The Law Society of New South Wales

ACN 000 000 699

Annual financial report for the year ended 30 June 2024

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 entities it controlled at the end of, or during, the year ended 30 June 2024.

Councillors

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

Lauren Diana Absalom
Jennifer Ruth Ball
Cassandra Denise Banks
Angelo Bilias
Danielle Lee Captain-Webb
Adriana Care
Jacqueline Mai Dawson
Sylvia Fernandez
Anthony Charles Gordon
Rebekah Victoria McEwin Hunter
Hugh Ignatius Macken
Olivia Grace Irvine
Mary Josephine Esther Macken
Ronan MacSweeney
Brett Patrick McGrath
Moira Leonie Saville
Leah Irene Serafim
Jade Elizabeth Tyrrell
Joanne Patricia van der Plaat
Jennifer Jane Windsor
Jennifer Louise Lai Wah Wong
Ereboni Yazdani

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

During the year, the following Councillors were elected, re-elected or appointed to Council: Ms L Absalom (re-elected 26.10.23), Ms O Irvine (appointed 26.10.23), Ms M Saville (elected 26.10.23), Ms J Wong (re-elected 26.10.23).

During the year, the following Councillors retired or resigned from Council: Ms A Care (retired 26.10.23), Mr H Macken (retired 26.10.23), Ms O Irvine (retired 10.04.24), Ms L Serafim (retired 26.10.23), Ms J van der Plaat (retired 31.12.23), Ms J Windsor (retired 26.10.23), Ms J Wong (retired 30.06.24).

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

Council meetings

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

Principal activities

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

Dividends

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

Review of operations

The surplus of the company for the year was $9.1 million (2023: $8.3 million). The profit or loss of subsidiaries are as set out in their respective financial statements. The result of group operations for the year was a surplus of $21.7 million (2023: $14.1 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 Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, related to the "rounding off" of amounts in the financial statements. Amounts in the financial statements 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

B McGrath
Councillor

Jennifer Ball.

J Ball
Councillor

Sydney, 26 September 2024

Auditor's Independence Declaration

As lead auditor for the audit of The Law Society of New South Wales for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

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

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

R Balding
Partner
PricewaterhouseCoopers

Sydney
26 September 2024

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Statements of profit or loss and other comprehensive income

For the year ended 30 June 2024

		Consolidated		Company	
		2024	2023	2024	2023
	Note	$'000	$'000	$'000	$'000
Revenue	6	41,410	39,264	41,410	39,264
Investment revenue	7	6,950	5,457	6,950	5,457
Other income	8	14,467	12,325	14,467	12,325
Employee benefits expense	9	(31,619)	(28,591)	(31,619)	(28,591)
Depreciation and amortisation expense	9	(1,322)	(1,245)	(1,322)	(1,245)
Law Council capitation fees		(3,225)	(3,031)	(3,225)	(3,031)
Consulting and professional fees expense		(5,660)	(4,892)	(5,660)	(4,892)
Other expenses		(11,882)	(10,956)	(11,882)	(10,956)
Non insurance result		**9,119**	**8,331**	**9,119**	**8,331**
Insurance revenue	25	104,165	93,961	-	-
Insurance service expenses	25	(104,369)	(96,409)	-	-
Net income from reinsurance contracts held	25	357	421	-	-
Insurance finance expenses	25	(1,867)	(1,485)	-	-
Reinsurance finance expenses	25	(510)	(165)	-	-
Investment revenue	10	19,340	10,856		
Finance costs	17	(84)	(51)	-	-
Net insurance service and investment result		**17,032**	**7,128**	**-**	**-**
Profit before income tax		**26,151**	**15,459**	**9,119**	**8,331**
Income tax expense	11	(4,425)	(1,352)	-	-
Profit for the year		**21,726**	**14,107**	**9,119**	**8,331**
Other comprehensive income					
Items that will not be reclassifed to profit or loss					
Revaluation of land and buildings		(14,185)	-	(14,185)	-
Other comprehensive income for the year, net of tax		(14,185)	-	(14,185)	-
Total comprehensive income (loss) for the year		**7,541**	**14,107**	**(5,066)**	**8,331**
Profit is attributable to:					
Members of The Law Society of New South Wales		21,726	14,107	9,119	8,331
		21,726	**14,107**	**9,119**	**8,331**
Total comprehensive income (loss) for the year is attributable to:					
Members of The Law Society of New South Wales		7,541	14,107	(5,066)	8,331
		7,541	**14,107**	**(5,066)**	**8,331**

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

		Consolidated			Company	
			Restated			
		2024	2023	1 July 2022	2024	2023
	Note	$'000	$'000	$'000	$'000	$'000
Assets						
Current assets						
Cash and cash equivalents		28,899	37,202	32,439	13,234	22,284
Trade and other receivables	12	749	641	455	987	854
Investments	13	266,725	213,535	191,632	99,312	79,574
Current tax assets		-	-	242	-	-
Reinsurance contract assets	25	18,331	17,097	12,496	-	-
Other assets	14	2,327	1,748	1,693	1,923	1,182
Total current assets		317,031	270,223	238,957	115,456	103,894
Non-current assets						
Reinsurance contract assets	25	28,122	18,738	12,661	-	-
Investments	15	254,230	250,284	236,059	34,600	34,600
Property, plant and equipment	16	64,650	79,272	80,166	64,055	78,601
Right-of-use assets	17	2,881	925	1,664	-	-
Deferred tax assets	18	1,729	1,887	7,514	-	-
Intangible assets	19	4,374	4,629	5,708	-	-
Total non-current assets		355,986	355,735	343,772	98,655	113,201
Total assets		673,017	625,958	582,729	214,111	217,095
Liabilities						
Current liabilities						
Trade and other payables	20	8,931	8,795	7,386	2,690	1,944
Insurance contract liabilities	25	182,729	183,894	166,786	-	-
Current tax liabilities		3,941	252	-	-	-
Lease liabilities	17	477	829	762	-	-
Provisions	21	4,309	4,522	4,282	3,333	3,616
Other liabilities	22	34,035	32,566	30,659	34,035	32,566
Total current liabilities		234,422	230,858	209,875	40,058	38,126
Non-current liabilities						
Insurance contract liabilities	25	130,464	96,932	88,046	-	-
Lease liabilities	17	2,436	219	1,048	-	-
Provisions	23	1,548	1,343	1,261	1,349	1,199
Total non-current liabilities		134,448	98,494	90,355	1,349	1,199
Total liabilities		368,870	329,352	300,230	41,407	39,325
Net assets		304,147	296,606	282,499	172,704	177,770
Equity						
Reserves	24	51,355	65,540	65,540	51,355	65,540
Retained earnings	24	252,792	231,066	216,959	121,349	112,230
Total equity		304,147	296,606	282,499	172,704	177,770

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

Consolidated	**Reserves**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 July 2022 (restated)	65,540	216,629	282,169
Adjustment on initial application of AASB 17, net of tax	-	330	330
Profit after income tax	-	14,107	14,107
Total comprehensive income	-	14,437	14,437
Balance at 30 June 2023	65,540	231,066	296,606
Profit after income tax	-	21,726	21,726
Other comprehensive income	(14,185)	-	(14,185)
Total comprehensive income	(14,185)	21,726	7,541
Balance at 30 June 2024	51,355	252,792	304,147

Company	**Reserves**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 July 2022	65,540	103,899	169,439
Profit after income tax	-	8,331	8,331
Total comprehensive income	-	8,331	8,331
Balance at 30 June 2023	65,540	112,230	177,770
Profit after income tax	-	9,119	9,119
Other comprehensive income	(14,185)	-	(14,185)
Total comprehensive income	(14,185)	9,119	(5,066)
Balance at 30 June 2024	51,355	121,349	172,704

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

Statements of cash flows

For the year ended 30 June 2024

		Consolidated		Company	
		2024	2023	2024	2023
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		57,213	53,280	57,213	53,280
Payments to suppliers and employees		(73,945)	(66,690)	(52,512)	(47,214)
Interest paid		(84)	(51)	-	-
Premiums received		104,353	103,747	-	-
Outwards reinsurance premiums paid		(11,180)	(10,771)	-	-
Claims paid		(51,290)	(58,893)	-	-
Reinsurance and other recoveries received		408	349	-	-
Income taxes (paid) received		(579)	4,769	-	-
Net cash inflow from operating activities	34	24,896	25,740	4,701	6,066
Cash flows from investing activities					
Payments for purchase of investments		(197,458)	(202,212)	(25,000)	(25,000)
Proceeds on sale of investments		164,561	181,232	10,000	20,000
Interest received		2,504	1,582	2,211	1,368
Payments for property, plant and equipment		(1,096)	(615)	(962)	(497)
Payments for intangible assets		(942)	(202)	-	-
Net cash outflow from investing activities		(32,431)	(20,215)	(13,751)	(4,129)
Cash flows from financing activities					
Payment of lease liabilities		(768)	(762)	-	-
Net cash outflow from financing activities		(768)	(762)	-	-
Net (decrease) increase in cash and cash equivalents		(8,303)	4,763	(9,050)	1,937
Cash and cash equivalents at the beginning of the year		37,202	32,439	22,284	20,347
Cash and cash equivalents at the end of the year		28,899	37,202	13,234	22,284

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

Notes to the financial statements

1. Reporting entity

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

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

The company is a not-for-profit entity for the purpose of preparing the financial statements. These financial statements cover both the separate financial statements of The Law Society of New South Wales as an individual entity (the company) and the consolidated financial statements for the consolidated entity consisting of The Law Society of New South Wales and its subsidiaries (the group). The only subsidiary as at 30 June 2024 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 26 September 2024. 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 and the *Corporations Act 2001*.

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the group

The group has applied the following standard for the first time in the annual reporting period beginning on 1 July 2023:

- AASB 2021-2, AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* (effective for annual reporting periods beginning on or after 1 January 2023)
- AASB 9 *Financial Instruments*
- AASB 17 *Insurance Contracts*

(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 2023, including:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (effective for annual reporting periods beginning on or after 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Non-current Liabilities with Covenants* (effective for annual reporting periods beginning on or after 1 January 2024)

2. Summary of material accounting policies (continued)

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, except if indicated below.

AASB 17 *Insurance Contracts*
AASB 17 replaced AASB 4 *Insurance Contracts*, which currently permits a wide variety of practices. The general model under AASB 17 is based on a discounted cash flow model with a risk adjustment and deferral of up-front profits. The alternative model permitted within the standard is the Premium Allocation Approach (PAA), which is allowed for short duration contracts.

Lawcover Insurance has determined that the contract boundary for insurance contracts is from 1 July to 30 June each year. As all of the company's insurance contracts issued are for a coverage period of one year, the PAA can automatically be applied in accounting for the whole group of contracts.

Lawcover Insurance has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition. In addition, as all insurance contracts originated by Lawcover Insurance are eligible for the PAA, Lawcover Insurance has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable. Accordingly, Lawcover Insurance has identified, recognised and measured each group of insurance contracts in this category as if AASB 17 had always applied; derecognised any existing balances that would not exist if AASB 17 had always applied; and recognised any resulting net difference in equity. For the purposes of the transition requirements:

- the date of initial application is the beginning of the annual reporting period in which Lawcover first applies AASB 17, being 1 July 2023; and
- the transition date is the beginning of the annual reporting period immediately preceding the date of initial application, being 1 July 2022.

While the adoption of AASB 17 has resulted in significant disclosure and measurement changes in the financial statements, the impact on opening net assets as at 1 July 2022 is an increase of $330,000 arising from the application of an illiquidity premium to the rate used to discount the present value of expected future claim payments.

The following table is a summarised version of the balance sheet to measurement changes and presentation changes upon adoption of AASB17.

Summarised Balance Sheet	**Consolidated**			
	30 June 2022 AASB 1023	**Measurement Changes**	**Presentation Changes**	**1 July 2022 AASB 17**
Assets				
Cash and cash equivalents	32,439	-	-	32,439
Trade and other receivables	28,325	(82)	(27,788)	455
Investments	427,691	-	-	427,691
Property, plant and equipment	85,874	-	-	85,874
Reinsurance contract assets	-	-	25,157	25,157
Other assets	11,254	(141)	-	11,113
Total assets	585,583	(223)	(2,631)	582,729
Liabilities				
Trade and other payables	7,629	-	(243)	7,386
Insurance contract liabilities	-	-	254,832	254,832
Lease liabilities	1,810	-	-	1,810
Provisions	171,824	-	(166,281)	5,543
Other liabilities	122,151	(553)	(90,939)	30,659
Total liabilities	303,414	(553)	(2,631)	300,230
Net assets	282,169	330	-	282,499
Equity				
Reserves	65,540	-	-	65,540
Retained earnings	216,629	330	-	216,959
Total equity	282,169	330	-	282,499

(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.

2. Summary of material accounting policies (continued)

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 2024 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.

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 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 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 determines that a group of contracts becomes onerous.

2. Summary of material accounting policies (continued)

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 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 can compel the policyholder to pay the premiums or in which Lawcover has a substantive obligation to provide the policyholder with insurance contract services. Under the PAA Lawcover 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 requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as Lawcover fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by Lawcover 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.

(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.

2. Summary of material accounting policies (continued)

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, deposits held at call with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade receivables

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

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

(h) Investments

The group's investments are classified as 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.

2. Summary of material accounting policies (continued)

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 periodic, but at least triennial, valuations 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.

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.

2. Summary of material accounting policies (continued)

(k) Intangible assets

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

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

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

(l) Trade and other payables

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

(m) Provisions

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

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

(n) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(o) Goods and Services Tax (GST)

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

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

2. Summary of material accounting policies (continued)

(p) Insurance service expenses

Insurance service expenses include the following:

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

Lawcover 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 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; and
- amounts relating to accounting for onerous groups of underlying insurance contracts issued.

As groups of reinsurance contracts held are measured under the PAA, Lawcover 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.

(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.

2. Summary of material accounting policies (continued)

(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/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, related to the "rounding off" of amounts in the financial statements. Amounts in the 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 2024 compared to the assumptions at 30 June 2023.

Assumptions in respect of Underwriting Year 2023-24	**Valuation as at 30 June 2024**	**Valuation as at 30 June 2023**
IBNR%	56.0%	53.0%
Initial loss rate (loss per $1 million GFI) ($)	2,359	2,266
Claims handling expense rate	5.0%	6.5%
Discount rate per annum	4.4%	4.4%
Inflation rate per annum	Implicit in valuation methods	Implicit in valuation methods
Superimposed inflation rate per annum	Implicit in valuation methods	Implicit in valuation methods

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

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 2023-24 and 2022-23 underwriting years. This is estimated by analysing past incurred 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 claims handling expenses.

(iv) Discount rate
Discount rates have been derived from yields on Commonwealth Government securities as at 30 June 2024. The illiquidity premium within discount rates is derived based on the long-term weighted average credit spread of a reference portfolio of assets with a similar weighted average duration as the related insurance liabilities. The effect of credit risk and other factors that are not relevant to the liquidity characteristics of insurance contracts is eliminated to estimate the portion of the spread that reflects the illiquidity premium. This approach is consistent with the bottom up approach required under AASB 17.

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

	2024			2023		
	1 Year	**5 Years**	**10 Years**	**1 Year**	**5 Years**	**10 Years**
Insurance contract liabilities	4.49%	4.37%	4.60%	4.48%	4.38%	4.40%
Reinsurance contract assets	4.49%	4.37%	4.60%	4.48%	4.38%	4.40%

(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.

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

(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".

	2024			2023		
	Gross insurance contract liabilities $'000	**Net insurance contract liabilities $'000**	**Profit (loss) after tax/Equity $'000**	**Gross insurance contract liabilities $'000**	**Net insurance contract liabilities $'000**	**Profit (loss) after tax/Equity $'000**
Increase discount rate by 0.5%	(1,649)	(1,395)	977	(1,091)	(989)	692
Increase initial loss rate by 20%	11,596	6,876	(4,813)	11,252	4,070	(2,849)
Increase IBNR by 25%	13,613	8,056	(5,639)	8,760	3,248	(2,274)
Increase inflation rate by 1%	1,972	1,267	(887)	1,937	1,928	(1,350)
Speed up in incurred development by two quarters	(7,758)	(5,541)	3,879	(5,276)	(2,806)	1,964

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 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 2022-23 and 2023-24 pool years 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).

4. Insurance risk management (continued)

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

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

(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 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.

5. Financial risk management (continued)

(c) Credit risk

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

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

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

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

	Credit rating				Not rated	Total
	AAA $'000	AA $'000	A $'000	Speculative grade $'000	$'000	$'000
2024						
Cash & cash equivalents	-	28,899	-	-	-	28,899
Short term deposits	-	49,486	10,000	-	-	59,486
Debt securities	141,402	125,591	17,557	8,795	72	293,417
Reinsurance contract assets	-	42,194	4,259	-	-	46,453
Managed funds	8,338	5,554	54,486	18,185	81,489	168,052
	149,740	251,724	86,302	26,980	81,561	596,307
2023 (restated)						
Cash & cash equivalents	-	37,202	-	-	-	37,202
Short term deposits	-	43,878	15,000	-	-	58,878
Debt securities	134,376	103,664	12,506	12,808	183	263,537
Reinsurance contract assets	-	20,930	14,905	-	-	35,835
Managed funds	32,273	6,723	11,054	26,715	64,639	141,404
	166,649	212,397	53,465	39,523	64,822	536,856

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

(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.

5. Financial risk management (continued)

(i) Interest rate and price risk

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

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

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

			Fixed maturity dates				
At 30 June 2023	**Average effective interest rate %**	**Variable interest rate $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**5+ years $'000**	**Non interest bearing $'000**	**Total $'000**
Financial assets							
Cash and cash equivalents	3.4%	37,202	-	-	-	-	37,202
Short term deposits	2.0%	35,000	-	-	-	23,878	58,878
Debt securities	4.6%	689	13,069	216,546	33,050	183	263,537
Managed funds		-	-	-	-	141,404	141,404
		72,891	13,069	216,546	33,050	165,465	501,021

(ii) Interest rate risk sensitivity analysis

Interest rate risk sensitivity analyses has been determined based on the exposure to interest rates for interest bearing financial instruments at the end of the reporting period. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the group's investment income would increase/decrease by $1.07 million (2023: increase/decrease by $1.18 million) on a post-tax basis with income tax expense calculated at 30% (2023: 30%).

(iii) Price risk sensitivity analysis

Price risk sensitivity analysis has been determined based on the exposure to investments in managed funds at the end of the reporting period. If the unit prices of these managed funds had been 10% higher/lower and all other variables were held constant, the group's investment income would increase/decrease by $13.24 million (2023: increase/decrease by $11.24 million) on a post-tax basis with income tax expense calculated at 30% (2023: 30%).

5. Financial risk management (continued)

(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 2024 and 30 June 2023:

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

At 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Interest bearing investments	58,878	263,537	-	322,415
Managed funds	-	141,404	-	141,404
	58,878	404,941	-	463,819

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 during the financial year(s)

	Consolidated		Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Membership and practising certificate fees	33,563	31,883	33,563	31,883
Legal training revenue	1,609	1,567	1,609	1,567
Member services revenue	2,133	2,092	2,133	2,092
Product sale revenue	1,569	1,356	1,569	1,356
Property rental revenue	486	457	486	457
Other revenue	2,050	1,909	2,050	1,909
	41,410	39,264	41,410	39,264

7. Investment revenue

Interest income	2,212	1,368	2,212	1,368
Fair value gains (losses) on financial assets at fair value through profit and loss *	4,738	4,089	4,738	4,089
	6,950	5,457	6,950	5,457

* Includes reinvested distributions and management fee rebates received.

8. Other Income

	Consolidated		Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Public Purpose Fund receipts				
Received under s.53 of the LPUL App Act 2014	13,077	11,078	13,077	11,078
Received under s.55 of the LPUL App Act 2014	630	462	630	462
	13,707	11,540	13,707	11,540
Legal Practitioners Fidelity Fund receipts				
Received under s.118 of the LPUL App Act 2014	760	785	760	785
	14,467	12,325	14,467	12,325

LPUL App Act 2014 refers to the *Legal Profession Uniform Law Application Act 2014 [NSW]*.

9. Expenses

	Consolidated		Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Profit before income tax expenses includes the following specific expenses:				
Employee benefits expense				
Wages and salaries	26,941	24,922	26,941	24,922
Defined contribution superannuation expense	2,624	2,243	2,624	2,243
Other employee benefits expense	2,054	1,426	2,054	1,426
Total employee benefits expense	31,619	28,591	31,619	28,591
Depreciation and amortisation expense				
Depreciation				
Buildings	1,037	1,037	1,037	1,037
Plant and equipment	285	208	285	208
Amortisation				
Software	-	-	-	-
Total depreciation and amortisation expense	1,322	1,245	1,322	1,245
Directly attributable insurance expenses				
Employment expenses	11,535	10,958	-	-
Technology expenses	3,732	3,788	-	-
External services expenses	1,859	2,048	-	-
Insurance expenses	1,726	1,910	-	-
Depreciation expenses	1,405	1,541	-	-
Occupancy expenses	950	1,009	-	-
Brand and publication expenses	898	651	-	-
Other Expenses	659	890	-	-
Total directly attributable insurnace expenses	22,764	22,795	-	-

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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Investment income - policyholders' funds				
Fixed income securities	9,007	4,928	-	-
	9,007	4,928	-	-
Investment expenses - policyholders' funds				
Investment management fees	(321)	(306)	-	-
	(321)	(306)	-	-
Net investment income - policyholders' funds	8,686	4,622	-	-
Investment income - shareholder's funds				
Fixed income securities	2,730	1,277	-	-
Unit linked trusts	8,056	5,069	-	-
	10,786	6,346	-	-
Investment expenses - shareholder's funds				
Investment management fees	(132)	(112)	-	-
	(132)	(112)	-	-
Net investment income - shareholder's funds	10,654	6,234	-	-
Total net investment income	19,340	10,856	-	-

11. Income tax expense

Income tax expense				
Current tax expense				
Current tax expense	4,267	960	-	-
Total current tax expense	4,267	960	-	-
Deferred tax	-	-	-	-
Origination and reversal of temporary differences	158	5,627	-	-
Tax refund received for prior year tax losses	-	(5,235)	-	-
Total deferred tax expense	158	392	-	-
Income tax expense (benefit)	4,425	1,352	-	-

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

Profit from operations before exceptional item and income tax expense	26,151	15,459	9,119	8,331
Less profit from tax-exempt operations	(9,119)	(8,331)	(9,119)	(8,331)
	17,032	7,128	-	-
Tax at the Australian tax rate of 30% (2023 - 30%)	5,110	2,138	-	-
Non-deductible expenses	(685)	(808)	-	-
Adjustments for current tax of prior periods	-	22	-	-
Income tax expense	4,425	1,352	-	-

11. Income tax expense (continued)

The tax rate used for the 2024 and 2023 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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Trade receivables	89	124	89	124
Provision for impairment of receivables	(4)	(12)	(4)	(12)
	85	112	85	112
Goods and services tax recoverable	-	5	-	5
Other receivables				
Receivable from Legal Practitioners Fidelity Fund	82	82	82	82
Interest receivable	331	215	331	215
Other	251	227	489	440
	749	641	987	854

(a) Impaired trade receivables

As at 30 June 2024 current trade receivables of the group with a nominal value of $4,000 (2023: $12,000) were impaired.

(b) Past due but not impaired

As at 30 June 2024, trade receivables of $29,054 (2023: $51,722) 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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
1 to 3 months	8	38	8	38
3 to 6 months	21	14	21	14
Over 6 months	-	-	-	-
	29	52	29	52

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Financial assets at fair value through profit or loss				
Deposits	59,486	58,878	50,000	35,000
Negotiable certificates of deposit	-	-	-	-
Corporate and government securities	39,187	13,253	-	-
Managed funds	168,052	141,404	49,312	44,574
	266,725	213,535	99,312	79,574

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Prepayments	2,327	1,748	1,923	1,182
	2,327	1,748	1,923	1,182

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 **	254,230	250,284	-	-
	254,230	250,284	-	-
	254,230	250,284	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 2022	79,000	4,996	83,996
Additions	194	421	615
Disposals	-	(76)	(76)
At 30 June 2023	79,194	5,341	84,535
Additions	566	530	1,096
Disposals	-	(218)	(218)
Revaluation decrease	(16,260)	-	(16,260)
At 30 June 2024	63,500	5,653	69,153
Depreciation and impairment			
At 1 July 2022	-	(3,830)	(3,830)
Depreciation charge	(1,037)	(468)	(1,505)
Eliminated on disposals	-	72	72
At 30 June 2023	(1,037)	(4,226)	(5,263)
Depreciation charge	(1,037)	(494)	(1,531)
Eliminated on disposals	-	217	217
Eliminated on revaluation	2,074	-	2,074
At 30 June 2024	-	(4,503)	(4,503)
Carrying amount			
At 30 June 2024	63,500	1,150	64,650
At 30 June 2023	78,157	1,115	79,272

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 2022	79,000	2,224	81,224
Additions	194	303	497
Disposals	-	(24)	(24)
At 30 June 2023	79,194	2,503	81,697
Additions	566	396	962
Revaluation decrease	(16,260)	-	(16,260)
At 30 June 2024	63,500	2,899	66,399
Depreciation and impairment			
At 1 July 2022	-	(1,875)	(1,875)
Depreciation charge	(1,037)	(208)	(1,245)
Eliminated on disposals	-	24	24
At 30 June 2023	(1,037)	(2,059)	(3,096)
Depreciation charge	(1,037)	(285)	(1,322)
Eliminated on disposals	-	-	-
Eliminated on revaluation	2,074	-	2,074
At 30 June 2024	-	(2,344)	(2,344)
Carrying amount			
At 30 June 2024	63,500	555	64,055
At 30 June 2023	78,157	444	78,601

(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 2024.

The valuation was undertaken in accordance with Australian Accounting Standards AASB 13 Fair Value Measurement with consideration given to the input ratings per the fair value hierarchy.

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

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

17. Leases

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

(a) Amounts recognised in the balance sheets

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

	Consolidated		Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Right-of-use assets				
Current	-	-	-	-
Non-current	2,881	925	-	-
	2,881	925	-	-
Lease liabilities				
Current	477	829	-	-
Non-current	2,436	219	-	-
	2,913	1,048	-	-

Lawcover Insurance's office lease was extended for a further five years to 30 September 2029. Lawcover Insurance recognises lease liabilities measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2024. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2024 was 6.42%. Additions to right-of-use assets during the year ended 30 June 2024 were $2,633,000 (2023: $Nil).

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

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

	Consolidated		Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Depreciation charge right-of-use assets	676	740	-	-
Interest expense	84	51	-	-
	760	791	-	-

(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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Within one year	466	449	466	449
Later than one year but not later than five years	1,421	1,761	1,421	1,761
Later than five years	-	126	-	126
	1,887	2,336	1,887	2,336

18. Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated		Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Insurance provisions	1,687	1,930	-	-
Other items	42	(43)	-	-
Total deferred tax assets	1,729	1,887	-	-
Total deferred tax assets	1,729	1,887	-	-
Deferred tax assets expected to be recovered within 12 months	561	741	-	-
Deferred tax assets expected to be recovered after more than 12 months	1,168	1,146	-	-
	1,729	1,887	-	-

19. Non-current assets – Intangible assets

Consolidated	**Software and systems $'000**		**Total $'000**
Cost			
At 1 July 2022	16,667		16,667
Additions	202		202
Disposals	-		-
At 30 June 2023	16,869		16,869
Additions	942		942
Disposals	(3,297)		(3,297)
At 30 June 2024	14,514		14,514
Amortisation and impairment			
At 1 July 2022	(10,960)		(10,960)
Amortisation charge *	(1,280)		(1,280)
Eliminated on disposals	-		-
At 30 June 2023	(12,240)	-	(12,240)
Amortisation charge *	(1,196)		(1,196)
Eliminated on disposals	3,296		3,296
At 30 June 2024	(10,140)		(10,140)
Carrying amount			
At 30 June 2024	4,374		4,374
At 30 June 2023	4,629		4,629

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

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

Company	**Software and systems $'000**	**Total $'000**
Cost		
At 1 July 2022	5,881	5,881
Disposals	-	-
At 30 June 2023	5,881	5,881
At 30 June 2024	5,881	5,881
Amortisation and impairment		
At 1 July 2022	(5,881)	(5,881)
Eliminated on disposals	-	-
At 30 June 2023	(5,881)	(5,881)
At 30 June 2024	(5,881)	(5,881)
Carrying amount		
At 30 June 2024	-	-
At 30 June 2023	-	-

20. Current liabilities – Trade and other payables

	Consolidated		**Company**	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Trade payables	1,932	1,945	752	702
Goods and services tax payable	1,863	2,392	12	-
Other payables				
Payable to Legal Practitioners Fidelity Fund	272	292	272	292
Payable to Public Purpose Fund	685	-	685	-
Accrued expenses	3,930	3,873	799	728
Other taxes payable	249	293	170	222
	8,931	8,795	2,690	1,944

21. Current liabilities – Provisions

Employee benefits	4,309	4,522	3,333	3,616
	4,309	4,522	3,333	3,616

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	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Deferred revenue				
Membership and practising certificate fees	32,634	31,177	32,634	31,177
Other	1,401	1,389	1,401	1,389
	34,035	32,566	34,035	32,566

23. Non-current liabilities – Provisions

Employee benefits - long service leave	1,548	1,343	1,349	1,199
	1,548	1,343	1,349	1,199

24. Reserves and retained earnings

(a) Reserves

Asset revaluation	51,355	65,540	51,355	65,540
	51,355	65,540	51,355	65,540
Movements:				
Asset revaluation reserve				
Balance 1 July	65,540	65,540	65,540	65,540
Revaluation	(14,185)	-	(14,185)	-
Balance 30 June	51,355	65,540	51,355	65,540

(b) Retained earnings

Movements in retained earnings were as follows:

Balance 1 July	231,066	216,959	112,230	103,899
Net profit (loss) for the year	21,726	14,107	9,119	8,331
Balance 30 June	252,792	231,066	121,349	112,230

(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

	2024			2023 (Restated)		
	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	98,648	182,178	280,826	88,862	165,970	254,832
Insurance revenue (a)	(104,165)	-	(104,165)	(93,961)	-	(93,961)
Incurred claims and other insurance service expenses	-	109,103	109,103	-	103,162	103,162
Changes that relate to past service - prior accident years	-	(4,734)	(4,734)	-	(6,753)	(6,753)
Insurance service expenses (b)	-	104,369	104,369	-	96,409	96,409
Insurance service result (a)+(b)	(104,165)	104,369	204	(93,961)	96,409	2,448
Insurance finance expenses	-	1,867	1,867	-	1,485	1,485
Statement of comprehensive income	(104,165)	106,236	2,071	(93,961)	97,894	3,933
Cash flows						
Premium received	104,353	-	104,353	103,747	-	103,747
Claims and expenses paid	-	(74,115)	(74,115)	-	(79,034)	(79,034)
Total cash flows	104,353	(74,115)	30,238	103,747	(79,034)	24,713
Transfer to other items in the balance sheet	-	59	59	-	(2,652)	(2,652)
Insurance contract liabilities at 30 June	98,836	214,358	313,194	98,648	182,178	280,826
Current	98,836	83,893	182,729	98,648	85,246	183,894
Non-current	-	130,464	130,464	-	96,932	96,932
	98,836	214,357	313,193	98,648	182,178	280,826

[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

	2024			2023 (Restated)		
	Asset for remaining coverage[1] $'000	**Asset for incurred claims $'000**	**Total $'000**	**Asset for remaining coverage[1] $'000**	**Asset for incurred claims $'000**	**Total $'000**
Reinsurance contract assets at 1 July	-	35,835	35,835	-	25,157	25,157
Reinsurance expenses (a)	(11,180)	-	(11,180)	(10,771)	-	(10,771)
Recovery of incurred claims	-	12,054	12,054	-	14,735	14,735
Changes that relate to past service - prior accident years	-	(517)	(517)	-	(3,543)	(3,543)
Reinsurance income (b)	-	11,537	11,537	-	11,192	11,192
Net income (expenses) from reinsurance contracts held (a)+(b)	(11,180)	11,537	357	(10,771)	11,192	421
Reinsurance finance income	-	(510)	(510)	-	(165)	(165)
Statement of comprehensive income	(11,180)	11,027	(153)	(10,771)	11,027	256
Cash flows						
Outward reinsurance premium paid net of ceded commissions	11,180	-	11,180	10,771	-	10,771
Reinsurance and other recoveries received	-	(409)	(409)	-	(349)	(349)
Total cash flows	11,180	(409)	10,771	10,771	(349)	10,422
Reinsurance contract assets at 30 June	-	46,453	46,453	-	35,835	35,835
Current	-	18,331	18,331	-	17,097	17,097
Non-current	-	28,122	28,122	-	18,738	18,738
	-	46,453	46,453	-	35,835	35,835

[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

	2024			2023 (Restated)		
	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	152,276	29,902	182,178	138,749	27,221	165,970
Incurred claims and other insurance service expenses	99,676	9,427	109,103	93,880	9,282	103,162
Changes that relate to past service - prior accident years	2,080	(6,814)	(4,734)	(152)	(6,601)	(6,753)
Insurance service expenses	101,756	2,613	104,369	93,728	2,681	96,409
Insurance finance expenses	1,867	-	1,867	1,485	-	1,485
Statement of comprehensive income	103,623	2,613	106,236	95,213	2,681	97,894
Total cash flows	(74,115)	-	(74,115)	(79,034)	-	(79,034)
Transfer to other items in the balance sheet	59	-	59	(2,652)	-	(2,652)
Liability for incurred claims at 30 June	181,843	32,515	214,358	152,276	29,902	182,178

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

	2024			2023 (Restated)		
	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	15,446	20,389	35,835	9,429	15,728	25,157
Recovery of incurred claims	8,081	3,973	12,054	6,021	8,714	14,735
Changes that relate to past service - prior accident years	7,706	(8,223)	(517)	510	(4,053)	(3,543)
Reinsurance income	15,787	(4,250)	11,537	6,531	4,661	11,192
Reinsurance finance expenses	(510)	-	(510)	(165)	-	(165)
Statement of comprehensive income	15,277	(4,250)	11,027	6,366	4,661	11,027
Total cash flows	(409)	-	(409)	(349)	-	(349)
Asset for incurred claims at 30 June	30,314	16,139	46,453	15,446	20,389	35,835

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 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% (2023: 85%) probability of adequacy.

	Consolidated	
	2024	2023
	%	%
Risk adjustment applied to the estimated future cash flows	10.9%	7.1%

(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**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of gross ultimate claims cost:							
at end of claim year	-	55,460	79,622	66,188	72,126	80,227	353,623
one year later	-	53,393	78,398	63,745	66,230	-	261,766
two years later	-	55,256	81,021	63,575	-	-	199,852
three years later	-	57,598	82,081	-	-	-	139,679
four years later	-	70,479	-	-	-	-	70,479
five years later	650,109	-	-	-	-	-	650,109
Cumulative payments made to date	(640,114)	(47,851)	(65,969)	(35,859)	(25,709)	(9,177)	(824,679)
Gross undiscounted outstanding claims	**9,995**	**22,628**	**16,112**	**27,716**	**40,521**	**71,050**	**188,022**
Reconciliation							
Undiscounted reinsurance recoveries on present value of future claims	(1,281)	(12,404)	(4,876)	(2,341)	(2,931)	(8,901)	(32,734)
Net discount to present value	(285)	(596)	(775)	(2,000)	(3,339)	(5,726)	(12,721)
Claims handling costs	483	453	751	1,276	1,846	3,225	8,034
Net risk adjustment	5,284	1,927	127	1,384	2,198	5,455	16,375
Net discounted liability for incurred claims	**14,196**	**12,008**	**11,339**	**26,035**	**38,295**	**65,103**	**166,976**

The above table does not include $928,000 of claims settled but not paid at 30 June 2024.

25. Insurance disclosures (continued)

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

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

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

2023 (Restated)	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	55,774	31,785	18,546	10,430	5,211	3,653	125,399

(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 multiple as at 30 June 2024.

The retained earnings at 30 June 2024 of $134,907,000 (2023: $124,285,000) 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 $131,444,000 (2023: $118,836,000 restated) determined under Australian Accounting Standards. Under APRA Prudential Standards premiums received in advance are treated as income with an associated premium liability, whereas premiums received in advance are treated as a liability and not as income under Australian Accounting Standards. The APRA disclosures demonstrate that Lawcover has capital at 30 June 2024 in excess of the minimum required by APRA. The following table shows the capital adequacy calculated in accordance with the APRA prudential framework. The 2024 position reflects the June 2024 quarter APRA return (unaudited) with the 2023 comparative being reflective of the 2023 annual audited APRA return.

	2024 $'000	2023 $'000
Lawcover Insurance Tier 1 capital base		
Ordinary shares	34,600	34,600
Retained earnings as at 30 June (adjusted)	134,907	124,285
LawCover Insurance capital base and adjusted net assets	169,507	158,885
Prudential capital requirement	56,193	49,115
Prescribed capital amount coverage	3.02	3.23

(i) Capital management – Lawcover Insurance

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

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

25. Insurance disclosures (continued)

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

- Lawcover Insurance is subject to APRA prescribed capital requirements. Lawcover actively manages capital in order to maintain a capital adequacy within a ratio range of 2.50 to 3.00 times. At 30 June 2024, the prescribed capital adequacy is 3.02 (unaudited), which is a decrease from 3.23 in 2023. This decrease is primarily due to a change in asset allocations during the year and higher risk charges due to an increase in investment assets and insurance contract liabilities. These decreases were partially offset by the capital benefits of the current year profit.
- 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	
	2024	2023	2024	2023
	$	$	$	$
Short-term employee benefits	6,335,919	6,077,231	2,890,896	2,863,297
Post-employment benefits	445,760	361,778	210,080	142,205
	6,781,679	6,439,009	3,100,976	3,005,502

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 2024.

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	
	2024	2023	2024	2023
	$	$	$	$
PwC Australia				
Audit and review of financial statements	386,965	397,849	186,500	179,750
Other services				
Audit of regulatory returns	51,051	41,123	8,200	-
Tax compliance services	50,957	26,606	22,950	5,100
Other services	51,566	9,975	-	-
Total remuneration of PwC Australia	540,539	475,553	217,650	184,850

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 Lawcover Insurance under property lease. This lease includes a bank guarantee of $695,000 (2023: $570,000) that exists with the Westpac Banking Corporation.

Other than the above, as at 30 June 2024, 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 (2023: $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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Non-cancellable operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	148	-	148	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	148	-	148	-

Commencing 15 July 2024, the company has entered into a 12 month short-term lease for temporary office premises located at Level 4, 82 Elizabeth St, for a total of $148,350 over the term of the lease.

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 $238,059 (2023: $213,011) 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 $78,000 (2023: $78,000) for management and administration services.

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

(c) Transactions with other related parties

In addition to the amounts disclosed in Note 8, during the financial year ended 30 June 2024 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 (2023: $60,000)
(ii) Legal Practitioners Fidelity Fund $760,410 (2023: $785,208)

30. Related party transactions (continued)

As at 30 June 2024, the following balances were receivable from or payable to other related parties:
(i) Receivable from Legal Practitioners Fidelity Fund $82,273 (2023: $82,401)
(ii) Payable to Legal Practitioners Fidelity Fund $272,012 (2023: $292,058)
(iii) Receivable from Public Purpose Fund $Nil (2023: $Nil)
(iv) Payable to Public Purpose Fund $685,463 (2023: $Nil)

(d) Intercompany balances eliminated from balance sheets
As at 30 June 2024 there was $238,059 payable to The Law Society of New South Wales by Lawcover Insurance (2023: $213,011) which was eliminated from the consolidated accounts.

31. Subsidiaries

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

Name of entity	Country of incorporation	% Equity interest		Investment $	
		2024	2023	2024	2023
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 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	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Profit for the year	21,726	14,107	9,119	8,331
Depreciation and amortisation	3,404	3,526	1,323	1,245
Net loss on disposal of non-current assets	2	4	-	-
Interest and dividends received	(2,211)	(1,368)	(2,211)	(1,368)
Fair value gains on financial assets at fair value through profit and loss *	(24,531)	(15,363)	(4,738)	(4,089)
Change in operating assets and liabilities:				
Increase in trade and other receivables	(108)	(186)	(133)	(216)
Decrease in current tax assets	-	242	-	-
Increase in other assets	(579)	(55)	(741)	(56)
Decrease in reinsurance contract assets	(10,618)	(10,678)	-	-
Decrease in deferred tax assets	158	5,627	-	-
Increase (decrease) in trade and other payables	136	1,409	746	(44)
(Decrease) Increase increase in provisions	(8)	322	(133)	356
Increase in other liabilities	1,469	1,907	1,469	1,907
Increase in current tax liability	3,689	252	-	-
Increase in insurance contract liabilities	32,367	25,994	-	-
Net cash inflow from operating activities	24,896	25,740	4,701	6,066

* 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

In the Councillors' opinion:

(a) the financial statements and notes set out on pages 4 to 43 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 2024 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 44 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

B McGrath
Councillor

J Ball
Councillor

Sydney, 26 September 2024

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 2024 and of its financial performance for the year then ended

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

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company balance sheets as at 30 June 2024
- 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 statements of cash flows for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the Consolidated entity disclosure statement as at 30 June 2024
- the Councillors' declaration.

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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and 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.

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Other information

The Councillors are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2024, 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.

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,* 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:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

This description forms part of our auditor's report.

PricewaterhouseCoopers

R Balding	Sydney
Partner	26 September 2024