The Law Society of New South Wales

ACN 000 000 699

Annual financial report for the year ended 30 June 2026

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 2026.

Councillors

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

Lauren Diana Absalom
Jennifer Ruth Ball
Angelo Bilias
Danielle Lee Captain-Webb
Jacqueline Mai Dawson
Sylvia Fernandez
Kymberlei Jill Goodacre
Anthony Charles Gordon
Rebekah Victoria McEwin Hunter
Wen Ts'ai Lim
Mary Josephine Esther Macken
Ronan MacSweeney
Brett McGrath
Timothy Edward Roberts
Vaughan James Roles
Moira Leonie Saville
Taylah Spirovski
Jade Elizabeth Tyrrell
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 or appointed to the Council: Ms M Macken (elected 23.10.25), Mr W Lim (elected 23.10.25) and Mr T Roberts (appointed 23.10.25).

During the year, the following Councillors retired or resigned from Council: Mr B McGrath (retired 31.12.25) and Ms T Spirovski (retired 23.10.25).

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 profit of the company for the year was $9.7 million (2025: $10.7 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 profit of $13.2 million (2025: $20.6 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 2026/183*, 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

R MacSweeney
Councillor

J Dawson
Councillor

Sydney, 10 September 2026

Auditor's Independence Declaration

As lead auditor for the audit of The Law Society of New South Wales for the year ended 30 June 2026, 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 of the financial report; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

SK Fergusson
Partner
PricewaterhouseCoopers

Sydney
10 September 2026

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		Consolidated		Company	
		2026	2025	2026	2025
	Note	$'000	$'000	$'000	$'000
Revenue	6	44,735	43,169	44,735	43,169
Investment revenue	7	9,164	8,608	9,164	8,608
Other income	8	19,453	17,088	19,453	17,088
Employee benefits expense	9	(38,345)	(33,259)	(38,345)	(33,259)
Depreciation expense	9	(1,432)	(1,074)	(1,432)	(1,074)
Law Council capitation fees		(3,747)	(3,435)	(3,747)	(3,435)
Consulting and professional fees expense		(5,227)	(6,695)	(5,227)	(6,695)
Other expenses		(14,931)	(13,750)	(14,931)	(13,750)
Non insurance result		**9,670**	**10,652**	**9,670**	**10,652**
Insurance revenue	25	110,922	105,969	-	-
Insurance service expenses	25	(108,110)	(89,394)	-	-
Net expenses from reinsurance contracts held	25	(11,852)	(20,237)	-	-
Insurance finance expenses	25	(2,635)	(9,112)	-	-
Reinsurance finance income	25	82	1,372	-	-
Investment revenue	10	19,284	26,195	-	-
Finance costs	17	(143)	(171)	-	-
Net insurance service and investment result		**7,548**	**14,622**	**-**	**-**
Profit before income tax		**17,218**	**25,274**	**9,670**	**10,652**
Income tax expense	11	(4,041)	(4,711)	-	-
Profit for the year		**13,177**	**20,563**	**9,670**	**10,652**
Other comprehensive income					
Items that will not be reclassifed to profit or loss					
Revaluation of land and buildings		1,908	(2,445)	1,908	(2,445)
Other comprehensive income for the year, net of tax		1,908	(2,445)	1,908	(2,445)
Total comprehensive income for the year		**15,085**	**18,118**	**11,578**	**8,207**
Profit is attributable to:					
Members of The Law Society of New South Wales		13,177	20,563	9,670	10,652
		13,177	**20,563**	**9,670**	**10,652**
Total comprehensive income for the year is attributable to:					
Members of The Law Society of New South Wales		15,085	18,118	11,578	8,207
		15,085	**18,118**	**11,578**	**8,207**

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

		Consolidated		Company	
		2026	**2025**	**2026**	**2025**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Current assets					
Cash and cash equivalents		32,792	22,969	16,362	10,771
Trade and other receivables	12	751	791	1,004	1,035
Investments	13	347,644	292,449	122,728	115,953
Reinsurance contract assets	25	13,518	19,539	-	-
Other assets	14	4,476	2,240	2,689	1,832
Total current assets		**399,181**	**337,988**	**142,783**	**129,591**
Non-current assets					
Reinsurance contract assets	25	19,669	17,768	-	-
Investments	15	247,762	279,174	34,600	34,600
Property, plant and equipment	16	64,671	62,109	64,203	61,587
Right-of-use assets	17	4,603	2,332	2,819	-
Deferred tax assets	18	3,179	2,373	-	-
Intangible assets	19	3,472	3,500	-	-
Total non-current assets		**343,356**	**367,256**	**101,622**	**96,187**
Total assets		**742,537**	**705,244**	**244,405**	**225,778**
Liabilities					
Current liabilities					
Trade and other payables	20	11,718	11,002	3,976	3,540
Insurance contract liabilities	25	200,774	198,613	-	-
Current tax liabilities		931	3,286	-	-
Lease liabilities	17	716	454	193	-
Provisions	21	5,081	4,593	4,165	3,768
Other liabilities	22	38,743	36,052	38,743	36,052
Total current liabilities		**257,963**	**254,000**	**47,077**	**43,360**
Non-current liabilities					
Insurance contract liabilities	25	140,556	125,219	-	-
Lease liabilities	17	4,308	1,982	2,849	-
Provisions	23	2,360	1,778	1,990	1,507
Total non-current liabilities		**147,224**	**128,979**	**4,839**	**1,507**
Total liabilities		**405,187**	**382,979**	**51,916**	**44,867**
Net assets		**337,350**	**322,265**	**192,489**	**180,911**
Equity					
Reserves	24	50,818	48,910	50,818	48,910
Retained earnings	24	286,532	273,355	141,671	132,001
Total equity		**337,350**	**322,265**	**192,489**	**180,911**

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 2024		51,355	252,792	304,147
Profit after income tax		-	20,563	20,563
Other comprehensive income		(2,445)	-	(2,445)
Total comprehensive income		(2,445)	20,563	18,118
Balance at 30 June 2025		**48,910**	**273,355**	**322,265**
Profit after income tax		-	13,177	13,177
Other comprehensive income	24	1,908	-	1,908
Total comprehensive income		1,908	13,177	15,085
Balance at 30 June 2026		**50,818**	**286,532**	**337,350**

Company		**Reserves $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2024		51,355	121,349	172,704
Profit after income tax		-	10,652	10,652
Other comprehensive income		(2,445)	-	(2,445)
Total comprehensive income		(2,445)	10,652	8,207
Balance at 30 June 2025		**48,910**	**132,001**	**180,911**
Profit after income tax		-	9,670	9,670
Other comprehensive income	24	1,908	-	1,908
Total comprehensive income		1,908	9,670	11,578
Balance at 30 June 2026		**50,818**	**141,671**	**192,489**

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

		Consolidated		Company	
		2026	**2025**	**2026**	**2025**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Cash flows from operating activities					
Receipts from customers		67,143	62,226	67,143	62,226
Payments to suppliers and employees		(86,058)	(76,559)	(61,795)	(55,605)
Premiums received		118,306	108,209	-	-
Outwards reinsurance premiums paid		(11,387)	(11,281)	-	-
Claims paid		(74,397)	(66,516)	-	-
Reinsurance and other recoveries received		3,736	1,562	-	-
Income taxes paid		(7,200)	(6,008)	-	-
Net cash inflow from operating activities	34	10,143	11,633	5,348	6,621
Cash flows from investing activities					
Payments for purchase of investments		(410,670)	(290,925)	(45,000)	(35,500)
Proceeds on sale of investments		413,170	272,741	45,000	25,000
Interest received		2,719	2,821	2,389	2,467
Payments for property, plant and equipment		(1,920)	(1,139)	(1,821)	(1,051)
Proceeds from sale of property, plant and equipment		-	4	-	-
Payments for intangible assets		(2,696)	(417)	-	-
Net cash inflow (outflow) from investing activities		603	(16,915)	568	(9,084)
Cash flows from financing activities					
Payments of lease liabilities		(923)	(648)	(325)	-
Net cash outflow from financing activities		(923)	(648)	(325)	-
Net increase (decrease) in cash and cash equivalents		9,823	(5,930)	5,591	(2,463)
Cash and cash equivalents at the beginning of the year		22,969	28,899	10,771	13,234
Cash and cash equivalents at the end of the year		32,792	22,969	16,362	10,771

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

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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 2026 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 10 September 2026. 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 (Amendment) Instrument 2024/187* 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 and the measurement of the net insurance contract liabilities at present value 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 2025:

- AASB 2026-1 *Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements*

(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 2025, 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 2026 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, including term deposits, 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 – 6 years
- Developed systems	3 – 15 years

If there are indicators of impairment, an impairment test is undertaken and an intangible asset's carrying value is written down to its recoverable value if the asset's carrying amount is greater than its estimated recoverable amount.

(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 12 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 2026/183*, 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 2026 compared to the assumptions at 30 June 2025.

Assumptions in respect of Underwriting Year 2025-26	Valuation as at 30 June 2026	Valuation as at 30 June 2025
IBNR	53.0%	56.0%
Initial loss rate (loss per $1 million GFI) ($)	2,275	2,393
Claims handling expense rate	6.0%	5.5%
Discount rate per annum	4.6%	3.5%
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 2025-26 and 2024-25 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 2026. 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 permitted under AASB 17 *Insurance Contracts*.

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

	2026			2025		
	1 Year	**5 Years**	**10 Years**	**1 Year**	**5 Years**	**10 Years**
Insurance contract liabilities	4.58%	4.65%	5.10%	3.41%	3.69%	4.47%
Reinsurance contract assets	4.58%	4.65%	5.10%	3.41%	3.69%	4.47%

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".

	2026			2025		
	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%	(2,006)	(1,729)	1,210	(1,819)	(1,571)	1,100
Increase initial loss rate by 20%	11,580	1,436	(1,005)	11,488	3,474	(2,432)
Increase IBNR by 25%	18,122	1,710	(1,197)	15,537	4,244	(2,971)
Increase inflation rate by 1%	4,263	1,007	(705)	2,411	868	(608)
Speed up in incurred development by two quarters	(13,141)	(4,135)	2,895	(9,651)	(8,113)	5,679

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 2025-26 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 New South Wales. 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. The group 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
2026						
Cash & cash equivalents	-	32,792	-	-	-	32,792
Short term deposits	-	55,235	-	-	-	55,235
Debt securities	130,913	165,438	25,157	22,791	(146)	344,153
Reinsurance contract assets	-	29,827	3,361	-	-	33,188
Managed funds	17,808	3,213	35,347	34,037	105,613	196,018
	148,721	286,505	63,865	56,828	105,467	661,386
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

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:

At 30 June 2026	Average effective interest rate %	Variable interest rate $'000	Fixed maturity dates: Less than 1 year $'000	Fixed maturity dates: 1-5 years $'000	Fixed maturity dates: 5+ years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	3.8%	32,792	-	-	-	-	32,792
Short term deposits	4.0%	50,500	-	-	-	4,735	55,235
Debt securities	5.2%	5,100	96,536	198,385	44,278	(146)	344,153
Managed funds		-	-	-	-	196,018	196,018
		88,392	96,536	198,385	44,278	200,607	628,198

At 30 June 2025	Average effective interest rate %	Variable interest rate $'000	Fixed maturity dates: Less than 1 year $'000	Fixed maturity dates: 1-5 years $'000	Fixed maturity dates: 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

5. Financial risk management (continued)

(ii) Interest rate risk sensitivity analysis

Interest rate risk sensitivity analysis 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 $1.42 million (2025: increase/decrease by $1.64 million) on a post-tax basis with income tax expense calculated at 30% (2025: 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 $15.89 million (2025: increase/decrease by $13.20 million) on a post-tax basis with income tax expense calculated at 30% (2025: 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 2026 and 30 June 2025:

At 30 June 2026	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Interest bearing investments	55,089	344,299	-	399,388
Managed funds	-	196,018	-	196,018
	55,089	540,317	-	595,406

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

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	
	2026	**2025**	**2026**	**2025**
	$'000	**$'000**	**$'000**	**$'000**
Membership and practising certificate fees	37,486	35,482	37,486	35,482
Legal training revenue	1,348	1,570	1,348	1,570
Member services revenue	2,205	2,095	2,205	2,095
Product sale revenue	1,811	1,809	1,811	1,809
Property rental revenue	484	495	484	495
Other revenue	1,401	1,718	1,401	1,718
	44,735	43,169	44,735	43,169

7. Investment revenue

Interest income	2,389	2,467	2,389	2,467
Fair value gains on financial assets at fair value through profit and loss *	6,775	6,141	6,775	6,141
	9,164	8,608	9,164	8,608

* Includes reinvested distributions and management fee rebates received.

8. Other income

	Consolidated		Company	
	2026	**2025**	**2026**	**2025**
	$'000	**$'000**	**$'000**	**$'000**
Public Purpose Fund receipts				
Received under s.53 of the LPUL App Act 2014	17,753	15,481	17,753	15,481
Received under s.55 of the LPUL App Act 2014	780	741	780	741
	18,533	16,222	18,533	16,222
Legal Practitioners Fidelity Fund receipts				
Received under s.118 of the LPUL App Act 2014	920	866	920	866
	19,453	17,088	19,453	17,088

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

9. Expenses

	Consolidated		Company	
	2026	**2025**	**2026**	**2025**
	$'000	**$'000**	**$'000**	**$'000**
Profit before income tax expenses includes the following specific expenses:				
Employee benefits expense				
Wages and salaries	32,324	28,216	32,324	28,216
Defined contribution superannuation expense	3,407	2,891	3,407	2,891
Other employee benefits expense	2,614	2,152	2,614	2,152
Total employee benefits expense	38,345	33,259	38,345	33,259
Depreciation expense				
Depreciation				
Buildings	713	737	713	737
Plant and equipment	400	337	400	337
Right-of-use assets	319	-	319	-
Total depreciation expense	1,432	1,074	1,432	1,074
Directly attributable insurance expenses				
Employment expenses	12,963	12,067	-	-
Technology expenses	5,303	3,770	-	-
External services expenses	2,247	1,994	-	-
Insurance expenses	1,688	1,752	-	-
Amortisation expenses	1,290	1,290	-	-
Depreciation expenses	146	161	-	-
Occupancy expenses	830	813	-	-
Brand and publication expenses	698	709	-	-
Other expenses	1,069	1,035	-	-
Total directly attributable insurance expenses	26,234	23,591	-	-

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	
	2026	**2025**	**2026**	**2025**
	$'000	**$'000**	**$'000**	**$'000**
Investment income - policyholders' funds				
Fixed income securities	7,771	13,024	-	-
	7,771	13,024	-	-
Investment expenses - policyholders' funds				
Investment management fees	(385)	(346)	-	-
	(385)	(346)	-	-
Net investment income - policyholders' funds	7,386	12,678	-	-
Investment income - shareholder's funds				
Fixed income securities	2,228	3,962	-	-
Unit linked trusts	9,839	9,713	-	-
	12,067	13,675	-	-
Investment expenses - shareholder's funds				
Investment management fees	(169)	(158)	-	-
	(169)	(158)	-	-
Net investment income - shareholder's funds	11,898	13,517	-	-
Total net investment income	19,284	26,195	-	-

11. Income tax expense

	Consolidated 2026	Consolidated 2025	Company 2026	Company 2025
Income tax expense				
Current tax expense				
Current tax expense	4,847	5,355	-	-
Total current tax expense	4,847	5,355	-	-
Deferred tax	-	-	-	-
Origination and reversal of temporary differences	(806)	(644)	-	-
Tax refund received for prior year tax losses	-	-	-	-
Total deferred tax expense	(806)	(644)	-	-
Income tax expense	4,041	4,711	-	-

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

	Consolidated 2026	Consolidated 2025	Company 2026	Company 2025
Profit from operations before exceptional item and income tax expense	17,218	25,274	9,670	10,652
Less profit from tax-exempt operations	(9,670)	(10,652)	(9,670)	(10,652)
	7,548	14,622	-	-
Tax at the Australian tax rate of 30% (2025: 30%)	2,264	4,387	-	-
Non-deductible expenses	1,777	324	-	-
Income tax expense	4,041	4,711	-	-

11. Income tax expense (continued)

The tax rate used for the 2026 and 2025 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	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Trade receivables	56	88	56	88
Provision for impairment of receivables	(1)	(1)	(1)	(1)
	55	87	55	87
Other receivables				
Receivable from Legal Practitioners Fidelity Fund	88	76	88	76
Interest receivable	301	288	301	288
Other	307	340	560	584
	751	791	1,004	1,035

(a) Impaired trade receivables

As at 30 June 2026 current trade receivables of the group with a nominal value of $1,000 (2025: $1,000) were impaired.

(b) Past due but not impaired

As at 30 June 2026, trade receivables of $6,971 (2025: $3,811) 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	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000
1 to 3 months	7	2	7	2
3 to 6 months	-	-	-	-
Over 6 months	-	2	-	2
	7	4	7	4

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	
	2026	2025	2026	2025
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss				
Deposits	55,235	64,304	50,500	60,500
Negotiable certificates of deposit	42,396	12,827	-	-
Corporate and government securities	53,995	50,584	-	-
Managed funds	196,018	164,734	72,228	55,453
	347,644	292,449	122,728	115,953

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	
	2026	2025	2026	2025
	$'000	$'000	$'000	$'000
Prepayments	4,476	2,240	2,689	1,832
	4,476	2,240	2,689	1,832

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 **	247,762	279,174	-	-
	247,762	279,174	-	-
	247,762	279,174	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 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
Additions	149	1,771	1,920
Disposals	-	(15)	(15)
Revaluation increase	1,195	-	1,195
At 30 June 2026	62,500	7,406	69,906
Depreciation and impairment			
At 1 July 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)
Depreciation charge	(713)	(545)	(1,258)
Eliminated on disposals	-	7	7
Eliminated on revaluation	713	-	713
At 30 June 2026	-	(5,235)	(5,235)
Carrying amount			
At 30 June 2026	62,500	2,171	64,671
At 30 June 2025	61,156	953	62,109

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 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
Additions	149	1,672	1,821
Revaluation increase	1,195	-	1,195
At 30 June 2026	62,500	4,784	67,284
Depreciation and impairment			
At 1 July 2024	-	(2,344)	(2,344)
Depreciation charge	(737)	(337)	(1,074)
Eliminated on revaluation	737	-	737
At 30 June 2025	-	(2,681)	(2,681)
Depreciation charge	(713)	(400)	(1,113)
Eliminated on revaluation	713	-	713
At 30 June 2026	-	(3,081)	(3,081)
Carrying amount			
At 30 June 2026	62,500	1,703	64,203
At 30 June 2025	61,156	431	61,587

(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 2026.

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 gain has been credited 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

	Consolidated		Company	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Right-of-use assets				
Non-current	4,603	2,332	2,819	-
	4,603	2,332	2,819	-
Lease liabilities				
Current	716	454	193	-
Non-current	4,308	1,982	2,849	-
	5,024	2,436	3,042	-

Lawcover Insurance continues to recognise 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 Lawcover's lease liabilities is 6.42%. Additions to right-of-use assets during the year ended 30 June 2026 were $nil (2025: $nil).

The Company entered into a 10-year lease on 1 May 2025. As at 30 June 2025, the lease commencement date was uncertain due to landlord rectification works. These works have since been completed and the premises are now occupied. The company also recognises lease liabilities measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as of 1 May 2025. The weighted average lessee's incremental borrowing rate applied to the lease liabilities is 5.16%. Additions to right-of-use assets during the year ended 30 June 2026 were $3,138,071 (2025: $nil).

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

	Consolidated		Company	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Depreciation charge right-of-use assets	868	549	319	-
Interest expense	305	171	162	-
	1,173	720	481	-

(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	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Within one year	502	484	502	484
Later than one year but not later than five years	436	938	436	938
Later than five years	-	-	-	-
	938	1,422	938	1,422

18. Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated		Company	
	2026	**2025**	**2026**	**2025**
	$'000	**$'000**	**$'000**	**$'000**
Insurance provisions	2,342	2,022	-	-
Other items	837	351	-	-
Total deferred tax assets	3,179	2,373	-	-
Total deferred tax assets	3,179	2,373	-	-
Deferred tax assets expected to be recovered within 12 months	1,550	1,019	-	-
Deferred tax assets expected to be recovered after more than 12 months	1,629	1,354	-	-
	3,179	2,373	-	-

19. Non-current assets – Intangible assets

Consolidated	**Software and systems $'000**	**Total $'000**
Cost		
At 1 July 2024	14,749	14,749
Additions	417	417
At 30 June 2025	15,166	15,166
Additions	2,696	2,696
Disposals	-	-
At 30 June 2026	17,862	17,862
Amortisation and impairment		
At 1 July 2024	(10,376)	(10,376)
Amortisation charge	(1,290)	(1,290)
At 30 June 2025	(11,666)	(11,666)
Amortisation charge	(1,290)	(1,290)
Impairment losses	(1,434)	(1,434)
At 30 June 2026	(14,390)	(14,390)
Carrying amount		
At 30 June 2026	3,472	3,472
At 30 June 2025	3,500	3,500

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

Company	**Software and systems $'000**	**Total $'000**
Cost		
At 1 July 2024	5,881	5,881
Disposals	-	-
At 30 June 2025	5,881	5,881
At 30 June 2026	5,881	5,881
Amortisation and impairment		
At 1 July 2024	(5,881)	(5,881)
Eliminated on disposals	-	-
At 30 June 2025	(5,881)	(5,881)
At 30 June 2026	(5,881)	(5,881)
Carrying amount		
At 30 June 2026	-	-
At 30 June 2025	-	-

20. Current liabilities – Trade and other payables

	Consolidated		**Company**	
	2026 $'000	**2025 $'000**	**2026 $'000**	**2025 $'000**
Trade payables	3,088	2,491	829	878
Goods and services tax payable	2,061	2,767	88	217
Other payables				
Payable to Legal Practitioners Fidelity Fund	564	761	564	761
Payable to Public Purpose Fund	1,378	798	1,378	798
Accrued expenses	4,285	3,976	848	751
Other taxes payable	342	209	269	135
	11,718	11,002	3,976	3,540

21. Current liabilities – Provisions

Employee benefits	5,081	4,593	4,165	3,768
	5,081	4,593	4,165	3,768

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	
	2026	**2025**	**2026**	**2025**
	$'000	**$'000**	**$'000**	**$'000**
Deferred revenue				
Membership and practising certificate fees	36,919	34,329	36,919	34,329
Other	1,824	1,723	1,824	1,723
	38,743	36,052	38,743	36,052

23. Non-current liabilities – Provisions

	Consolidated 2026	Consolidated 2025	Company 2026	Company 2025
Employee benefits - long service leave	2,194	1,778	1,824	1,507
Make Good Provision	166	-	166	-
	2,360	1,778	1,990	1,507

24. Reserves and retained earnings

(a) Reserves

	Consolidated 2026	Consolidated 2025	Company 2026	Company 2025
Asset revaluation	50,818	48,910	50,818	48,910
	50,818	48,910	50,818	48,910

Movements:

	Consolidated 2026	Consolidated 2025	Company 2026	Company 2025
Asset revaluation reserve				
Balance 1 July	48,910	51,355	48,910	51,355
Revaluation	1,908	(2,445)	1,908	(2,445)
Balance 30 June	50,818	48,910	50,818	48,910

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated 2026	Consolidated 2025	Company 2026	Company 2025
Balance 1 July	273,355	252,792	132,001	121,349
Net profit for the year	13,177	20,563	9,670	10,652
Balance 30 June	286,532	273,355	141,671	132,001

(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

	2026			2025		
	Liability for remaining coverage[1]	**Liability for incurred claims**	**Total**	**Liability for remaining coverage**	**Liability for incurred claims**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Insurance contract liabilities at 1 July	101,076	222,756	323,832	98,836	214,357	313,193
Insurance revenue (a)	(110,922)	-	(110,922)	(105,969)	-	(105,969)
Incurred claims and other insurance service expenses	-	129,131	129,131	-	112,405	112,405
Changes that relate to past service - prior accident years	-	(21,021)	(21,021)	-	(23,011)	(23,011)
Insurance service expenses (b)	-	108,110	108,110	-	89,394	89,394
Insurance service result (a)+(b)	(110,922)	108,110	(2,812)	(105,969)	89,394	(16,575)
Insurance finance expenses	-	2,635	2,635	-	9,112	9,112
Statement of comprehensive income	(110,922)	110,745	(177)	(105,969)	98,506	(7,463)
Cash flows						
Premium received	118,306	-	118,306	108,209	-	108,209
Claims and expenses paid	-	(101,356)	(101,356)	-	(87,948)	(87,948)
Total cash flows	118,306	(101,356)	16,950	108,209	(87,948)	20,261
Transfer to other items in the balance sheet	-	725	725	-	(2,159)	(2,159)
Insurance contract liabilities at 30 June	108,460	232,870	341,330	101,076	222,756	323,832
Current	108,460	92,314	200,774	101,076	97,537	198,613
Non-current	-	140,556	140,556	-	125,219	125,219
	108,460	232,870	341,330	101,076	222,756	323,832

[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

	2026			2025		
	Asset for remaining coverage[1]	Asset for incurred claims	Total	Asset for remaining coverage[1]	Asset for incurred claims	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Reinsurance contract assets at 1 July	-	37,307	37,307	-	46,453	46,453
Reinsurance expenses (a)	(11,387)	-	(11,387)	(11,281)	-	(11,281)
Recovery of incurred claims	-	12,695	12,695	-	3,505	3,505
Changes that relate to past service - prior accident years	-	(13,160)	(13,160)	-	(12,461)	(12,461)
Reinsurance expenses (b)	-	(465)	(465)	-	(8,956)	(8,956)
Net expenses from reinsurance contracts held (a)+(b)	(11,387)	(465)	(11,852)	(11,281)	(8,956)	(20,237)
Reinsurance finance income	-	82	82	-	1,372	1,372
Statement of comprehensive income	(11,387)	(383)	(11,770)	(11,281)	(7,584)	(18,865)
Cash flows						
Outward reinsurance premium paid net of ceded commissions	11,387	-	11,387	11,281	-	11,281
Reinsurance and other recoveries received	-	(3,736)	(3,736)	-	(1,562)	(1,562)
Total cash flows	11,387	(3,736)	7,651	11,281	(1,562)	9,719
Reinsurance contract assets at 30 June	-	33,188	33,188	-	37,307	37,307
Current	-	13,518	13,518	-	19,539	19,539
Non-current	-	19,670	19,670	-	17,768	17,768
	-	33,188	33,188	-	37,307	37,307

[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

	2026			2025		
	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	186,528	36,228	222,756	181,843	32,514	214,357
Incurred claims and other insurance service expenses	115,405	13,726	129,131	103,825	8,580	112,405
Changes that relate to past service - prior accident years	(4,687)	(16,334)	(21,021)	(18,145)	(4,866)	(23,011)
Insurance service expenses	110,718	(2,608)	108,110	85,680	3,714	89,394
Insurance finance expenses	2,635	-	2,635	9,112	-	9,112
Statement of comprehensive income	113,353	(2,608)	110,745	94,792	3,714	98,506
Total cash flows	(101,356)	-	(101,356)	(87,948)	-	(87,948)
Transfer to other items in the balance sheet	725	-	725	(2,159)	-	(2,159)
Liability for incurred claims at 30 June	199,250	33,620	232,870	186,528	36,228	222,756

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

	2026			2025		
	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	22,526	14,781	37,307	30,314	16,139	46,453
Recovery of incurred claims	2,554	10,141	12,695	2,519	986	3,505
Changes that relate to past service - prior accident years	(3,779)	(9,381)	(13,160)	(10,117)	(2,344)	(12,461)
Reinsurance (expense) income	(1,225)	760	(465)	(7,598)	(1,358)	(8,956)
Reinsurance finance income	82	-	82	1,372	-	1,372
Statement of comprehensive income	(1,143)	760	(383)	(6,226)	(1,358)	(7,584)
Total cash flows	(3,736)	-	(3,736)	(1,562)	-	(1,562)
Asset for incurred claims at 30 June	17,647	15,541	33,188	22,526	14,781	37,307

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% (2025: 85%) probability of adequacy.

	2026 %	2025 %
Risk adjustment applied to the estimated future cash flows	10.0%	13.1%

(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** **$'000**	**2022** **$'000**	**2023** **$'000**	**2024** **$'000**	**2025** **$'000**	**2026** **$'000**	**Total** **$'000**
Estimate of gross ultimate claims cost:							
at end of claim year	-	66,188	72,126	80,227	81,700	92,062	392,303
one year later	-	63,745	66,230	76,857	80,664	-	287,496
two years later	-	63,575	68,307	80,876	-	-	212,758
three years later	-	62,120	64,141	-	-	-	126,261
four years later	-	63,612	-	-	-	-	63,612
five years later	884,897	-	-	-	-	-	884,897
Cumulative payments made to date	(879,035)	(55,435)	(48,152)	(42,851)	(29,618)	(8,729)	(1,063,820)
Gross undiscounted outstanding claims	**5,862**	**8,177**	**15,989**	**38,025**	**51,046**	**83,333**	**202,432**
Reconciliation							
Undiscounted reinsurance recoveries on present value of future claims	(2,274)	(1,606)	(2,083)	(8,403)	(2,126)	(2,804)	(19,296)
Net discount to present value	(150)	(419)	(995)	(2,270)	(4,119)	(7,197)	(15,150)
Claims handling costs	337	459	891	2,107	2,805	4,553	11,152
Net risk adjustment	310	722	1,829	3,770	7,864	3,584	18,079
Net discounted liability for incurred claims	**4,085**	**7,333**	**15,631**	**33,229**	**55,470**	**81,469**	**197,217**

The above table does not include $2,225,000 of claims settled but not paid and $240,000 recoveries made but not received at 30 June 2026.

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.

2026	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	64,896	41,279	26,597	15,953	9,549	9,712	167,986

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

(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 2026.

The retained earnings at 30 June 2026 of $150,207,000 (2025: $145,060,000) 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 $144,863,000 (2025: $141,355,000) 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 2026 in excess of the minimum required by APRA. The following table shows the capital adequacy calculated in accordance with the APRA prudential framework. The 2026 position reflects the June 2026 quarter APRA return (unaudited) with the 2025 comparative being reflective of the 2025 annual audited APRA return.

	2026 $'000	2025 $'000
Lawcover Insurance Tier 1 capital base		
Ordinary shares	34,600	34,600
Retained earnings as at 30 June (adjusted)	150,207	145,060
LawCover Insurance capital base and adjusted net assets	184,807	179,660
Prudential capital requirement	66,154	60,805
Prescribed capital amount coverage	2.79	2.95

(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. Lawcover Insurance is prohibited from declaring a dividend without the express approval of the Attorney General of NSW.

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 2026, the prescribed capital adequacy ratio is 2.79 (unaudited), which is a decrease from 2.95 in 2025. 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	
	2026	2025	2026	2025
	$	$	$	$
Short-term employee benefits	6,339,808	6,604,014	3,002,099	2,993,805
Post-employment benefits	468,019	449,022	204,301	187,929
	6,807,827	7,053,036	3,206,400	3,181,734

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 2026.

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	
	2026	2025	2026	2025
	$	$	$	$
PwC Australia				
Audit and review of financial statements	384,111	392,152	190,500	202,034
Other services				
Audit of regulatory returns	50,489	48,322	4,100	4,100
Tax compliance services	27,901	33,063	-	10,200
Total remuneration of PwC Australia	462,501	473,537	194,600	216,334

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 (2025: $351,051) for the company and $672,656 (2025: $672,656) for Lawcover Insurance that exists with National Australia Bank and Westpac Banking Corporation respectively.

Other than the above, as at 30 June 2026, 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 (2025: $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	
	2026	**2025**	**2026**	**2025**
	$'000	**$'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	-	394
Later than one year but not later than five years	-	1,558	-	1,558
Later than five years	-	2,215	-	2,215
	-	4,167	-	4,167

During the prior financial year, the Company executed a 10-year lease agreement for office premises located at 60 Elizabeth Street. As at 30 June 2025, commencement of the lease term remained uncertain due to outstanding landlord rectification works. Accordingly, the lease commitments had not yet been recognised under AASB 16 *Leases*. Following commencement of the lease term during the current financial year, the associated lease liability has been recognised and is disclosed in Note 17.

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 $252,672 (2025: $244,246) 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 $nil (2025: $45,500) 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 2026 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 (2025: $60,000)
(ii) Legal Practitioners Fidelity Fund $920,075 (2025: $865,767)

As at 30 June 2026, the following balances were receivable from or payable to other related parties:
(i) Receivable from Legal Practitioners Fidelity Fund $87,856 (2025: $76,102)
(ii) Payable to Legal Practitioners Fidelity Fund $563,625 (2025: $760,635)
(iii) Receivable from Public Purpose Fund $nil (2025: $nil)
(iv) Payable to Public Purpose Fund $1,377,665 (2025: $797,976)

(d) Intercompany balances eliminated from balance sheets

As at 30 June 2026 there was $252,672 payable to The Law Society of New South Wales by Lawcover Insurance (2025: $244,246) 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 $	
		2026	2025	2026	2025
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	
	2026	2025	2026	2025
	$'000	$'000	$'000	$'000
Profit for the year	13,177	20,563	9,670	10,652
Depreciation	1,578	1,235	1,432	1,074
Amortisation and impairment of intangibles	2,724	1,290	-	-
Net loss (gain) on disposal of non-current assets	7	(1)	-	-
Net non-cash lease accounting adjustments	1,087	720	395	-
Interest and dividends received	(2,389)	(2,467)	(2,389)	(2,467)
Fair value gains on financial assets at fair value through profit and loss *	(26,613)	(32,840)	(6,775)	(6,141)
Change in operating assets and liabilities:				
Decrease (increase) in trade and other receivables	40	(42)	31	(48)
(Increase) decrease in other assets	(2,236)	87	(857)	91
Decrease in reinsurance contract assets	4,120	9,146	-	-
Increase in deferred tax assets	(806)	(644)	-	-
Increase in trade and other payables	716	2,071	436	850
Increase in provisions	904	514	714	593
Increase in other liabilities	2,691	2,017	2,691	2,017
Decrease in current tax liability	(2,355)	(655)	-	-
Increase in insurance contract liabilities	17,498	10,639	-	-
Net cash inflow from operating activities	10,143	11,633	5,348	6,621

* 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 2026 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

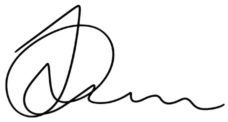
(c) the consolidated entity disclosure statement on page 43 is true and correct.

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

R MacSweeney
Councillor



J Dawson
Councillor

Sydney, 10 September 2026

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 2026 and of their financial performance for the year then ended; and

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 2026;
- the Consolidated and Company statements of profit or loss and other comprehensive income for the year then ended;
- 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 notes to the financial statements, including material accounting policy information and other explanatory information;
- the consolidated entity disclosure statement as at 30 June 2026; and
- the Councillors' declaration.

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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 Councillors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2026 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 Councillors for the financial report

The Councillors 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 Councillors 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 Councillors 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 Councillors 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
10 September 2026