on all available information, facts and circumstances. The nature of provisions and contingent liabilities are such, that as further information comes to light, the ultimate outcome could be significantly different to the number provided.

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

(b) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Law Society of New South Wales ('company' or 'parent entity') as at 30 June 2025 and the results of all subsidiaries for the year then ended. The Law Society of New South Wales and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

2. Summary of material accounting policies (continued)

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

(i) Membership and practising certificate fees
Membership and practising certificate fees are received in advance and disclosed in the balance sheets as deferred revenue. Revenue is recognised during the financial year to which the received income is attributable.

(ii) Insurance revenue
For groups of insurance contracts measured under the Premium Allocation Approach (PAA), the group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts, which is considered to closely approximate the pattern of risks underwritten.

(iii) Insurance contracts issued and reinsurance contracts held
Insurance contracts issued are contracts under which Lawcover Insurance accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Reinsurance contracts held by Lawcover Insurance are contracts under which it transfers significant insurance risk related to underlying insurance contracts.

Insurance contracts issued and reinsurance contracts held by Lawcover Insurance are aggregated into a single insurance portfolio and a single reinsurance portfolio, being contracts with similar risks that are managed together. Portfolios of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when Lawcover Insurance determines that a group of contracts becomes onerous.

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) recognised at the later of:
  - the beginning of the coverage period of the group; and
  - the initial recognition of any underlying insurance contract.
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

On initial recognition Lawcover Insurance will measure the insurance and reinsurance portfolios as the total of the fulfilment cashflows which comprise the estimate of future cashflows within the contract boundary adjusted for the discount rate and risk adjustment. The cash flows are considered to be within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Lawcover Insurance can compel the policyholder to pay the premiums or in which Lawcover Insurance has a substantive obligation to provide the policyholder with insurance contract services. Under the PAA Lawcover Insurance has chosen to recognise any insurance acquisition cash flows as expenses when it incurs those costs, as the coverage period of each contract in the group at initial recognition is no more than one year.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation Lawcover Insurance requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as Lawcover Insurance fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by Lawcover Insurance to the reinsurer.

When determining whether a contract is onerous, contracts measured using the PAA approach are assumed not to be onerous unless facts and circumstances indicate otherwise. If such facts and circumstances exist, the onerous loss is determined as the extent to which fulfilment cash flows will exceed the liability for remaining coverage. This assessment is undertaken for contracts for each underwriting year within a portfolio.

2. Summary of material accounting policies (continued)

(iv) Interest income
Interest income is recognised as it accrues using the effective interest method.

(d) Income tax
No liability for income tax has been provided for The Law Society of New South Wales as it is exempt from the payment of income tax. Lawcover Insurance is an income tax paying entity.

For those non-exempt entities within the group, the income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to do so and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Leases
(i) Group as a lessee
Lease liabilities are initially measured at present value of future lease payments and right-of-use lease assets are initially measured as lease liabilities plus lease acquisition costs incurred. Depreciation of the right-of-use lease assets and interest on lease liabilities are recognised in the statements of profit or loss, and the statements of cash flows separate to the total amount of cash paid into a principal portion and interest. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(ii) Group as a lessor
Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(f) Cash and cash equivalents
For the purpose of presentation in the balance sheets and the statements of cash flows, cash and cash equivalents includes cash on hand at bank.

2. Summary of material accounting policies (continued)

(g) Trade receivables

Trade receivables are recognised at fair value less a provision for impairment. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current assets.

Trade and other receivables represents amounts receivable for services that have been delivered. These amounts are initially recognised at fair value. An analysis is performed at each balance date to measure any expected credit loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate.

(h) Investments

The group's investments are classified at fair value through profit or loss upon initial recognition. They are initially recorded at fair value (being the cost of acquisition excluding transaction costs) and are subsequently remeasured to fair value at each reporting date. Changes in the fair value are taken immediately to the statements of profit or loss. Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset.

For securities traded in an active market, the fair value is determined by reference to published closing bid price quotations. For securities that are not traded and securities that are traded in a market that is not active, fair value is determined using valuation techniques generally by reference to the fair value of recent arm's length transactions involving the same or similar instruments. Fixed and floating rate securities are valued using independently sourced valuations. For units of managed funds, this generally means using the redemption price provided by the fund manager.

Investments in subsidiaries and other controlled entities are initially recognised at cost and subsequently carried in the parent's financial statements at the lower of cost and recoverable amount.

(i) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Property, plant and equipment

Land and buildings are shown at fair value, based on an annual valuation by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

2. Summary of material accounting policies (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings	40 years
- Leasehold improvements	2 – 10 years
- Plant and equipment	2 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(k) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Software and licences	2 – 3 years
- Developed systems	3 – 15 years

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(m) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and long service leave that are expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

2. Summary of material accounting policies (continued)

(ii) Other long-term employee benefit obligations
The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and is measured as the amounts expected to be paid when the liabilities are settled in respect of services provided by employees up to the end of the reporting period.

The obligations are presented as current liabilities in the balance sheets if the entity does not have an unconditional right to defer settlements for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(o) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheets.

(p) Insurance service expenses
Insurance service expenses include the following:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- losses or reversals on onerous groups of contracts from changes in the loss components; and
- changes that relate to prior accident years.

Lawcover Insurance has elected to recognise expenses attributable to the insurance service as incurred, as permitted under the PAA approach.

(q) Net income from reinsurance contracts held
Lawcover Insurance presents financial performance of groups of reinsurance contracts held on a net basis, comprising the following amounts:

- reinsurance expenses;
- incurred claims recovery;
- other directly attributable reinsurance service expenses incurred;
- effect of changes in the risk of reinsurers' non-performance;
- amounts relating to accounting for onerous groups of underlying insurance contracts issued; and
- changes that relate to prior accident years.

As groups of reinsurance contracts held are measured under the PAA, Lawcover Insurance recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

(r) Insurance and reinsurance finance income or expenses
The day one benefit of discounting on insurance contracts and reinsurance contracts is included in the insurance service result.

Insurance and reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance and reinsurance contracts arising from:

- the interest unwind on the liability for incurred claims; and
- the effect of changes in interest rates and other financial assumptions.

2. Summary of material accounting policies (continued)

(s) Derivative hedging activities

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All fair value movements are recorded through profit or loss.

The use of derivatives is limited to hedging purposes and in limited circumstances to gain market exposure. Derivative exposures are fully collateralised, and any market exposures are not to exceed the value of the net derivative commitment.

(t) Reinsurance contract assets

Reinsurance recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and claims incurred but not enough reported are recognised as revenue.

Recoveries receivable on the liability for incurred claims are assessed in a manner similar to the assessment of the liability for incurred claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for incurred claims, and therefore includes an additional risk adjustment for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

(u) Insurance contract liabilities

Liability for incurred claims

The liability for incurred claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under the insurance contracts issued, with an additional risk adjustment for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported, claims incurred but not enough reported and anticipated claims handling expenses.

Claims handling expenses include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk-free rate plus an illiquidity premium, which reflects the liquidity characteristics of the assets supporting the underlying insurance contracts.

Liability for remaining coverage

Liability for remaining coverage represents cash premium receipts for policies that incept in future reporting periods. This is recognised in the Balance Sheet on receipt and brought to the Statement of Comprehensive Income in future periods as it is earned.

(v) Rounding of amounts

The group is of a kind referred to in *ASIC Corporations (Rounding in Financial Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, related to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

3. Actuarial assumptions and methods – insurance activities

(a) Class of business

Lawcover Insurance writes professional indemnity insurance for solicitors primarily practising in New South Wales, the Australian Capital Territory, and the Northern Territory. This form of insurance is relatively long tailed in nature, meaning that claims are typically settled several years after being reported. The process for determining the value of outstanding claims liabilities in respect of this class is described below.

(b) Actuarial assumptions and processes

The table below sets out the key assumptions underlying the valuation at 30 June 2025 compared to the assumptions at 30 June 2024.

Assumptions in respect of Underwriting Year 2024-25	Valuation as at 30 June 2025	Valuation as at 30 June 2024
IBNR	56.0%	56.0%
Initial loss rate (loss per $1 million GFI) ($)	2,393	2,359
Claims handling expense rate	5.5%	5.0%
Discount rate per annum	3.5%	4.4%
Inflation rate per annum	Implicit in valuation methods	Implicit in valuation methods
Superimposed inflation rate per annum	Implicit in valuation methods	Implicit in valuation methods

A description of the processes used to determine these assumptions is provided below:

(i) *IBNR*
This refers to the proportion of the ultimate cost of claims that is assumed to emerge subsequent to the valuation date in respect of the 2024-25 and 2023-24 underwriting years. This is estimated by analysing past incurred claims development.

(ii) *Initial loss rate*
The initial loss rate is estimated by analysing historical average loss rates, obtained by dividing ultimate claims costs by the Gross Fee Income (GFI) per underwriting quarter and multiplied by $1 million to derive a loss per $1 million GFI.

(iii) *Claims handling expense rate*
Claims handling expenses were estimated by reference to the historical and budgeted costs attributable to Lawcover Insurance's claims function.

(iv) *Discount rate*
Discount rates have been derived from yields on Commonwealth Government securities as at 30 June 2025. The illiquidity premium within discount rates is derived based on the long-term weighted average credit spread of a reference portfolio of assets with a similar weighted average duration as the related insurance liabilities. The effect of credit risk and other factors that are not relevant to the liquidity characteristics of insurance contracts is eliminated to estimate the portion of the spread that reflects the illiquidity premium. This approach is consistent with the bottom up approach required under AASB 17.

The table below summarises the yield curves used to discount estimates of future cash flows within the net insurance contract liabilities.

	2025			2024		
	1 Year	5 Years	10 Years	1 Year	5 Years	10 Years
Insurance contract liabilities	3.41%	3.69%	4.47%	4.49%	4.37%	4.60%
Reinsurance contract assets	3.41%	3.69%	4.47%	4.49%	4.37%	4.60%

3. Actuarial assumptions and methods – insurance activities (continued)

(v) Inflation
The view of future inflation has been set with reference to the historical increase in average claim sizes.

(vi) Superimposed inflation
Superimposed inflation occurs due to non-economic factors such as court settlements increasing at a faster rate than normal inflation. This has not been observed and as such, no allowance has been made for any superimposed inflation.

(c) Sensitivity analysis

The table below indicates the change in insurance contract liabilities, profit after income tax and equity due to changing the key underlying actuarial assumptions indicated under "Scenario".

	2025			2024		
	Gross insurance contract liabilities $'000	**Net insurance contract liabilities $'000**	**Profit (loss) after tax/Equity $'000**	**Gross insurance contract liabilities $'000**	**Net insurance contract liabilities $'000**	**Profit (loss) after tax/Equity $'000**
Increase discount rate by 0.5%	(1,819)	(1,571)	1,100	(1,649)	(1,395)	977
Increase initial loss rate by 20%	11,488	3,474	(2,432)	11,596	6,876	(4,813)
Increase IBNR by 25%	15,537	4,244	(2,971)	13,613	8,056	(5,639)
Increase inflation rate by 1%	2,411	868	(608)	1,972	1,267	(887)
Speed up in incurred development by two quarters	(9,651)	(8,113)	5,679	(7,758)	(5,541)	3,879

The scenarios listed above show the change in insurance contracts liabilities, profit after income tax and equity for the following changes in valuation assumptions: These scenarios are not necessarily equally probable nor are they necessarily mutually exclusive.

(i) Increased discount rate
This scenario assumes that the discount rate used to derive the present value of future cash flows is 0.5% higher than assumed in the valuation.

(ii) Increased initial loss rate
This scenario assumes that the initial loss rates used in the Bornhuetter-Ferguson method are 20% higher than in the valuation.

(iii) Increased IBNR
This scenario assumes that the IBNR is increased by 25% for three years. This increases the liability as more claims cost is assumed to be reported to Lawcover Insurance in the future.

(iv) Increased inflation rate
This scenario assumes that the inflation rate will be 1% higher than in the valuation. This increases the expected future payments to be made.

(v) Speed up in incurred development
This scenario assumes that there is an acceleration in the incurred development for the 2024-25 by two quarters. This reduces the IBNR.

4. Insurance risk management

Given the nature of Lawcover Insurance's business, the key risks that impact financial performance arise from insurance activities. The main insurance risks can be summarised into the following categories:

(a) Pricing and underwriting risk

This is the risk of mis-pricing insurance policies which could arise due to changes in legislation, using incomplete data or incorrect assumptions for pricing purposes.

Lawcover Insurance uses a range of techniques to mitigate this risk including sophisticated pricing tools, analysis of claims data, expertise of underwriters and claims managers, as well as advice from subject matter experts (such as actuaries).

Underwriting procedures including authorities, limits, risk assessment criteria and selection criteria are documented and collated in underwriting policies. These processes are regularly reviewed, particularly when changes occur in the internal or external environment.

(b) Claims management

Prudent management of claims is a prerequisite for effective financial management. Lawcover Insurance has established procedures for the acceptance and management of its insurance claims. The claims policies state the set protocols and designation limits by which claims are managed and settled. Procedures exist for the close monitoring of all open claims and regular claim audits and peer reviews are undertaken to ensure that these procedures are strictly adhered to.

(c) Reserving risk

Reserving risk is the risk that the reserves allocated for expected claims turn out to be insufficient.

Lawcover Insurance uses a range of techniques to mitigate this risk including a detailed reserving process which compares, claim by claim, estimates established by the claims team with a top down statistical view developed by Lawcover Insurance's appointed actuary.

Actuarial reserving is also subject to quarterly updates which helps ensure that the reserving levels are appropriate and take account of emerging claims experience.

(d) Concentration risk

Lawcover Insurance provides professional indemnity insurance to a single group of insureds (law practices), largely concentrated in the state of NSW. This presents a significant concentration risk that is managed through underwriting discipline, risk management services and policy wordings including policy limits and reinsurance.

(e) Reinsurance risk

Reinsurance risk arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of coverage purchased.

Lawcover Insurance's reinsurance program seeks to protect group capital from adverse volume or volatility of claims. Lawcover Insurance has policies, procedures and controls in place to manage the selection, implementation, monitoring and review of reinsurance programmes to ensure they remain effective and appropriate.

5. Financial risk management

(a) Overview

The group's principal financial assets include cash, short term deposits, interest bearing securities, managed funds and reinsurance recoveries. The company and group are exposed to credit risk, liquidity risk and market risk. This note presents information about the company's and group's exposure to each of the above risks, and their objectives, policies and processes for managing risk.

5. Financial risk management (continued)

(b) Risk management framework

The Council has overall responsibility for the group's risk management framework. The Council has established the Audit, Risk & Finance Committee, which is responsible for monitoring the establishment and maintenance of effective corporate governance processes, which includes risk management and compliance. The Audit, Risk & Finance Committee reports regularly to the Council on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit, Risk & Finance Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

(c) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations and the loss in value of assets due to deterioration in credit quality. The group's credit risk arises predominantly from the investment and reinsurance activities of Lawcover Insurance.

Investments in financial instruments held by individual entities within the group are held in accordance with their respective investment guidelines. Reinsurance is used to mitigate insurance risk, but also exposes Lawcover Insurance to further credit risk. Lawcover Insurance reduces this risk by limiting exposure to a single counterparty and only trading with counterparties with strong credit ratings.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The following table provides information regarding the group's aggregate credit risk exposure at balance date in respect of the major classes of financial assets. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. Ratings falling outside the range of AAA to A are classified as speculative grade.

	Credit rating				Not rated	Total
	AAA $'000	AA $'000	A $'000	Speculative grade $'000	$'000	$'000
2025						
Cash & cash equivalents	-	22,969	-	-	-	22,969
Short term deposits	-	64,304	-	-	-	64,304
Debt securities	171,879	143,981	15,219	11,560	(54)	342,585
Reinsurance contract assets	-	33,451	3,856	-	-	37,307
Managed funds	18,582	2,780	33,897	24,294	85,181	164,734
	190,461	267,485	52,972	35,854	85,127	631,899
2024						
Cash & cash equivalents	-	28,899	-	-	-	28,899
Short term deposits	-	49,486	10,000	-	-	59,486
Debt securities	141,402	125,591	17,557	8,795	72	293,417
Reinsurance contract assets	-	42,194	4,259	-	-	46,453
Managed funds	8,338	5,554	54,486	18,185	81,489	168,052
	149,740	251,724	86,302	26,980	81,561	596,307

Reinsurance recoveries disclosed within this note include those receivable on both paid and outstanding claims.

5. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate and price risk

The group is exposed to interest rate risk arising from the risk that the value of financial assets held by the group will fluctuate as a result of changes in market interest rates. Equity price risk arises from investments held by the group and classified at fair value through profit or loss. To manage the interest rate and price risk arising from investments in cash deposits, wholesale unit trusts and corporate securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits and guidelines set by each entity within the group. Lawcover Insurance also enters into interest rate futures contracts to manage the interest rate risk on its bond portfolio.

The group's overall exposure to both interest rate and price risk, including the average effective interest rate of each financial asset class, is illustrated in the tables below:

			Fixed maturity dates				
At 30 June 2025	**Average effective interest rate %**	**Variable interest rate $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**5+ years $'000**	**Non interest bearing $'000**	**Total $'000**
Financial assets							
Cash and cash equivalents	3.7%	22,969	-	-	-	-	22,969
Short term deposits	4.8%	60,500	-	-	-	3,804	64,304
Debt securities	3.6%	17,434	62,825	204,725	57,655	(54)	342,585
Managed funds		-	-	-	-	164,734	164,734
		100,903	62,825	204,725	57,655	168,484	594,592

			Fixed maturity dates				
At 30 June 2024	**Average effective interest rate %**	**Variable interest rate $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**5+ years $'000**	**Non interest bearing $'000**	**Total $'000**
Financial assets							
Cash and cash equivalents	4.2%	28,899	-	-	-	-	28,899
Short term deposits	4.2%	50,000	7,935	-	-	1,551	59,486
Debt securities	4.6%	9,733	39,114	187,357	57,141	72	293,417
Managed funds		-	-	-	-	168,052	168,052
		88,632	47,049	187,357	57,141	169,675	549,854

5. Financial risk management (continued)

(ii) Interest rate risk sensitivity analysis

Interest rate risk sensitivity analyses has been determined based on the exposure to interest rates for interest bearing financial instruments at the end of the reporting period. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the group's investment income would increase/decrease by $1.64 million (2024: increase/decrease by $1.07 million) on a post-tax basis with income tax expense calculated at 30% (2024: 30%).

(iii) Price risk sensitivity analysis

Price risk sensitivity analysis has been determined based on the exposure to investments in managed funds at the end of the reporting period. If the unit prices of these managed funds had been 10% higher/lower and all other variables were held constant, the group's investment income would increase/decrease by $13.20 million (2024: increase/decrease by $13.24 million) on a post-tax basis with income tax expense calculated at 30% (2024: 30%).

(f) Fair value measurements

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets (level 1);
(ii) inputs other than quoted prices included within level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (level 2); and
(iii) inputs for the asset that are not based on observable market data (unobservable inputs) (level 3).

The following table represents the group's financial assets measured and recognised at fair value at 30 June 2025 and 30 June 2024:

At 30 June 2025	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Interest bearing investments	64,250	342,639	-	406,889
Managed funds	-	164,734	-	164,734
	64,250	507,373	-	571,623

At 30 June 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Interest bearing investments	59,486	293,417	-	352,903
Managed funds	-	168,052	-	168,052
	59,486	461,469	-	520,955

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reported period. The quoted market price used for financial assets held by the group is either the current bid price or, in the case of unit trusts, the unit redemption price. These instruments are included in level 2.

6. Revenue

Below is a breakdown of revenue from non-insurance operating activities.

	Consolidated		Company	
	2025	2024	2025	2024
	$'000	$'000	$'000	$'000
Membership and practising certificate fees	35,482	33,563	35,482	33,563
Legal training revenue	1,570	1,609	1,570	1,609
Member services revenue	2,095	2,133	2,095	2,133
Product sale revenue	1,809	1,569	1,809	1,569
Property rental revenue	495	486	495	486
Other revenue	1,718	2,050	1,718	2,050
	43,169	41,410	43,169	41,410

7. Investment revenue

Interest income	2,467	2,212	2,467	2,212
Fair value gains on financial assets at fair value through profit and loss *	6,141	4,738	6,141	4,738
	8,608	6,950	8,608	6,950

* Includes reinvested distributions and management fee rebates received.

8. Other Income

	Consolidated		Company	
	2025	2024	2025	2024
	$'000	$'000	$'000	$'000
Public Purpose Fund receipts				
Received under s.53 of the LPUL App Act 2014	15,481	13,077	15,481	13,077
Received under s.55 of the LPUL App Act 2014	741	630	741	630
	16,222	13,707	16,222	13,707
Legal Practitioners Fidelity Fund receipts				
Received under s.118 of the LPUL App Act 2014	866	760	866	760
	17,088	14,467	17,088	14,467

LPUL App Act 2014 refers to the *Legal Profession Uniform Law Application Act 2014* (NSW).

9. Expenses

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Profit before income tax expenses includes the following specific expenses:				
Employee benefits expense				
Wages and salaries	28,216	26,941	28,216	26,941
Defined contribution superannuation expense	2,891	2,624	2,891	2,624
Other employee benefits expense	2,152	2,054	2,152	2,054
Total employee benefits expense	33,259	31,619	33,259	31,619
Depreciation and amortisation expense				
Depreciation				
Buildings	737	1,037	737	1,037
Plant and equipment	337	285	337	285
Amortisation				
Software	-	-	-	-
Total depreciation and amortisation expense	1,074	1,322	1,074	1,322
Directly attributable insurance expenses				
Employment expenses	12,067	11,535	-	-
Technology expenses	3,770	3,732	-	-
External services expenses	1,994	1,859	-	-
Insurance expenses	1,752	1,726	-	-
Depreciation expenses	1,451	1,405	-	-
Occupancy expenses	813	950	-	-
Brand and publication expenses	709	898	-	-
Other expenses	1,035	659	-	-
Total directly attributable insurance expenses	23,591	22,764	-	-

Directly attributable insurance expenses are included in the insurance service expenses in the statement of profit or loss and other comprehensive income.

10. Insurance investment revenue

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Investment income - policyholders' funds				
Fixed income securities	13,024	9,007	-	-
	13,024	9,007	-	-
Investment expenses - policyholders' funds				
Investment management fees	(346)	(321)	-	-
	(346)	(321)	-	-
Net investment income - policyholders' funds	12,678	8,686	-	-
Investment income - shareholder's funds				
Fixed income securities	3,962	2,730	-	-
Unit linked trusts	9,713	8,056	-	-
	13,675	10,786	-	-
Investment expenses - shareholder's funds				
Investment management fees	(158)	(132)	-	-
	(158)	(132)	-	-
Net investment income - shareholder's funds	13,517	10,654	-	-
Total net investment income	26,195	19,340	-	-

11. Income tax expense

	Consolidated 2025 $'000	Consolidated 2024 $'000	Company 2025 $'000	Company 2024 $'000
Income tax expense				
Current tax expense				
Current tax expense	5,355	4,267	-	-
Total current tax expense	5,355	4,267	-	-
Deferred tax	-	-	-	-
Origination and reversal of temporary differences	(644)	158	-	-
Tax refund received for prior year tax losses	-	-	-	-
Total deferred tax expense	(644)	158	-	-
Income tax expense	4,711	4,425	-	-

(a) Reconciliation of income tax expense to prima facie tax payable

	Consolidated 2025 $'000	Consolidated 2024 $'000	Company 2025 $'000	Company 2024 $'000
Profit from operations before exceptional item and income tax expense	25,274	26,151	10,652	9,119
Less profit from tax-exempt operations	(10,652)	(9,119)	(10,652)	(9,119)
	14,622	17,032	-	-
Tax at the Australian tax rate of 30% (2024 - 30%)	4,387	5,110	-	-
Non-deductible expenses	324	(685)	-	-
Income tax expense	4,711	4,425	-	-

11. Income tax expense (continued)

The tax rate used for the 2025 and 2024 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian Law. No liability for income tax has been provided for The Law Society of New South Wales as it is exempt from the payment of income tax. Lawcover Insurance is an income tax paying entity.

12. Current assets – Trade and other receivables

	Consolidated		Company	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Trade receivables	88	89	88	89
Provision for impairment of receivables	(1)	(4)	(1)	(4)
	87	85	87	85
Other receivables				
Receivable from Legal Practitioners Fidelity Fund	76	82	76	82
Interest receivable	288	331	288	331
Other	340	251	584	489
	791	749	1,035	987

(a) Impaired trade receivables

As at 30 June 2025 current trade receivables of the group with a nominal value of $1,000 (2024: $4,000) were impaired.

(b) Past due but not impaired

As at 30 June 2025, trade receivables of $3,811 (2024: $29,054) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Company	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
1 to 3 months	2	8	2	8
3 to 6 months	-	21	-	21
Over 6 months	2	-	2	-
	4	29	4	29

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 5 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

13. Current assets – Investments

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss				
Deposits	77,131	59,486	60,500	50,000
Corporate and government securities	50,584	39,187	-	-
Managed funds	164,734	168,052	55,453	49,312
	292,449	266,725	115,953	99,312

Changes in fair values of financial assets at fair value through profit or loss are recorded in ‘investment revenue’ in profit or loss (note 7).

Risk exposure
Information about the group's exposure to price risk is provided in note 5.

14. Current assets – Other assets

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Prepayments	2,240	2,327	1,832	1,923
	2,240	2,327	1,832	1,923

15. Non-current assets – Investments

Investments carried at cost				
Shares in subsidiaries *	-	-	34,600	34,600
	-	-	34,600	34,600
Financial assets at fair value through profit or loss				
Corporate and government securities **	279,174	254,230	-	-
	279,174	254,230	-	-
	279,174	254,230	34,600	34,600

* Refer to note 31 for further information relating the company’s investment in subsidiaries.

** Refer to note 13 for the current portions of these financial assets.

16. Non-current assets – Property, plant and equipment

Consolidated	Land and buildings at fair value $'000	Plant and equipment at cost $'000	Total $'000
Cost or valuation			
At 1 July 2023	79,194	5,341	84,535
Additions	566	530	1,096
Disposals	-	(218)	(218)
Revaluation decrease	(16,260)	-	(16,260)
At 30 June 2024	63,500	5,653	69,153
Additions	838	301	1,139
Disposals	-	(304)	(304)
Revaluation decrease	(3,182)	-	(3,182)
At 30 June 2025	61,156	5,650	66,806
Depreciation and impairment			
At 1 July 2023	(1,037)	(4,226)	(5,263)
Depreciation charge	(1,037)	(494)	(1,531)
Eliminated on disposals	-	217	217
Eliminated on revaluation	2,074	-	2,074
At 30 June 2024	-	(4,503)	(4,503)
Depreciation charge	(737)	(497)	(1,234)
Eliminated on disposals	-	303	303
Eliminated on revaluation	737	-	737
At 30 June 2025	-	(4,697)	(4,697)
Carrying amount			
At 30 June 2025	61,156	953	62,109
At 30 June 2024	63,500	1,150	64,650

16. Non-current assets – Property, plant and equipment (continued)

Company	Land and buildings at fair value $'000	Plant and equipment at cost $'000	Total $'000
Cost or valuation			
At 1 July 2023	79,194	2,503	81,697
Additions	566	396	962
Revaluation decrease	(16,260)	-	(16,260)
At 30 June 2024	63,500	2,899	66,399
Additions	838	213	1,051
Revaluation decrease	(3,182)	-	(3,182)
At 30 June 2025	61,156	3,112	64,268
Depreciation and impairment			
At 1 July 2023	(1,037)	(2,059)	(3,096)
Depreciation charge	(1,037)	(285)	(1,322)
Eliminated on revaluation	2,074	-	2,074
At 30 June 2024	-	(2,344)	(2,344)
Depreciation charge	(737)	(337)	(1,074)
Eliminated on revaluation	737	-	737
At 30 June 2025	-	(2,681)	(2,681)
Carrying amount			
At 30 June 2025	61,156	431	61,587
At 30 June 2024	63,500	555	64,055

(a) Valuation of land and buildings

An independent valuation of the company's land and building was performed by Colliers International to determine the fair value at 30 June 2025.

The valuation was undertaken in accordance with Australian Accounting Standards AASB 13 Fair Value Measurement. In determining the fair value, careful consideration was given to the classification of inputs within the fair value hierarchy framework. Given the nature of the asset the valuation has been categorised within Level 3 of the fair value hierarchy, which reflects the use of significant unobservable inputs and valuation techniques reliant on professional judgement and assumptions.

The valuers use capitalised income projections based on estimated net market income and a capitalisation rate derived from an analysis of market evidence. Key inputs used in the valuations are the discount rate, terminal yield, capitalisation rate, and rental growth rates. The inputs are adjusted, if necessary, for any changes in economic circumstances between the measurement date and the reporting date. Changes in fair value are recognised in other comprehensive income.

A revaluation loss has been debited to reserves in equity (note 24(a)) for the reporting period.

17. Leases

Notes 17(a) and 17(b) provide information for leases where the group is a lessee. For leases where the group is a lessor, see note 17(c).

(a) Amounts recognised in the balance sheets

The balance sheets show the following amounts relating to the leasehold of Lawcover Insurance's premises:

	Consolidated		Company	
	2025	2024	2025	2024
	$'000	$'000	$'000	$'000
Right-of-use assets				
Current	-	-	-	-
Non-current	2,332	2,881	-	-
	2,332	2,881	-	-
Lease liabilities				
Current	454	477	-	-
Non-current	1,982	2,436	-	-
	2,436	2,913	-	-

Lawcover Insurance's office lease was extended for a further five years to 30 September 2029. Lawcover Insurance recognises lease liabilities measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2024. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2024 was 6.42%. Additions to right-of-use assets during the year ended 30 June 2025 were $nil (2024: $2,633,000).

(b) Amounts recognised in the statements of profit or loss

The statements of profit or loss shows the following amounts relating to the leasehold of Lawcover Insurance's premises:

	Consolidated		Company	
	2025	2024	2025	2024
	$'000	$'000	$'000	$'000
Depreciation charge right-of-use assets	549	676	-	-
Interest expense	171	84	-	-
	720	760	-	-

(c) Leasing arrangements

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Minimum lease payments receivable on leases of commercial spaces owned by the company are as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	$'000	$'000	$'000	$'000
Within one year	484	466	484	466
Later than one year but not later than five years	938	1,421	938	1,421
Later than five years	-	-	-	-
	1,422	1,887	1,422	1,887

18. Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Insurance provisions	2,022	1,687	-	-
Other items	351	42	-	-
Total deferred tax assets	2,373	1,729	-	-
Total deferred tax assets	2,373	1,729	-	-
Deferred tax assets expected to be recovered within 12 months	1,019	561	-	-
Deferred tax assets expected to be recovered after more than 12 months	1,354	1,168	-	-
	2,373	1,729	-	-

19. Non-current assets – Intangible assets

Consolidated	**Software and systems $'000**	**Total $'000**
Cost		
At 1 July 2023	16,869	16,869
Additions	942	942
Disposals	(3,297)	(3,297)
At 30 June 2024	14,514	14,514
Additions	416	416
At 30 June 2025	14,930	14,930
Amortisation and impairment		
At 1 July 2023	(12,240)	(12,240)
Amortisation charge *	(1,196)	(1,196)
Eliminated on disposals	3,296	3,296
At 30 June 2024	(10,140)	(10,140)
Amortisation charge *	(1,290)	(1,290)
At 30 June 2025	(11,430)	(11,430)
Carrying amount		
At 30 June 2025	3,500	3,500
At 30 June 2024	4,374	4,374

* Amortisation expense is included in the line item ‘depreciation and amortisation expense’ in profit or loss.

19. Non-current assets – Intangible assets (continued)

Company	Software and systems $'000	Total $'000
Cost		
At 1 July 2023	5,881	5,881
Disposals	-	-
At 30 June 2024	5,881	5,881
At 30 June 2024	5,881	5,881
Amortisation and impairment		
At 1 July 2023	(5,881)	(5,881)
Eliminated on disposals	-	-
At 30 June 2024	(5,881)	(5,881)
At 30 June 2025	(5,881)	(5,881)
Carrying amount		
At 30 June 2025	-	-
At 30 June 2024	-	-

20. Current liabilities – Trade and other payables

	Consolidated		Company	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Trade payables	2,491	1,932	878	752
Goods and services tax payable	2,767	1,863	217	12
Other payables				
Payable to Legal Practitioners Fidelity Fund	761	272	761	272
Payable to Public Purpose Fund	798	685	798	685
Accrued expenses	3,976	3,930	751	799
Other taxes payable	209	249	135	170
	11,002	8,931	3,540	2,690

21. Current liabilities – Provisions

Employee benefits	4,593	4,309	3,768	3,333
	4,593	4,309	3,768	3,333

The current provision for employee benefits includes annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. The entire amount of the annual leave provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations.

22. Current liabilities – Other liabilities

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Deferred revenue				
Membership and practising certificate fees	34,329	32,634	34,329	32,634
Other	1,723	1,401	1,723	1,401
	36,052	34,035	36,052	34,035

23. Non-current liabilities – Provisions

Employee benefits - long service leave	1,778	1,548	1,507	1,349
	1,778	1,548	1,507	1,349

24. Reserves and retained earnings

(a) Reserves

Asset revaluation	48,910	51,355	48,910	51,355
	48,910	51,355	48,910	51,355

Movements:

Asset revaluation reserve				
Balance 1 July	51,355	65,540	51,355	65,540
Revaluation	(2,445)	(14,185)	(2,445)	(14,185)
Balance 30 June	48,910	51,355	48,910	51,355

(b) Retained earnings

Movements in retained earnings were as follows:

Balance 1 July	252,792	231,066	121,349	112,230
Net profit for the year	20,563	21,726	10,652	9,119
Balance 30 June	273,355	252,792	132,001	121,349

(c) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of land and buildings to the extent that they offset one another.

25. Insurance disclosures

(a) Movement in net carrying amounts - Insurance contract liabilities

	2025			2024		
	Liability for remaining coverage[1] $'000	Liability for incurred claims $'000	Total $'000	Liability for remaining coverage $'000	Liability for incurred claims $'000	Total $'000
Insurance contract liabilities at 1 July	98,836	214,357	313,193	98,648	182,178	280,826
Insurance revenue (a)	(105,969)	-	(105,969)	(104,165)	-	(104,165)
Incurred claims and other insurance service expenses	-	112,405	112,405	-	109,103	109,103
Changes that relate to past service - prior accident years	-	(23,011)	(23,011)	-	(4,734)	(4,734)
Insurance service expenses (b)	-	89,394	89,394	-	104,369	104,369
Insurance service result (a)+(b)	(105,969)	89,394	(16,575)	(104,165)	104,369	204
Insurance finance expenses	-	9,112	9,112	-	1,867	1,867
Statement of comprehensive income	(105,969)	98,506	(7,463)	(104,165)	106,236	2,071
Cash flows						
Premium received	108,209	-	108,209	104,353	-	104,353
Claims and expenses paid	-	(87,948)	(87,948)	-	(74,115)	(74,115)
Total cash flows	108,209	(87,948)	20,261	104,353	(74,115)	30,238
Transfer to other items in the balance sheet	-	(2,159)	(2,159)	-	59	59
Insurance contract liabilities at 30 June	101,076	222,756	323,832	98,836	214,358	313,194
Current	101,076	97,537	198,613	98,836	83,893	182,729
Non-current	-	125,219	125,219	-	130,464	130,464
	101,076	222,756	323,832	98,836	214,357	313,193

[1] There is not considered to be any loss component in the liability for remaining coverage.

25. Insurance disclosures (continued)

(b) Movement in net carrying amounts - Reinsurance contract assets

	2025			2024		
	Asset for remaining coverage[1] $'000	Asset for incurred claims $'000	Total $'000	Asset for remaining coverage[1] $'000	Asset for incurred claims $'000	Total $'000
Reinsurance contract assets at 1 July	-	46,453	46,453	-	35,835	35,835
Reinsurance expenses (a)	(11,281)	-	(11,281)	(11,180)	-	(11,180)
Recovery of incurred claims	-	3,505	3,505	-	12,054	12,054
Changes that relate to past service - prior accident years	-	(12,461)	(12,461)	-	(517)	(517)
Reinsurance (expense) income (b)	-	(8,956)	(8,956)	-	11,537	11,537
Net (expenses) income from reinsurance contracts held (a)+(b)	(11,281)	(8,956)	(20,237)	(11,180)	11,537	357
Reinsurance finance income (expense)	-	1,372	1,372	-	(510)	(510)
Statement of comprehensive income	(11,281)	(7,584)	(18,865)	(11,180)	11,027	(153)
Cash flows						
Outward reinsurance premium paid net of ceded commissions	11,281	-	11,281	11,180	-	11,180
Reinsurance and other recoveries received	-	(1,562)	(1,562)	-	(409)	(409)
Total cash flows	11,281	(1,562)	9,719	11,180	(409)	10,771
Reinsurance contract assets at 30 June	-	37,307	37,307	-	46,453	46,453
Current	-	19,539	19,539	-	18,331	18,331
Non-current	-	17,768	17,768	-	28,122	28,122
	-	37,307	37,307	-	46,453	46,453

[1] There is not considered to be any loss component in the liability for remaining coverage.

25. Insurance disclosures (continued)

(c) Movement in net liability for incurred claims – Liability for incurred claims

	2025			2024		
	Present value of future cash flows	Risk adjustment	Liability for incurred claims	Present value of future cash flows	Risk adjustment	Liability for incurred claims
	$'000	$'000	$'000	$'000	$'000	$'000
Liability for incurred claims at 1 July	181,843	32,514	214,357	152,276	29,902	182,178
Incurred claims and other insurance service expenses	103,825	8,580	112,405	99,676	9,427	109,103
Changes that relate to past service - prior accident years	(18,145)	(4,866)	(23,011)	2,080	(6,815)	(4,735)
Insurance service expenses	85,680	3,714	89,394	101,756	2,612	104,368
Insurance finance expenses	9,112	-	9,112	1,867	-	1,867
Statement of comprehensive income	94,792	3,714	98,506	103,623	2,612	106,235
Total cash flows	(87,948)	-	(87,948)	(74,115)	-	(74,115)
Transfer to other items in the balance sheet	(2,159)	-	(2,159)	59	-	59
Liability for incurred claims at 30 June	186,528	36,228	222,756	181,843	32,514	214,357

(d) Movement in net liability for incurred claims – Asset for incurred claims

	2025			2024		
	Present value of future cash flows	Risk adjustment	Asset for incurred claims	Present value of future cash flows	Risk adjustment	Asset for incurred claims
	$'000	$'000	$'000	$'000	$'000	$'000
Asset for incurred claims at 1 July	30,314	16,139	46,453	15,446	20,389	35,835
Recovery of incurred claims	2,519	986	3,505	8,081	3,973	12,054
Changes that relate to past service - prior accident years	(10,117)	(2,344)	(12,461)	7,706	(8,223)	(517)
Reinsurance (expense) income	(7,598)	(1,358)	(8,956)	15,787	(4,250)	11,537
Reinsurance finance income (expense)	1,372	-	1,372	(510)	-	(510)
Statement of comprehensive income	(6,226)	(1,358)	(7,584)	15,277	(4,250)	11,027
Total cash flows	(1,562)	-	(1,562)	(409)	-	(409)
Asset for incurred claims at 30 June	22,526	14,781	37,307	30,314	16,139	46,453

25. Insurance disclosures (continued)

(e) Risk adjustment

A risk adjustment is included to reflect the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as Lawcover Insurance fulfils insurance contracts and reinsurance contracts. Uncertainty was analysed taking into account a number of risks relating to the actuarial approach and assumptions, as well as more systemic factors such as the general economic and legislative environment.

The assumptions regarding uncertainty were applied to the present value of the estimated future cash flows of insurance and reinsurance contracts in order to arrive at an overall provision which is intended to have an 85% (2024: 85%) probability of adequacy.

	2025 %	2024 %
Risk adjustment applied to the estimated future cash flows	13.1%	10.9%

(f) Claims development table

The following table shows the development of the gross undiscounted present value of future claims for the five most recent claim years and a reconciliation to the net discounted liability for incurred claims.

	Underwriting year						
Claim year	**Prior** **$'000**	**2021** **$'000**	**2022** **$'000**	**2023** **$'000**	**2024** **$'000**	**2025** **$'000**	**Total** **$'000**
Estimate of gross ultimate claims cost:							
at end of claim year	-	79,622	66,188	72,126	80,227	81,700	379,863
one year later	-	78,398	63,745	66,230	76,857	-	285,230
two years later	-	81,021	63,575	68,308	-	-	212,904
three years later	-	82,081	62,120	-	-	-	144,201
four years later	-	81,462	-	-	-	-	81,462
five years later	805,338	-	-	-	-	-	805,338
Cumulative payments made to date	(794,396)	(71,150)	(47,687)	(39,793)	(28,555)	(7,499)	(989,080)
Gross undiscounted outstanding claims	**10,942**	**10,312**	**14,433**	**28,515**	**48,302**	**74,201**	**186,705**
Reconciliation							
Undiscounted reinsurance recoveries on present value of future claims	(3,891)	(4,258)	(1,099)	(4,197)	(7,322)	(2,712)	(23,479)
Net discount to present value	(127)	(298)	(731)	(1,464)	(2,726)	(5,066)	(10,412)
Claims handling costs	593	539	750	1,474	2,480	3,792	9,628
Net risk adjustment	7,499	142	1,245	1,603	3,364	7,594	21,447
Net discounted liability for incurred claims	**15,016**	**6,437**	**14,598**	**25,931**	**44,098**	**77,809**	**183,889**

The above table does not include $1,847,000 of claims settled but not paid and $287,000 recoveries made but not received at 30 June 2025.

25. Insurance disclosures (continued)

(g) Maturity profile of the net discounted present value of future claims

The maturity profiles below set out Lawcover Insurance's expectation of the period over which the cash flows arising from net insurance contract liabilities will be settled.

2025	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	Over 5 years $'000	Total $'000
Net discounted present value of future claims	60,404	36,268	24,059	14,482	8,652	8,949	152,814

2024	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	Over 5 years $'000	Total $'000
Net discounted present value of future claims	53,414	33,232	22,549	15,365	9,347	8,660	142,567

(h) Capital adequacy – Lawcover Insurance

The APRA Prudential Standard GPS 110 "Capital Adequacy for General Insurers" requires additional disclosures in the financial statements to improve policyholders and market understanding of an insurer's capital adequacy position. Disclosed below is the capital base, minimum capital requirement and capital adequacy ratio as at 30 June 2025.

The retained earnings at 30 June 2025 of $145,384,000 (2024: $134,907,000) disclosed below differs to retained earnings in the financial statements as this amount has been determined based upon APRA Prudential Standards which is a different basis compared with the accounting retained profit of $141,355,000 (2024: $131,444,000 restated) determined under Australian Accounting Standards. Under APRA Prudential Standards premiums received in advance are treated as income with an associated premium liability, whereas premiums received in advance are treated as a liability and not as income under Australian Accounting Standards. The APRA disclosures demonstrate that Lawcover Insurance has capital at 30 June 2025 in excess of the minimum required by APRA. The following table shows the capital adequacy calculated in accordance with the APRA prudential framework. The 2025 position reflects the June 2025 quarter APRA return (unaudited) with the 2024 comparative being reflective of the 2024 annual audited APRA return.

	2025 $'000	2024 $'000
Lawcover Insurance Tier 1 capital base		
Ordinary shares	34,600	34,600
Retained earnings as at 30 June (adjusted)	145,384	134,907
LawCover Insurance capital base and adjusted net assets	179,984	169,507
Prudential capital requirement	60,805	56,221
Prescribed capital amount coverage	2.96	3.02

(i) Capital management – Lawcover Insurance

Lawcover Insurance's objectives when managing capital are to maintain an optimal capital structure whilst meeting capital adequacy requirements and providing security for policyholders.

Lawcover Insurance is subject to, and in compliance with, externally imposed capital requirements set and monitored by regulatory bodies. These requirements are in place to ensure sufficient solvency margins for the protection of policyholders. In addition, Lawcover Insurance aims to maintain robust capital ratios in order to support its business objectives.

25. Insurance disclosures (continued)

The management of Lawcover Insurance monitors its capital levels on an ongoing basis, with particular focus on the following:

- Lawcover Insurance is subject to APRA prescribed capital requirements. Lawcover Insurance actively manages capital in order to maintain a capital adequacy within a ratio range of 2.50 to 3.00 times. At 30 June 2025, the prescribed capital adequacy ratio is 2.96 (unaudited), which is a decrease from 3.02 in 2024. This decrease is primarily due to higher risk charges with an increase in investment assets and insurance contract liabilities. These increased charges were largely offset by the capital benefits of the current year profit and a change in asset allocations during the year.
- Lawcover Insurance is subject to local prudential standards requiring that a minimum level of capital is maintained to meet obligations to policyholders. It is Lawcover Insurance's policy to maintain a capital base appropriate to its size, business mix, complexity and risk profile which meets regulatory requirements.

In addition to the management reporting and planning processes, Lawcover Insurance has dedicated staff responsible for understanding the regulatory capital requirements for its operations. The quality of assets (particularly investments and reinsurance recoveries) is monitored on an ongoing basis to ensure issues are identified early and remedial action, where necessary, is taken to restore effective capital performance.

26. Key management personnel disclosures

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Short-term employee benefits	6,604,014	6,335,919	2,993,805	2,890,896
Post-employment benefits	449,022	445,760	187,929	210,080
	7,053,036	6,781,679	3,181,734	3,100,976

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 whose allowance is tied to the remuneration paid to a Judge of the District Court of New South Wales. Each Presidency is for a calendar year whereas these accounts relate to the financial year ended 30 June 2025.

Directors' remuneration

Directors' fees are paid to the Directors of Lawcover Insurance.

27. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the group:

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
PwC Australia				
Audit and review of financial statements	392,152	386,965	202,034	186,500
Other services				
Audit of regulatory returns	48,322	51,051	4,100	8,200
Tax compliance services	33,063	50,957	10,200	22,950
Other services	-	51,566	-	-
Total remuneration of PwC Australia	473,537	540,539	216,334	217,650

It is the group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the group are important. These assignments relate principally to either tax or risk management advice, or where PwC is awarded assignments on a competitive basis. It is the policy to seek competitive tenders for all major consulting projects.

28. Contingencies

The group leases office premises for both the company and Lawcover Insurance under property lease agreements. These leases include a bank guarantee of $351,051 (2024: $Nil) for the company and $672,656 (2024: $695,000) for Lawcover Insurance that exists with National Australia Bank and Westpac Banking Corporation respectively.

Other than the above, as at 30 June 2025, and at the date of this report, there are no further known contingent liabilities or contingent assets which are likely to affect the group's financial position (2024: $Nil).

29. Commitments

Lease commitments
Significant lease commitments contracted for at the end of the reporting period but not recognised as a liability is as follows:

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Non-cancellable operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	394	148	394	148
Later than one year but not later than five years	1,558	-	1,558	-
Later than five years	2,215	-	2,215	-
	4,167	148	4,167	148

Commencing 15 July 2024, the company has entered into a 12 month short-term lease for temporary office premises located at Level 4, 82 Elizabeth St, for a total of $148,350 over the term of the lease. In March 2025, the lease of premises 82 Elizabeth St was extended by way of a variation deed by a period of three months, terminating 14 October 2025.

During the year, the company has entered into a 10 year lease for office premises located at 60 Elizabeth St, however as at 30 June 2025 the commencement date for rental payment obligations remains uncertain due to rectifications carried out by the landlord.

30. Related party transactions

(a) 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.

(b) Transactions with subsidiaries
During the financial year transactions were undertaken between The Law Society of New South Wales and its subsidiaries. These transactions are listed below:
(i) Lawcover Insurance, a controlled entity, paid the Law Society of New South Wales $244,246 (2024: $238,059) for access to data used in the distribution of its insurance products.
(ii) Lawcover Insurance, a controlled entity, paid The Law Society of New South Wales $45,500 (2024: $78,000) for management and administration services.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of consolidated financial statements for the consolidated entity.

30. Related party transactions (continued)

(c) Transactions with other related parties

In addition to the amounts disclosed in Note 8, during the financial year ended 30 June 2025 The Law Society of New South Wales received payments for management and administration services provided to the following related parties:

(i) Public Purpose Fund $60,000 (2024: $60,000)
(ii) Legal Practitioners Fidelity Fund $865,767 (2024: $760,410)

As at 30 June 2025, the following balances were receivable from or payable to other related parties:

(i) Receivable from Legal Practitioners Fidelity Fund $76,102 (2024: $82,273)
(ii) Payable to Legal Practitioners Fidelity Fund $760,635 (2024: $272,012)
(iii) Receivable from Public Purpose Fund $Nil (2024: $Nil)
(iv) Payable to Public Purpose Fund $797,976 (2024: $685,463)

(d) Intercompany balances eliminated from balance sheets

As at 30 June 2025 there was $244,246 payable to The Law Society of New South Wales by Lawcover Insurance (2024: $238,059) which was eliminated from the consolidated accounts.

31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2(b):

Name of entity	Country of incorporation	% Equity interest		Investment $	
		2025	2024	2025	2024
Lawcover Insurance Pty Limited	Australia	100	100	34,599,942	34,599,942
				34,599,942	34,599,942

Lawcover Insurance Pty Limited. Incorporated in New South Wales on 17 January 2001 and commenced operations in April 2004. Contributed equity of 34,599,942 ordinary shares fully paid. Lawcover Insurance was established to underwrite compulsory professional indemnity insurance for solicitors.

32. 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.

33. Events occurring after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report any item, event or transaction of a material or unusual nature likely, in the opinion of the Councillors, to affect significantly the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

34. Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated		Company	
	2025	**2024**	**2025**	**2024**
	$'000	**$'000**	**$'000**	**$'000**
Profit for the year	20,563	21,726	10,652	9,119
Depreciation and amortisation	3,074	3,404	1,074	1,323
Net (gain) loss on disposal of non-current assets	(1)	2	-	-
Interest and dividends received	(2,467)	(2,211)	(2,467)	(2,211)
Fair value gains on financial assets at fair value through profit and loss *	(32,840)	(24,531)	(6,141)	(4,738)
Change in operating assets and liabilities:				
Increase in trade and other receivables	(42)	(108)	(48)	(133)
Decrease (increase) in other assets	87	(579)	91	(741)
Decrease (increase) in reinsurance contract assets	9,146	(10,618)	-	-
(Increase) decrease in deferred tax assets	(644)	158	-	-
Increase in trade and other payables	2,071	136	850	746
Increase (decrease) increase in provisions	514	(8)	593	(133)
Increase in other liabilities	2,017	1,469	2,017	1,469
(Decrease) increase in current tax liability	(655)	3,689	-	-
Increase in insurance contract liabilities	10,639	32,367	-	-
Net cash inflow from operating activities	11,462	24,896	6,621	4,701

* Includes non-cash investing activities whereby the group receives an increase in units held.

Consolidated entity disclosure statement

Name of entity	Type of entity	Trustee, partner or participant in JV	% of share capital	Country of incorporation	Australian resident or foreign resident	Foreign jurisdiction(s) of foreign residents
The Law Society of New South Wales	Body Corporate	N/A	100	Australia	Australian	N/A
Lawcover Insurance Pty Limited	Body Corporate	N/A	100	Australia	Australian	N/A

The Consolidated Entity Disclosure Statement has been prepared in accordance with subsection 295(3A)(a) of the *Corporations Act 2001*. The entities listed in the Statement are The Law Society of New South Wales and all the entities it controls in accordance with AASB 10 *Consolidated Financial Statements*.

In the Councillors' opinion:

(a) the financial statements and notes set out on pages 4 to 42 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2025 and of their performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable, and

(c) the consolidated entity disclosure statement on page 43 is true and correct.

Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

On behalf of the Council

Jennifer Ball

J Ball
Councillor

R MacSweeney
Councillor

Sydney, 25 September 2025

Independent auditor's report

To the members of The Law Society of New South Wales

Our opinion

In our opinion:

The accompanying financial report of The Law Society of New South Wales (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Company's and Group's financial positions as at 30 June 2025 and of their financial performance for the year then ended

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the Consolidated and Company balance sheets as at 30 June 2025
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company cash flow statements for the year then ended
- the Consolidated and Company statements of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2025
- the directors' declaration.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: + 61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO BOX 1155, Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://auasb.gov.au/media/apzlwn0y/ar3_2024.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

SK Fergusson
Partner

Sydney
25 September 2025