Legal Practitioners Indemnity Insurance Fund NPC

Est. 1993 by the Legal Practitioners Fidelity Fund



INTEGRATED ANNUAL REPORT 2025

ABOUT THIS REPORT

The Legal Practitioners Indemnity Insurance Fund NPC is pleased to present its 2025 integrated annual report.

SCOPE AND BOUNDARY

The integrated annual report covers the financial year from 1 July 2024 to 30 June 2025.

THE INTEGRATED REPORTING BOUNDARY

How we create value	External factors influencing our value creation
Our business model and value-creation process P10	The environment we operate in P6
Our strategy P16	Our risks and opportunities P56
Our governance principles P40	Stakeholder needs and expectations P28
Value created through our activities	
Financial reporting	

The information in this integrated annual report has been selected to cater to the interests of stakeholders who require a broad overview of the company and its activities.

There has been no change in the scope and boundary of this report relative to the 2024 report.

HOW TO NAVIGATE THE REPORT

This icon signifies related information elsewhere in this report

This icon signifies related information available online at www.lpiif.co.za

Other icons are used to identify material matters, strategic objectives, risks and capitals, and are defined on the relevant pages. Refer to page 6 for an example.

FOR FURTHER INFORMATION, PLEASE CONTACT THE COMPANY ON +27 (0) 12 622 3900 OR VISIT WWW.LPIIF.CO.ZA

FRAMEWORKS AND ASSURANCE

The information included in the integrated annual report has been provided in accordance with:

	Integrated Annual Report	Annual Financial Statements
International Reporting <IR> Framework	✓	
International Financial Reporting Standards (IFRS)	✓	✓
Companies Act 71 of 2008	✓	✓
Legal Practice Act 28 of 2014	✓	
Financial Sector Regulation Act 9 of 2017	✓	✓
Insurance Act 18 of 2018	✓	✓
King IV Report™ on Corporate Governance for South Africa (King IV™)	✓	✓

No external assurance has been sought, other than for:

- the annual financial statements; and
- modelling done by the Actuarial function as part of the assessments conducted on the technical provisions, outstanding claims reserve requirements and the recommended premium and reinsurance calculations.

MATERIALITY PROCESS

The information in this report has been selected to provide a comprehensive overview of our business model, performance, governance practices, strategy, risks and opportunities. The information originated from topics addressed in our board of Directors (the board) and management reports, as well as input from our stakeholders. The material matters are identified as part of our strategic and risk management processes.

The company defines a matter as material if it impacts one or more of the six capitals and has the potential to significantly affect the company's ability to create value over the short (12-18 months), medium (up to three years) or long term (beyond three years). Our assessments and responses are thoroughly considered at the appropriate management and board level. The LPIIF board reviews and approves the process followed, as well as the material matters selected.

FOR A DISCUSSION OF THE COMPANY'S MATERIAL MATTERS, REFER TO PAGE 7.

APPLYING INTEGRATED THINKING

At the LPIIF, integrated thinking involves a holistic approach that recognises the interdependencies between our capitals and the trade-offs needed to achieve sustainable value creation. We are committed to open and honest reporting that reflects the value created, preserved or eroded based on our activities in our operating environment. This supports informed decision-making that aligns our short-term actions with long-term sustainability goals.

INTEGRATED REPORT PROCESS AND APPROVAL

The integrated annual report is prepared by management with input from the board and reviewed by the Risk Committee and our external auditors. The Risk Committee provides feedback and recommends the integrated annual report to the board, which is responsible for the information presented in this report.

The board acknowledges its responsibility to ensure the integrity of the integrated annual report and confirms that it addresses all material matters and provides a balanced overview of the company and its prospects. The board believes that the 2025 integrated report is presented in accordance with the International Reporting Framework and has approved the report for publication.

On behalf of the board

Non-Executive Chair:
MJ HAKEN

Non-Executive Directors:
S CHABA, DP DU PLESSIS, EA MOOLLA, MJ LESEJANE, TD KHANYILE, SK O'MAHONY

Managing Director:
SS MBELE

NAVIGATION

ABOUT THIS INTEGRATED REPORT IFC
Our report is divided into five sections to demonstrate how we generate and maintain value while reducing the possibility of value erosion.

About this report IFC

COMPANY OVERVIEW 2
This section provides an overview of the company, highlighting the key achievements of the past year and how we created value. We also offer insight into the environment in which we operate and the trade-offs we had to make between our capitals this year.

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STAKEHOLDER VALUE 28
We discuss the stakeholders identified as core to our business and explain how we engage with them to ensure strong ongoing relationships.

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This section explains how strategic leadership, strong oversight and guidance, as well as robust governance and risk management processes deliver effective value creation and protection for our stakeholders.

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Our financial performance, including the independent auditor's review, is included in this section.

ABOUT THE LPIIF

The LPIIF is a South African non-profit, non-life insurance company that provides professional indemnity insurance to legal practitioners with Fidelity Fund Certificates and Executor Bonds of security to attorneys, as contemplated in section 77 of the Act.

BUSINESS LINES



OUR MISSION

To provide sustainable, efficient and cost-effective professional indemnity cover to the legal profession in South Africa while protecting the public interest by:

- protecting the integrity, esteem, status and assets of the legal profession; and
- protecting the public against indemnifiable and provable losses arising from the conduct of legal practice on the basis set out in the policy.

PROFESSIONAL INDEMNITY INSURANCE (93.5% of premium income)
Provides cover to practising attorneys and advocates with Fidelity Fund Certificates in terms of the Act

BONDS OF SECURITY (6.5% of premium income)
Offers bonds of security to attorneys appointed as executors of deceased estates

RISK MANAGEMENT SERVICES (Non-income-generating service)
Delivers risk management services to the legal profession

THE LPIIF IS AN INSURER WITH A CAPTIVE MARKET AND IS LIMITED TO OFFERING ITS PRODUCTS TO:

- legal practitioners in respect of **claims which may arise from their professional conduct**; and
- **bonds of security** to practitioners in respect of acting as executors of deceased estates

Reached:

35 010 practising attorneys

7 487 candidate attorneys

INDUSTRY STRUCTURE

The LPIIF was established by the Fidelity Fund acting within the powers set out in the Act. The LPIIF is a licensed, non-life insurance company in terms of the Insurance Act. The LPIIF is the vehicle through which the insurance functions set out in section 77 of the Act are carried out. In terms of the Twin Peaks model of regulation, the LPIIF is regulated by the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA).

LEGAL PRACTICE ACT 28 OF 2014 (ACT)

LEGAL PRACTITIONERS FIDELITY FUND (FIDELITY FUND)
The Fidelity Fund is a creature of statute, and its continued existence is in terms of the Legal Practice Act.

ROLE OF THE FIDELITY FUND: PROTECTING LEGAL PRACTITIONERS' CLIENTS
The Fidelity Fund is a client protection fund that carries out the functions set out in Chapter 6 of the Act. The primary function of the Fidelity Fund is to protect the public against theft of trust money held in trust by legal practitioners on behalf of their clients (the public).

LEGAL PRACTITIONERS INDEMNITY INSURANCE FUND NPC (LPIIF)
The Fidelity Fund is the sole member of the LPIIF.

ROLE OF THE LPIIF: PROTECTING LEGAL PRACTITIONERS AND THE PUBLIC
The LPIIF carries out the insurance services referred to in section 77 of the Act and protects the public from losses arising from the negligence of practitioners.

These entities share a common infrastructure in terms of administrative services.

BUSINESS HIGHLIGHTS

PROFESSIONAL INDEMNITY STATISTICS

CLAIMS FROM 1996* TO 30 JUNE 2025

9 657 claims notified

R1.48bn** claims paid

* The earliest point at which claims were paid in any material quantity
** Inclusive of VAT and investigation costs

CLAIMS IN 2024/2025

335 claims notified

R26.4m* value of claims paid (capital payments only)

R36.0m* claims-related investigation costs

* Inclusive of VAT

71% of all professional indemnity claims are managed internally, leading to significant savings in investigation and defence costs

12% increase in the number of claims notified compared to the 2024 financial year

EXECUTOR BONDS

EXPOSURE TO EXECUTOR BONDS

Active management of outstanding bonds reduced exposure from

R14.6bn in 2016 to

R4.7bn at 30 June 2025

BONDS IN 2024/2025

522 bonds issued,

R609m total value

PRESCRIPTION ALERT

MATTERS REGISTERED IN 2024/2025

21 303 matters registered on the Prescription Alert System

1 326 matters have been concluded and no longer pose a risk to the company

CLAIMS REGISTERED PER CATEGORY 2024/2025



- COMMERCIAL
- CONVEYANCING
- GENERAL PRESCRIPTION
- LITIGATION
- RAF PRESCRIPTION
- RAF UNDER-SETTLEMENT
- OTHER

IC

INTELLECTUAL CAPITAL

The company believes that its operations and actions directly contribute to increased trust in the legal profession.

FC

FINANCIAL CAPITAL

2024/2025

Total assets of

R2.36bn

Up 20.8%

SRC

SOCIAL AND RELATIONSHIP CAPITAL

2024/2025

Over 2 900 newly admitted legal practitioners were engaged during the reporting period.

Risk and practice management training was given to 2 068 legal practitioners.

IC

HUMAN CAPITAL

2024/2025

41 staff members

R423 376 staff training costs

R49.0m* salaries paid

* Total cost of earnings per IFRS 17 (see note 20 in the AFS)



OPERATING CONTEXT

OUR STRATEGY

- SOM — A SUSTAINABLE OPERATING MODEL
- RMM — RISK MANAGEMENT AND MITIGATION MEASURES
- ERB — AN ENABLING REGULATORY AND BUSINESS ENVIRONMENT

RISK CATEGORIES

- LR — LEGAL AND REGULATORY RISK
- IR — INSURANCE RISK
- OR — OPERATIONAL RISK
- IVR — INVESTMENT RISK
- CR — CREDIT RISK
- MR — MARKET RISK
- COR — CONCENTRATION RISK
- SR — STRATEGIC RISK
- ER — EMERGING RISK

External influences	Related material matter	Related risks and opportunities	Strategies for addressing the impact
Artificial Intelligence (AI) is impacting all spheres of life and business, and the legal profession, too, is embracing AI. The company has engaged stakeholders on the impact of AI on the profession. It continues to assess and monitor any new risks to the business or opportunities which may arise from the use of AI by legal practitioners.	Provide the primary layer of professional indemnity insurance and risk management services. Enhance trust in the legal profession.	IR OR IVR MR	ERB RMM SOM
The **regulatory environment** is becoming increasingly onerous due to new requirements in the Companies Amendment Act and having to comply with the new IT regulations of the Prudential Authority. The cost of complying with regulatory requirements continues to disproportionally impact smaller insurance entities.	Meet the regulatory solvency requirements. Implement measures to improve governance structures, such as board appointments, review of terms of reference and regulatory engagements. Ensure an appropriate operating model.	LR SR OR	ERB
The **Road Accident Fund (RAF)** adopted Board Notices 58 of 2021 and 271 of 2022.	The RAF is pursuing an appeal of the judgement granted in the LPIIF's favour. It is expected that the appeal will be heard by the Supreme Court of Appeal in 2026.	LR IR	RMM

FOR DETAILS ON HOW THE COMPANY IS ADDRESSING THESE TRENDS, PLEASE REFER TO THE REPORT BY THE MANAGING DIRECTOR ON PAGES 16 TO 17.

MATTERS MATERIAL TO OUR BUSINESS

OUR STRATEGY

- SOM — A SUSTAINABLE OPERATING MODEL
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RISK CATEGORIES

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- COR — CONCENTRATION RISK
- SR — STRATEGIC RISK
- ER — EMERGING RISK

MM1

PROVISION OF PI

Provide the primary layer of professional indemnity insurance and risk management services to the legal profession and bonds of security to attorneys appointed as executors of deceased estates.

The company's ability to fulfil its mandate may be hindered by the following factors:

- inadequate funding;
- a significant change in the risk profile;
- inappropriate insurance or reinsurance cover; and
- ineffective administration processes.

IMPACTED STAKEHOLDERS
All identified stakeholders

CONTRIBUTING STAKEHOLDERS
Fidelity Fund

RELATED STRATEGIES
SOM, RMM, ERB

RELATED RISKS
LR, IR, OR, IVR, MR, SR

MM2

TRUST IN THE LEGAL PROFESSION

Enhance the trust that consumers of legal services have in the legal profession.

Substantial financial and reputational losses could be the result of the following:

- unsatisfactory claim experiences; and
- insufficient data integrity controls.

IMPACTED STAKEHOLDERS
Public using legal services
Legal practitioners

CONTRIBUTING STAKEHOLDERS
Fidelity Fund
Regulators
Employees

RELATED STRATEGIES
SOM, RMM

RELATED RISKS
LR, IR, OR

MM3

MEETING SOLVENCY REQUIREMENTS

Meet the regulatory solvency requirements.

The company might be unable to sustainably fulfil its financial and regulatory obligations without the following:

- an appropriate premium;
- an investment strategy;
- the necessary compliance; and
- risk transfer structures.

IMPACTED STAKEHOLDERS
Legal practitioners
Public using legal services

CONTRIBUTING STAKEHOLDERS
Regulators
Fidelity Fund
Employees
Actuarial functions
Investment managers

RELATED STRATEGIES
SOM, RMM, ERB

RELATED RISKS
LR, IR, OR, IVR, CR, MR, SR, COR

MATTERS MATERIAL TO OUR BUSINESS (CONTINUED)

MM4

INVESTMENT STRATEGY

Maintain and monitor the approved investment strategy.

The following occurrences can have a significant impact on the returns received in the portfolio and may create liquidity constraints:

- unexpected capital charges;
- movements in interest rates; and
- a decline in local and foreign share prices.

IMPACTED STAKEHOLDERS
Fidelity Fund
Legal practitioners

CONTRIBUTING STAKEHOLDERS
Investment managers
Actuarial functions

RELATED STRATEGIES
SOM
RMM

RELATED RISKS
LR OR IVR MR COR

MM5

MEETING STRATEGIC GOALS

Ensure that an appropriate operating model, human capital and information technology are in place to meet short, medium and long-term strategic goals.

Serious financial and regulatory consequences and an inability to fulfil our mandate could be caused by:

- staff who are not sufficiently skilled and qualified;
- inadequate information and technology processes; and
- inefficient operating processes and procedures.

IMPACTED STAKEHOLDERS
Legal practitioners
Panel attorneys
Fidelity Fund

CONTRIBUTING STAKEHOLDERS
Employees

RELATED STRATEGIES
SOM
RMM

RELATED RISKS
LR OR

MM6

IMPROVING GOVERNANCE

Implement measures to continuously improve the efficacy of the governance structures.

Non-compliance with regulatory requirements may lead to regulatory action, introducing significant reputational and existential risks for the company.

Given the recent cyber attack on the company, potential non-compliance with IT and cybersecurity regulatory requirements has been a specific focus area.

IMPACTED STAKEHOLDERS
Legal practitioners

CONTRIBUTING STAKEHOLDERS
Fidelity Fund
Regulators
Employees

RELATED STRATEGIES
SOM
RMM

RELATED RISKS
LR OR



OUR BUSINESS MODEL AND VALUE-CREATION PROCESS

OUR INPUTS

IC – INTELLECTUAL CAPITAL
Our brand, legal expertise and proprietary claims system
- **R22 186 marketing spend (2024: R28 310)**

HC – HUMAN CAPITAL
Our employees and actuarial and internal audit functions
- **R423 376 training spend (2024: R192 632)**
- **R49.0m* paid in salaries (2024: 42.9m)**

* Total cost of earnings per IFRS 17 (see note 20 in the AFS)

FC – FINANCIAL CAPITAL
Funding from the Fidelity Fund and internally generated funds
- **R203.1m income generated by investments (2024: R164.7m)**
- **R2.2bn* investment portfolio (2024: R1.8bn)**

* Excluding IFRS 9 loss adjustment

SRC – SOCIAL AND RELATIONSHIP CAPITAL
The legal profession, the public using legal services, reinsurers and regulators, panel attorneys and other stakeholders
- **35 010 practising and 7 487 candidate attorneys**

EC – ENVIRONMENTAL CAPITAL
Water and energy consumption, paper usage and waste generation
- Low environmental impact

MC – MANUFACTURED CAPITAL
Our equipment, technology and public infrastructure, some of which are outsourced to the Fidelity Fund
- Prescription Alert
- Risk management training courses

OUR VALUE-CREATION PROCESS

OUR STRATEGIC PILLARS

SOM – A SUSTAINABLE OPERATING MODEL

RMM – RISK MANAGEMENT AND MITIGATION MEASURES

ERB – AN ENABLING REGULATORY AND BUSINESS ENVIRONMENT

LEGAL PRACTITIONERS/ OTHER EXTERNAL STAKEHOLDERS

GOVERNANCE AND OVERSIGHT

ACTIVITIES
Professional Indemnity Insurance
Executor Bonds
Risk management services

ADMINISTRATIVE SERVICES ARE SHARED WITH FIDELITY FUND (SYSTEMS, DATA AND SHARED RISK POOL)

SUPPORT/ ADMINISTRATIVE SERVICES
Procurement and supplier management
ICT management
Human capital management
Facilities management
Public relations

REGULATORY ENVIRONMENT
Legal Practice Act
Insurance Act
Financial Sector Regulation Act
Companies Act

REFER TO PAGE 28 FOR MORE ON STAKEHOLDERS.

OUR OUTPUTS

PROFESSIONAL INDEMNITY INSURANCE

- Provision of professional indemnity insurance cover to attorneys and advocates practising with Fidelity Fund Certificates
- Payment of legal defence costs claims in addition to the limit of indemnity

335 claims notified
(2024: 299)
R54.8m* value of claims paid (2024: R49.7m)

BONDS OF SECURITY

- Provision of bonds of security to attorneys with Fidelity Fund Certificates who are appointed as executors of deceased estates

522 bonds issued
(2024: 521)
R609m* value of bonds issued (2024: R571m)

* Exclusive of VAT

RISK MANAGEMENT SERVICES

- As an added service to the profession, the company provides Prescription Alert, a computerised diary system used to register time-barred matters, which alerts the profession of impending prescription dates
- Dedicated practitioner support service
- Risk and practice management training is provided to firms and voluntary associations, and as part of the compulsory Practice Management and Training course
- Additional services aimed at reducing practitioners' risk exposure, including education, publications and communication
- Litigation undertaken by the company to address emerging risks against legal practitioners

OUR OUTCOMES

INTELLECTUAL CAPITAL

- Stronger claims administration expertise
- A more resilient legal system

HUMAN CAPITAL

- A motivated and skilled staff with an attrition rate of 0%



FINANCIAL CAPITAL

- A more sustainable financial base

SOCIAL AND RELATIONSHIP CAPITAL

- A broader range of educational material is available to legal practitioners
- Legal practitioners who are well-versed in risk mitigation techniques
- The public has the confidence to utilise legal services

ENVIRONMENTAL CAPITAL

- Sustainable operations with minimal environmental footprint and improved efficiency

MANUFACTURED CAPITAL

- Servicing the legal profession by providing a risk-transfer mechanism (PI and bonds of security), as well as risk management and mitigation tools

VALUE-CREATION AND PRESERVATION ACTIONS

- A well-diversified investment portfolio serves to protect against negative market movements in certain sectors and/or investments, and consequent value erosion.
- Our efforts to reduce our exposure to active executor bonds have led to the preservation of value.
- Our efforts to educate the profession on risk mitigation have reduced the number of claims.
- Increasing the proportion of claims managed internally rather than through attorneys has reduced operating costs.

THE CHALLENGES WE ARE STRIVING TO OVERCOME

- Securing the long-term financial sustainability of the company.
- Reducing risk in the legal profession through awareness and training in risk mitigation.
- Implementing technology, safeguards and training to avoid cyber attacks.

SUSTAINABLE DEVELOPMENT GOALS

The LPIIF has considered the 17 United Nations Sustainable Development Goals (SDGs) and selected five goals where we strive to make a difference.

As South Africa is a member country of the United Nations and because the LPIIF is committed to being a good corporate citizen, these goals form part of the real social contributions the company endeavours to make in our operating environment. The United Nations SDG Report for 2025 noted that women and people with disabilities continue to be marginalised, and the LPIIF continues to focus on these groups. Our development and employment objectives take into consideration opportunities that address these inequalities. For the current reporting period, gender equality is included as the LPIIF's fifth focus area.

SDGs	Description	LPIIF's contribution
 **Ensure healthy lives and promote well-being for all at all stages.**	▪ Safe and hygienic work environment ▪ Policies and procedures in respect of health and safety ▪ Wellness service provider	The work environment is conducive to the performance of duties by all employees. Regular inspections of the facilities and equipment ensure compliance with health and safety regulations and requirements. A dedicated facilities management department ensures that the work environment is adequate. In addition, the company facilitates wellness days and other activities aimed at assisting employees to maintain a healthy, balanced life.
 **Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.**	▪ Training ▪ Study opportunities	The company provides training and study opportunities to employees. The company offers bursaries to employees to study towards a qualification of their choice. Continuous development is encouraged through various training methods. Self-development is an element of formal performance management.
 **Achieve gender equality and empower all women and girls.**	▪ Access to decent work and equal pay for equal work ▪ Full and equal participation for women and leadership in all areas ▪ Security for and non-discrimination against women in the workplace	The Remuneration Strategy and Policy of the company includes, as part of its core principles, equal pay for equal work – an important element to ensuring gender equality. After the reporting period, two of the three newly appointed directors were female. In the previous two periods, one female appointment was made in each period. Gender equality is one of the principles of the company's board rotation and succession planning and policy. Discrimination of any kind is prohibited in the workplace, and mechanisms are in place, including a whistleblowing facility, to ensure a safe working environment, an inclusive culture and fair work practices for women.
 **Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**	▪ Employee appointment ▪ Procurement practices ▪ Ownership ▪ Management control ▪ Supplier and enterprise development ▪ Promoting jobs and enterprise ▪ Guaranteeing rights at work ▪ Extending social protection	The company seeks to develop previously disadvantaged persons in the recruitment process. As a result, the majority of its employees are from previously disadvantaged groups. B-BBEE status is considered when making supplier appointments. Labour practices promoting fair and equitable work are entrenched in the policies of the company. To this end, policies were updated in the reporting period to include amendments in employment legislation. The company is required to protect basic human rights and refrain from contrary practices. In the reporting period, no incidents relating to the violation of the rights of any person were reported. The company continues to contribute to a stable legal profession and protection of the public through the fulfilment of its mandate and continued solvency.

TRADE-OFFS WE HAD TO MAKE

The board and management continue to demonstrate integrated thinking in their strategic capital decisions and strategic trade-offs. To fulfil our mandate of protecting the integrity of the legal profession and the public that uses legal services, it is sometimes necessary to make trade-offs to manage risks related to doing business. Some of these are:

	Capitals affected			
	FC	HC	SRC	IC
The provision of professional indemnity insurance at no cost to individual insured firms remains of significant benefit to the legal profession. While this is at the core of the LPIIF's mandate, the company's sustainability remains at risk if the legal profession does not contribute financially to this cover.	▼			
A more aggressive investment portfolio presents an opportunity for greater returns but also increased risk and volatility. In the reporting period, new hedging mandates were implemented and other opportunities explored to ensure that targeted investment returns were met.	▲			▼
The business must continuously balance its exposure on executor bonds with its risk appetite for issuing new bonds, and its ability to continue supporting administrators of deceased estates, while also meeting annual targets for closing historical bonds.		▼		▼
The regulatory environment of the LPIIF is complex. While the company must comply with the law, the principle of proportionality must also be applied given the size and complexity of the business. The regulatory burden and attendant requirements of board oversight are increasingly onerous, diverting their focus from strategic imperatives.	▼	▼		

OUR CAPITALS

- IC — INTELLECTUAL CAPITAL
- HC — HUMAN CAPITAL
- FC — FINANCIAL CAPITAL
- SRC — SOCIAL AND RELATIONSHIP CAPITAL
- EC — ENVIRONMENTAL CAPITAL
- MC — MANUFACTURED CAPITAL

IMPACT

- ▲ POSITIVE
- ▼ NEGATIVE

CHAIR'S REPORT

This year marks my 12th and final year as Chairman of the Legal Practitioners Indemnity Insurance Fund. Looking back, I am proud of how far we have come in fulfilling our mandate — providing reliable professional indemnity insurance to the legal profession and helping to maintain public confidence in legal services. It has been a privilege to serve an organisation that plays such a vital role in supporting the profession.

STRONG FINANCIAL AND STRATEGIC PROGRESS

Our focus on building a sustainable operating model has paid off. The Fund's investments grew by an impressive 21.5% to R2.211 billion at 30 June 2025 — well above inflation and our target return of CPI +4%. This strong performance reflects prudent investment decisions and solid risk management, easing the pressure to seek extra funding and enabling us to navigate complex market and operational challenges effectively.

BUILDING A MORE SUSTAINABLE FUNDING MODEL

The LPIIF has long sought a more sustainable way to fulfil its mandate, to reduce funding risk and lessen the financial burden on the LPFF. We are grateful to the LPFF for once again providing the funding that supports our work.

In parallel, we continue to explore additional income-generating initiatives. With approval from both the LPFF and the Prudential Authority, the LPIIF has begun offering select services, such as outsourced claims management, on a commercial basis. A pilot project is currently underway and, if successful, will strengthen our sustainability and reduce our dependence on the LPFF. This offering builds naturally on our existing skills base and can be scaled to serve multiple clients in the future.

PRUDENT GOVERNANCE AND RISK MANAGEMENT

Our internal controls remain strong, underpinned by sound governance and compliance frameworks. Both internal and external audits for 2024/25 were completed with no adverse findings — a gratifying reflection of the high standards maintained by management and the board.

We are also pleased to note that the company has largely recovered from last year's cyber incident. The prompt response helped limit operational disruption, and we have since invested in enhancing our cybersecurity capabilities and capacity to improve oversight and resilience. Several new IT appointments have been made, with further hires planned.

BOARD PERFORMANCE AND COMPOSITION

Our board remains committed, diverse, high-functioning, and united in purpose. An independent evaluation confirmed continued improvement across committees. This year saw the formalisation of our Nominations Committee, and several new directors joined the board, bringing valuable legal, actuarial, and financial expertise. We were also pleased to increase diversity in gender and generation in this rotation and are considering including directors with specialised ICT expertise in the next rotation.

During the year, the Board membership increased from eight to ten.

- Mr EA Moolla retired on 30 June 2025 after 18 years of distinguished service. He has been an insightful, dedicated, and highly valued member of both the LPIIF and LPFF boards. We thank him sincerely for his exceptional contribution and wish him well in the future.
- Ms Siobhain O'Mahony joined the Board in July 2024.
- Ms TS Kekana, Ms ZG Nkosi, and Mr MUW Mafanya were nominated to join the board, with Prudential Authority approvals finalised after the reporting period. Two of these new members also serve on the LPFF board, thereby strengthening collaboration and alignment between the two organisations.

The female representation on the board has moved from just one member a few years ago to four* members, comprising 40%* the board.

* Post year-end

OUTLOOK

Our foremost challenge remains balancing the goal of providing the profession's primary level of professional indemnity insurance with the imperative of operational efficiency. We also continue to manage the implications of the strained relationship between the RAF and claimants' attorneys, ensuring that LPIIF is not unfairly burdened by the RAF's failure to comply with court judgments. Where necessary, we pursue litigation to curtail the potential expansion of liability.

KEY FOCUS AREAS FOR 2026 INCLUDE:

- Developing income-generating capacity through outsourcing opportunities;
- Implementing succession plans for the Managing Director and senior executives, and reviewing succession at the board level;
- Assessing and applying the new King V governance code where appropriate; and
- Reviewing and strengthening the organisation's ethics framework.

CLOSING REFLECTIONS

As I conclude my tenure, I wish to extend heartfelt thanks to everyone who has supported me during these 12 years. My sincere appreciation goes to the CEO of the LPFF, our Managing Director, Mr Mbelle, our board members, management team, and employees for their commitment and professionalism. Most importantly, I thank the attorneys we serve — the foundation of our mandate and the reason for our continued existence.

I leave confident that the LPIIF is in strong hands and well-positioned to continue providing an essential service to the legal profession and the public we serve.

MJ HAKEN
Chair



REPORT BY THE MANAGING DIRECTOR

ACHIEVING OUR MISSION

LPIIF remains steadfast in its mission to safeguard legal practitioners and the public by minimising professional risks within the legal sector. We provide essential protection through a primary layer of professional indemnity insurance to all legal practitioners in South Africa, as mandated by section 77 of the Act. In addition, we issue bonds of security for attorneys appointed as executors of deceased estates. Our Prescription Alert system further supports the profession by offering timely reminders on approaching deadlines for time-barred matters. Through our extensive risk management education drives, our ultimate goal is to empower practitioners with the knowledge and tools to avoid claims. When claims eventually occur, we manage them efficiently, ensuring fair outcomes for both attorneys and the third parties making claims.

The 2024/2025 financial year was marked by significant progress. LPIIF ended the year in a stronger position than it began, not only financially but also in governance, risk management, skills development, and clarity of vision for the future.

EXCELLENT FINANCIAL PERFORMANCE

The company's total assets increased by 20.8% to R2.36 billion, supported by the premium received and a prudent investment strategy adopted by the board. The strategy sought to rebalance and diversify the portfolio to minimise concentration risk and expand the offshore component.

This was the second year of IFRS 17 implementation, which continues to present challenges. From our perspective, its intended purpose of improving readers' understanding of the financial statements remains unattained.

The regulatory approval delay for the change in audit partner postponed publication of the financial statements.

ROBUST STRATEGIC PROGRESS

The aftermath of last year's cybercrime incident required operational strategy to take precedence over growth initiatives. This focus yielded significant achievements across all areas of the business.

- **Risk management:** IT risks have been addressed extensively. Updated risk schedules now include emerging risks such as artificial intelligence.
- **Executor bonds:** Exposure reduced by R506 million, exceeding the revised board target, despite challenges posed by the Master's Office digitisation project. Over the past decade, we have reduced this risk exposure from R14.6 billion to R4.7 billion.
- **Enhancing internal efficiency:** We launched an executive coaching program to strengthen performance and formalise succession planning for these roles.
- **Ongoing skills development:** This ongoing focus area has allowed LPIIF to leverage internal skills to maximise the new growth opportunities that arose.
- **Claims management:** Internally managed claims cost approximately 30% of outsourced claims. We increased internal handling of claims to 71% of total claims this year, cementing our track record of consistently servicing claims at a lower cost than benchmarks.
- **Prescription Alert:** Registrations continue to rise, reducing risk for practitioners and LPIIF.

We are pleased with our strong **governance structures**, which have acquired the necessary skills and implemented proper rotation, as required by regulators. After year-end, we also added two new board members from the Member's board to improve cooperation and communication between the respective boards, and to replace retiring directors with legal and accounting expertise.

The LPFF has committed to continuing to support the LPIIF and ensure that it remains in a strong financial position to fulfil its mandate. We extend our gratitude for that commitment.

The company's **growth strategy** also aims to diversify our income streams. This year, the LPIIF started managing outsourced claims for a large insurer, which aligns well with pillar 3 of our growth strategy and leverages the company's internal strengths and capabilities. The service generates income for the company without taking on additional risk. We have established a competent team and believe this type of project can be successfully extended to other clients.

MITIGATING RISK

Our IT functions are outsourced to the Member. The cybercrime incident last year sharpened our focus on internal IT capabilities. We established an organisational chart to ensure the Member department effectively served both entities, while also acquiring key skills internally. Following regulatory investigations, the Prudential Authority, in follow-up meetings, expressed satisfaction with our progress toward compliance with cybersecurity and resilience standards. Work continues to update our ICT architecture and strategy, with a strong emphasis on IT as an enabler of efficiency. Artificial intelligence is central to this vision, and we are preparing an AI policy for submission to the board next year.

LPIIF actively manages practitioners' risks through training, monthly publications, and collaboration with the Law Society of South Africa's Legal Education and Development Division (LEAD). We aim to reach at least 10% of practitioners annually.

We also continue to support the profession against cybercrime through education and awareness campaigns. A secure payment solution for the profession is currently being piloted to strengthen defences further.

LPIIF engages in strategic litigation to address high-risk developments. A notable example is our successful review of RAF Board Notice 271 of 2022, which poses significant risks to practitioners and LPIIF. The matter is scheduled for hearing at the Supreme Court of Appeal in February 2026.

LOOKING AHEAD

We are confident that our strategy remains intact and relevant. LPIIF will continue to focus on the operational drivers and systems for claims management and executor bonds, which are crucial to generating value for our stakeholders. We will also develop our internal capabilities to capitalise on growth opportunities, advance our claims outsourcing project, and explore a secure payments solution.

CONCLUSION

LPIIF has made excellent progress this year in advancing our strategy and fulfilling our mission of minimising professional risks for the legal profession. We have benefited from a strengthened relationship with the Member and the guidance of a highly skilled board. Despite changes in board composition, leadership, and capability, the company has remained strong. I thank both for their ongoing support.

I extend my gratitude to our executive team, staff, and stakeholders for their commitment and partnership in driving long-term success. We look forward to entering 2026 with confidence and ambition.

SIPHO MBELLE
Managing Director



OPERATIONAL REVIEW

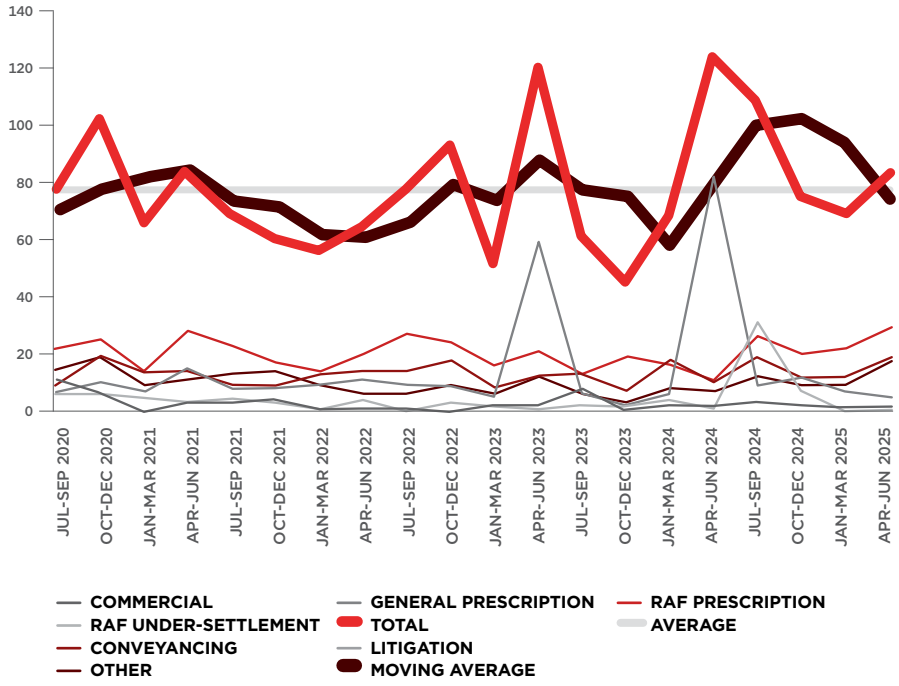
The company has made significant progress in all areas of operations and continues to prioritise initiatives that drive productivity.

PROFESSIONAL INDEMNITY CLAIMS

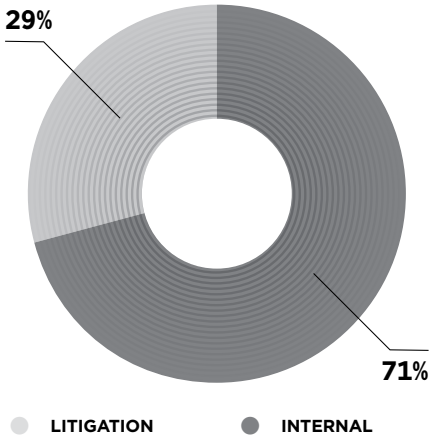
The professional indemnity claims form the core business area of the company. It therefore constantly strives to improve the service provided to stakeholders. The department's staffing is configured to handle claims as efficiently and cost-effectively as possible. The company continually invests time and resources in upskilling the team and enhancing its systems. The statistics in this report reflect the progress made in this regard.

Defence costs in the professional indemnity claims area have perennially been significant. During the reporting period, the total outstanding claims handled internally increased from 69% to 71%. The team is working towards a 75%/25% split between claims handled internally and those outsourced to panel attorneys, which will significantly reduce defence costs.

CLAIM FREQUENCY BY TYPE AND TOTAL – QUARTERLY OVER FIVE YEARS



INTERNAL VERSUS LITIGATION AS AT END JUNE 2025

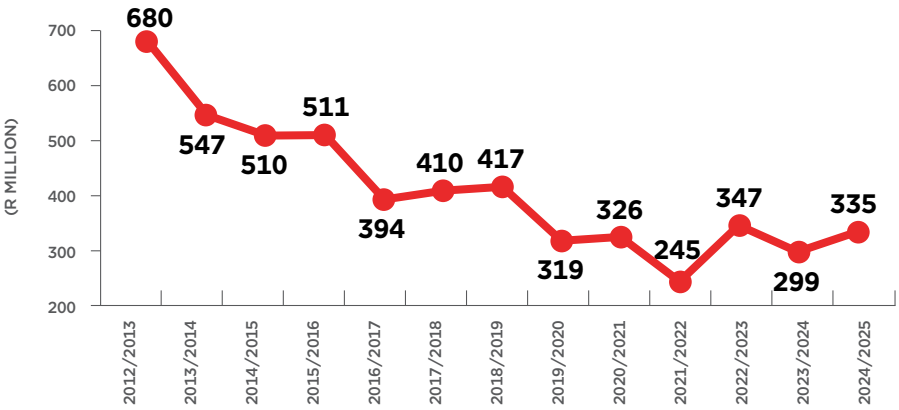


NOTIFIED CLAIMS

Through constant engagement with practitioners, the risk management office continues to deliver focused, individualised and persistent risk management efforts and initiatives. This contributed to a discernible reduction in claims notified over the years, as reflected in the graph on the right.

Notified claims have remained relatively stable for the past five years, as indicated in the graph.

NOTIFIED CLAIMS



TYPES OF CLAIMS

RAF prescription, conveyancing, litigation, RAF under-settlement and general prescription continue to constitute the highest number of notifications. We are constantly working to address the causes of these claims and proactively reduce them.

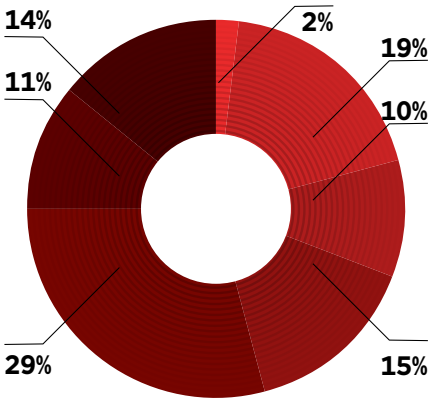
FINALISED CLAIMS

In the 2024/2025 insurance year, the company closed 173 claims. Total payments made in respect of damages and investigation costs were R26.4 million* and R36.0 million* respectively.

Over the past five years, the company has paid R314 million* in damages and investigation costs. Of this, 51%, or R160 million*, was for investigation costs.

* Inclusive of VAT

CLAIMS REGISTERED PER CATEGORY 2024/2025



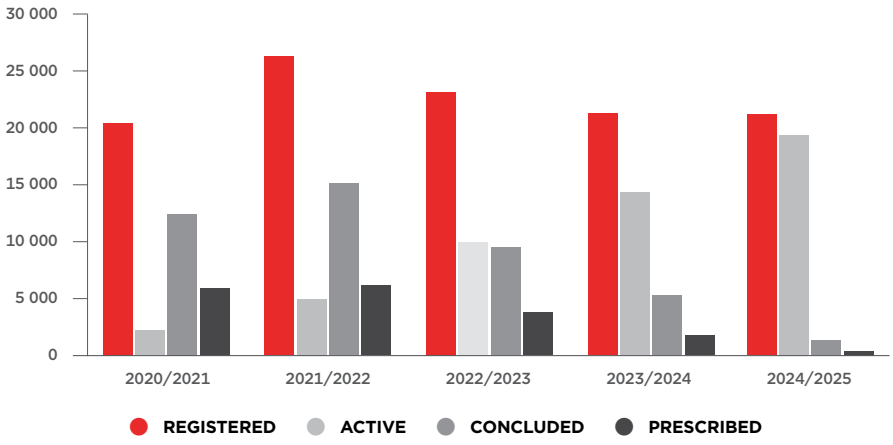
PRESCRIPTION ALERT

Prescription Alert is a risk management tool made available to the legal profession to help manage time-barred matters to avoid prescription. The effectiveness of this tool in managing registered time-barred matters is evident from the low number of matters that were registered as prescribed professional indemnity claims. Registered matters become prescribed when practitioners fail to adhere to reminders and update the system before the deadline, and not because of system failure. When a prescription was not interrupted and a professional indemnity claim has subsequently been registered with the company, the insured firm will be liable for an additional deductible of 20%.

The LPIIF continues to engage with the profession regarding the benefits of this system, and there has been a steady increase in the number of new firms that have registered for it. We contacted 2 967 newly admitted legal practitioners during the reporting period. We engaged all firms with matters that were about to prescribe, encouraging them to comply and avoid prescription. This typically results in fewer matters being prescribed. Our focus also extends to firms with registered professional indemnity-prescribed claims, where we advise them of this service. All these activities help raise awareness and reduce the risk to the company.

The graph below provides an overview of the number of matters registered on the Prescription Alert system over the last five years and their status:

PRESCRIPTION ALERT MATTER STATUS





WE ARE PROUD TO REPORT THAT WE ACHIEVED A REDUCTION OF R506 MILLION IN THE COMPANY'S EXPOSURE, EXCEEDING OUR TARGETED REDUCTION OF R500 MILLION.



OPERATIONAL REVIEW (CONTINUED)

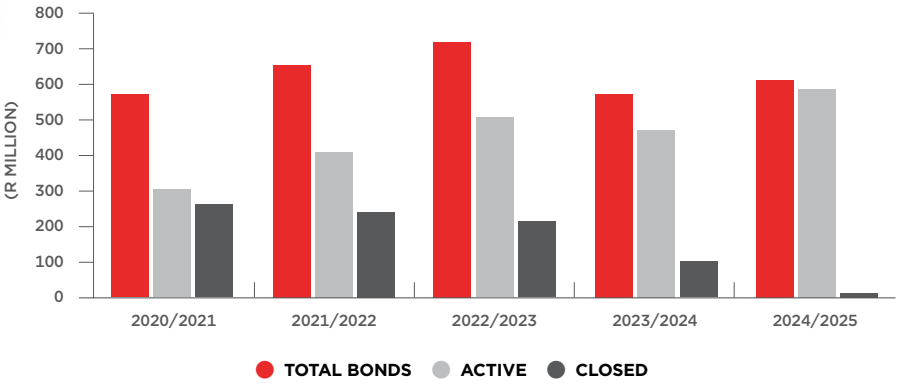
EXECUTOR BONDS

The company continued providing bonds of security to practising attorneys with a valid Fidelity Fund Certificate in support of their appointment as executors by the Master of the High Court. Despite the various challenges faced by the executor bond business, including service issues by the Master of the High Court, 522 bonds of security with a value of R609 million were issued in the reporting period. This brought the total number of active bonds to 4 728 and their total value to R4.7 billion.

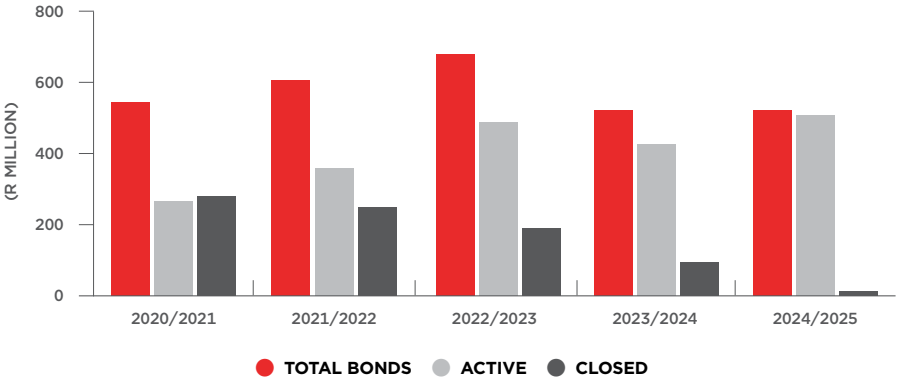
Although the LPIIF continues to provide the service to the profession at no cost, various risk management initiatives were undertaken to manage the risk associated with executor bonds and limit exposure. The successful administration of deceased estates depends on the effective collaboration of all stakeholders, including the LPIIF, which issues bonds of security, the executor and the Master of the High Court.

The graphs below provide a comparative overview of the number and value of the bonds of security issued over the past five years.

ACTIVE VS CLOSED EXECUTOR BONDS (VALUE)



ACTIVE VS CLOSED EXECUTOR BONDS (NUMBER)



No claims were notified or registered against executor bonds in the reporting period.

FINANCIAL AND ACTUARIAL OVERVIEW

FC

The company is pleased to report a solid financial and underwriting performance in the reporting period. The LPIIF received its full annual premium of R217.5 million on 10 January 2025, which assisted in supporting its financial position. The value of the investment portfolio increased by 21.5% to R2.211 billion, and the net asset value increased by 26% to R1 793 million.

	Rm
Net asset value – 1 July 2024	1 426
Profit for the year	253
Increase in market value of investments in terms of IFRS 9	76
Profit on sale of equity transferred to retained earnings per IFRS 9	34
Decrease in reserve for post-retirement benefit	(1)
Net asset value – 30 June 2025	**1 793**

INVESTMENTS

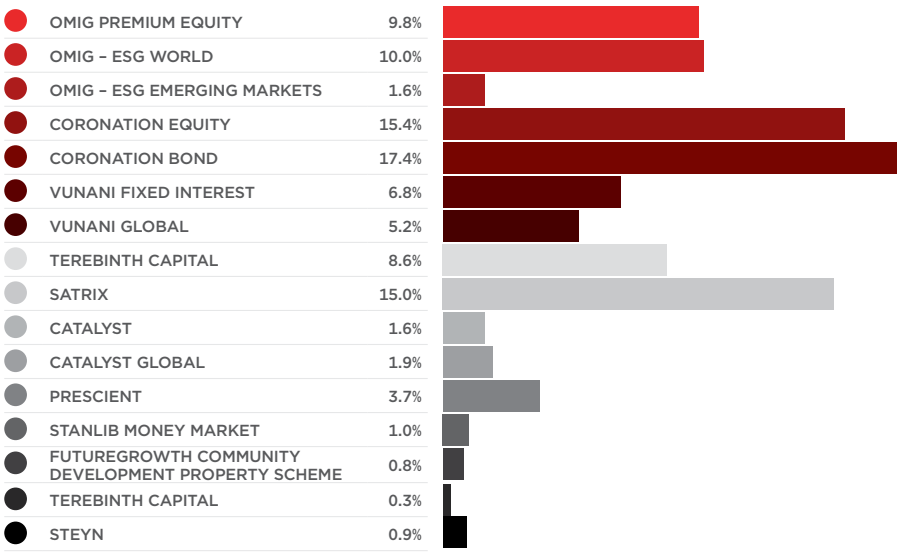
INVESTMENT PORTFOLIO

The total market value of the investment portfolio was R2.211 billion at 30 June 2025 (2024: R1 820 billion; restated to be net of impairment). This was an increase of 21.5%. The investment value increased on receipt of the 2025 premium in January 2025, and because the claims development patterns funds remained invested for a considerable period before being paid out. Investments are prudently managed with oversight by the Investment Committee that is ably supported by the investment consultant.

	2025 Rm	2024 Rm	Change
Investment, including loss adjustment in terms of IFRS 9	2 211	1 820	21.5%
Investments per asset manager reports	2 220	1 832	21.2%
Loss adjustment	**9**	**11**	

The chart below indicates the investment manager split of the total portfolio as at 30 June 2025.

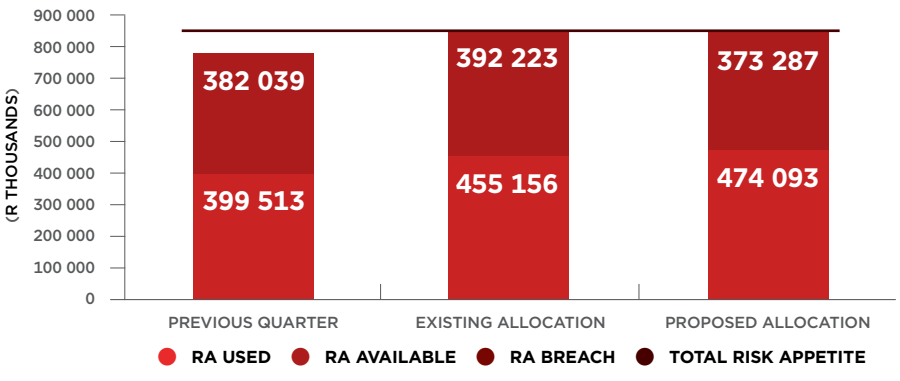
A WELL-DIVERSIFIED INVESTMENT PORTFOLIO



ASSET CLASS STRATEGY

The company aligns its investment portfolio with the strategy implemented in 2018, aiming to provide a balance between investment returns, investment risk, regulatory capital requirements, duration and liquidity. Quarterly Investment Committee meetings are held, where the investment consultant provides input. The potential impact of investment changes on the company's solvency is tested before they are made. The results are integrated into the overall risk appetite allocation process, which provides the Investment Committee with further insight into the potential impact of changes on solvency.

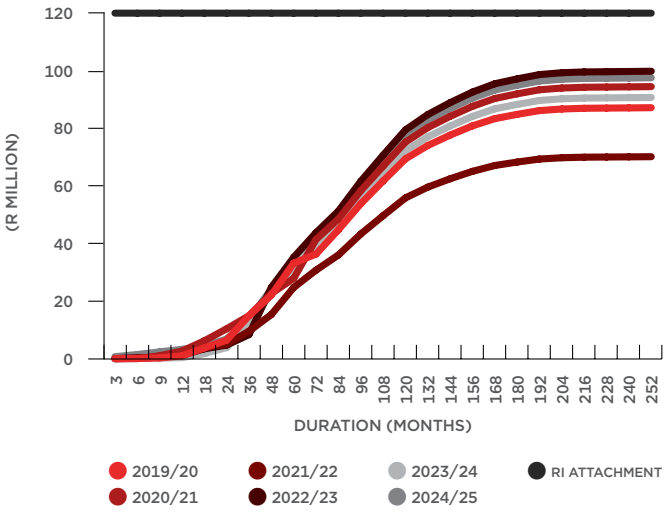
INVESTMENT RISK APPETITE



REINSURANCE STRATEGY

After taking the strategic decision not to purchase reinsurance for the professional indemnity line of business, the outcome of this decision will be monitored carefully to ensure that it remains valid and that the LPIIF is not unduly exposed to underwriting volatility. Regular projections of the ultimate claims experience continue to show that reinsurance does not add material value with regard to managing underwriting risk, and that the savings accrued from this decision remain a material benefit for the LPIIF and the industry.

LPIIF: ULTIMATE INCURRED CLAIMS



A multi-year reinsurance structure with participation elements was entered into to replace the conventional cover for the Executor Bond line of business. Historic insurers remain liable for the run-off of prior underwriting periods. This has been shown to have been a prudent decision, and the emerging experience for this class of risk will be monitored carefully to ensure that it is of continued benefit to the Fund.

Since the inception in July 2022, an annual premium of R4 million has been paid to the carrier. The current balance is detailed below. This value is included in the Reinsurance Asset number in the financial statements.

Movement reconciliation (since July 2022)

Underlying periods brought forward	—
Performance bonus	—
Premium	12 000 000
Recovery and salvage	—
Claims	—
Fees	(963 272)
Discretionary bonus	1 365 057
Closing balance (Excl. VAT)	**12 401 784**

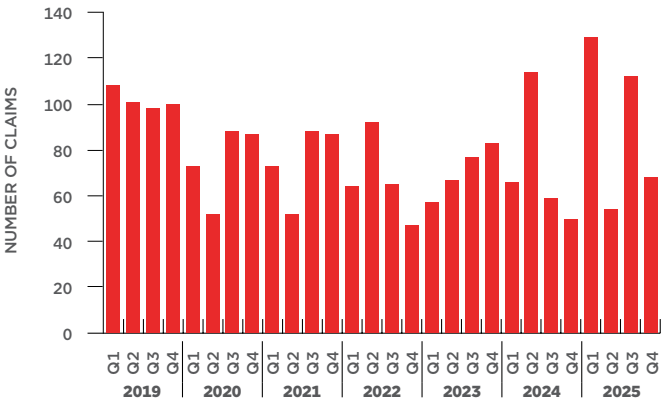
ACTUARIAL REVIEW

OUTSTANDING CLAIMS DEVELOPMENT

The company's biggest liability remains the provision for outstanding professional indemnity claims. Valuations are conducted quarterly, and the results are audited annually by an external auditor. The liability development pattern is closely monitored and has remained stable throughout the year.

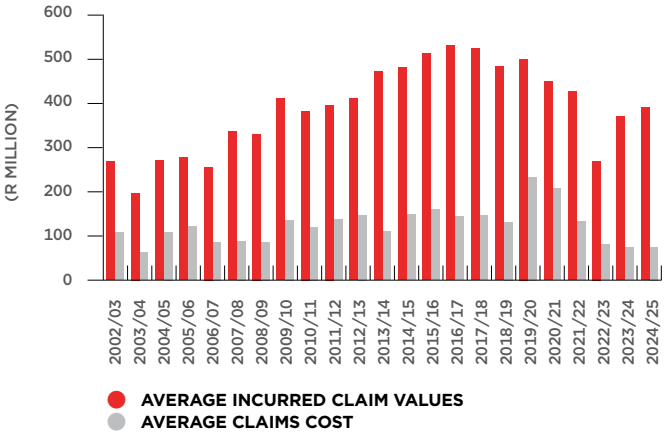
The number of claims registered per quarter over the past seven years is reflected below:

CLAIMS REGISTERED PER QUARTER



The graph below shows that the number of incurred claims increased significantly between the 2007/08 and 2009/10 periods and remained above R95 million per year up until 2019/20. Although the last four underwriting periods show a decrease, these years are still relatively immature in their development — particularly in aggregate value — given their recency.

LPIIF: PI CLAIMS VALUES
AVERAGE INCURRED CLAIMS VS AVERAGE CLAIMS COST



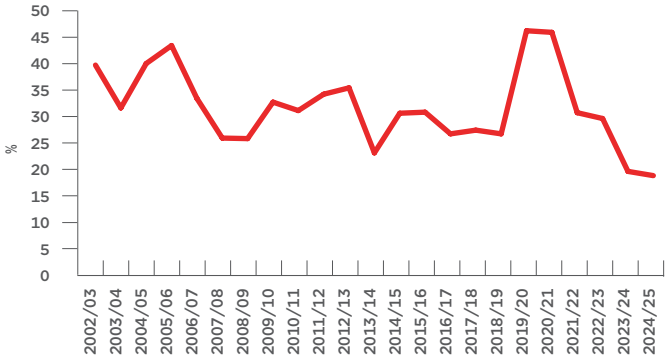
FINANCIAL AND ACTUARIAL REVIEW (CONTINUED)

The number of non-zero claims has increased from an average of approximately 170 per annum in the earlier years to over 300 in 2008 to 2010. The rate slowly decreased since then, followed by a similar reduction in the three most recent years before development adjustments. As mentioned in the Operational Review, notified claims spiked in the 2022/23 period as a result of several claims reported by one legal practice, but came down again in the current reporting period.

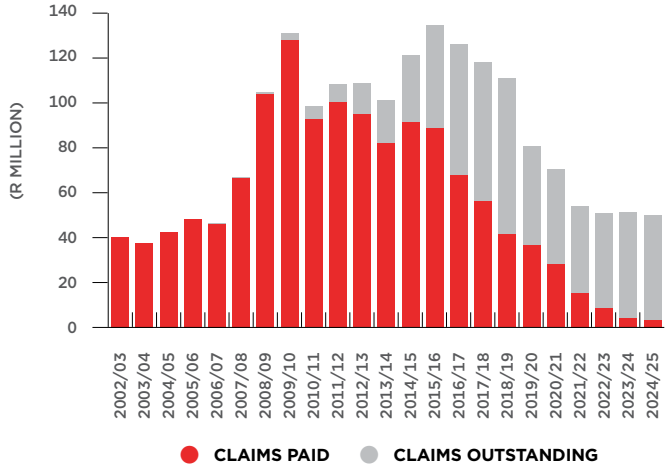
The average claims cost as a percentage of total incurred claims from 1998/99 until 2005/6 was around 38% per year, as can be seen in the graph below. However, this proportion decreased in recent years, which is consistent with expectations, considering that the cost of ongoing claims investigations continues to increase until the claims have been finalised.

REGULATORY SOLVENCY

CLAIMS COST PERCENTAGE OF TOTAL INCURRED CLAIMS



TOTAL INCURRED CLAIMS VERSUS TOTAL PAID CLAIMS



The LPIIF maintained a satisfactory regulatory solvency position for the year.

REGULATORY SOLVENCY

The table below summarises the Solvency Capital Requirement (SCR) cover ratio as a percentage, using the Own Funds (OF) and SCR as calculated by applying the Prudential Standards' Standard Model for short-term insurers.

Quantitative Reporting Template	Own Funds (R)	SCR (R)	SCR Cover Ratio (%)
Q1 (30 September 2024)	1 310 821	644 876	2.03
Q2 (31 December 2024)	1 299 204	627 634	2.07
Q3 (31 March 2025)	1 562 637	712 989	2.19
Q4 (30 June 2025)	1 676 683	789 569	2.12

RISK APPETITE

The formalised risk appetite approach allows for a quantitative derivation and allocation of capital support for the main risk contributors of the company, specifically underwriting risk (professional indemnity and executor bonds) and investments. This is calculated quarterly based on the most current information.

The results of these quarterly calculations allow risk assumptions on executor bonds and investments to be integrated and monitored along with the actuarial risk inherent in the professional indemnity class of insurance, which is a mandatory allowance to allow a comprehensive view of all material risks assumed. The impact of proposed investment profile changes is explicitly included to ensure that the results respond to the dynamics of the company as opposed to on an isolated, per-risk basis. This provides a more holistic and integrated risk profile assessment.

IFRS 17 INSURANCE CONTRACTS IMPLEMENTATION PROJECT

The company first applied the IFRS 17 standard on 1 July 2023. As it applies retrospectively, the company has restated comparatives for the 2023 financial period.

This standard brings significant changes to the accounting model used for insurance and reinsurance contracts and had a material impact on the company's financial statements in the period of initial application.

Prior to adopting the IFRS 17 standard, accounting for insurance contracts was done on an IFRS 4 basis.

FOR THE FULL IMPACT ON THE PRIOR YEAR NUMBERS, PLEASE REFER TO NOTE 3 ON PAGES 85 TO 86



THE IMPLEMENTATION AND CALIBRATION OF LPIIF'S FORMALISED RISK APPETITE ALLOCATION PROCESS IS CONTINUING.

NURTURING OUR HUMAN CAPITAL

HC

> Human capital, which includes the skills, knowledge and experience that support the company's overall performance and success, is a vital asset for us. It is, therefore, crucial to attract, nurture, inspire and retain talent.

The LPIIF firmly believes that the continuous development of our team is key to fostering a high-performance culture.

Key initiatives in the period under review include assessing talent through structured reviews, developing leadership skills, promoting work-life balance, and promoting open communication. By addressing resource gaps and continuing to support employee engagement, the company is well-positioned for sustainable growth and success. Additionally, succession plans for critical leadership roles have been developed, alongside accelerated development programmes for those employees identified for these positions.

DIVERSITY

Diversity is integral to the LPIIF's values and culture. By fostering an inclusive environment that celebrates diverse perspectives and backgrounds, the company believes it can unlock creativity and innovation and improve overall performance. The LPIIF is committed to integrating diversity in all facets of its operations, ensuring that every employee feels valued and respected. The focus is on creating a workplace where employees can be their authentic selves, contributing to a culture of belonging that strengthens both individual and organisational outcomes.

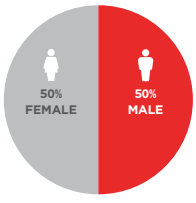
RACE AND GENDER DIVERSITY

STAFF

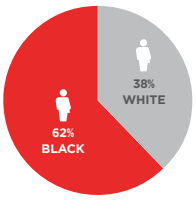
FY2024/25 TOTAL WORKFORCE: 41	FY2023/24 TOTAL WORKFORCE: 38
15% WHITE	14% WHITE
85% BLACK	86% BLACK
32% MALE	25% MALE
68% FEMALE	75% FEMALE

MANAGEMENT

THERE HAS BEEN NO CHANGE FROM THE PREVIOUS REPORTING PERIOD.



GENDER



RACE

EMPLOYEE DEVELOPMENT

Employee development is at the heart of the company's commitment to continuous growth and improvement. By investing in learning and development opportunities, the company enables employees to enhance their skills, knowledge and capabilities so that they can achieve their personal goals as well as organisational objectives.

During the reporting period, the company embarked on various initiatives to promote growth. A total of 11 employees participated in various learning programmes that included internal training, coaching and mentorship as well as external programmes. This not only boosts their professional growth but also builds a talent pipeline that supports the company's long-term strategic goals. One employee completed their articles in the year and was admitted as an attorney.

> **R423 376** was spent on training in the reporting period.

PERFORMANCE MANAGEMENT

Performance management is a vital process that aligns individual contributions with the company's overarching objectives. The company regularly evaluates and supports employees' performance through structured assessments, feedback and goal-setting, ensuring that they stay motivated, challenged and empowered to deliver their best. This helps management and employees to identify areas for improvement, provide developmental opportunities, and foster a culture of accountability.

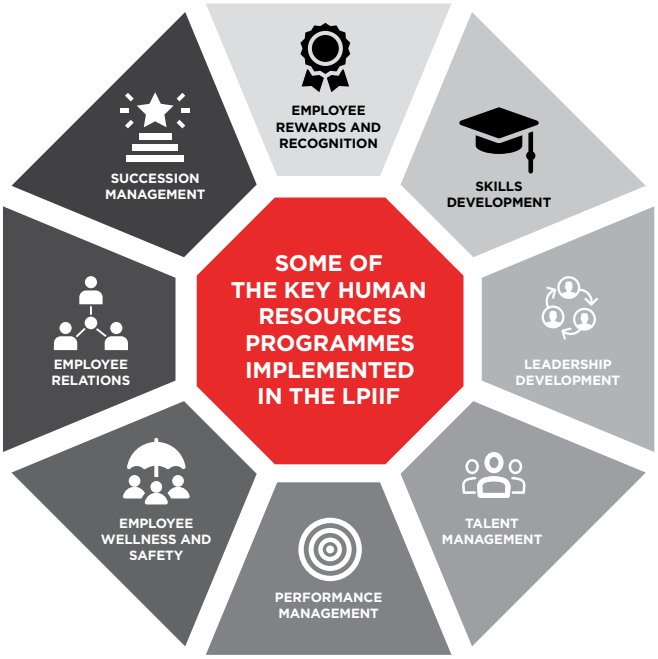
TALENT MANAGEMENT AND EMPLOYEE RETENTION

The LPIIF's talent management framework and practices are the main reason for our competitive advantage. A talent review was conducted in the reporting period to assess and evaluate employees' skills, potential and performance. This entailed a thorough examination of each employee's strengths, weaknesses and growth potential in the company.

> In the reporting period, the company made **3 new appointments**, and had **no resignations**.

> A total of **R49.0 million*** was spent on salaries (including benefits) for a staff complement of **41**.

* Average staff increase of 4.42% without structural adjustments, 7.08% including structural adjustments, in January 2025



SUCCESSION MANAGEMENT

The company takes a strategic approach to succession management to ensure the long-term stability and strength of its leadership. In addition to identifying and developing high-potential employees who can step into critical leadership positions when needed, the LPIIF proactively plans for leadership transitions. The company thereby minimises risks related to key personnel departures and ensures the seamless continuity of its leadership. The process is geared to build a robust succession pipeline by identifying future leaders, offering tailored development opportunities, and aligning succession planning with the company's long-term goals.

EXECUTIVE COACHING

Ten LPIIF executives and managers participated in an executive coaching and leadership development programme, which was jointly led by the LPFF and FQB Solutions, a consulting and business advisory firm. It was designed to support, stretch and strategically position high-performing professionals for leadership excellence. The programme combined world-class coaching with thought-provoking masterclasses, immersive peer learning, and bespoke one-on-one coaching.

The programme was an intentional investment in personal, team and environmental mastery, strategic leadership and legacy-building with the aim to equip our leaders with the mindset, tools and support system to navigate complexity, inspire others and lead with integrity and impact.

EMPLOYEE WELLNESS

The company offers a comprehensive health and wellness programme designed to support the physical, emotional and mental health of employees. It aims to provide an array of creative options that enable employees to nurture work-life balance, manage stress, and maintain a positive outlook, thereby improving overall job satisfaction and performance.

REWARDS AND RECOGNITION

The company recognises the importance of fair and transparent compensation to motivate employees and reinforce a performance-driven culture. The Remuneration Policy is, therefore, designed to ensure that employees are rewarded for their contributions in a way that is both competitive and aligned with their performance. It includes performance-linked bonuses and incentives to drive engagement and ensure that employees are recognised for their achievements, creating a strong link between individual success and the company's broader objectives.

EMPLOYEE RELATIONS AND ENGAGEMENT

Strong employee relations and engagement are essential for creating a productive and harmonious work environment. The company focuses on building and sustaining meaningful relationships between management and employees. Policies and procedures are reviewed annually, emphasising the importance of clear communication and fostering a supportive atmosphere where employees feel valued and motivated. By engaging employees and aligning them with the LPIIF's vision, the company aims to boost morale, reduce turnover and enhance organisational effectiveness.

Various platforms are used to ensure that all employees have access to information and an opportunity to engage with management.

COMMUNICATION CHANNELS

FACE-TO-FACE
Direct interaction in staff meetings

PRINT
Posters, newsletters, memos and flyers

DIGITAL MEDIA
Email, in-house TC, SharePoint, text messages

SOCIAL MEDIA
Facebook and X

REFER TO THE STAKEHOLDER ENGAGEMENT SECTION ON PAGE 29 FOR FURTHER DETAILS.

STAKEHOLDER VALUE

SRC

It is essential that the company understands our stakeholders' needs, and we continually engage with them to foster and maintain strong relationships.

We have selected the stakeholder groups that are essential to the organisation's sustainability based on the extent to which they could affect the company's performance or strategic direction, as well as the degree to which changes to the company might affect them, or how they may affect the company.

MONITORING THE EFFECTIVENESS OF STAKEHOLDER MANAGEMENT

Various metrics are used to track effectiveness, such as trends in certain areas, for instance, practice risk management versus claims trends, and Prescription Alert matters versus prescription claims.

Direct stakeholder engagements take the form of formal meetings and informal dialogue, and training is provided to practitioners.

Where feasible, feedback is incorporated into the planning and execution of stakeholder engagement activities.

STAKEHOLDER MAP

The stakeholders below have been identified as material to our business.



ASSESSMENT OF STAKEHOLDER RELATIONSHIP

The company utilises a five-point scale to denote our view of the quality of our relationships with different stakeholders.

1	2	3	4	5
No direct relationship	Relationship exists but needs improvement	Relationship exists at an acceptable level but would benefit from further improvement	Quality relationship exists	Strong relationship exists

OUR STRATEGY

- SOM — A SUSTAINABLE OPERATING MODEL
- RMM — RISK MANAGEMENT AND MITIGATION MEASURES
- ERB — AN ENABLING REGULATORY AND BUSINESS ENVIRONMENT

RISK CATEGORIES

- LR — LEGAL AND REGULATORY RISK
- IR — INSURANCE RISK
- OR — OPERATIONAL RISK
- IVR — INVESTMENT RISK
- CR — CREDIT RISK
- MR — MARKET RISK
- COR — CONCENTRATION RISK
- SR — STRATEGIC RISK
- ER — EMERGING RISK

STAKEHOLDER ENGAGEMENT

Engagement initiatives in 2025 with key stakeholder groups were as follows:

LEGAL PRACTITIONERS

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
The company's mandate is to provide services to the legal profession in terms of section 77 of the Act. Legal practitioners are the clients and primary users of the services offered by the company. Communication with the profession is one of our main risk management tools. A communication strategy has been implemented that includes engagement through publications, social media and face-to-face meetings with individual firms and various structures in the profession.	**Strategic:** Master Policy, Executor Policy, Prescription Alert system, risk management services, support, publications and training. **Structural:** Communication on policies, awareness of Prescription Alert system, practice management and risk management training. **Operational:** Policy and risk management information through website and other forums, *Risk Alert Bulletin* and *De Rebus* articles, social media and seminars.	▪ All material matters

KEY ISSUES RAISED BY LEGAL PRACTITIONERS	OUR RESPONSE AND AREAS OF FOCUS	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Timeous and accurate assessment of claims and efficient turnaround times	▪ A competent claims management IT system with efficiencies and checks and balances to ensure prompt and efficient claims handling ▪ Technological advancement and development of an improved Integrated Claims Management System (ICMS) to further improve the claims management system ▪ A competent and skilled claims team supported by an external panel of attorneys countrywide ▪ An improved Prescription Alert system offers a digital platform for registering and updating time-barred claims	SOM, ERB	OR, LR
▪ Education on policies, particularly regarding exclusions, conditions and risk mitigation measures	▪ The timely publication and communication of policies before the commencement of each insurance year to allow comments before approval, and enable practitioners, as well as the wider insurance market, to plan accordingly	SOM, ERB	OR, LR
▪ Accessibility of risk management training and expansion of training and support tools	▪ Continued education on risk management and policies through seminars, print publications, engagement with professional bodies and visits to individual practitioners/firms ▪ Helping practitioners and their staff to proactively manage risk on a face-to-face basis	SOM, RMM, ERB	OR, LR
▪ Proactive engagement on the operating model and its implications ▪ Education on the difference between the company and the Fidelity Fund, who and what each entity indemnifies, and the services offered by each	▪ Engage various stakeholders on different platforms to educate legal professionals on changes to the company's funding model and explain the differences between the Fidelity Fund and the company at national and provincial levels, as well as individual practitioner engagement. ▪ The LPIIF communicated with 2 967 newly admitted legal practitioners in the reporting period to inform them on the benefits of utilising the Prescription Alert system. The company also engaged with all legal firms that had matters that were due to prescribe and encouraged them to comply and avoid prescription.	SOM, RMM, ERB	OR, LR
▪ Adequate and effective communication of the company's services and developments, and changes in the service offering	▪ Branded promotional material to increase awareness of the company and promote the corporate identity	SOM, RMM, ERB	OR, LR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Increased and more effective communication to the profession on the company and the services it provides
- Focused communication addressing the main risks faced by legal practitioners, particularly high-risk practitioners
- Proactive, effective engagement with the profession on matters falling under the mandate of the company
- Increased awareness of risk management services with a wider audience
- Business intelligence development for strategic and operational enhancements of services offered to the profession
- The finalisation and roll-out of an improved ICMS
- Continuous improvements to the Prescription Alert system to ensure its efficiency
- Finalisation of a project to develop a new IT platform for executor bonds

STAKEHOLDER ENGAGEMENT (CONTINUED)

PROFESSIONAL BODIES/VOLUNTARY ASSOCIATIONS

QUALITY OF RELATIONSHIP 1 2 3 4 5

VOLUNTARY ASSOCIATIONS	BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
Law Society of South Africa (LSSA), Black Lawyers Association (BLA), National Association of Democratic Lawyers (NADEL), South African Women's Legal Association (SAWLA), as well as provincial and local attorneys' associations, etc.	The company engages with various voluntary associations to communicate matters of interest to them and their members. The relationship with some organisations is very cordial, while there is room for improvement with others.	**Strategic:** Direct engagement at a leadership level. **Structural:** Direct engagement with members when invited to various meetings. **Operational:** Direct communication, publications, reports, meetings, premium contribution roadshows and seminars. The LPIIF team attended numerous meetings with various voluntary associations where the company's interests and strategic initiatives were tabled. In all engagements, we attempted to get stakeholders' buy-in into the vision, mission and strategy of the company. The organisations that we have engaged with extensively include the LLSA, BLA and various other provincial and local attorneys' associations. We also addressed the annual general meeting of the General Council of the Bar of South Africa and met with the leadership of other structures in the profession.	▪ Provide the primary layer of professional indemnity insurance, executor bonds, and risk management to the legal profession

KEY ISSUES RAISED BY THE BODIES AND ASSOCIATIONS	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ The company's strategy ▪ The respective roles and functions of the company and the Fidelity Fund ▪ Support services offered by the company ▪ The exclusion of claims by legal practitioners practising without a Fidelity Fund Certificate ▪ Regular updates on the status of litigation against the RAF and the Minister of Transport	▪ Using various platforms to educate professionals on the mandate of the company, its origin in statute, the differences between the company and the Fidelity Fund, including their functions and services, and who each entity indemnifies ▪ Extending an open invitation to all professional bodies to hold meetings and discussions regarding member concerns in respect of services provided by the company, its funding model and benefits to the profession ▪ Ensuring the exclusion of claims by legal practitioners practising without a Fidelity Fund Certificate ▪ Providing regular updates to the profession on the status of litigation against the RAF and the Minister of Transport	SOM RMM	OR
▪ Risk management in the legal practitioners' operating environment	▪ Visits to practitioners to assist with managing practice-related risks and other related issues, and a dedicated risk email address for practitioners for submitting risk management and practice management requests for assistance ▪ Risk management education through seminars, publications, and other platforms	SOM RMM	OR
▪ Explanation of the insurance cover provided and the basis and structure thereof ▪ Explanation of the premium contribution model	▪ Publication of the draft Master Policy for comment and input from the profession for each insurance year ▪ Publication of the Master Policy and the Executor Bond Policy in printed media and on the company website ▪ Ensure easy accessibility of the terms of the policy to the profession for each insurance year	SOM RMM	OR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Engagement on the risk management model of the company
- The development of analytics capabilities in the company
- Enhanced engagement on changes to the premium funding model
- Engagement on strategic developments
- Enhanced communication of proposed changes to the policy, as and when they occur
- Continued communication with professional bodies on developing risks, such as cybercrime
- Education on the reduction of the executor bond exposure
- Engage voluntary bodies' attorneys with trust accounts that belong to them on an ongoing basis, as they are a fairly new category of practitioners
- Support the Fidelity Fund in communicating the contribution to be paid by the profession towards the company's premium on insurance policies

THE FIDELITY FUND

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
The Fidelity Fund is the sole member of the LPIIF. The Fidelity Fund established the LPIIF in 1993 in terms of its legislative powers as the entity through which insurance services are provided in terms of section 77 of the Act.	**Strategic:** The Act, the company's Memorandum of Incorporation, the company's mandate and the board-approved strategy. **Structural:** Outsourcing Agreement with the Fidelity Fund, Liaison Committee meetings, engagement on strategy, funding model, the creation of operational efficiencies, as well as bilateral liaison on areas of mutual interest. **Operational:** Meeting when necessary regarding outsourced services provided. Communicating at various levels on strategy and sustainability.	▪ All material matters

KEY ISSUES RAISED BY THE FIDELITY FUND	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ The current operating model of the company ▪ The implementation of the premium contribution model ▪ Various strategic and operational functions	▪ Various engagements have taken place between the company and the Fidelity Fund in respect of the current funding model, pending changes and associated risks ▪ A Liaison Committee was set up to address strategic and operational matters and comprises the respective executive management teams in the forum	SOM	OR LR
▪ The sustainability of the company ▪ Required funding ▪ The growth strategy	▪ Following a proposal that Non-Executive Directors of the Fidelity Fund also sit on the board of the company to strengthen the information flow, cooperation and relationship between the two parties, two members of the LPFF board were appointed as non-independent Non-Executive Directors of the company in July 2025 ▪ The CEO of the Fidelity Fund is a standing invitee to all company governance meetings. This creates synergies in and alignment of information flow and reporting, building an efficient relationship in service of the profession ▪ The company has made submissions to the Fidelity Fund on several strategic matters of mutual interest, including the funding model, growth strategy, sustainability of the company and appointment of members of the company's governance structures in accordance with the applicable regulatory requirements	SOM	OR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- The roll-out of the premium contribution model and providing effective support to the Fidelity Fund
- An area of potential improvement is the claims function in the two organisations, which will extend to the curatorship, prosecution and recovery functions
- The two organisations serve the same risk pool of practitioners, though with different mandates. The development of a holistic risk management strategy across the two organisations is a strategic imperative
- The pursuit of the growth strategy requires the approval of the Fidelity Fund's board
- In-depth engagement on the sustainability challenges of the company
- Liaison with the Department of Justice in respect of legislative changes required to pursue the growth strategy and/or enhance any of the areas of the mandates of the Fidelity Fund and the LPIIF
- As a responsible corporate citizen, the company wishes to engage in corporate social responsibility initiatives, but faces limitations due to its entity type, and sees an opportunity for engagement with the Fidelity Fund as a strategic partner in this regard

STAKEHOLDER ENGAGEMENT (CONTINUED)

THE LEGAL PRACTICE COUNCIL (LPC)

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
The LPC is the regulator of the legal profession. The company has a relationship with the LPC as both entities have a common interest, namely legal practitioners, albeit one from a risk and insurance perspective and the other from a regulatory perspective.	**Strategic:** The Legal Practice Act. **Structural:** Insurance policies. **Operational:** Direct engagement on matters of mutual interest.	▪ Provide the primary layer of professional indemnity insurance, executor bonds and risk management services to the legal profession

KEY ISSUES RAISED BY THE LPC	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ As a regulator, the LPC must be engaged in several areas that fall under its manwdate. These include: – the regulation of the conduct of practitioners; – estates not being administered in accordance with the Administration of Estates Act 66 of 1965; – the theft of estate funds or assets by practitioners; – failure by practitioners to develop and implement internal controls as prescribed in the rules; – failure to reply to correspondence and provide updates on matters; – the use of AI in legal practices; and – failure to verify banking details before making payment (cybercrime) or report trust shortfalls (conduct issues). ▪ The LPC must implement and act on its obligations in terms of the Act with respect to the premium contribution model, once implemented ▪ Some of the breaches by practitioners of legal duties that result in claims are also breaches of the legal practitioner's professional duties, which are regulated by the LPC ▪ The LPC receives completed LPIIF risk management self-assessment questionnaires as part of the Fidelity Fund Certificate application process	▪ Engagement took place on the services provided by the company, and communication to the profession on issues of common interest, including: – the implementation of the premium contribution model; – the conduct of practitioners' practices; – risk management; and – the individual conduct of legal practitioners ▪ The Practitioner Support Executive has held meetings with the various provincial councils of the LPC, thus strengthening the relationships ▪ The relationship with the national office of the LPC is still conducted through the Fidelity Fund ▪ The LPC distributes the *Risk Alert Bulletin* to its members on behalf of the company ▪ The LPC distributes the papers in the litigation between the company, on the one hand, and the RAF and the Minister of Transport, on the other ▪ The LPIIF has participated in webinars hosted by the LPC	RMM	OR LR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- There needs to be better engagement between the company and the LPC to address the key issues raised
- The LPC must implement and act on its obligations/functions in terms of the Act with respect to the premium contribution model
- Improving the public's confidence in the profession
- Building a working relationship with the various provincial councils of the LPC
- Educating LPC officials on the role and functions of the company
- The use of AI in legal practices
- The LPC's role in disseminating the *Risk Alert Bulletin*, and by making the pleadings in the review application against the RAF available on the LPC's website

THE DEPARTMENT OF JUSTICE

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
The administration of the Act (and many of the functions carried out by legal practitioners) falls within the mandate of the Department of Justice (the Department). The Department also exercises certain statutory powers over the Fidelity Fund.	**Strategic:** The Act and Fidelity Fund. **Structural:** Fidelity Fund and the Office of the Minister of Justice, as well as the Deputy Minister of Justice. **Operational:** Meetings are held to address areas of concern. Events hosted by the Department are attended when possible. .	▪ Provide the primary layer of professional indemnity insurance and risk to the legal profession

KEY ISSUES RAISED BY THE DEPARTMENT OF JUSTICE	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Ensuring that the executive and legislative arms of government understand the business of the company, its services to the profession, and its operating and funding model	▪ The LPIIF is committed to engaging with the Department to ensure a continuous cordial relationship ▪ Further engagements on the strategy and sustainability of the company will take place with the Fidelity Fund and the office of the Minister	SOM	OR LR
▪ The claims administration capabilities of the company and how these could be utilised by various government departments	▪ Engagement on matters affecting the company, e.g., the funding model, is mostly done through the Fidelity Fund. However, direct engagement takes place when necessary.	SOM	OR LR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Creating a closer working relationship with the Department to ensure a conducive legislative environment for the company to carry out its mandate
- Increasing awareness in the various areas of the Department
- Improving the relationship with the Office of the Master
- Implementing the premium contribution model
- Communicating on the proposed growth strategy for the company and getting buy-in from the Department, including facilitating amendments to the Act as may be necessary
- Outsourcing the company's claim management capabilities

STAKEHOLDER ENGAGEMENT (CONTINUED)

PANEL ATTORNEYS

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
Panel attorneys play an important role in the claims management operations of the company. The company instructs them to come on record and represent insured legal practices in legal proceedings in matters where there is a valid defence to a claim against them, or where the legal issues in question are complex and require external attorneys' assistance to be resolved.	**Strategic:** Standard service contract and service level agreement. **Structural:** Skills development meetings, performance targets, reporting and monitoring, annual claims meeting and annual training meeting. **Operational:** Written instructions (letters of engagement), mandates to settle matters, if required, meetings and consultations, telephonic communication, email and attendance at court on matters referred to the panel.	▪ Provide the primary layer of professional indemnity insurance and risk to the legal profession ▪ Ensure that an appropriate operating model, human capital and information and technology are in place to meet strategic goals

KEY ISSUES RAISED BY THE PANEL ATTORNEYS	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Timeous instruction to assess matters and pursue the insured's defence ▪ Provision of quality service in litigation ▪ Provision of timely reports regarding the progress of litigation ▪ Timely accounting and payment of accounts ▪ Efficient and effective handling of instructions in the interests of the company and the insured ▪ Proper articulation of the specific mandate	▪ An efficient framework for engagement with panel attorneys has been established on multiple levels. This makes for effective engagement on matters on which the company has instructed the panel attorneys, from the initial instruction through to the finalisation of the matter ▪ Strict procedures are followed in the service level agreement to ensure compliance with timelines and performance targets, as well as the efficient and effective handling of matters ▪ Regular communication has been put in place between the company and panel attorneys to ensure the timely identification and resolution of challenges ▪ The efficiencies and effectiveness established by the overall operating framework create an environment that fosters positive relationships and management, adding further productivity and efficiency in the handling of matters ▪ Training and skills transfer sessions are held to ensure the efficient transfer of knowledge between the claims team and the panel attorneys, resulting in the enhancement of skills, both internally and externally ▪ Annual claims meetings facilitate engagement on emerging trends in claims and provide an opportunity to discuss complex claims and risk mitigation when handling claims ▪ Letters of engagement are issued in every instruction to panel attorneys to ensure a mutual understanding of the terms and extent of the instruction ▪ The capacity of the panel was increased in some jurisdictions to ensure the insured are served efficiently	ERB	OR LR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Regular skills transfer sessions for the company's professional team to ensure consistent skills development that will enhance their claims management capabilities and skills, and reduce the associated costs
- Provide insights to the company on issues of importance to the profession and legal developments
- Provide input regarding the quality of the Master Policy and ensure continuous improvement, in line with the ever-changing legal landscape
- Provide risk management services in direct dealings with the insured (post-mortem discussions) and document the outcomes of such post-claim analyses

INVESTMENT CONSULTANT AND INVESTMENT MANAGERS

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
To provide investment management services to the company and monitor the performance thereof. The investment consultant provides the fund with market intelligence in respect of the asset manager universe, as well as high-level advice on the appointment of asset managers and the choice of asset classes and hedging strategies.	**Strategic:** Investment strategy, mandates and service agreements. **Structural:** Investment Committee meetings. **Operational:** Monthly and periodic engagements.	▪ Maintain and monitor the approved investment strategy ▪ Meet regulatory solvency requirements ▪ Provide the primary layer of Professional Indemnity insurance and risk management services to the legal profession

KEY ISSUES RAISED BY THE INVESTMENT CONSULTANT AND INVESTMENT MANAGERS	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Asset managers not performing ▪ Asset managers deviating from mandates ▪ Assets and liability management, liquidity and regulatory requirements are not considered in decision-making	▪ With the guidance and assistance of the investment consultant, the implemented strategy is continuously evaluated to improve investment returns. After receiving the premium in 2023, the company was able to complete the last step in its investment strategy by investing in the Futuregrowth Development Fund. ▪ The investment portfolio now resides under the management of several specialist managers, of which seven are tracker funds and four are actively managed funds ▪ Two of the tracker funds track the ESG Leaders Index, thereby investing responsibly ▪ Tactical asset allocation is managed by Prescient in consultation with the asset consultant ▪ Engagement with the asset managers takes place on a rotational basis via Investment Committee meetings, which are held at least quarterly ▪ All asset managers report in writing to the Investment Committee at every meeting ▪ Actuarial modelling of investments is done and included in the risk appetite of the company ▪ Undertake a liquidity assessment of the company	SOM ERB	IR IVR MR COR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Continued effective communication between the investment consultant, Head of Actuarial and management before making decisions, specifically those relating to amendments by the PA on the treatment of investment assets and their impact on solvency
- Monitor investment returns and their reaction to market conditions together with the investment consultant
- Monitor new risks arising from an increase in claims on the liquidity requirements of the company

STAKEHOLDER ENGAGEMENT (CONTINUED)

EMPLOYEES

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
The employment relationship	**Strategic:** Employment contracts and job descriptions. **Structural:** Key Performance Areas (KPAs), performance management, personal and professional development. **Operational:** Performance management sessions, development plan discussions, training sessions, staff meetings and day-to-day engagement.	▪ All material matters

KEY ISSUES RAISED BY THE EMPLOYEES	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Consistent communication with employees concerning strategic and operational efficiencies ▪ Morale and consistent employee engagement ▪ Regular updates on company policies and benefits ▪ Effective communication on systems and process changes	▪ Departmental communication of strategy and related developments, as well as weekly meetings to ensure that employee commitment and performance are aligned with the company's strategic objectives ▪ Staff meetings to discuss changes in operations and the introduction of new processes and mechanisms to build efficiencies and ensure efficient and effective change management	SOM RMM ERB	OR LR IR
▪ Efficiencies in performance management to enhance employee performance	▪ Ensuring alignment between job descriptions and KPAs to ensure proper alignment between strategic and operational objectives and employees' deliverables, updating KPAs where necessary ▪ Biannual performance reviews are conducted to monitor performance, manage expectations and address areas of improvement, where necessary		
▪ Sufficient training relevant to the needs of the individual and the role ▪ Alignment of benefits between the company and the Fidelity Fund	▪ Development plans and study opportunities are provided to employees to ensure their upskilling and personal growth ▪ Job-specific training is provided to help employees maximise their potential and deliver on their KPAs ▪ A wellness programme is provided to employees to ensure holistic well-being, both in the workplace and in their personal lives ▪ Focused training on company policies, communicating expectations to maintain the highest standard of ethics in achieving the company's strategic objectives and addressing employee-related concerns when necessary		

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Improved change management to keep employees abreast of changes in the business
- Adherence to the mandatory annual consecutive 10-day leave policy to encourage a healthy work-life balance

REGULATORS: THE PRUDENTIAL AUTHORITY, FSCA, CIPC AND SARS

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP

These entities regulate the functions of the company. The company, as a law-abiding, responsible corporate citizen, endeavours not only to comply with the letter of the law but also with the spirit of the law. The company endeavours to always have transparent and conducive relationships with its regulators.

METHODS OF ENGAGEMENT

Strategic: Companies Act, Financial Sector Regulation Act, Insurance Act, PA Standards and other applicable laws and regulations.
Structural: Statutory reports filed with regulatory bodies as required by the applicable legislation, including submitting annual returns to the CIPC and Quantitative Return Templates (QRTs) and ORSA, and reports to the PA.
Operational: The governance and compliance frameworks of the company, meeting with regulators when necessary to address compliance matters, and engagement through their usual client service channels.

MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER

- Provide the primary layer of professional indemnity insurance and risk management services to the legal profession
- Enhance the trust consumers of legal services have in the legal profession
- Implement measures to continuously improve the efficacy of the governance structure

KEY ISSUES RAISED BY THE REGULATORS

- Engagement is only considered for compliance purposes (training opportunities and other engagement opportunities may be missed)

OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD

- Constant scanning of the legislative environment to ensure consistent compliance with regulatory requirements
- Meetings of the board and its committees to ensure that, in achieving its strategic objectives, the company complies with the letter and the spirit of the law
- Compliance with all requests from regulators and engaging with them to ensure that the company's policies, procedures and culture are aligned with the letter and the spirit of the law
- Continued proactive engagement with regulators
- Targeted engagement with regulators to help them to better understand the mandate, operating environment and business of the company

STRATEGIC OBJECTIVE ADDRESSED

RMM
ERB

RISKS MITIGATED

LR
SR
IR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Continuous improvement of the relationship with all regulators through transparent, effective and proactive communication
- Continued communication relating to the unique nature, structure and functions of the company

STAKEHOLDER ENGAGEMENT (CONTINUED)

THE PUBLIC WHO MAKES USE OF LEGAL SERVICES

QUALITY OF RELATIONSHIP 1 2 3 4 5

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
The company's mandate is to provide insurance services to the legal profession to protect the public. In recent years, the company embarked on a communication strategy project, which assisted us in identifying areas that required attention. Using the insight gained from that project, we have ensured that our communication is effective and targeted.	**Strategic:** Master Policy and Executor Bond Policy. **Structural:** Extensive engagement with the insured and claimants' legal representatives is imperative when investigating claims. Management of executor bonds also requires continued engagement with the attorneys appointed as executors, the Legal Practice Council and the Master. **Operational:** Website, media and engagements.	▪ Provide the primary layer of professional indemnity insurance and risk management services to the legal profession ▪ Enhance the trust consumers of legal services have in the legal profession ▪ Meet solvency requirements

KEY ISSUES RAISED	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Insufficient awareness ▪ Accessibility (openness, approachability) ▪ A lack of transparency and public confidence in the legal profession	▪ The company has engaged extensively through various platforms, which included social media, publications and face-to-face meetings with the legal profession to create awareness of the company, the services it provides and impending strategic changes, such as changes to the funding model ▪ The Fidelity Fund continues to host our whistleblower line ▪ The company remains committed to ensuring transparency and availing ourselves to those who use our services when required ▪ Queries from all stakeholders are addressed quickly and comprehensively	ERB	IR

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Our various engagements continue to grow awareness and strengthen the company's brand with all stakeholders

ACTUARIAL CONTROL FUNCTION

QUALITY OF RELATIONSHIP 1 2 3 4 5

INTERNAL AUDIT CONTROL FUNCTION (OUTSOURCED)

QUALITY OF RELATIONSHIP 1 2 3 4 5

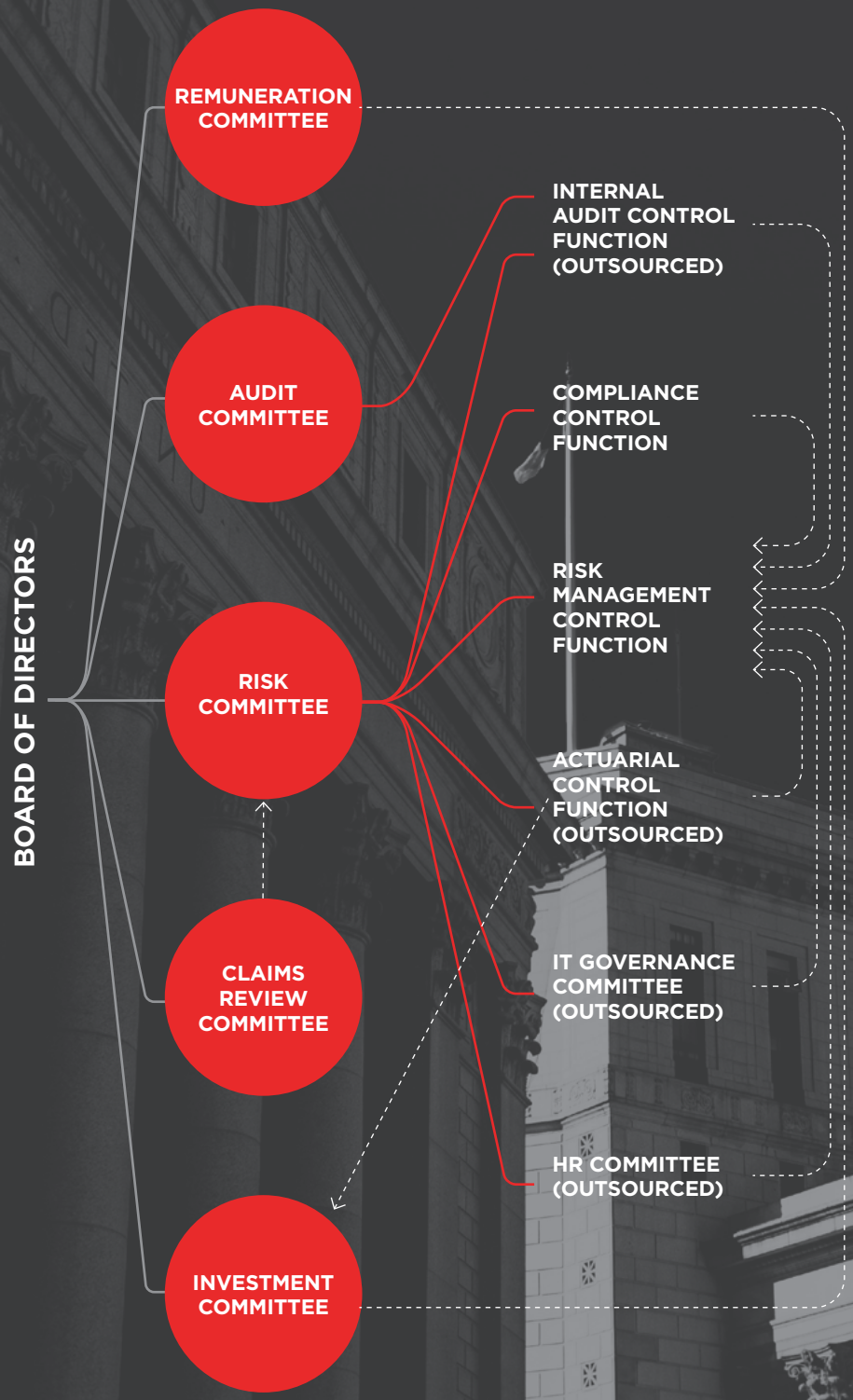
BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER
As an insurer, the company is required by regulation to have these business functions. In addition, these functions are important to ensure that the company achieves its mandate and complies with the law.	**Strategic:** Service contracts, respective professional body standards, legislation and regulations. **Structural:** Actuarial reports, audit plan and budget, audit documents, including scopes and findings, reporting to the Risk and Audit Committees, as well as the board.	▪ Provide the primary layer of professional indemnity insurance and risk management services to the legal profession ▪ Meet solvency requirements ▪ Maintain and monitor the approved investment strategy

KEY ISSUES RAISED BY THE AUDIT FUNCTIONS	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
▪ Effective communication with the respective outsourced internal audit and actuarial functions, and relationship building	Engagements with the internal audit team, specifically regarding relationship building and effective communication, were held at the executive level, and efforts continue on both sides to ensure a professional relationship	SOM RMM ERB	All risks
▪ Skills and expertise available to deliver on business requirements ▪ Concentration risk for the outsourced actuarial function	▪ Monitoring the requisite qualifications and professional membership status ▪ Monitoring the competence and skills of the employees/service teams of outsourced functions. Annual fit and proper assessments of the heads of the control functions and the skills of members of the allocated service teams upon appointment to the engagement teams ▪ Periodic external reviews of outsourced functions' compliance and performance	SOM RMM ERB	All risks

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Continued effective communication with the internal audit function to ensure a value-adding relationship
- Monitor the impact of the company's dependence on key personnel on the actuarial control function and contingency, and succession planning

GOVERNANCE STRUCTURE



THE LPIIF BOARD IS COMMITTED TO:

- **Good governance** practices aligned with King IV™
- **Objective and independent** judgement and decision-making
- **Compliance** with laws, regulations and codes
- **Serving** the interests of the company and its stakeholders
- **Behaving** ethically and maintaining high standards of integrity

ENSURING VALUE CREATION THROUGH ROBUST GOVERNANCE

BOARD COMPOSITION

The board consisted of eight members – seven independent Non-Executive Directors and one Executive Director in the 2024/25 financial year, with Ms Siobhain O'Mahony joining the board in 2024.

The Chair of the board was an Independent Non-Executive Director, in accordance with the company's rules on board composition. The roles of the Chair and Managing Director shall always be separate.

Company directors are nominated by the board and the Fidelity Fund and approved by the PA.

The board has adopted its rules of engagement, which have been incorporated into its Charter and form part of the foundation of integrity and ethical leadership.

- **8** Board members (2024: 7)
- **25%** Female (2024: 25%)
- **7** Non-Executive Directors, all independent (2024: 6)
- **63%** Black (2024: 74%)
- **8.6** Average tenure in years (2024: 7.6)
- **100%** Board and committee meeting attendance

Based on the board as at 30 June 2025

BOARD CHANGES

The following changes took place in the reporting period:

- Mr EA Moolla resigned from the board on 30 June 2025.
- Three members (TS Kekana, ZG Nkosi, MUW Mafanya) were nominated to join the board, with approvals by the Prudential Authority outside the reporting period.

EXERCISE OF AUTHORITY

The board is satisfied that the delegation of authority is appropriate when taking into account the principle of proportionality, and the size and complexity of the business of the LPIIF. The board continues to hold ultimate accountability for all decisions.

DIVERSITY

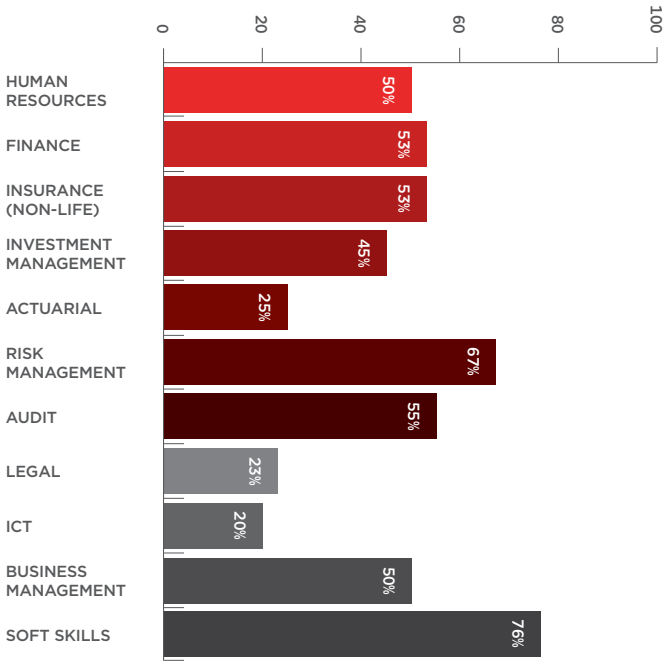
The board is satisfied with the independence and diversity of its members in terms of gender, age, knowledge, skills, experience, race and tenure. In alignment with the board's commitment to increase female representation, two women were identified as suitable candidates to join the board during the recent rotation and were subsequently approved by the PA. The board also focused on age diversity in the recent rotation and is satisfied with this dynamic for the board rotation effective from 1 July 2025. The board continues to consider the appropriateness of its ICT governance and reporting, including the continued consideration of adding ICT skills to the board. This will be considered in the next rotation.

ADEQUATE KNOWLEDGE AND SKILLS

SUFFICIENTLY DIVERSE

WIDE VARIETY OF QUALIFICATIONS AND EXPERIENCE

TOP AREAS OF SKILLS AND EXPERTISE



MEMBERS OF THE BOARD



R

SS MBELLE (64)

MANAGING DIRECTOR

APPOINTED:
1 February 2013

QUALIFICATIONS AND EXPERIENCE:
BSc, MBL and LLM (UK)+

I C RE

EA MOOLLA (75)

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
28 March 2007

RESIGNED:
30 June 2025

QUALIFICATIONS AND EXPERIENCE:
BJuris

R I

PROF DP DU PLESSIS (70)

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
29 September 2022

QUALIFICATIONS AND EXPERIENCE:
BSc, MBA, DBA, CD (SA) and CBA (SA)

A R C

TD KHANYILE (61)

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
29 May 2014

QUALIFICATIONS AND EXPERIENCE:
BCom, CIA and SLD

A C R N

MJ LESEJANE (69)

DEPUTY CHAIR INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
1 February 2017

QUALIFICATIONS AND EXPERIENCE:
CA (SA), Fellow Chartered Management Accountant (FCMA), Chartered Global Management Accountant (CGMA) and CD (SA)

RE C N

SH CHABA (67)

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
29 March 2022

QUALIFICATIONS AND EXPERIENCE:
BA, Higher Diploma in Personnel Management, Diploma in Diagnostic Radiography, Senior Executive Programme and Executive Course in Strategic Development and Leadership

A RE N C

MJ HAKEN (72)

CHAIR INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
29 March 2012

QUALIFICATIONS AND EXPERIENCE:
FCII and FIISA

A R

SK O'MAHONY (38)

INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED:
July 2024

QUALIFICATIONS AND EXPERIENCE:
BSc Honours, Fellow of the Actuarial Society of South Africa, Fellow of the Institute and Faculty of Actuaries, United Kingdom and Accredited Member of the Institute of Directors Southern Africa

COMMITTEES

- A AUDIT COMMITTEE
- R RISK COMMITTEE
- I INVESTMENT COMMITTEE
- RE REMUNERATION COMMITTEE
- CL CLAIMS REVIEW COMMITTEE
- N NOMINATIONS COMMITTEE
- C CHAIR

THE BOARD AND COMMITTEES

INTEGRATED THINKING IN GOVERNANCE

In governing the business, the board applies integrated thinking, taking into account the interdependence of financial, environmental, social, and governance considerations in its decision-making. This approach ensures that it evaluates how the impact of various capitals on the performance and long-term sustainability of the company. Integrating diverse perspectives and risks allows the board to make more informed strategic decisions that align with the company's purpose and create value for all stakeholders. This encourages transparent communication and supports resilience, ultimately leading to more sustainable business outcomes.

THE BOARD AND COMMITTEES

The CEO of the Fidelity Fund is a standing invitee to all company governance meetings. This results in synergies in and alignment of information flow and reporting, creating an efficient relationship in service of the profession.

Following a proposal that Non-Executive Directors of the Fidelity Fund also sit on the board of the company to strengthen information flow, cooperation and relationship between the two parties, two members of the Fidelity Fund board were appointed as non-independent Non-Executive Directors of the company in July 2025.

A declaration of conflict of interest is completed at each board meeting.

The board has the ultimate responsibility for setting the company's strategic direction, steering the organisation, overseeing management and ensuring compliance with the law and regulatory standards. To effectively discharge these duties, the board has delegated specific functions to its committees. The Terms of Reference of all committees were reviewed by the board to ensure the continued appropriateness of the roles and responsibilities, and powers delegated to each committee in relation to the strategic and governance imperatives of the board, as well as the legislative obligation of statutory committees. In 2024, the board formalised its ad hoc Nominations Committee as a standing committee guided by the TOR in accordance with delegated responsibilities by the board. The responsibilities related to nominations were removed from those of the Remuneration & Social and Ethics Committee.

The board looks to each committee for direction, counsel and recommendations in their area of expertise. The work of these committees does, however, not absolve or divest the board of its general accountability. The composition, key responsibilities, attendance and areas of focus of the board and committees, both current and forward-looking, have been summarised below. The board and all its committees have the right to, in appropriate circumstances and subject to compliance with internal procedures, appoint and request independent advisers to attend a meeting. Managers and executive members who are not members of a specific committee may also be engaged and invited to attend meetings.

THE BOARD | **CHAIR:** MJ MAKEN | NUMBER OF MEETINGS: 9 | ATTENDANCE: 100%

MEMBERS: EA Moolla*, SS Mbelle, TD Khanyile, MJ Lesejane, DP du Plessis, SH Chaba, SK O'Mahony

KEY RESPONSIBILITIES

The responsibilities of the board are set out in the Prudential Standards, MOI and the board Charter, and are summarised below:

- Effective governance and risk management, specifically determining and overseeing the implementation of the company's business objectives and strategies;
- Evaluation of all key assumptions and business indicators on which the company's strategic objectives and policies are based;
- Approval of the design and implementation of ORSA short- and long-term capital planning, as well as business and risk strategies to ensure that the company meets the ongoing solvency requirements as legislated; and
- Ensuring the adequacy and efficiency of the internal financial controls, accounting practices, risk management practices, information systems and auditing processes applied in the day-to-day management of the business.

FOCUS AREAS IN 2024/5

- High-performing board dynamics and evaluation
- Review of the current strategy and solvency of the company
- Engagement with members on strategy and sustainability
- IT governance and operations
- Prudent management of the funds of the company

FOCUS AREAS IN THE COMING YEAR

- Current strategy
- Opportunities to explore the agreed growth strategy, particularly Business Process Outsourcing in the claims area
- IT developments, efficiencies, data analytics and AI
- Improved relations with various stakeholders
- Management of ethics

BOARD STATEMENT

The board is satisfied that it has fulfilled its responsibilities for the reporting period in accordance with the board Charter, the recommendations of King IV™ and other applicable legislation. The board is satisfied that stakeholder relationships are adequately managed and monitored.

* Resigned 30 June 2025

PLEASE REFER TO THE STAKEHOLDER ENGAGEMENT SECTION ON PAGE 29 FOR MORE INFORMATION.

THE AUDIT COMMITTEE

CHAIR: MJ LESEJANE | NUMBER OF MEETINGS: 3 | ATTENDANCE: 100%

MEMBERS: TD Khanyile, MJ Haken, SK O'Mahony

COMPOSITION: Committee members must be independent Non-Executive Directors. At least one-third of the members at any time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce and industry, public affairs or human resource management. The Chair must always be an independent Non-Executive Director. The composition of the Audit Committee complies with these requirements.

KEY RESPONSIBILITIES

Assists the board in fulfilling its oversight responsibility relating to:

- The evaluation of the financial position and performance: reviews financial reports, accounting practices and internal financial control of the company; reviews the accounting policies applied in the annual financial statements in conjunction with the independent auditors and recommends annual financial statements for board approval;
- The external audit function: recommends to the board the appointment, reappointment and removal or replacement of the external auditor; determines and approves the nature and extent of non-audit services, and reviews the quality and effectiveness of the external audit process;
- The internal audit function: approves the strategy of the internal audit function, and approves the risk-based internal audit plan and resources;
- Financial statements: prepares a report to be included in the financial statements and describes how the Audit Committee carried out its functions, monitors and confirms the independence of the auditors; and
- Performs such other functions as may be required by the board from time to time.

FOCUS AREAS IN 2024/5

- Prudent management of the company's finances and proactive risk management in this area
- Solvency of the company
- Ensuring that all lines of defence work effectively and that audits focus on the correct areas, given the challenging financial and investment environment

FOCUS AREAS IN THE COMING YEAR

- IFRS 17 reporting
- Financial controls and continued integrity and transparency in financial reporting
- Implementation of the revised international internal audit standard in the processes of this function
- Controls in the IT environment

COMMITTEE STATEMENT

The committee is satisfied that it has executed its role and responsibilities in line with the Prudential Standards, the Companies Act, the recommendations of King IV™ and the committee's terms of reference. The committee is also satisfied that there were no significant matters to be considered in the audited financial statements.

THE RISK COMMITTEE

CHAIR: TD KHANYILE | NUMBER OF MEETINGS: 4 | ATTENDANCE: 100%

MEMBERS: SS Mbelle, MJ Lesejane, DP du Plessis, SK O'Mahony

COMPOSITION: Committee members include Executive and Non-Executive Directors. The Chair of the committee must always be an independent Non-Executive Director. The committee, taken as a whole, must comprise individuals with risk management skills and experience. The composition of the Risk Committee complies with these requirements.

KEY RESPONSIBILITIES

The committee assists the board in its oversight as follows:

- Evaluating the adequacy and effectiveness of the company's risk management system, identifying the build-up and concentration of various risks to which the company is exposed, and identifying, monitoring and reporting on all material risks to inform the board's decision-making capability;
- Reviewing the impact of the information systems environment on risk management, its integrity and the quality of output by the information system;
- Establishing and overseeing risk management, compliance and actuarial control functions; and
- Facilitating and promoting the communication of risk management in line with the reporting structure defined in the company's Governance Framework.

FOCUS AREAS IN 2024/5

- Strategic and operational risks faced by the company in the changing business environment, which culminated in additional risks identified for monitoring
- IT infrastructure and progress in the implementation of IT solutions to manage the risks identified
- Orientation of new members

FOCUS AREAS IN THE COMING YEAR

- Sustainability risks to the company and their management, including new strategic initiatives
- IT infrastructure integrity
- Monitoring the insurance risk transfer models of the company
- Oversight of heads of control functions

COMMITTEE STATEMENT

The committee is satisfied that risk areas in the organisation are efficiently and effectively attended to. The committee is satisfied that it has fulfilled its mandate, made a positive contribution and successfully supported the board in fulfilling its risk management duties.

THE BOARD AND COMMITTEES (CONTINUED)

THE INVESTMENT COMMITTEE

CHAIR: EA MOOLLA* | NUMBER OF MEETINGS: 4 | ATTENDANCE: 100%

MEMBERS: DP du Plessis, M Selepeng, HK Dlepu, M Mafanya

COMPOSITION: The Chair of the committee must always be an independent Non-Executive Director. The committee, taken as a whole, must comprise individuals with investment management skills and experience as well as a balance of other skills, as recommended by King IV™. The composition of the Investment Committee complies with these requirements.

KEY RESPONSIBILITIES

The Investment Committee has four primary tasks, namely:

- Developing an appropriate investment strategy which addresses the sustainability and liabilities of the company as well as the regulatory requirements;
- Monitoring the implementation and effectiveness of the investment strategy against the overall strategy, ensuring compliance with regulatory requirements and ensuring compliance with the Code of Responsible Investing in South Africa and ESG principles;
- Scanning the investment universe to identify possible investment mechanics and best practice in terms of investment processes and practices; and
- Developing and managing a programme to ensure that the committee has the capabilities to carry out its responsibilities.

FOCUS AREAS IN 2024/5

- Monitoring the performance of investment managers and mandates implemented under the new investment strategy
- Prudent management of withdrawals from liquid investments for operations
- Protecting the company's investment portfolio in difficult market conditions

FOCUS AREAS IN THE COMING YEAR

- Continued efficiency in the management of investments
- Further diversification of investment managers to ensure prudent positioning to attain optimal returns while remaining risk-averse
- Monitoring the investment strategy, which was reviewed in the previous period and deemed appropriate

COMMITTEE STATEMENT

The committee is satisfied that it has executed its role and responsibilities in keeping with the Prudential Standards, the recommendations of King IV™ and the Committee TOR.

THE REMUNERATION & SOCIAL AND ETHICS COMMITTEE

CHAIR: SH CHABA | NUMBER OF MEETINGS: 4 | ATTENDANCE: 100%

MEMBERS: MJ Haken, EA Moolla*

COMPOSITION: The committee consists of members of the board of the company, the majority of whom must be independent Non-Executive Directors. The Chair of the committee must always be an independent Non-executive Director. The composition of the Remuneration Committee complies with these requirements.

The Remuneration Committee was restructured in the reporting period to include social and ethics (SEC) matters. A separate Nominations Committee was established in November 2024.

KEY RESPONSIBILITIES

The Committee undertakes these duties:

- Advising the company on matters relating to the remuneration of its Directors, head of control functions, managing executives and other persons who may have a material impact on the risk exposure of the company;
- Developing an appropriate remuneration policy for inclusion in the company's risk management policies;
- Monitoring the implementation of the remuneration policy and regularly reviewing its suitability (at least annually); and
- Reporting to the board on compliance with the remuneration policy and disclosing Directors' remuneration and benefits in the annual financial statements.

FOCUS AREAS IN 2024/5

- Remuneration policies and practices
- Talent retention and acquisition
- Inclusion of additional functions to the committee, specifically nominations, social and ethics
- Succession planning
- Executive development process
- Review of conduct policies (fraud and whistleblowing)
- Review of board conduct and relations

FOCUS AREAS IN THE COMING YEAR

- Remuneration policies and practices
- Implementation of a succession plan
- Implementation of recommendations from the executive coaching programme
- Ethics management project oversight
- Review the Code of Ethics
- Integration of the functions of the Social and Ethics Committee and reporting structure
- Designing and delivering a customised ethics programme for the LPIIF

COMMITTEE STATEMENT

The committee is satisfied that it has fulfilled its mandate and provided adequate support to the board with respect to the board's remuneration decisions and recommendations for the Annual General Meeting. The committee was, however, unable to meet in the second half of the financial year as it did not meet quorum requirements due to the retirement of Directors and the process of appointing new Directors. The PA was notified of the non-compliance brought about by circumstances. We are glad to announce that the committee is now quorate after the approval of the appointment of new Directors to the board. In the interim period, duties which would ordinarily be carried by the Remuneration Committee were addressed by the board.

* Resigned 30 June 2025

THE NOMINATIONS COMMITTEE

CHAIR: MJ HAKEN | NUMBER OF MEETINGS: 3 | ATTENDANCE: 100%

MEMBERS: MJ Lesejane, HK Dlepu

COMPOSITION: The Chair of the committee will be an independent Non-Executive Director and the Chair of the board. The committee shall always comprise at least two members of the board, all of whom must be Non-Executive Directors, with the majority being independent.

KEY RESPONSIBILITIES

The committee oversees the following: four primary tasks, namely:

- The appropriate composition of the board for it to execute its duties effectively;
- Succession planning in respect of board and committee members;
- The basis for re-election of board members, in accordance with the Non-Executive Director Succession Policy;
- Procuring a suitable candidate when there is a vacancy on the board; and
- A process of nominating and recommending for election and appointment of members of the board, including recruitment, in accordance with the Non-Executive Director NED Succession Policy, the MOI of the company and regulations of the PA.

FOCUS AREAS IN 2024/5

- Board composition and succession planning
- Assess current board skills, diversity, experience and tenure
- Identify gaps and future needs based on the company's strategy

FOCUS AREAS IN THE COMING YEAR

- Remuneration policies and practices
- Implementation of a succession plan
- Implementation of recommendations from the executive coaching programme
- Ethics management project oversight
- Review the Code of Ethics
- Integration of the functions of the Social and Ethics Committee and reporting structure
- Designing and delivering a customised ethics programme for the LPIIF

COMMITTEE STATEMENT

The committee is satisfied that it has fulfilled its role and responsibilities in alignment with applicable legislation, King IV™ and the committee TOR.

THE CLAIMS REVIEW COMMITTEE

COMPOSITION: The committee consists of a senior member of the profession who brings a legal profession perspective, and the Chair, who is external and possesses vast experience in the business and operations of a claims department. The committee meets as needed, depending on the task at hand.

KEY RESPONSIBILITIES

The committee's mandate is to:

- Perform general audits on samples of files where capital and/or costs have been paid, or any other files that the committee would consider worthy of an audit based on relevant risk considerations
- Ascertain whether all the necessary Minimum Operating Standards (MOS) have been followed in respect of the approvals
- Assess the quality of claims investigations done before payments were made
- Ascertain that strict compliance with applicable tariffs in respect of the payment of claims costs is adhered to
- Advise on amendments to the Master Policy, if necessary;
- Assist the claims department with the identification of claims-related risks which may negatively impact the sustainability of the company; and
- Advise the claims department on recommended internal controls that may enhance the claims process.

FOCUS AREAS IN 2024/5

- At least one claims audit on professional indemnity and Executor Bond claims per annum
- Quality assurance of the legal skills in the claims team
- Review of committee TOR

FOCUS AREAS IN THE COMING YEAR

- Periodic claims audit on Executor Bonds claims
- Providing training to the professional indemnity claims team

COMMITTEE STATEMENT

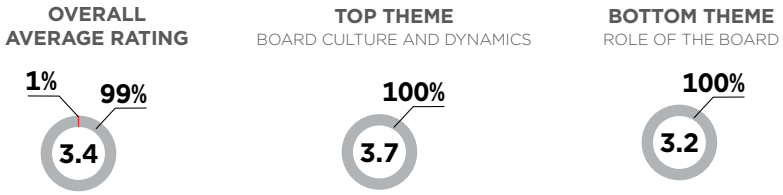
The committee is satisfied that it has executed its role and responsibilities in keeping with the TOR under which it was constituted.

THE BOARD AND COMMITTEES (CONTINUED)

BOARD EVALUATION AND PERFORMANCE

An independent evaluation was conducted of the board's performance for the reporting period in July 2024, yielding an average rating of 3.4 on a 4-point scale. The theme related to the role of the board received the lowest average rating of 3.2, which aligns with the satisfactory threshold. In contrast, the themes associated with board processes and procedures, as well as ethical and effective leadership, received average ratings of 3.5 and 3.6, respectively. Notably, the theme focusing on board culture and dynamics achieved the highest average rating of 3.7, signifying outstanding performance and being a particularly strong feature of the board's functioning. The high rating in board culture and dynamics suggests a collaborative, effective working environment. This strength could be leveraged to address potential challenges in other areas.

OVERALL AVERAGE RATING (ON SCALE OF 1 TO 4)



Results for individual themes		Average
Ethical and effective leadership	100%	3.6
Board composition	97%	3.3
Role of the board	100%	3.2
Board processes and procedures	97%	3.5
Board culture and dynamics	100%	3.7
Board committees	100%	3.4

The board approved a rolling three-year performance evaluation in June 2025, taking into account changes in the board and future board rotations. This result was the same for the committees of the board, and general improvements were noted in most areas of focus.

MANAGING DIRECTOR'S PERFORMANCE AND SUCCESSION PLANNING

The performance of the Managing Director was assessed by the board for the period under review. The board is satisfied that Mr Mbelle continues to steer the company in the desired direction and implement the board-approved strategy with prudence, wisdom and the required expertise to ensure the continued effective and efficient functioning of all facets of the business.

NOTICE PERIOD

The Managing Director is the only Executive Director of the company. The notice period for the Managing Director is two months.

SUCCESSION PLANNING

Succession planning at board level has been fully implemented, and rotation of the board is based on a board and regulator-approved Board Succession Policy.

Succession and career management have been identified as the key focus areas to ensure that the company's bench strength is robust for critical roles. In the reporting period, various measures were taken to ensure effective succession planning. The initiatives included the psychometric evaluation of selected employees, including all executive members. This was followed by structured coaching programmes for all participants, including executives and first-line managers. The succession planning process continues, and it is expected that the executive and general company succession plan will be approved in the 2025/26 financial year.

RESPONSIBLE CORPORATE CITIZENSHIP

As a responsible corporate citizen, the company continuously endeavours to seek opportunities to contribute to society, both socially and economically.

FOCUS AREAS FOR 2025

- Employee wellness
- Responsible investing

MEASURES TAKEN TO MONITOR CORPORATE CITIZENSHIP

The mandate of the LPIIF at its core implies that the company must act as a good corporate citizen in protecting the interests of the public and the legal profession. The measures taken to monitor claims management and the claims experience, and provide risk education to the profession, are indicators of the company's performance as a good corporate citizen. Other measures include monitoring and reporting on matters such as fraud prevention, reporting and employee wellness.

PENALTIES, SANCTIONS OR FINES

No sanctions were imposed on the company in the reporting period.

FUTURE FOCUS AREAS

- Employee wellness and development
- Stakeholder inclusivity

COMPANY SECRETARY

The board is responsible for the selection and appointment of the Company Secretary. Ms KM Tsike was appointed as Company Secretary in June 2018. She continues to play a pivotal role in the achievement of good corporate governance and ensures that the applicable laws, rules and regulations for the conduct of the affairs of the board are complied with.

The board has assessed the Company Secretary and is satisfied with her skill set as well as the knowledge, expertise and guidance provided by her.

ACCESS TO MANAGEMENT, AUDITORS AND EXTERNAL CONSULTANTS

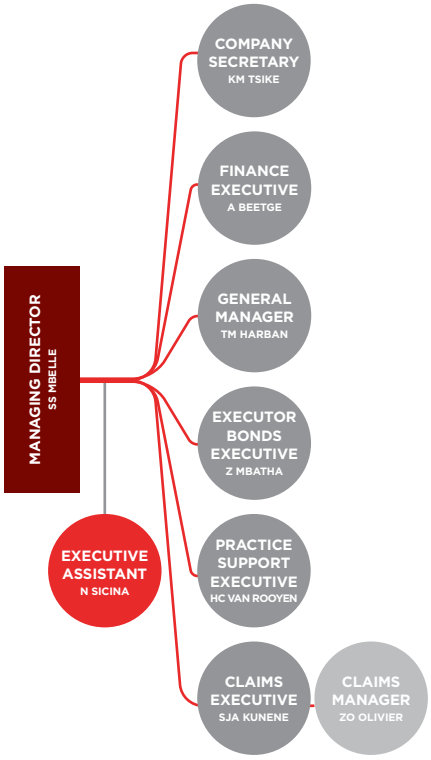
In terms of the board Charter, any member of the board, partner of the external auditors or Head of Internal Audit may bring to the attention of the board, its Chair or the Managing Director any material matter they deem appropriate.

The board may, in consultation with the Company Secretary, when carrying out its responsibilities in terms of the Charter, obtain such external independent professional advice as it considers necessary to carry out its duties.

The board shall have unrestricted access to all company information, records, documents and property. The Company Secretary shall assist the board by providing any information or documents that may be required.

MANAGEMENT TEAM

During the period under review, the company's management was made up of the persons listed in the organogram below.



The board has appointed the following heads of control functions:

- Mr TM Harban: Head of Risk Management
- Mr S Swanepoel (Directrix): Head of the Actuarial
- Ms KM Tsike: Head of Compliance
- Mr N Hassim (Nexia SAB&T): Head of Internal Audit

REGULATORY ENVIRONMENT AND COMPLIANCE

The company's regulatory universe is submitted to the board in the first quarter of each financial year. Updates are provided through continuous reporting by the compliance control function. The board monitors compliance with applicable legislation and approves the progress made across the company's regulatory universe at the end of each financial year.

Following the successful implementation of Exclaim software as our compliance management tool and the completion of staff training, we are pleased to report that the software will be used to monitor and report on legislative compliance to governance structures.

The most important regulatory requirements for the company are contained in:

- the Financial Sector Regulation Act, the Insurance Act and the insurance licence issued to the company, as indicated in the Prudential Standards, Regulations, Directives, Standards and Notices issued by the FSCA and the PA;
- the Act;
- the Companies Act; and
- the combined assurance model (multiple lines of defence).

In addition, the company acknowledges its responsibility to ensure compliance with laws and regulations, including compliance with the Prevention of Organised Crime Act and the Prevention and Combating of Corrupt Activities Act. We are not aware of any incidents of non-compliance, nor have any been identified by internal or external audits in the current year.

Updates to the Conduct of Financial Institutions Bill, aimed at consolidating and strengthening conduct laws for financial institutions, are being monitored by the company. The bill is currently before Parliament, and as an insurer, the company will be directly affected when it becomes an Act of Parliament.

The internal audit function assessed the effectiveness of measures implemented to comply with the Protection of Personal Information Act 4 of 2013 (POPIA). The assessment found that the general POPIA compliance environment was strong, with some related draft policies pending approval by governance structures.

Compliance efforts were concentrated in the IT areas for a significant part of the reporting period to assess and ensure compliance with the requirements set out in the Joint Standard 1 on IT Governance and Joint Standard 2 on Cybersecurity and Cyber Resilience issued by the PA. A presentation on compliance levels was made to the company's external and internal auditors, the board and its committees, and regulators, with satisfactory outcomes.

Human Resources policies and practices were also updated to ensure compliance with recent amendments in the Basic Conditions of Employment Act.

FOCUS AREAS IN 2025

- IT governance
- Data governance
- Governance framework

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF COMPLIANCE MANAGEMENT

The Compliance function provides quarterly compliance reports to the Risk Committee and board. The Compliance plan is also approved by the board. The internal audit function also provides additional assurance to the board and committees on the processes and controls in this area.

FUTURE FOCUS AREAS

- IT governance
- Ethics management
- Changes in the insurance legislation landscape

THE BOARD AND COMMITTEES (CONTINUED)

INTERNAL FINANCIAL CONTROLS

The company's internal auditors conducted a review of the internal financial controls, and a rating of "satisfactory" was achieved. It was noted that the controls are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and that objectives will be met.

The Audit Committee is satisfied that the company's finances are managed prudently and that risks are managed adequately.

COMBINED ASSURANCE

Combined assurance is exercised at different levels in the company. The first line is the management team, followed by the risk, compliance and actuarial management functions, then the internal audit function and, finally, the external auditors. Regular reporting is done by management, and the assurance functions to the board and committees. Engagements take place between the internal and external audit functions ahead of each audit.

The Internal Audit Charter was reviewed and approved by the Audit Committee and the board. All heads of control functions were assessed in December 2024 and meet all fit and proper requirements.

The Audit Committee is satisfied with the management and effectiveness of combined assurance.

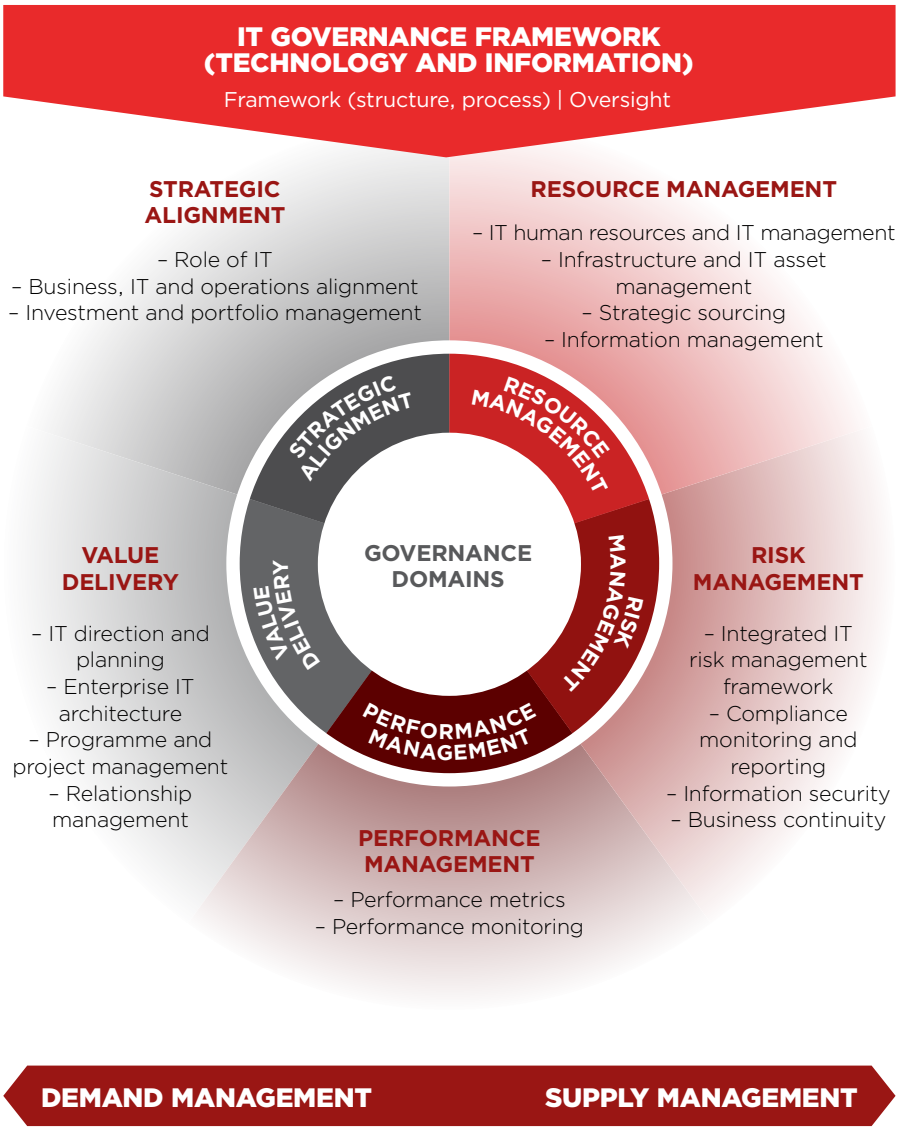
TECHNOLOGY AND INFORMATION

OVERVIEW

During the 2024/25 financial year, the LPIIF's IT function focused on strengthening governance, building internal capacity, advancing cybersecurity and supporting digital transformation. The department, led by the LPFF Acting CIO, aligned technology initiatives with the LPIIF's strategic objectives and regulatory requirements.

TECHNOLOGY AND INFORMATION GOVERNANCE

The company's COBIT-based (Control Objectives and Related Technologies) IT governance framework was further embedded in the reporting period with regular reviews and updates to policies, including the Data Protection and Privacy Policy, Information Security Policy, IT Change Management and Cybersecurity and Incident Response Policy. The diagram below sets out the framework:



OPERATING MODEL AND OVERSIGHT

The IT function largely remained outsourced to the LPFF with oversight by the Executive Committee. Reporting lines included the Finance Executive (operations), Executor Bonds Executive (projects) and Company Secretary (compliance). A new IT operating model was under development during the reporting period.

CAPACITY BUILDING AND PROCESS OPTIMISATION

In the reporting period, IT processes were optimised to improve efficiency and responsiveness, including the establishment of a clear IT services catalogue and performance metrics. Personnel were trained and upskilled, including obtaining Information Systems Audit and Control Association (ISACA) certification and adopting standards for cybersecurity set out by the International Organisation for Standardisation (ISO) and the US National Institute of Standards and Technology (NIST).

Two appointments were made during the financial year to strengthen the IT team: a data scientist and an IT security technician. In addition, it is anticipated that an enterprise architect and an IT governance, risk and compliance (GRC) manager will be appointed early in the next financial year, as both roles are pivotal to providing the technical and governance leadership needed to deliver on the company's systems objectives.

KEY ACHIEVEMENTS AND INTERNAL HIGHLIGHTS FOR 2025

In the reporting period, progress was made in terms of technology and information governance and management that will enhance our ability to achieve our strategic objectives. This includes:

- Successfully responding to a ransomware attack in June 2024, with no significant data loss or regulatory fines. Recovery included rebuilding the network domain, enforcing password policies, deploying AI-enabled endpoint detection and response tools, enhancing privileged account management, implementing secure remote access (VPN and MFA) and upgrading network infrastructure for redundancy and performance.
- Achieving compliance with regulatory requirements, including Joint Standard 1 on IT Governance and Joint Standard 2 on Cybersecurity and Cyber Resilience and resilience, as well as cyber incident reporting.
- Advancing the company's data analytics maturity programme, including a comprehensive assessment and gap analysis, and initiating improvements to analytics tools and processes.
- Developing an IT service catalogue to align IT capabilities with business needs and regulatory requirements.
- Conducting a comprehensive data source review and mapping it to all systems, feeding into the enterprise architecture (EA) work. A data management work group was established to advance this.
- Progress was made on enhancing the CMS, and stakeholder interviews, process documentation and business development were completed in June 2025. Development phases are scheduled for the next financial year, and go-live is scheduled for December 2026.
- Progress was made on the automation of the Executor Bond System. Functional specifications were completed in July 2025, and a solution design and UI/UX reviews were conducted in September 2025. System development and go-live are planned for 2026/27.

FUTURE FOCUS AREAS

Looking ahead, the governance of technology and information remains an ongoing programme that focuses on enhancing IT operations to support the company's strategic goals. Key initiatives planned for the next financial year include:

- Full implementation of the revised EA strategy, including process mapping and solution architecture for all major systems;
- Completion of functional specifications for ICMS, Prescription Alerts and Executor Bond Systems;
- Establishing a centralised data warehouse for the consolidation of information from all LPFF and LPIIF systems, and the LPC, and deploying a business intelligence tool for reporting;
- Finalising and approving IT and data security policies in line with joint standards and best practices;
- Onboarding the enterprise architect and IT GRC manager, as well as continued upskilling and process optimisation of the IT department;
- Ongoing monitoring, incident response and infrastructure improvements, including backup and disaster recovery enhancements; and
- Enhancing collaboration between LPIIF and LPFF IT resources to ensure optimal support for both entities.

REWARDING VALUE CREATION

LR

The company's remuneration strategy is designed to retain and motivate key people, attract talented applicants, reward individual and team performance, and encourage superior performance.

The Remuneration Strategy and Policy were comprehensively reviewed and updated to align with current remuneration practices. It was further reviewed against peers and found to be sufficient and aligned to legislative imperatives. The Remuneration Committee considered the updated policy in June 2025 and deemed it to be in line with the company's remuneration objectives.

Remuneration is benchmarked against the market, and a report on remuneration trends is provided by the company's independent remuneration consultant, Deloitte. Decisions on employees' remuneration are guided by, among others, the market and trends report, and are aligned with the company's Remuneration Strategy and Policy to ensure fair and responsible remuneration.

REFER TO PAGE 53 FOR MORE INFORMATION ON BENCHMARKING.

All remuneration was awarded in compliance with the Remuneration Policy without any deviation.

The company's remuneration principles were assessed and found to be relevant to its culture and strategic objectives. The core principles set out in the Rewards Strategy and Policy are as follows:

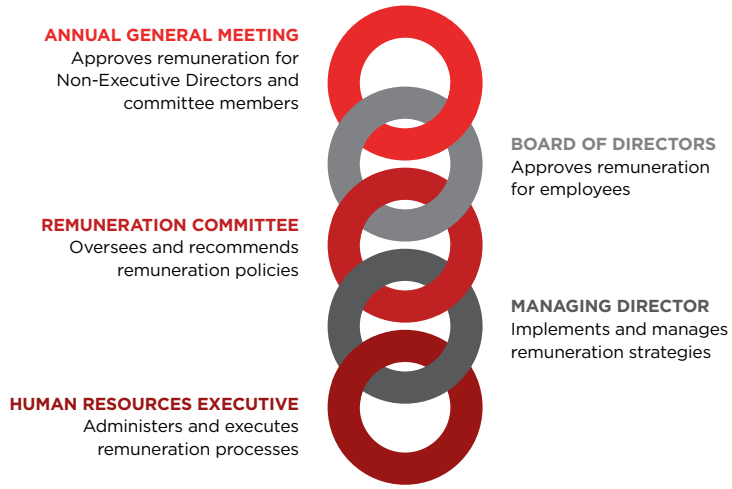
- Support for strategic objectives;
- Competitive pay levels (external equity);
- Internal equity;
- Flexibility;
- Affordability and sustainability (cost management);
- Performance differentiation; and
- Communication, transparency and confidentiality.

EXECEVAL™ and/or the PEROMNES® job evaluation systems are used to determine the relative size of positions in the company.

Good governance is essential, and changes to policies, procedures and practices, as well as increases or ad-hoc payments, must be approved by the Remuneration Committee and the board.

The hierarchy of approval in the company on remuneration matters is as follows:

REMUNERATION APPROVAL HIERARCHY



PERFORMANCE MANAGEMENT

The company's performance management system is aligned with driving the attainment of its strategic objectives. KPAs and KPIs are linked to the overall strategy and annual business goals set by the Managing Director and cascaded to individual jobs in different business areas in the company.

Performance contracts, with KPAs and KPIs, are negotiated at the beginning of each financial year and approved by the governance structures in the case of executives and respective managers for the rest of the company.

Formal performance reviews are held at least twice a year to assess performance against KPIs and provide formal feedback. Regular feedback in the form of informal discussions and ad-hoc meetings is also encouraged to ensure continuous engagement and appropriate support for incumbents in all roles.

REMUNERATION COMPONENTS

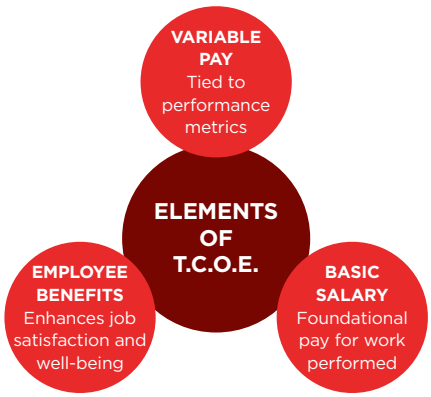
TOTAL COST OF EARNINGS (T.C.O.E.) – ANNUAL GUARANTEED PACKAGE

To attract and retain staff with the desired talent and skills, the policy with regard to this element of pay is to ensure that the annual guaranteed pay is market-related.

Individual salaries are reviewed annually based on the following factors:

- current market conditions in the applicable labour market, including market movements and trends in remuneration;
- the position of the individual employee in the salary range for the specific job in the job type and grade;
- the performance merit rating the employee received;
- whether or not, taking all prevailing circumstances into account, the company can afford to pay the relevant salary to the employee; and
- the annual increase in the Consumer Price Index.

The Remuneration Committee reviews, adopts and recommends the proposed percentage increases for approval by the board annually.



The T.C.O.E. figure includes all the following components:

EMPLOYEE BENEFITS

- The value of all benefits (including employer contributions) forms part of the T.C.O.E. and includes medical aid, retirement fund and insurance. Contributions are usually made according to compulsory statutory requirements and/or the applicable benefit of the company's benefit rules. Additional elements of reward, such as non-pecuniary benefits, are also considered under this aspect of remuneration.

VARIABLE PAY

- Also called the Short-Term Incentive (STI) or bonus.
- This is pay not included in the annual guaranteed package that may vary based on performance or other conditions.
- The objective of the STI is to motivate and reward employees for the achievement of specific targets that support the primary business drivers and the achievement of strategic objectives.
- It is specifically emphasised that payment of the STI is made when actual performance assessment results exceed the predefined agreed target thresholds. The company reserves the right not to pay out any incentive in certain circumstances.
- No incentive is paid when actual performance assessment results are below the target threshold.

REMUNERATION PACKAGE EVALUATION

MARKET-COMPETITIVE REMUNERATION AND BENCHMARKING

- The company benchmarks itself to the general market as represented in annual surveys. The National All-Incumbent Graded Table is used for all jobs at PEROMNES™ grades 5 and below. EXECEVAL™ points are linked to survey results in the Deloitte South Africa Guide to Executive Remuneration.
- Individual key posts are reviewed on an annual basis to establish premiums for scarce skills.
- For all positions other than scarce skills, the company uses the market 50th percentile on the total cost to the company (basic salary plus benefits, excluding variable pay) for remunerating competent employees.
- Where jobs fall into the critical and scarce skills category, the company may remunerate individuals at the 63rd or 75th percentile to attract and retain the required talent.

JOB EVALUATION

- To ensure consistency, the company uses the EXECEVAL™ assessment methodology for all jobs above PEROMNES™ grade 5.
- These methodologies give a uniform system to compare jobs in the company and assist in the comparison of jobs across companies nationally.

NON-EXECUTIVE DIRECTOR FEES

Non-Executive Directors' remuneration was separated and addressed in a standalone Non-Executive Director Remuneration Policy introduced during the reporting period. This document ensures consistency in remuneration practices and sets out principles around the remuneration of directors and individuals serving on committees of the board who are not directors. It also addresses matters such as travel expenses, retainers and per-meeting fees.

The policy was approved by both the board and the member at the Annual General Meeting (AGM) of the company.

The policy is reviewed as necessary, but at least annually.

Non-Executive Directors' remuneration is benchmarked against the market annually and approved by the member at the company's AGM. Fees paid to the board and its committees were increased in line with inflation in the reporting period.

PLEASE REFER TO DIRECTORS' FEES ON PAGE 101 OF THE ANNUAL FINANCIAL STATEMENTS FOR MORE DETAILS ON THE REMUNERATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS.

RISK MANAGEMENT REPORT

GLOSSARY

CAT	Catastrophe
HoA	Head of Actuarial Control
ICMS	Integrated Claims Management System (under development)
Insurance Act	Insurance Act 18 of 2017
ORSA	Own Risk and Solvency Assessment is an internal process undertaken by an insurer to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios.
PA	Prudential Authority was established in terms of section 32 of the Financial Sector Regulation Act 9 of 2017 and oversees the regulation of prudential aspects, safety and soundness of financial institutions and market infrastructures.
SAM	The Solvency and Assessment Management model introduced by the Insurance Act

RISK MANAGEMENT PROCESS AND GOVERNANCE

The LPIIF proactively addresses opportunities and associated risks by concentrating on factors that are under our control. Our approach is informed by our strategic objectives and adjusted as required by operating circumstances. We carefully balance risk and opportunity management across all the capitals we impact.

Risk management is an essential part of the LPIIF's business. The risk schedule is considered and the list of risks updated at an annual workshop facilitated by the Head of Risk Management and involving the management team, the HoA and members of the Risk Committee. The risk schedule is presented to the board for consideration and approval once it has been considered by the Risk Committee.

Risk management is an essential part of each of the building blocks of the rolling multi-year strategy and the growth strategy. Pillar 2 of the growth strategy aims to develop a holistic framework for managing practitioner risk.

The company has adopted a comprehensive risk management framework and strategy that is set out in the Risk Management Policy and the annexures thereto. The governance framework sets out an ecosystem for risk management and has been developed to comply with both the Insurance Act and Prudential Standards. The roles and responsibilities of the parties are set out in the various risk management and governance documents. The various heads of control functions manage risks applicable in their respective areas.

RISK APPETITE

The company's risk appetite is recommended by the Risk Committee to the board for approval. The HoA prepares quarterly reports on the utilisation of the risk appetite. The HoA also prepares the ORSA report, which gives an in-depth view of the risks that impact solvency. The risk schedule includes both ORSA and non-ORSA risks (operational risks).

OPERATIONAL RISK AND MITIGATION PRACTICES

Several risk mitigation initiatives are undertaken insofar as the risk posed by legal practitioners is concerned. Face-to-face training is offered to individual law firms and various voluntary organisations in the profession. Legal practitioners applying for Fidelity Fund Certificates for the first time are also required by rule 27 issued in terms of the Act to attend a module on risk management and insurance (RMI) as part of the Practice Management and Training (PMT) course. The course content, lectures and assessments of candidates in the RMI module are prepared and conducted by LPIIF staff. Candidates in the RMI course must complete a compulsory assignment. LPIIF staff members help to mark these assignments. The PMT course is offered by the Legal Education and Development Division (LEAD) of the Law Society of South Africa (LSSA).

Articles on risk management are produced for publication in the *Risk Alert Bulletin* and *De Rebus* to update the profession on cases involving attorney liability. These articles are used by several organisations and referred to in reported judgements. Ongoing risk, regulatory and practice-management information are shared on the company's X and Facebook accounts, which have a wide and immediate reach among stakeholders.

RISK MANAGEMENT STRATEGY

The risk management strategy is included in the Risk Management Policy. Risks are managed at an enterprise and operational level.

By making regular contact with commercial insurance companies, liability and risk-related information is shared. By participating in organisations such as the International Bar Association (IBA) and the International Conference of Legal Regulators (ICLR), we have also been able to draw on lessons from other jurisdictions.

The assessment of claims includes the analysis of information to identify the underlying triggers for errors that lead to claims.

The company embarked on a project to develop its data analytics capabilities. The aim is to intelligently analyse all available data and develop a risk profile for each firm. This will form part of the broader enterprise data architecture. The Fidelity Fund and LPC also hold risk-related information on legal practitioners, and they will be invited to participate in the project. The three entities (LPIIF, Fidelity Fund and LPC) service the same risk pool, and the ability to proactively manage risk will benefit all parties. Data analytics will also be essential in the pursuit of Pillar 2 of the growth strategy.

REFER TO THE REPORT BY THE MANAGING DIRECTOR ON PAGE 16 TO 17 FOR THE GROWTH STRATEGY.

PRESCRIPTION OF CLAIMS

The company addresses matters that create industry-wide risks, and prescription remains one of the main risks facing legal practitioners.

REFER TO THE OPERATIONAL REVIEW ON PAGE 18 FOR PROFESSIONAL INDEMNITY CLAIM STATISTICS.

The prescription of RAF-related claims has perennially posted the biggest risk, both in the number and value of claims. It is therefore a matter of concern in terms of the frequency and the severity of claims.

On 4 July 2022, the RAF introduced Board Notice 271 of 2022 purporting to change the terms for the acceptance of claims. The Board Notice substantially increased the threshold to be met by claimants and their attorneys when submitting claims to the RAF. The risk of claims prescribing in the hands of legal practitioners thus increased. In November 2022, the company launched an application aimed at reviewing and setting aside this Board Notice. The matter is one of immense public interest, and several other individuals and entities applied to join the matter as parties. A full bench of the Gauteng Division of the High Court handed down judgement in favour of the applicants on 20 March 2024. The RAF launched an application for leave to appeal and was only successful in respect of one of the grounds raised.

The RAF has now launched an application to the Supreme Court of Appeal for special leave. The RAF's application is being opposed. It is anticipated that the RAF's application for leave to appeal will be heard in 2026.

KEY RISKS

The risk register on the following page identifies the top risks in the company and indicates the actions taken to reduce the potential impact of each. The risk categories for ORSA risks are as prescribed in the governance framework for insurers. Operational (non-ORSA) risks, on the other hand, are labelled as such.



RISK MANAGEMENT REPORT (CONTINUED)

RISK CATEGORIES

LR	IR	OR	IVR	CR	MR	COR	SR	ER
LEGAL AND REGULATORY RISK	INSURANCE RISK	OPERATIONAL RISK	INVESTMENT RISK	CREDIT RISK	MARKET RISK	CONCENTRATION RISK	STRATEGIC RISK	EMERGING RISK

OUR STRATEGY

SOM	RMM	ERB
A SUSTAINABLE OPERATING MODEL	RISK MANAGEMENT AND MITIGATION MEASURES	AN ENABLING REGULATORY AND BUSINESS ENVIRONMENT

KEY RISKS

ORSA RISKS

	Risk description	Management action	Strategy affected	Capitals impacted
1	SR **Risk:** Failure to obtain stakeholder approval through the management of relationships with the required business model resulting in the premium requirement not being met by the member.	Actuarial valuation informs the calculation of the premium due. The premium is received from the Fidelity Fund at the inception of the underwriting period. Continuous engagements with stakeholders to ensure open communication channels and transparent discussions.	SOM	FC SRC
2	LR **Risk:** Reintroduction of CAT risk charge (only from year three).	Timely reapplication for dispensation.	RMM	FC
3	IR **Risk:** Unexpected deterioration in PI cover claims experience. **Opportunity:** Unexpected improvement in claims experience in PI cover.	Annual review of the Master Policy. Monitor claim trends via the CMS portal and develop a communication strategy. Risk management interventions are to be done and a Prescription Alert is issued.	SOM	FC SRC
4	MR **Risk:** Movement in share prices (local and foreign). **Opportunity:** Unexpected windfall due to movement in share prices (local and foreign).	A board-approved investment strategy is in place. Investment managers are mandated to follow the strategy and are monitored quarterly by the Investment Committee that reports to the Risk Committee and the board.	SOM	
5	OR **Risk:** Losses due to fraud/collusion.	Delegation of authority implementation.	RMM	FC
6	COR **Risk:** Increasing use of AI by the profession.	Amend the PI Master Policy at inception of the 2024/2025 policy year.	RMM	FC
7	COR **Risk:** ESG requirements (operational and investments).	Monitor ESG requirements against company performance.	RMM	FC

OUR CAPITALS

IC – INTELLECTUAL CAPITAL
HC – HUMAN CAPITAL
FC – FINANCIAL CAPITAL
SRC – SOCIAL AND RELATIONSHIP CAPITAL
EC – ENVIRONMENTAL CAPITAL
MC – MANUFACTURED CAPITAL

IMPACT DESCRIPTION

CRITICAL
SIGNIFICANT
SERIOUS
MINOR

OPERATIONAL RISKS

	Risk description	Management action	Strategy affected	Capitals impacted
1	CR **Risk:** The IT system is not operating as required in terms of functionality, uptime and support.	Development and implementation of the CMS portal and related processes developed within CMS (payment processes, etc).	SOM, ERB	HC, FC, SRC
2	CR **Risk:** Unnecessary or incorrect expenditure when investigating claims by panel attorneys.	An annual performance review and peer review are done. The Master contract becomes renewable every third year.	SOM	HC, FC, SRC
3	OR **Risk:** Non-cyber data breaches, including social media.	Internal audit reports and reports by the Head of Compliance are done.	SOM, ERB	FC, SRC
4	LR **Risk:** Non-compliance with all relevant legislation and regulatory requirements leading to criminal charges, fines, penalties and interest. Governance risk findings by the PA.	The compliance plan is reviewed and updated annually and monitored by the Head of Compliance. Reviewing by the Risk Committee is done quarterly. Specific PA/FSCA requirements are evaluated more regularly in terms of the Prudential Standards.	SOM, ERB	FC, SRC
5	CR **Risk:** ESG requirements (Operational – including political risk and climate change impact (non-investment related)).	Monitor the operational environment and report events or potential increases in risk to the Head of Risk Management. PA climate awareness and readiness survey results.		FC, SRC
6	COR **Risk:** Increasing use of AI by the company. **Opportunity:** Harnessing AI to improve operational efficiencies, e.g. AI integration in the claims management system.	Collection and interpretation of external specialist input and arranging workshops for relevant parties.	RMM	FC
7	OR **Risk:** Financial and reputational losses due to a lack of technically skilled, legally qualified and experienced staff or service providers. Includes staff retention and succession planning.	Job descriptions and job gradings are in place for all positions. Remuneration matches grading to ensure staff retention. The Selection and Recruitment Policy require criminal, qualification and credit references for all candidates. Performance reviews are done twice a year.	SOM	FC, SRC

GLOSSARY

Act	Legal Practice Act 28 of 2014, as amended
Board/board of Directors	Board of Directors of the company
CIPC	Companies and Intellectual Property Commission
Companies Act	Companies Act 71 of 2008, as amended
Financial Sector Regulation Act	Financial Sector Regulation Act 9 of 2017, as amended
FSCA	The Financial Sector Conduct Authority, which was established in terms of section 77 of the Financial Sector Regulation Act 9 of 2017
HoA	Head of Actuarial Control
Insurance Act	Insurance Act 18 of 2017, as amended
Insurance policies	The company's Professional Indemnity Insurance Master Policy and the Executor Bond Policy, respectively, 'policy' will have a corresponding meaning.
LPC	Legal Practice Council
LPFF/Fidelity Fund/ The member	The Legal Practitioners Fidelity Fund is a client protection fund that carries out functions as set out in section 57 of the Legal Practice Act 28 of 2014. Its primary purpose is to indemnify the public against losses arising from the theft of property or funds entrusted to legal practitioners during legal practice. The Fidelity Fund was formerly known as the Attorneys Fidelity Fund.
LPIIF or the company	Legal Practitioners Insurance Indemnity Fund NPC
ORSA	Own Risk and Solvency Assessment is an internal process undertaken by an insurer to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios.
PA	The Prudential Authority was established in terms of section 32 of the Financial Sector Regulation Act 9 of 2017 and oversees the regulation of prudential aspects, safety and soundness of financial institutions and market infrastructures.
PI	Professional indemnity insurance cover is provided by the company to practising attorneys and advocates with Fidelity Fund Certificates in terms of section 77 of the Act. Professional indemnity insurance is granted to all insured legal practitioners in terms of a single Master Policy issued annually by the company.
RAF	The Road Accident Fund provides compulsory cover to all users of South African roads, citizens and foreigners, against injuries sustained or death arising from accidents involving motor vehicles within the borders of South Africa.
SAM	Solvency and Assessment Management model introduced by the Insurance Act.
SARS	South African Revenue Services
Twin Peaks	This dual regulatory system was created under the Financial Sector Regulation Act. The two regulators are the FSCA (regulating market conduct) and PA.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

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GENERAL INFORMATION

DIRECTORS
SH Chaba
MJ Haken
TD Khanyile
MJ Lesejane
SK O'Mahony
SS Mbelle
DP du Plessis

REGISTERED OFFICE
1256 Heuwel Avenue
Centurion
Pretoria
Gauteng
0127

POSTAL ADDRESS
PO Box 12189
Die Hoewes
Centurion
Gauteng
0163

BANKERS
First National Bank

AUDITORS
BDO South Africa Inc
Registered Auditors

SECRETARY
Ms KM Tsike

LEVEL OF ASSURANCE
These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

PREPARER
The annual financial statements were independently compiled by Fathima Lambat CA(SA).

AUDIT COMMITTEE'S REPORT

For the year ended 30 June 2025

The Audit Committee ("the committee") presents its report for the year ended 30 June 2025. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board approved terms of reference and has discharged its responsibilities contained therein.

MEMBERS OF THE AUDIT COMMITTEE

The members of the audit committee are all independent non-executive directors of the company and include:

NAME

- MJ Lesejane (Chair)
- MJ Haken
- TD Khanyile
- SK O'Mahony

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act of South Africa and Regulation 42 of the Companies Regulation, 2011.

OBJECTIVES AND SCOPE

The overall objective of the committee is to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal financial controls processes, the reviewing of financial information and the preparation of the annual financial statements.

In terms of its terms of reference, the main responsibilities of the audit committee include:

- Assisting the board in discharging its duties relating to safeguarding of assets
- Assisting the board in the operation of adequate systems, control and reporting process
- Assisting the board in the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.
- Meet with the external auditor at least once a year without the presence of management
- Review and approve the Internal Audit Plan and the External Audit Plan
- Assessing the report-backs from both the internal and external auditors
- Assessing the appropriateness of the going concern assumption of the company
- Nomination and the verification of the independence of the auditor
- Determination of the fees of the company's auditors, in terms of the engagement agreement, and to ensure that the appointment complies with the provisions of the Companies Act and other applicable legislation
- Distinguishing between audit/non-audit services
- Pre-approving non-audit work
- Ensure that the internal auditor has direct access to the Audit Committee chair and to the Audit Committee and is accountable to the Audit Committee
- Review and approve the scope, plan, goals and mission of the Internal Audit, as well as Internal Audit charter, annually
- Receive a report on the results of the internal audit work at every Audit Committee meeting
- Review and approve the adequacy of the resources of the Internal Audit function
- Review and monitor management's responsiveness to the internal audit findings and recommendations
- Monitor and assess the role and effectiveness of the internal audit function in the overall content of the company's risk management system

The committee has satisfied itself of the assessment of the expertise and experience of the Finance Executive to meet the responsibilities of such a position.

The committee has considered the resources and experience within the company's finance function and concluded that they are sufficient to meet the requirements of the company.

The committee has satisfied itself with the assessment of the quality of earnings by the company's management and is satisfied that the basis of such assessment is adequate.

MEETINGS HELD BY THE AUDIT COMMITTEE

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

Dates of meetings/ Attendance	12 February 2025	11 March 2025	5 June 2025
MJ Lesejane (Chair)	✓	✓	✓
MJ Haken	✓	✓	✓
TD Khanyile	✓	✓	✓
SK O'Mahony	✓	✓	✓

AUDIT COMMITTEE'S REPORT (CONTINUED)

For the year ended 30 June 2025

EXTERNAL AUDITOR

The audit committee has nominated BDO South Africa Inc as the independent auditor and Lesego Mafadza as the designated partner, who is a registered independent auditor, for appointment of the 2025 audit.

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act of South Africa and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the auditors in accordance with the Companies Act of South Africa that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

ANNUAL FINANCIAL STATEMENTS

Following the review of the annual financial statements the audit committee recommend board approval thereof.

INTERNAL AUDIT

Nexia SAB&T was appointed as internal auditors of the company.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the internal audit has been considered and approved taking into consideration such factors as the timing, the extent of the work required and the scope of the audit.

COMPLAINTS

No complaints relating either to the accounting practices of the company or to the contents or auditing of its financial statements, or to any related matter were received by the committee.

MJ LESEJANE
Chairman Audit Committee

23 December 2025

DIRECTORS' RESPONSIBILITIES AND APPROVAL

For the year ended 30 June 2025

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2026 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 65 to 69.

The annual financial statements set out on pages 70 to 120, which have been prepared on the going concern basis, were approved by the board of directors on 22 December 2025 and were signed on their behalf by:

Signed on behalf of the board of Directors by:

SS MBELLE

23 December 2025

DIRECTORS' REPORT

For the year ended 30 June 2025

The directors have pleasure in submitting their report on the annual financial statements of Legal Practitioners Indemnity Insurance Fund NPC for the year ended 30 June 2025.

NATURE OF BUSINESS

The company is a non-profit company in terms of the Companies Act. The company's main business is to provide insurance cover to legal practitioners as mandated in Section 77 (1) of the Legal Practice Act 28 of 2014, in accordance with the Insurance Act 18 of 2017.

The company is exempt from taxation in terms of Section 10(1)(d) of the Income Tax Act.

GENERAL REVIEW

The company's operations and its financial position are fully disclosed in the annual financial statements.

CAPITAL STRUCTURE

The company has no share capital, and no part of the company's surplus or assets may be distributed to members. All reserves are, therefore, non-distributable. The commencement capital of R20 million was paid by the sole member of the company, the Legal Practitioners Fidelity Fund when the company was established in June 1993 in terms of the Attorneys Act 53 of 1979, which was superseded by Section 77(1) of the Legal Practice Act 28 of 2014. In 2017 the capital was increased by R185 million.

INSURANCE AND RISK MANAGEMENT

The company follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically added to the insurance policy. There is also a continuous asset risk control programme, which is carried out in conjunction with the company's insurance brokers. All risks are considered to be adequately covered, except for political risks, in the case of which as much cover as is reasonably available has been arranged.

DIRECTORATE

The directors in office at the date of this report are as follows:

Directors	Designation	
MJ Haken (Chair)	Non-executive	
DP du Plessis	Non-executive	
MJ Lesejane	Non-executive	
SH Chaba	Non-executive	
SK O'Mahony	Non-executive	
SS Mbelle	Executive	
TD Khanyile	Non-executive	
EA Moolla	Non-executive	
Resignations of directors		**Date**
EA Moolla	Non-executive	30 June 2025
Appointments of directors		
TS Kekana	Non-executive	29 July 2025
GZ Nkosi	Non-executive	14 July 2025
MUW Mafanya	Non-executive Independent	22 September 2025

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

AUDITORS

BDO South Africa Inc continued in office as auditors for the company for 2025.

SECRETARY

The company secretary is Ms KM Tsike.

Business address: 1256 Heuwel Avenue, Centurion, 0157

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Legal Practitioners Indemnity Insurance Fund NPC

OPINION

We have audited the financial statements of Legal Practitioners Indemnity Insurance Fund NPC (the Company), set out on pages 70 to 120, which comprise the Statement of Financial Position as at 30 June 2025, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Practitioners Indemnity Insurance Fund NPC as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), we report:

FINAL MATERIALITY

FINAL MATERIALITY	R3.8 million
HOW WE DETERMINED IT	2% of Total Expenses
RATIONALE FOR THE MATERIALITY BENCHMARK APPLIED	The Company is a licensed non-life insurance company established by the Fidelity Fund, primarily focused on maintaining its ability to pay valid claims. Users of its financial statements, particularly regulators, focus on total expenses – mainly claims paid, reinsurance premiums, operating costs, and reserve adjustments – to assess solvency and the Company's ability to meet obligations. No unusual accounts or significant volatility have been noted, making total expenses a suitable benchmark. We chose 2% as an appropriate threshold after consideration was given to the Company having a public interest in its financial statements due to its large policyholder base and the fact that the Company operates in a regulated environment.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide an opinion on these matters.

In terms of the EAR Rule, we are required to report the outcome of audit procedures or key observations with respect to the key audit matters, and these are included below.

LIABILITY FOR INCURRED CLAIMS – (NOTE 4)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance liabilities and assets (being the incurred claims component of the insurance contract liabilities and reinsurance contract assets – detailed in the accounting policies and notes 1.7, 1.8, 3, 4, 5, 6, and 7 respectively). As at 30 June 2025, the Company held insurance contract liabilities amounting to R556.2m (2024: R517.5m) and reinsurance contract assets to the amount of R142.9m (2024: R130.4m). The insurance contract liabilities are described in notes 3, 4 and 5 to the financial statements and comprise the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). Similarly, the reinsurance contract assets are described in notes 3, 6 and 7 to the financial statements and comprise the asset for remaining coverage ("ARC") and the asset for incurred claims ("AIC"). The Company applies IFRS 17: Insurance Contracts ("IFRS 17") to insurance contracts issued and reinsurance contracts held. The LIC and AIC include estimates of the present value of future cash flows ("PVFCF") and the risk adjustment for non-financial risk ("Risk Adjustment") that have been incurred before the end of the financial year. Significant judgement and estimation were applied in determining the value of the LIC and AIC to be recognised in the financial statements as it relates to the selection of actuarial methods and assumptions. The most significant inputs in determining the LIC and AIC are as follows: ▪ Outstanding claims estimate ▪ Unallocated loss adjustment expense assumptions ▪ Discount rates (including the effects of changes in interest rates and other financial assumptions) ▪ Risk Adjustment Historic claims triangulations are used to determine the expected future cash flows, which implicitly allows for inflation in the development factors. The expected future cash outflows are discounted back to the reporting date using a term dependent discount rate to estimate the overall PVFCF at the reporting date.	Our audit approach to address the risk relating to the valuation of the LIC and AIC included the involvement of actuarial specialists and the following audit procedures: ▪ We obtained an understanding of the inherent risk factors in relation to the complexity, subjectivity and the change of the LIC and AIC by performing the system description and process walkthroughs of the various business cycles, specifically pertaining to the claims, as well as the process to calculate the contract liabilities and/or assets; ▪ We obtained an understanding of the relevant controls, and assessed its design and implementation, in these business cycles; ▪ We assessed the appropriateness and recognition of the related LIC and AIC against the requirements of IFRS 17; ▪ We obtained the report of management's expert actuary used for the determination of the LIC and AIC at year end. By engaging with our internal expert actuary, we tested the appropriateness of the significant estimate as follows: – Evaluated the competence, capabilities and objectivity of management's expert actuary by assessing their experience and qualifications; – Obtained an understanding of the method and models used in calculating the LIC and AIC and assessed whether these are appropriate in terms of generally acceptable methodologies, industry standards, and whether it meets the measurement objectives of IFRS 17. Based on the outcome of our assessment, we did not identify any aspects requiring further consideration; – Obtained an understanding of the significant assumptions used in the estimate and evaluated whether the assumptions are appropriate for the estimate of the LIC and AIC, and the risk adjustment factors, in terms of acceptable methodologies, industry standards, and whether it meets the measurement objectives of IFRS 17. We did not note any aspects in this regard requiring further consideration;

Key audit matter	How our audit addressed the key audit matter
For the Professional Indemnity portfolio, the Company estimates the PVFCF by extrapolating the most recent claim estimate per claim. While for the Executor Bonds portfolio, a value weighted average settlement date is derived for each claim paid in order to obtain settlement delays. For the reinsurance portfolios, due to the lack of detail in the reinsurance recovery data, the amounts due by the reinsurer are assumed to have the same payment pattern as the gross claims for issued insurance contracts. The discount rates are determined by the Company at a risk-free rate plus an illiquidity premium where applicable. The Company determines the risk adjustment using a confidence level approach (value at risk), calibrated to the insurance liabilities and assets being held at the 75th percentile. The calculation of the insurance contract liabilities and reinsurance contract assets, specifically the component of the PVFCF and RA of the LIC and the AIC, is inherently complex and represents a key judgement. There is a high degree of estimation uncertainty and complexity in estimating the fulfilment cashflows. Given the qualitative and quantitative nature of these account balances on the Company's statement of financial position and resultant impact on the statement of profit and loss and other comprehensive income of the Company, the valuation of the LIC and AIC components of the insurance contract liabilities and reinsurance contract assets respectively were considered a matter of most significance in our current year audit of the financial statements.	– Obtained an understanding of the data utilised in the calculation of the LIC and AIC and tested the reliability and accuracy of these inputs to the source data; – Assessed the estimate for indicators of possible management bias by assessing the work of management's expert actuary, and through consideration of claims patterns subsequent to year end. Based on our work performed, we did not note any such indicators; and – We compared the subsequent claims post year end to the claims patterns prior to year end to assess the reasonability thereof in comparison to the LIC (which includes the risk adjustment percentile selected) at year-end. ■ We obtained audit evidence from events occurring after the reporting period as a retrospective review of the LIC and AIC that was set at the previous year end; and ■ We evaluated the presentation and disclosure relating to the valuation of the LIC and AIC, including the sensitivity analysis, against the requirements of the IFRS 17 and relevant industry guidance. Based on the procedures outlined above, we did not identify any material exceptions nor significant matters requiring further consideration in our audit of the valuation of insurance liabilities and assets.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document title "Legal Practitioners Indemnity Insurance Fund NPC Annual Financial Statements for the year ended 30 June 2025", which includes the Directors' Report and Audit Committee's Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements are 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 ISAs 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO SOUTH AFRICA INCORPORATED
Registered Auditors



PER FPL MAFADZA
Director
Registered Auditor

23 December 2025

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

(R'000)	Note(s)	2025	2024
ASSETS			
Property, plant and equipment	8	378	232
Right-of-use assets	9	37	115
Reinsurance contract assets	3	142 898	130 360
Investments	10	2 211 157	1 820 372
Trade and other receivables	12	9 560	6 039
Cash and cash equivalents	13	125	111
		2 364 155	**1 957 229**
EQUITY AND LIABILITIES			
Equity			
Capital		205 258	205 258
Actuarial gain on employee benefits		1 465	3 134
Investment revaluation reserve	16	185 140	108 848
Retained income		1 401 169	1 109 180
		1 793 032	**1 426 420**
LIABILITIES			
Trade and other payables	15	3 396	4 047
Lease liabilities	9	44	149
Financial liabilities	11	847	—
Provisions	23	2 461	2 174
Insurance contract liabilities	3	556 233	517 491
Reinsurance contract liabilities	3	440	852
Retirement benefit obligation	14	7 702	6 096
		571 123	**530 809**
Total Equity and Liabilities		**2 364 155**	**1 957 229**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2025

(R'000)	Note(s)	2025	2024
Insurance revenue	21.1	217 546	185 962
Insurance service expenses	21.2	(133 753)	(91 890)
Net income/(expenses) from reinsurance contracts	21.3	8 654	(10 063)
Insurance service results		**92 447**	**84 009**
Insurance finance income and expenses	22	13 311	(5 963)
Finance income and expenses from reinsurance contracts held	22	1 478	6 494
Net insurance results		**107 236**	**84 540**
Other operating gains and losses	17	98 838	68 203
Impairment of financial assets		1 552	(7 198)
Other operating expenses	20	(53 654)	(51 863)
Operating profit		**153 972**	**93 682**
Investment income	18	104 277	96 550
Finance cost	9	(8)	(33)
Profit for the year		**258 241**	**190 199**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on employees benefits	14	(1 669)	1 539
Gains on valuation of investments in equity instruments	10	88 998	32 917
Total items that will not be reclassified to profit or loss		**87 329**	**34 456**
Items that may be reclassified to profit or loss			
Gains on valuation of investments in debt instruments	10	21 042	10 100
Other comprehensive income for the year net of taxation		**108 371**	**44 556**
Total comprehensive income for the year		**366 612**	**234 755**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

(R'000)	Capital	Actuarial gain on employee benefits	Investment revaluation reserve	Retained income	Total equity
Balance at 1 July 2023	**205 258**	**1 595**	**70 519**	**914 293**	**1 191 665**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	—	—	—	190 199	190 199
Other comprehensive income	—	1 539	43 017	—	44 556
Total comprehensive income for the year	**—**	**1 539**	**43 017**	**190 199**	**234 755**
Cumulative gain reclassified from OCI to retained earnings	—	—	(4 688)	4 688	—
Balance at 30 June 2024	**205 258**	**3 134**	**108 848**	**1 109 180**	**1 426 420**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	—	—	—	258 241	258 241
Other comprehensive income	—	(1 669)	110 040	—	108 371
Total comprehensive income for the year	**—**	**(1 669)**	**110 040**	**258 241**	**366 612**
Cumulative gain reclassified from OCI to retained earnings	—	—	(33 748)	33 748	—
Balance at 30 June 2025	**205 258**	**1 465**	**185 140**	**1 401 169**	**1 793 032**
Note(s)		14	16		

STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

(R'000)	Note(s)	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		258 241	190 198
ADJUSTMENTS FOR NON-CASH ITEMS			
Depreciation, amortisation, impairments and reversals of impairments		271	236
Gains on sale of assets and liabilities		—	(12)
Fair value gains		(98 839)	(68 191)
Movements in provisions		287	(74)
Portfolio management fees		7 733	9 162
Change in provision for post-retirement medical aid		(63)	(142)
Change in loss allowance		(1 552)	7 199
ADJUST FOR ITEMS WHICH ARE PRESENTED SEPARATELY			
Investment income		(104 276)	(96 550)
Finance costs		8	33
CHANGES IN WORKING CAPITAL			
(Increase) decrease in trade and other receivables		(457)	1 099
(Decrease) in trade and other payables		(650)	(1 731)
(Increase) in reinsurance contract assets		(12 537)	(404)
Increase in insurance contract liabilities		38 741	24 298
(Decrease) in reinsurance contract liabilities		(412)	(26)
Cash generated from operations		**86 495**	**65 095**
Interest received		2 298	1 794
Finance cost		(8)	(33)
Net cash from operating activities		**88 785**	**66 856**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(339)	(212)
Proceeds from sale of property, plant and equipment	8	—	12
Purchases of investments	10	(401 397)	(185 961)
Proceeds from sales of investments	10	313 070	119 047
Net cash from investing activities		**(88 666)**	**(67 114)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash repayments on lease liabilities		(105)	(101)
Net cash from financing activities		**(105)**	**(101)**
Total cash movement for the year		14	(359)
Cash and cash equivalents at the beginning of the year		111	470
Cash and cash equivalents at the end of the year	13	**125**	**111**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2025

1. MATERIAL ACCOUNTING POLICIES

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these financial statements

1.1 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, IFRS® Accounting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of South Africa.

These financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow. Amounts are presented in Rands, which is the company's functional currency and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

These accounting policies are consistent with the previous period.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

There were no indicators of impairment for property, plant and equipment and no impairment tests were performed.

1.3 FINANCIAL INSTRUMENTS

Financial instruments are recognised when the company becomes a party to the contractual provisions. They are measured, at initial recognition, at fair value plus transaction costs, if any, except for financial instruments at fair value through profit or loss which exclude transaction costs.

INITIAL RECOGNITION

Financial assets or financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

At initial recognition, the company measures a financial asset or financial liability at its fair value plus transaction costs, except for financial instruments at fair value through profit or loss which exclude transaction costs. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below.

FINANCIAL ASSETS

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

AC: Amortised cost
FVOCI: Fair value through other comprehensive income
FVTPL: Fair value through profit or loss
SPPI: Solely payments of principal and interest

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective (that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets).

For equity instruments that are not held for trading or do not form part of a contingent consideration relating to business combination, an entity can irrevocably, at initial recognition, to designate them at FVOCI.

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds, money market instruments, unit trusts and treasury bills. The classification and subsequent measurement of debt instruments is based on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

Other instruments
Financial instruments measured at amortised cost consist of trade and other receivables, cash and cash equivalents, trade and other payables.

Cash and cash equivalents consist of cash and demand deposits less than three months. Included in the segregated investment portfolios with the investment managers are on-demand deposits, these are excluded from cash and cash equivalents as disclosed above and included in investments at fair value. These deposits are instruments categorised at fair value through profit and loss.

Business Model
The Company assesses its business model for managing financial assets based on various factors, including past experience in collecting cash flows from these assets, how asset performance is evaluated and reported to key management, how risks are assessed and managed. The business model determines whether financial assets are:

Hold to Collect

- The Company's business model for certain financial assets is to hold these assets solely to collect contractual cash flows. Under this model, the Company's objective is to collect the principal and interest payments as they become due, without the intent to sell the assets. Financial assets classified under this business model are assessed to ensure they meet the SPPI test.

Hold to Collect and Sell

- For certain financial assets the Company's business model is to hold the assets to collect contractual cash flows and to sell the assets when necessary. These assets are classified as FVOCI and are measured at fair value, with fair value changes recognised in other comprehensive income, while interest and impairment losses are recognised in profit or loss.

Held for Trading

- Debt instruments that are held for trading purposes, including those held for short-term profit-taking or as part of a portfolio of financial instruments that are managed together, are classified and measured at FVTPL.

SPPI Test
As a second step of its classification process the Company assesses whether the contractual terms of a financial asset, as a whole, give rise to cash flows that are solely payments of principal and interest on the outstanding principal amounts, which is consistent with a basic lending arrangement.

The Company classifies its financial assets into the following categories:

Type of financial instruments	Classification	Reason
Equity instruments	FVOCI	Designated
Debt instruments	FVOCI	SPPI, hold to collect and sell business model
Derivatives	FVTPL	Mandatory
Cash and cash equivalents	AC	SPPI, hold to collect business model
Collective investment schemes (CIS)	FVTPL	Mandatory

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.3 FINANCIAL INSTRUMENTS (CONTINUED)

SPPI Test (continued)

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Pass SPPI: Cash flows that represent only principal and interest as compensation for the time value of money, credit risk, and other basic lending risks (e.g., liquidity risk, administrative costs, and a profit margin).

Fail SPPI: Cash flows that involve exposure to equity risk, commodity risk, inflation risk, or derivatives risk. These are inconsistent with a basic lending arrangement and therefore fail the SPPI test.

Financial assets that meet the SPPI test and are held to collect contractual cash flows are classified and measured at AC. Financial assets that meet the SPPI test and are held within a business model that aims to both collect contractual cash flows and sell are classified as FVOCI. Any financial asset that does not meet the SPPI test is classified and measured at FVTPL.

All debt instruments other than unit trusts, are hold to collect and sell and therefore are classified as FVOCI. Unit Trusts do not meet the SPPI test and are classified and measured at FVTPL.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. Refer below for impairment.

The Company only holds non-trading equity instruments and chooses to apply the FVOCI option for these instruments, and subsequent changes in fair value are presented in OCI.

Upon derecognition of an equity instrument measured at FVOCI, the cumulative fair value changes previously recognised in OCI are not reclassified to profit or loss. Instead, these amounts are transferred directly to retained earnings within equity ("no-recycling").

Dividends received on equity investments are recognised in profit or loss when the company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

The practice of offsetting a portfolio management fee against investment income occurs to reflect the net return that the investment generates after taking into account the costs associated with managing the portfolio. This approach is common in investment funds, asset management firms, or companies with portfolios where fees are directly tied to the management of those assets.

IMPAIRMENT

Financial assets at amortised cost and debt instruments at fair value through OCI is measured after deducting expected credit losses (ECL). ECL for trade and other receivables is measured using the simplified approach assuming a lifetime expected credit loss. The general approach is applied to all other financial assets subject to impairment.

Impairment losses are recognised using the expected credit loss (ECL) model for interest-bearing instruments and trade and trade receivables, which requires provisions on potential credit losses. The model uses a three-stage approach: In Stage 1, a 12-month ECL is recognised if credit risk hasn't significantly increased. In Stage 2, if there is a significant increase in credit risk, a lifetime ECL is recognised. In Stage 3, when an asset is credit-impaired, the full lifetime ECL is applied.

The assessment of a significant increase in credit risk is based on quantitative and qualitative factors, including historical data, current conditions, and future economic forecasts. For calculating ECL, the company uses prudent figures for probability of default (PD), loss given default (LGD), and exposure at default (EAD), sourced from the Prudential Standards and Base recommendations. These inputs ensure unbiased, forward-looking estimates for credit losses.

The company uses credit quality steps with corresponding Probability of Default (PD) values to determine when an asset's credit risk has increased significantly. A 3% PD increase threshold should be considered when there's a jump between credit quality steps where the Probability of Default (PD) increases by 3% or more. A 3% increase in PD reflects a material shift in the risk profile of the instrument, enough to warrant increased scrutiny under IFRS 9's stage 2 impairment rules.

Credit Quality Step	Probability of Default (PD)	Credit Quality Step	Probability of Default (PD)	Credit Quality Step	Probability of Default (PD)
Step 1	0.01 %	Step 8	0.22 %	Step 15	8.72 %
Step 2	0.02 %	Step 9	0.39 %	Step 16	20.00 %
Step 3	0.03 %	Step 10	0.54 %	Step 17	25.00 %
Step 4	0.06 %	Step 11	0.81 %	Step 18	30.00 %
Step 5	0.09 %	Step 12	1.39 %	Step 19	50.00 %
Step 6	0.11 %	Step 13	2.50 %		
Step 7	0.16 %	Step 14	5.37 %		

- In Stage 1, a 12-month ECL is recognised if credit risk hasn't significantly increased.
- In Stage 2, if there is a significant increase in credit risk, a lifetime ECL is recognised.
- In Stage 3, when an asset is credit-impaired, the full lifetime ECL is applied.

JUDGEMENT

In determining whether there has been a significant increase in credit risk for financial assets under IFRS 9, the company adopts a threshold where a 3% increase in the Probability of Default (PD) is considered a significant deterioration in credit quality. Where the Probability of Default is the likelihood that a borrower will default on their contractual obligations (usually within the next 12 months or over the lifetime of the instrument where "default" is typically defined as when the borrower is more than 90 days past due on a material obligation. This judgment is based on the understanding that a 3% change in PD typically reflects a material shift in credit quality, which justifies the reclassification of the asset from Stage 1 (12-month expected credit losses) to Stage 2 (lifetime expected credit losses) under the three-stage impairment model of IFRS 9. The 3% threshold is chosen to align with market practices and ensures that meaningful shifts in credit risk are captured while avoiding overreaction to small, inconsequential changes in the risk profile.

The key elements of the ECL calculations are as follows:

- **PD:** is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- **EAD:** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- **LGD:** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities which are held for trading are mandatorily measured at fair value through profit or loss. Fair value gains or losses on these liabilities are recognised in profit or loss. Interest paid on financial liabilities at fair value through profit or loss is included in finance costs.

DERECOGNITION

When the FVOCI debt instruments is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net investment income.

Upon derecognition of an equity instrument measured at FVOCI, the cumulative fair value changes previously recognised in OCI are not reclassified to profit or loss. Instead, these amounts are transferred directly to retained earnings within equity.

1.4 LEASES

COMPANY AS LESSEE

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee.

LEASE LIABILITY

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.4 LEASES (CONTINUED)

RIGHT-OF-USE ASSETS

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

They are measured initially at the initial amount of the lease liability plus upfront payments and initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated, from commencement date, over the period of the lease term.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

1.5 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

DEFINED BENEFIT PLANS

The company undertakes to pay medical aid premiums for all staff once they have retired. The present value of the defined benefit obligation, as determined by independent actuarial valuations carried out after every year, is recognised as the post-retirement medical aid obligation on the balance sheet. The defined benefit obligation and the related current service cost are determined by using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Remeasurements comprising actuarial gains and losses are recognised immediately to the statement of financial position and to other comprehensive income in the period they occur. The amount recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Current service costs are recognised as an expense in the period in which the related services are performed. Net interest income or expense are recognised in investment income and finance costs respectively.

1.6 PROVISIONS AND CONTINGENCIES

The company recognises provisions in circumstances where it has a present obligation resulting from past events, which can be measured reliably and for which it is probable that the company will be required to settle the obligation.

There is always a degree of estimation uncertainty involved with provisions as they are measured at management's best estimate of the amount which will be required to settle the obligation. When the effect of discounting is material, the provision is measured at the present value of such amounts.

1.7 INSURANCE CONTRACTS

The following abbreviations and terms are commonly used within this accounting policy:

FCF: Fulfillment Cash Flows
LRC: Liability for Remaining Coverage
ULAE: Unallocated Loss Adjustment Expenses
AIC: Assets for Incurred Claims
LIC: Liability for Incurred Claims
PAA: Premium Allocation Approach
ARC: Assets for Remaining Coverage

SUMMARY OF MEASUREMENT APPROACHES

The company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks.

The company has the following contracts:

Contracts issued	Product classification	Measurement model
Professional Indemnity	Insurance contracts	PAA
Executor Bonds	Insurance contracts	PAA
Re-insurance contract – non proportional – Professional Indemnity*	Reinsurance contracts held	PAA
Re-insurance contract – non proportional – Executor Bonds	Reinsurance contracts held	PAA

* Reinsurance has not been purchased for professional indemnity since the 2019/2020 underwriting period. Current balances relate to policies issued before 2019/2020 underwriting period.

The current balances are currently wound down through the payment of claims.

Reconciliation of the measurement components of reinsurance contract balances

The company uses the PAA approach to measure all of insurance contracts because the contract period is one year or less. The reinsurance contract's coverage is for 5 years, allocated evenly over the period. The measurement of the remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms.

CLASSIFICATION
The company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. Refer to note 1.8 for judgements applied.

Insurance contracts issued:
Contracts in terms of which the company (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The contracts may also transfer the financial risk.

Reinsurance contracts held:
Insurance contracts issued by a reinsurer to compensate the company (the cedant) for claims arising from one or more insurance contracts issued by the cedant (underlying contracts). A reinsurance contract held transfers significant insurance risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Once a contract is classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

The Company does not issue any reinsurance contracts or contracts with direct participating features.

UNIT OF ACCOUNT
Each type of contract represents the portfolios applicable to the company. Each portfolio is further disaggregated into groups of contracts that are issued within a year (annual cohorts) and are:
(i) contracts that are onerous at initial recognition;
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:
(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

The company did not identify any onerous contracts to be classified separately.

Before the company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated.

IFRS 17 distinguishes three categories of components that have to be accounted for separately:
- cash flows relating to embedded derivatives that are required to be separated
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services

RECOGNITION
Insurance contracts
Groups 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 the company determines that a group of contracts becomes onerous.

The company did not identify any onerous contracts for the reporting and any comparative periods.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.7 INSURANCE CONTRACTS (CONTINUED)

REINSURANCE

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

No asset for remaining coverage is recognised for the Professional Indemnity reinsurance contract held, as no premium has been received and the entity is not renewing its reinsurance arrangements. The only remaining asset (Amounts recoverable on incurred Claims) pertains to the run-off of claims, representing the expected recoveries from previously recognised claims under the reinsurance contract.

The amounts recoverable on incurred claims is measured as follows:

- **Expected Cash Flows:** The estimation of reinsurance recoveries Individual Excess of Loss (IXoL) and Aggregate Excess of Loss (AXoL) is based on historical claims data, retention points, and changes in reinsurance structures.
- **Discount:** A bottom-up approach is used to determine the discount rate, incorporating risk-free rates and illiquidity premiums to reflect the time value of reinsurance assets.
- **Risk Adjustment:** A gross risk adjustment is applied to historical periods with reinsurance, with the breach from the gross risk adjustment resulting in the reinsurance risk adjustment.

The premium for the Executor Bonds multi-year reinsurance contract held will remain part of the remaining coverage throughout the duration of the contract, and will not be recognised as earned until the contract either expires or is cancelled. This ensures that the premium continues to be associated with the ongoing coverage, reflecting its role in providing protection over the life of the contract. This premium ceded has been evaluated as containing non-distinct investment components that cannot be separated from the host insurance contract, given that the insurance and investment components are integral. As a result, the non-distinct investment components remain on the balance sheet under IFRS 17, with measurement of premium expense and claim recoveries limited to exclude these components. This ensures that the non-distinct investment components are retained in the statement of financial position until claim, expiry or cancellation.

ACCOUNTING FOR CONTRACT MODIFICATION AND DERECOGNITION

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

Adjustments to the FCF to remove the relating rights and obligations and account for the effect of the derecognition resulting from the net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment is charged immediately to profit or loss. The company did not identify any contract modifications for the reporting and comparative periods, use in the above judgements added.

MEASUREMENT

Fulfilment cash flows

To calculate the expected future cashflows for insurance and reinsurance assets and liabilities, the Basic Chain Ladder method is used as underlying modelling approach while utilising the most recent information by reflecting current estimates of all claims.

In estimating the reinsurance recoveries, both the individual excess of loss reinsurance and the aggregate excess of loss structures are considered.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the company, provided the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the company's of underlying insurance contracts.

CONTRACT BOUNDARY
The company's contract boundary is one year, commences on the date the contract becomes effective, is renewed annually and is subject to a policy holder's renewal of its membership with the Legal Practice Council.

The company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio.

The pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

RISK ADJUSTMENT FOR NON-FINANCIAL RISK
The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the company fulfils insurance contracts.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 4.

INITIAL AND SUBSEQUENT MEASUREMENT
For insurance contracts issued, on initial recognition, the company measures the LRC at the amount of premiums received. The company does not incur any acquisition cashflows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
a. the LRC (no loss component); and
b. the LIC, comprising the FCF related to past service allocated to the group and the risk adjustment for non-financial risk adjustment at the reporting date.

The carrying amount of reinsurance executor bond contracts held at the end of each reporting period is the sum of:
a. the asset for remaining coverage (no loss recovery component); and
b. the incurred claims, comprising the FCF related to past service allocated to the group and the risk adjustment for non-financial risk adjustment at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
a. increased for premiums received in the period; and
b. decreased for the amounts of premiums received recognised as insurance revenue for the services provided in the period.

The company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less

AMOUNTS RECOGNISED IN COMPREHENSIVE INCOME
Insurance revenue
Insurance revenue for the period is the amount of premium receipt (excluding any investment component and the effect of financial risk) allocated to the period for services rendered in the current period.

INSURANCE SERVICE EXPENSES ALLOCATED TO THE PERIOD FOR SERVICES RENDERED IN THE CURRENT PERIOD
Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. Insurance service expenses comprise of the following items:
a. incurred claims and benefits excluding investment components;
b. other incurred directly attributable insurance service expenses;
c. changes that relate to past service (i.e. changes in the FCF relating to the LIC).

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.7 INSURANCE CONTRACTS (CONTINUED)

INSURANCE SERVICE RESULT FROM REINSURANCE CONTRACTS HELD

Net income (expenses) from reinsurance contracts held

The company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;
b. incurred claims recovery,
c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the company expects to pay in exchange for those services.

The company 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.

INSURANCE FINANCE INCOME OR EXPENSES

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

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

a. interest accredited on the LIC; and
b. the effect of changes in interest rates and other financial assumptions.

The company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The company includes all insurance finance income or expenses for the period in profit or loss.

Insurance revenue

Insurance revenue for the period is the amount of premium receipt (excluding any investment component and the effect of financial risk) allocated to the period for services rendered in the current period.

INSURANCE SERVICE EXPENSES ALLOCATED TO THE PERIOD FOR SERVICES RENDERED IN THE CURRENT PERIOD

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. Insurance service expenses comprise of the following items:

a. incurred claims and benefits excluding investment components;
b. other incurred directly attributable insurance service expenses;
c. amortisation of insurance acquisition cash flows;
d. changes that relate to past service (i.e. changes in the FCF relating to the LIC).

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

INSURANCE SERVICE RESULT FROM REINSURANCE CONTRACTS HELD

Net income (expenses) from reinsurance contracts held

The company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;
b. incurred claims recovery;
c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance;

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the company expects to pay in exchange for those services.

1.8. SIGNIFICANT JUDGEMENTS AND ESTIMATES IN APPLYING IFRS 17

JUDGEMENTS

Areas of potential judgement	Applicable to the Company
Definition and classification – Whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable: ▪ Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk ▪ For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17(53)(a),(54),(69) (a),(70) and may involve significant judgement.	The measurement of the reinsurance remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms.
Unit of account – Insurance contracts aggregation Similar grouping assessment for reinsurance contracts held. Areas of potential judgements include: a. **IFRS 17(17)** – the determination of contract sets within portfolios and whether the Group has reasonable and supportable information to conclude that all contracts within a set would fall into the same group as required by IFRS 17(16); and b. **IFRS 17(18)-(19)** – judgements may be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous and other contracts).	
For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement. For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is potentially applicable to the company. In 2024 and 2025, the company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous. All contracts measured by the company in 2024 and 2025 under the PAA were determined to be non-onerous on initial recognition.

Judgements applied were as follows:

TRANSFER OF INSURANCE RISK

In applying IFRS 17, the company classify contracts that have been entered into as part of its underwriting business or reinsurancessure program as insurance contracts when the contract in commercial substance achieves the transfer of insurance risk, the transfer of insurance risk is tested to determine if there is a scenario with commercial substance in which the company has the possibility of a loss (to pay additional benefit) on a present value basis, where the extent of the insurance risk transfer is less dominant or clear from the contractual arrangement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

2. NEW STANDARDS AND INTERPRETATIONS

IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely "operating profit" and "profit before financing and income taxes" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 1 January 2027.

The company expects to adopt the amendment for the first time in the 2028 annual financial statements.

The impact of this amendment is currently being assessed.

AMENDMENTS TO IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

Annual Improvements to IFRS Accounting Standards – Volume 11 – Gain or loss on derecognition – Amendment to delete an obsolete reference that remained in IFRS 7 after the publication of IFRS 13 Fair Value Measurement, as well as to improve consistency of wording of the requirements of IFRS 7 with IFRS 13 concepts regarding disclosure of a gain or loss on derecognition.

The effective date of the amendment is for years beginning on or after 1 January 2026.

The company expects to adopt the amendment for the first time in the 2027 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

AMENDMENTS TO IFRS 9 FINANCIAL INSTRUMENTS

Annual Improvements to IFRS Accounting Standards – Volume 11 – Derecognition of lease liabilities. The amendment clarifies that if a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognise any resulting gain or loss in profit or loss.

The effective date of the amendment is for years beginning on or after 1 January 2026.

The company expects to adopt the amendment for the first time in the 2027 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

AMENDMENTS TO IFRS 9 FINANCIAL INSTRUMENTS

Annual Improvements to IFRS Accounting Standards – Volume 11 – Transaction price. The amendment clarifies that trade receivables must be measured initially, in accordance with IFRS 9, at the amount determined by applying IFRS 15 Revenue from Contracts with Customers.

The effective date of the amendment is for years beginning on or after 1 January 2026.

The company expects to adopt the amendment for the first time in the 2027 annual financial statements.

The impact of this amendment is currently being assessed.

3. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

(R'000)	Professional Indemnity	Executor Bonds	Total	Current portion	Non-current portion	Total
As at 30 June 2025						
Insurance contract liabilities	(551 662)	(4 571)	(556 233)	(218 495)	(337 738)	(556 233)
	(551 662)	**(4 571)**	**(556 233)**	**(218 495)**	**(337 738)**	**(556 233)**
Reinsurance contract assets	130 236	12 661	142 897	—	142 897	142 897
Reinsurance contract liabilities	—	(440)	(440)	(440)	—	(440)
	130 236	**12 221**	**142 457**	**(440)**	**142 897**	**142 457**
As at 30 June 2024						
Insurance contract liabilities	(512 547)	(4 944)	(517 491)	(215 571)	(301 920)	(517 491)
	(512 547)	**(4 944)**	**(517 491)**	**(215 571)**	**(301 920)**	**(517 491)**
Reinsurance contract assets	121 913	8 447	130 360	—	130 360	130 360
Reinsurance contract liabilities	—	(852)	(852)	(852)	—	(852)
	121 913	**7 595**	**129 508**	**(852)**	**130 360**	**129 508**

PROFESSIONAL INDEMNITY – INSURANCE CONTRACTS ISSUED

LPIIF predicts the outstanding liability for insurance claims by extrapolating the most recent claim estimate per claim. This method is used for the following reasons:

- The overall claims patterns have remained relatively stable
- The underlying sources of potential changes in claims patterns are viewed as stable
- Future claims cost inflation is not expected to impact on existing claims reserves
- The format in which the data is organised lends itself to this technique
- The reserving exercise is performed in accordance with the internal standards (Directrix, APN 401, Technical Actuarial Standard and the Claims Reserving Manual).

The development factors smoothed out over time is outlined below:

Development factor	Aggregate claims development	Claims incurred development factor
1	Month 3 to month 6	2.0586
2	Month 6 to month 9	1.4777
3	Month 9 to month 12	1.5980
4	Month 12 to month 18	1.1022
5	Month 18 to month 24	1.0027
6	Month 24 to month 36	1.0163
7	Month 36 to month 48	1.0189
8	Month 48 to month 60	1.0055
9	Month 60 to month 72	1.0029
10	Month 72 to month 84	1.0000
11	Month 84 to month 96	1.0033
12	Month 96 to month 108	1.0000

Development factor	Aggregate claims development	Claims incurred development factor
13	Month 108 to month 120	1.0002
14	Month 120 to month 132	1.0000
15	Month 132 to month 144	1.0000
16	Month 144 to month 156	1.0017
17	Month 156 to month 168	1.0000
18	Month 168 to month 180	1.0000
19	Month 180 to month 192	1.0000
20	Month 192 to month 204	1.0000
21	Month 204 to month 216	1.0000
22	Month 216 to month 228	1.0000
23	Month 228 to month 240	1.0000

No development factor is given for development from month 0 to 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

3. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

EXECUTOR BONDS

Due to the relatively small number of claims, it was not deemed practical to perform run-off triangles to determine the development of current outstanding claims.

A value weighted average settlement date is derived for each claim paid in order to obtain settlement delays. A distribution is fit to these settlement delays and is then truncated in simulation to allow for existing delays. The gross payment pattern is estimated using this settlement distribution on each individual outstanding claim.

Due to the lack of detail in reinsurance recovery data, the balance due by reinsurer is assumed to have the same payment pattern as the gross claims.

RISK ADJUSTMENTS

The 75th percentile risk adjustment was selected based on it being a more conservative approach to measuring and reporting the risks associated with the insurance contract. Using the 75th percentile risk adjustment provides greater prudence and transparency, reducing the chances of underestimating the risks and overstating the profits.

DISCOUNT RATE

A risk free rate has been used, adjusted for the liquidity characteristics of insurance liabilities, with rates ranging from:

- 2025: 8.1% to 12.9%
- 2024: 9.2% to 13.5%

The nominal risk-free rates are provided by the Prudential Authority, while the illiquidity premium is derived by the cashflow weighted average difference between FNB money on call and FNB fixed deposit rates per cashflow period.

Claims triangulation is used to determine expected future cashflow which implicitly allows for inflation in the development factors derived during this exercise.

A full recalculation of the discount rate is conducted on a quarterly basis.

4. INSURANCE CONTRACT LIABILITIES – PROFESSIONAL INDEMNITY

INSURANCE CONTRACTS ISSUED

	LRC		LIC		
(R'000)	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
2025					
Insurance contract liabilities as at 1 July 2024	—	—	477 912	34 635	512 547
Net balance at beginning of the year	**—**	**—**	**477 912**	**34 635**	**512 547**
Insurance revenue	**(203 448)**	**—**	**—**	**—**	**(203 448)**
Incurred claims*	—	—	89 625	6 410	96 035
Directly attributable expenses*	—	—	26 574	—	26 574
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	12 407	(1 513)	10 894
Insurance service expenses	**—**	**—**	**128 606**	**4 897**	**133 503**
Insurance finance (income)/expense	—	—	(13 058)	—	(13 058)
Total amounts recognised in comprehensive income	**(203 448)**	**—**	**115 548**	**4 897**	**(83 003)**
CASH FLOWS					
Premiums received	203 448	—	—	—	203 448
Claims and investigation costs*	—	—	(54 758)	—	(54 758)
Directly attributable expenses*	—	—	(26 574)	—	(26 574)
Total cash flows	**203 448**	**—**	**(81 332)**	**—**	**122 116**
Insurance contract liabilities as at 30 June 2025	—	—	512 129	39 533	551 662
Net balance at the end of the year	**—**	**—**	**512 129**	**39 533**	**551 662**
2024					
Insurance contract liabilities as at 1 July 2023	—	—	467 775	18 615	486 390
Net balance at beginning of the year	**—**	**—**	**467 775**	**18 615**	**486 390**
Insurance revenue	**(172 511)**	**—**	**—**	**—**	**(172 511)**
Incurred claims and other directly attributable expenses*	—	—	108 957	5 768	114 725
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	(35 666)	10 252	(25 414)
Insurance service expenses	**—**	**—**	**73 291**	**16 020**	**89 311**
Insurance finance (income)/expense	—	—	5 612	—	5 612
Total amounts recognised in comprehensive income	**(172 511)**	**—**	**78 903**	**16 020**	**(77 588)**
CASH FLOWS		—			
Premiums received	172 511	—	—	—	172 511
Claims and other directly attributable expenses*	—	—	(68 764)	—	(68 764)
Total cash flows	**172 511**	**—**	**(68 764)**	**—**	**103 747**
Insurance contract liabilities as at 30 June 2024	—	—	477 912	34 635	512 547
Net balance at the end of the year	**—**	**—**	**477 912**	**34 635**	**512 547**

* In the prior year, these line items were aggregated for presentation purposes. In the current year, these items have been presented separately to provide enhanced transparency and alignment with IFRS 17 disclosure practices.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

5. INSURANCE CONTRACT LIABILITIES – EXECUTOR BONDS

INSURANCE CONTRACTS ISSUED

	LRC		LIC		
(R'000)	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
2025					
Insurance contract liabilities as at 1 July 2024	—	—	3 691	1 253	4 944
Net balance at beginning of the year	**—**	**—**	**3 691**	**1 253**	**4 944**
Insurance revenue	**(14 098)**	**—**	**—**	**—**	**(14 098)**
Incurred claims and other expenses*	—	—	—	—	—
Directly attributable expenses*	—		300	—	300
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	106	(156)	(50)
Insurance service expenses	**—**	**—**	**406**	**(156)**	**250**
Insurance finance (income)/expense	—	—	(253)	—	(253)
Total amounts recognised in comprehensive income	**(14 098)**	**—**	**153**	**(156)**	**(14 101)**
CASH FLOWS					
Premiums received	14 098	—	—	—	14 098
Claims and investigation costs*	—	—	(69)	—	(69)
Directly attributable expenses*	—	—	(300)	—	(300)
Total cash flows	**14 098**	**—**	**(369)**	**—**	**13 729**
Insurance contract liabilities as at 30 June 2025	—	—	3 475	1 097	4 572
Net balance at the end of the year	**—**	**—**	**3 475**	**1 097**	**4 572**
2024					
Insurance contract liabilities as at 1 July 2023	—	—	5 730	1 074	6 804
Net balance at beginning of the year	**—**	**—**	**5 730**	**1 074**	**6 804**
Insurance revenue	**(13 451)**	**—**	**—**	**—**	**(13 451)**
Incurred claims and other directly attributable expenses*	—	—	794	115	909
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	1 606	64	1 670
Insurance service expenses	**—**	**—**	**2 400**	**179**	**2 579**
Insurance finance (income)/expense	—	—	350	—	350
Total amounts recognised in comprehensive income	**(13 451)**	**—**	**2 750**	**179**	**(10 522)**
CASH FLOWS					
Premiums received	13 451	—	—	—	13 451
Incurred claims and other directly attributable expenses*	—	—	(4 789)	—	(4 789)
Total cash flows	**13 451**	**—**	**(4 789)**	**—**	**8 662**
Insurance contract liabilities as at 30 June 2024	—	—	3 691	1 253	4 944
Net balance at end of year	**—**	**—**	**3 691**	**1 253**	**4 944**

* In the prior year, these line items were aggregated for presentation purposes. In the current year, these items have been presented separately to provide enhanced transparency and alignment with IFRS 17 disclosure practices.

6. REINSURANCE CONTRACT ASSETS – PROFESSIONAL INDEMNITY

REINSURANCE CONTRACTS HELD

	ARC		AIC		
(R'000)	Excluding loss component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
2025					
Reinsurance contract assets as at 1 July 2024	–	–	118 774	3 138	121 912
Net balance at the beginning of the year	**–**	**–**	**118 774**	**3 138**	**121 912**
Changes in the statement of profit or loss and OCI	**–**	**–**	**–**	**–**	**–**
INSURANCE SERVICE EXPENSES					
Incurred claims and other directly attributable expenses recovered	–	–	–	–	–
Changes that relate to past service-adjustments to the AIC	–	–	9 059	205	9 264
Net (income)/expense from reinsurance contracts	**–**	**–**	**9 059**	**205**	**9 264**
Insurance service result	**–**	**–**	**9 059**	**205**	**9 264**
Finance (income)/expense from reinsurance contract	–	–	750	–	750
Total amounts recognised in comprehensive income	**–**	**–**	**9 809**	**205**	**10 014**
CASH FLOWS					
Amounts received	–	–	(1 691)	–	(1 691)
Premiums paid	–	–	–	–	–
Total cash flows	**–**	**–**	**(1 691)**	**–**	**(1 691)**
Reinsurance contract assets as at 30 June 2025	–	–	126 892	3 343	130 235
Net balance at the end of the year	**–**	**–**	**126 893**	**3 343**	**130 236**
2024					
Reinsurance contract assets as at 1 July 2023	–	–	123 680	1 320	125 000
Net balance at the beginning of the year	**–**	**–**	**123 680**	**1 320**	**125 000**
Changes in the statement of profit or loss and OCI	**–**	**–**	**–**	**–**	**–**
INSURANCE SERVICE EXPENSES					
Incurred claims and other directly attributable expenses	–	–	–	–	–
Changes that relate to past service-adjustments to the AIC	–	–	(10 932)	1 819	(9 113)
Net (income)/expense from reinsurance contracts	**–**	**–**	**(10 932)**	**1 819**	**(9 113)**
Finance (income)/expense from reinsurance contract	–	–	6 026	–	6 026
Total amounts recognised in comprehensive income	**–**	**–**	**(4 906)**	**1 819**	**(3 087)**
CASH FLOWS					
Amounts received	–	–	–	–	–
Premiums paid	–	–	–	–	–
Total cash flows	**–**	**–**	**–**	**–**	**–**
Reinsurance contract assets as at 30 June 2024	–	–	118 774	3 138	121 912
Net balance at the end of the year	**–**	**–**	**118 774**	**3 138**	**121 912**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

7. REINSURANCE CONTRACT ASSETS AND (LIABILITIES) – EXECUTOR BONDS

REINSURANCE CONTRACTS HELD

	ARC		AIC		
(R'000)	Excluding loss recovery component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
2025					
Reinsurance contract assets as at 1 July 2024	8 126	—	112	209	8 447
Reinsurance contract liabilities as at 1 July 2024	—	—	(852)	—	(852)
Net balance at the beginning of the year	**8 126**	**—**	**(740)**	**209**	**7 595**
CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND OCI					
Claims incurred and other directly attributable expenses recovered	(444)	—	—	—	(444)
Changes that relate to past service-adjustments to the AIC	—	—	(58)	(11)	(69)
Net (Income)/expense from reinsurance contract held	**(444)**	**—**	**(58)**	**(11)**	**(513)**
Finance (income)/expense from reinsurance contracts	720	—	8	—	728
Other		—	(96)	—	(96)
Total amounts recognised in statement of comprehensive income	**—**	**—**	**(146)**	**—**	**119**
CASH FLOWS					
Amounts received	—	—	—	—	—
Premiums paid/refunds to reinsurers	4 000	—	509	—	4 509
Total cash flows	**4 000**	**—**	**509**	**—**	**4 509**
Reinsurance contract assets as at 30 June 2025	12 402	—	62	198	12 662
Reinsurance contract liabilities as at 30 June 2025	—	—	(440)	—	(440)
Net balance at the end of the year	**12 402**	**—**	**(378)**	**198**	**12 222**

REINSURANCE CONTRACTS HELD

(R'000)	ARC Excluding loss recovery component	ARC Loss component	AIC Estimates of the present value of future cash flows	AIC Risk adjustment	Total
2024					
Reinsurance contract assets as at 1 July 2023	3 983	—	138	835	4 956
Reinsurance contract liabilities as at 1 July 2023	—	—	(878)	—	(878)
Net balance at the beginning of the year	**3 983**	**—**	**(740)**	**835**	**4 078**
CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND OCI					
Incurred claims and other directly attributable expenses recovered	(319)	—	—	—	(319)
Changes that relate to past service-adjustments to the AIC	—	—	(31)	(626)	(657)
Net (income)/expense from reinsurance contract held	**(319)**	**—**	**(31)**	**(626)**	**(976)**
Other movements	—	—	25	—	25
Finance (income)/expense from reinsurance contracts	462		6		468
Total amounts recognised in statement of comprehensive income	**143**	**—**	**—**	**(626)**	**(483)**
CASH FLOWS					
Premiums paid	4 000	—	—	—	4 000
Amounts received	—	—	—	—	—
Total cash flows	**4 000**	**—**	**—**	**—**	**4 000**
Reinsurance contract assets as at 30 June 2024	8 126	—	112	209	8 447
Reinsurance contract liabilities as at 30 June 2024	—	—	(852)	—	(852)
Net balance at the end of the year	**8 126**	**—**	**(740)**	**209**	**7 595**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

8. PROPERTY, PLANT AND EQUIPMENT

	2025			2024		
(R'000)	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	2 568	(2 190)	378	2 399	(2 167)	232

Reconciliation of property, plant and equipment – 2025	Opening balance	Additions	Depreciation	Total
Computer equipment	232	338	(192)	378
	232	**338**	**(192)**	**378**

Reconciliation of property, plant and equipment – 2024				
Computer equipment	158	212	(138)	232

9. LEASES (COMPANY AS LESSEE)

The company has entered into lease agreements for office printers with a non-cancellable lease term of 60 months. Lease liabilities are measured using the interest rate implicit in the lease of approximately 12.08%. While the contracts include an option to extend beyond the initial term, management has assessed that it is not reasonably certain that this option will be exercised. At the end of the lease term, the company intends to enter into new lease agreements to obtain upgraded and more efficient machines.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

	2025			2024		
(R'000)	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Office equipment	490	(453)	37	490	(375)	115

(R'000)	**2025**	**2024**
NET CARRYING AMOUNTS OF RIGHT-OF-USE ASSETS		
The carrying amounts of right-of-use assets are included in the following line items:		
Office equipment	37	115
DEPRECIATION RECOGNISED ON RIGHT-OF-USE ASSETS		
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.		
Office equipment	78	98
OTHER DISCLOSURES		
Interest expense on lease liabilities	8	33
RIGHT-OF-USE ASSETS HELD – CAPITAL AMOUNT		
Office equipment	38	115
LEASE LIABILITIES		
The maturity analysis of lease liabilities is as follows:		
Within one year	52	110
Two to five years	—	51
	52	161
Less finance charges component	(8)	(12)
	44	**149**
Non-current liabilities	—	44
Current liabilities	44	105
	44	**149**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

10. INVESTMENTS

The table below provides an analysis of the investments, classified as measured at fair value that the company invests in. Amounts presented are net of expected credit losses (ECL).

(R'000)	Level 1	Level 2	Level 3	Total
2025				
INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Debt instruments	629 256	59 778	3 429	692 463
Equity instruments	510 633	—	—	510 633
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Debt instruments	3 298	—	—	3 298
Collective investment schemes	590 557	312 273	—	902 830
Derivatives	—	240	—	240
	1 733 744	**372 291**	**3 429**	**2 109 464**
INVESTMENTS AT AMORTISED COST				
Cash and margin accounts	—	—	—	101 693
Total investments	**1 733 74**	**372 291**	**3 429**	**2 211 157**
Included are cash balances and margin-related accounts held with financial institutions. These represent short-term, highly liquid assets measured at amortised cost, with no fixed coupon or maturity dates. As such, their carrying amounts approximate fair value.				
FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	—	(847)	—	(847)
Total financial liabilities	**—**	**(847)**	**—**	**(847)**
The company holds derivative financial instruments measured at FVTPL. At the reporting date, certain positions had an unfavourable movement in fair value, resulting in a reclassfication to derivative financial liabilities. These instruments continue to be held for risk management purposes.				
2024				
INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Debt instruments	595 048	130 264	—	725 312
Equity instruments	390 176	—	—	390 176
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Collective investment schemes	645 745	—	—	645 745
	1 630 969	**130 264**	**—**	**1 761 233**
INVESTMENTS AT AMORTISED COST				
Cash and margin accounts	—	—	—	59 139
Total investments	**1 630 969**	**130 264**	**—**	**1 820 372**

LEVEL 1
The investments in Collective Investment Schemes, listed equity and debt securities are measured at fair value determined at "Level 1" in terms of the fair value hierarchy i.e. fair value is determined with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

The investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. These instruments are included in Level 1 and comprise mainly equity and debt instruments classified as trading securities.

LEVEL 2
The entity applies the Income Approach in determining the fair value of the level 2 bonds. This approach converts future contractual cash flows into a present value using appropriate discount rates.

The fair value of level 2 instruments are determined as follows: The fair value of money market instruments and unit trusts are determined based on observable market inputs (market observable prices, contractual terms, swap curves/discount curves and credit spreads).

These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Market as well as Collective Investment Schemes, which prices are determined based on the fund's NAV.

The fair value of these instruments is determined by using market observable inputs. The fair value yield, term-to-maturity, coupon payments and maturity value are used to discount the expected cash flows of these instruments to their present value in determining the fair value at the financial year-end

The on-demand deposits with a maturity date earlier than 12 months and any cash are deemed to be current.

The valuation method applied is the Discount cash flow approach – utilising contractual terms, plus market observative yield curves and interest rates as well as credit spreads using observable proxies.

LEVEL 3
Classification and Nature of Investment
The following instruments were transferred to Level 3 of the fair value hierarchy during the reporting period, as observable market inputs ceased to be available. The valuations are now based on significant unobservable inputs as described below.
- 4FP001 – Bond (18%, matures 25 Nov 2025)
- 4TS41A – Bond (12.35%, matures 28 Feb 2025)
- LBK42U – Bond (10.392%, matures 31 Mar 2028)

The transfers reflect a change in valuation approach from observable prices to internal models due to illiquidity in the market for these securities

Unrealised Gains or Losses at Period End
Given that the company only reviews its fair value classifications at year-end, no gains or losses related to the transfer into Level 3 were recognised during the reporting period. The transfer to Level 3 reflects the fair value as of the year-end measurement date, and this is the first instance in which assets have been moved into this level.

Policy on Level Transfers
Transfers between levels of the fair value hierarchy are considered to have occurred at the date of the event or change in circumstances that triggered the transfer, in accordance with the requirements of IFRS 13. However, as the company reviews the fair value classifications of its investments on an annual basis at year-end, the Level 3 classification is determined during the year-end review when the available market conditions and information are assessed in full.

The portfolios are actively managed by asset managers, and their input is gathered at year-end as part of the comprehensive review process. This is when any potential transfer to Level 3 is confirmed, based on changes in the availability of observable market inputs and a greater reliance on unobservable inputs.

As a result of this process, certain investments were transferred into Level 3 at year-end, as observable market data was no longer available, and valuation was based on internal models and assumptions. The timing of the reclassification reflects the company's annual review process, where asset managers' insights and relevant market information are incorporated to assess the fair value classification.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

10. INVESTMENTS (CONTINUED)

LEVEL 3 (CONTINUED)

Valuation Technique and Unobservable Inputs

Asset class	▪ Level 3 Debt Instrument
Valuation Technique	▪ Discounted Cash Flow
Significant Unobservable Inputs	▪ Expected cash flows (interest, principal) ▪ Credit risk (default probabilities, loss given default) ▪ Discount rate (credit spread, illiquidity premium)
Range/Inputs Used	▪ Cash flow estimates based on contractual terms and credit assumptions ▪ Credit spreads based on credit quality ▪ Illiquidity premium adjustments

Sensitivity to Changes in Unobservable Inputs

The fair value measurement is sensitive to changes in key unobservable inputs:

Unobservable Input	Impact on Fair Value	
Credit Spread (%)	Increase in spread ▸ Decrease in fair value; Decrease in spread ▸ Increase in fair value	Wider spreads increase discounting, reducing present value.
Expected Cash Flows	Increase in cash flows ▸ Increase in fair value; Decrease in cash flows ▸ Decrease in fair value	Higher expected inflows raise present value.
Illiquidity Premium (%)	Increase in premium ▸ Decrease in fair value; Decrease in premium ▸ Increase in fair value	Higher illiquidity discount reduces valuation.

Valuation Process

The company's investments classified within Level 3 of the fair value hierarchy are subject to significant estimation uncertainty due to the use of unobservable inputs. These investments are managed and valued by external asset managers, who apply a range of valuation methodologies. The choice of methodology is determined by the asset manager based on the nature of the investment, availability of observable inputs, and market conditions.

Reconciliation from opening to closing balances for recurring fair value measurements classified as Level 3 (R'000)	2025	2024
Balance as at 1 July 2024		—
Total gains/(losses) recognised in profit and loss		—
Total gains/(losses) recognised in other comprehensive income		—
Purchases		—
Disposals/Withdrawals		—
Settlements		—
Transfers into level 3		3 429
Transfers out of level 3		—
Balance as at 30 June 2025		**3 429**

A comprehensive list of all investments is available for inspection at the company's registered office.

FINANCIAL ASSETS		
Non-current assets	2 051 173	1 653 710
Current assets	159 984	166 662
	2 211 157	**1 820 372**
FINANCIAL LIABILITIES		
Non-current liabilities	(847)	—

Investments – Reconciliation and Fair Value Recognition

The reconciliation below has been included to provide additional disclosure deemed relevant to the users of these financial statements. This was not presented in the 2024 financial statements.

Investments comprise equity instruments, debt instruments, derivatives, collective investment schemes and cash margin accounts. Investments are classified and measured in accordance with IFRS 9 as follows:

- **Equity instruments:** at fair value through other comprehensive income (FVOCI). Fair value changes are recognised in OCI, with amounts recycled to retained earnings or profit or loss on disposal. Dividend income earned on these investments is paid directly into the respective cash and margin accounts and not reinvested.
- **Debt instruments:** at FVOCI or fair value through profit or loss (FVTPL), depending on the business model and contractual cash flow characteristics. Interest income earned on these investments is paid directly into the respective cash and margin accounts and not reinvested.
- **Derivatives and collective investment schemes:** at FVTPL, with all fair value changes recognised in profit or loss.
- **Cash and margin accounts:** at amortised cost.

	Equity instruments	Debt instruments		Derivatives	Collective investment schemes	Cash and margin accounts	Total
(R'000)	**FVOCI**	**FVOCI**	**FVTPL**	**FVTPL**	**FVTPL**	**Amortised cost**	
2025							
Investments at 1 July 2024	390 176	725 312	—	—	645 745	59 139	1 820 372
Gains on valuation of investments in equity/debt instruments	88 998	21 042	—	—	—	—	110 040
Expected credit losses	—	1 552	—	—	—	—	1 552
Fair value changes – Direct to Profit and loss	—	—	—	240	94 589	—	94 829
Investment income	—	—	—	—	18 663	90 525	109 188
Inter portfolio movements	67 670	25 002	—	—	(742)	(62 930)	29 000
Purchases	39 537	67 217	3 298	—	270 345	21 000	401 398
Disposals – Capital	(42 000)	(147 000)	—	—	(123 932)	(96)	(313 028)
Disposals – Fair value to Retained earnings/Profit and loss	(33 748)	(663)	—	—	—	—	(34 411)
Investment expenses	—	—	—	—	(1 839)	(5 944)	(7 783)
Investments at 30 June 2025	**365 669**	**692 462**	**3 298**	**240**	**902 830**	**101 694**	**2 211 157**
2024							
Investments at 1 July 2023	319 851	575 862	—	—	630 405	34 684	1 560 802
Gains on valuation of investments in equity/debt instruments	32 917	10 100	—	—	—	—	43 017
Expected credit losses	—	(7 198)	—	—	—	—	(7 198)
Fair value changes – Direct to Profit and loss	—	—	—	—	60 792	—	60 792
Investment income	—	—	—	—	10 492	88 623	99 115
Inter portfolio movements	23 941	154 892	—	—	(116 211)	(58 187)	4 435
Purchases	18 154	66 810	—	—	100 997	—	185 961
Disposals – Capital	—	(80 000)	—	—	(39 047)	—	(119 047)
Disposals – Fair value to Retained earnings/Profit and loss	(4 687)	4 846	—	—	—	—	159
Investment expenses	—	—	—	—	(1 683)	(5 981)	(7 664)
Investments at 30 June 2024	**269 907**	**725 312**	**—**	**—**	**645 745**	**59 139**	**1 820 372**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

(R'000)	2025	2024
11. FINANCIAL LIABILITIES		
NON-HEDGING DERIVATIVES		
Financial liabilities	(847)	—

The company holds derivative financial instruments measured at fair value through profit and loss. At the reporting date, certain positions had an unfavourable movement in fair value, resulting in a reclassfication to derivative financial liabilities. These instruments continue to be held for risk management purposes.

12. TRADE AND OTHER RECEIVABLES		
FINANCIAL INSTRUMENTS:		
Trade receivables	—	53
Accrued income	8 593	5 529
Trade receivables at amortised cost	**8 593**	**5 582**
NON-FINANCIAL INSTRUMENTS:		
VAT	967	457
Total trade and other receivables	**9 560**	**6 039**

EXPOSURE TO CREDIT RISK

Expected credit loss (ECL) considerations were made. There has been no significant increase in credit risk and no expected credit loss has been recognised. Investment income is interest and dividends received subsequent to 30 June 2025, relating to the period before 30 June 2025.

FAIR VALUE OF TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables approximates their carrying amounts.

Trade and other receivables will be received within the next 12 months.

13. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	125	111

14. RETIREMENT BENEFITS

DEFINED BENEFIT PLAN

The company undertakes to pay medical aid premiums for staff after they have retired. The number of staff members that are entitled to this benefit is 41 (30 June 2024: 14) and all are currently in active employment with the company. The contribution-based liability for post-retirement medical aid contributions as determined by an independent actuarial valuation at 30 June 2025 is R7 702 000 (30 June 2024: R6 096 000). This amount has been provided for in full. The commitment in respect of future service will be provided by annual allocations against income

The liability is unfunded and future costs will be paid from the cash reserves and the investments of the company.

The company has aligned the defined benefit policy to the employees letter of appointment, which provides that all staff members belonging to on any medical aid are now covered by the policy. Additionally, the time of cover limit has been extended – if a staff member has been employed for a period longer than ten completed years of service and retires in service, the company will pay the post-retirement medical aid till the death or death of the spouse (if applicable in a period five years prior to retirement of the employee). Any service period shorter than ten years, would be the time that the company will cover the contributions to match the period of service.

(R'000)	2025	2024
CARRYING VALUE		
Present value of the defined benefit obligation-wholly unfunded	(6 096)	(6 238)
Current interest and service cost	(1 423)	(1 397)
Net actuarial (losses) gains	(1 669)	1 539
Past service cost	1 486	—
	(7 702)	**(6 096)**
NET EXPENSE RECOGNISED IN PROFIT OR LOSS		
Current service cost	674	612
Past service cost	(1 486)	—
Current interest cost	749	785
	(63)	**1 397**
KEY ASSUMPTIONS USED		
Assumptions used on last valuation on 30 June 2025.		
Discount rates used	11.40 %	12.29 %
Medical aid contribution inflation rate	7.20 %	7.76 %
CPI inflation rate	5.40 %	6.26 %

KEY DEMOGRAPHIC ASSUMPTIONS

Assumption	Value
Average retirement age	65
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Continuation of membership at retirement	100%
Proportion with spouse dependent at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	50%

The effect of movement in the assumptions on current service and interest costs:

Assumption	Change	Total cost (R'000)	% Change
Central assumptions		7 702	
Medical aid contribution inflation rate	+1%	9 031	17%
	-1%	6 635	-14%
Discount rate	+1%	6 680	-13%
	-1%	8 988	17%
Post-employment mortality	+1year	7 497	-3%
	-1year	7 904	3%
Average retirement age	-1 year	8 719	13%
Membership continuation	-10%	6 949	-10%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

(R'000)	Notes	2025	2024
15. TRADE AND OTHER PAYABLES			
FINANCIAL INSTRUMENTS			
Trade payables		742	290
Accrued audit fees		1 170	1 508
Other accrued expenses		1 480	2 078
Other payables		4	171
		3 396	**4 047**
FAIR VALUE OF TRADE AND OTHER PAYABLES			
The fair value of trade and other payables approximates their carrying amounts.			
Trade and other payables fall due within the next 12 months.			
16. INVESTMENT REVALUATION RESERVE			
Balance at the beginning of the period		108 848	70 519
Movement per statement of comprehensive income		110 040	43 016
Gain on valuation of investment in equity instruments		88 999	32 916
Gain on valuation of investment in debt instruments		21 041	10 100
Transfer realised gain to retained earnings		(33 748)	(4 687)
Balance at the end of the period		**185 140**	**108 848**
17. OTHER OPERATING GAINS (LOSSES)			
GAINS (LOSSES) ON DISPOSALS			
Property, plant and equipment	8	—	12
FAIR VALUE GAINS (LOSSES)			
Unrealised gains on movement of collective investment schemes recognised through profit or loss		94 589	60 792
Realised gains on derivatives/futures and options		4 912	2 553
Realised gains (losses) on disposal of debt instruments recognised through profit or loss		(663)	4 846
Total other operating gains (losses)		**98 838**	**68 203**
The realised gain on derivatives/futures and options arises from embedded derivative transactions within existing financial instruments and does not represent gains from a standalone derivative instrument			
18. INVESTMENT INCOME			
DIVIDEND INCOME			
Equity instruments and collective investment schemes		29 499	18 794
Total dividend income		**29 499**	**18 794**
INTEREST INCOME			
Debt instruments		51 462	55 236
Collective investment schemes		23 316	22 520
Total interest income		**74 778**	**77 756**
Total investment income		**104 277**	**96 550**

19. TAXATION

No provision has been made for taxation as the company is exempt from taxation in terms of Section 10(1)(d) of the Income Tax Act.

20. OPERATING EXPENSES

An analysis of the expenses incurred by the company in the reporting period is included in the table below:

(R'000)	Other directly attributable expenses	Other operating	Total
2025			
External audit fees	—	2 134	2 134
External audit fees – non audit services	—	450	450
Depreciation	203	68	271
Consulting and professional fees	—	4 034	4 034
Directors fees	—	4 312	4 312
Staff costs	24 124	24 918	49 042
Internal audit fees	—	463	463
Legal fees	—	585	585
Shared service cost	2 320	2 320	4 640
Computer expenses	—	1 696	1 696
Travel	—	2 157	2 157
Other	227	1 427	1 654
Portfolio management fees	—	9 090	9 090
	26 874	**53 654**	**80 528**
2024			
External audit fees	—	1 126	1 126
External audit fees – non audit services	—	370	370
Depreciation	177	60	237
Consulting and professional fees	—	2 532	2 532
Directors fees	—	3 445	3 445
Staff costs	21 472	21 471	42 943
Internal audit fees	—	621	621
Legal fees	—	1 078	1 078
Shared service cost	2 320	2 320	4 640
IT project	—	4 792	4 792
Computer expenses	1 139	380	1 519
Travel	—	1 311	1 311
Other	214	1 907	2 121
Portfolio management fees	—	10 450	10 450
	25 322	**51 863**	**77 185**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

21. INSURANCE REVENUE AND EXPENSES

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by product line for 2025 and 2024 is included in the following tables.

21.1. INSURANCE REVENUE

(R'000)	Professional Indemnity	Executor Bonds	Total
2025			
INSURANCE REVENUE			
Insurance revenue from contracts measured under the PAA	203 448	14 098	217 546
2024			
INSURANCE REVENUE			
Insurance revenue from contracts measured under the PAA	172 511	13 451	185 962

21.2 INSURANCE SERVICE EXPENSES 2025

2025			
Incurred claims	(96 036)	—	(96 036)
Other directly attributable expenses	(26 574)	(300)	(26 874)
Total incurred claims and attributable expenses	**(122 610)**	**(300)**	**(122 910)**
Changes that relate to past service – adjustments to the LIC	**(10 894)**	**50**	**(10 844)**
Unallocated loss adjustment expense	(1 583)	(28)	(1 611)
Outstanding claims estimate	(10 824)	(78)	(10 902)
Risk adjustment for non-financial risk	1 513	156	1 669
Losses on onerous contracts and reversals of those losses	—	—	—
Total insurance service expenses	**(133 504)**	**(250)**	**(133 754)**
2024			
Incurred claims	(89 679)	(633)	(90 312)
Other directly attributable expenses	(25 046)	(276)	(25 322)
Total incurred claims and attributable expenses	**(114 725)**	**(909)**	**(115 634)**
Changes that relate to past service – adjustments to the LIC	**25 414**	**(1 670)**	**23 744**
Unallocated loss adjustment expense	166	141	307
Outstanding claims estimate	35 500	(1 746)	33 754
Risk adjustment for non-financial risk	(10 252)	(64)	(10 316)
Losses on onerous contracts and reversals of those losses	—	—	—
Total insurance service expenses	**(89 312)**	**(2 579)**	**(91 890)**

(R'000)	Professional Indemnity	Executor Bonds	Total
21.3 NET EXPENSES FROM REINSURANCE CONTRACTS			
2025			
REINSURANCE EXPENSES – CONTRACTS MEASURED UNDER THE PAA			
Other directly attributable expenses recovered/(paid)	—	(444)	(444)
Changes in incurred claims that relate to past service	9 264	(58)	9 206
Other income or expenses from reinsurance contracts	—	(108)	(108)
Total net expenses from reinsurance contracts held	**9 264**	**(609)**	**8 654**
2024			
REINSURANCE EXPENSES – CONTRACTS MEASURED UNDER THE PAA			
Other directly attributable expenses recovered/(paid)	—	(319)	(319)
Changes in incurred claims related to past service	(9 113)	(657)	(9 770)
Other income or expenses from reinsurance contracts	—	26	26
Total net expenses from reinsurance contracts held	**(9 113)**	**(950)**	**(10 063)**

22. INSURANCE AND REINSURANCE FINANCE INCOME AND (EXPENSES)

An analysis of net insurance finance income and expenses by product line is presented below:

2025			
FINANCE INCOME FROM INSURANCE CONTRACTS ISSUED INTEREST ACCRETED			
Interest accreted	26 484	343	26 827
Effect of changes in interest rates and other financial assumptions	(13 426)	(90)	(13 516)
	13 058	**253**	**13 311**
FINANCE INCOME FROM REINSURANCE CONTRACTS HELD			
Re-insurance interest accreted	42	731	773
Effect of changes in interest rates and other financial assumptions	708	(3)	705
	750	**728**	**1 478**
2024			
FINANCE EXPENSES FROM INSURANCE CONTRACTS ISSUED			
Interest accreted	5 267	(817)	4 450
Effect of changes in interest rates and other financial assumptions	(10 879)	466	(10 413)
	(5 612)	**(351)**	**(5 963)**
FINANCE INCOME FROM REINSURANCE CONTRACTS HELD			
Re-insurance interest accreted	2 569	34	2 603
Effect of changes in interest rates and other financial assumptions	3 457	(28)	3 429
	6 026	**6**	**6 032**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

23. PROVISIONS

(R'000)	Opening balance	Additions	Total
Reconciliation of provisions – 2025			
Leave pay provision	2 174	287	2 461

(R'000)	Opening balance	Utilised during the year	Total
Reconciliation of provisions – 2024			
Leave pay provision	2 248	(74)	2 174

24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

(R'000)	Opening balance	Repayments	Closing balance
Reconciliation of liabilities arising from financing activities – 2025			
Finance lease liabilities	149	(105)	44
	149	**(105)**	**44**
Total liabilities from financing activities	**149**	**(105)**	**44**
Reconciliation of liabilities arising from financing activities – 2024			
Finance lease liabilities	250	(101)	149
	250	**(101)**	**149**
Total liabilities from financing activities	**250**	**(101)**	**149**

25. RELATED PARTIES

RELATIONSHIPS

Member: Legal Practitioners Fidelity Fund (LPFF)

As empowered by the Legal Practice Act, the Legal Practitioners Fidelity Fund has paid premiums amounting to R217 546 319 (30 June 2024: R185 961 249) to the company. An amount of R4 640 583 (30 June 2024: R4 640 583) in Support services was paid to the Legal Practitioners Fidelity Fund.

Key management personnel can be defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any executive director.

The Company provides post-employment benefits to all employees, including members of key management personnel. The liability for these benefits is recognised on a group/collective basis and is not calculated at an individual level. As such, it is impracticable to disclose a separately identifiable amount for key management personnel. The Company has therefore disclosed the expense in this note at R19 734 000 (30 June 2024: R17 893 000), with reference to Note 13 – Retirement benefits R7 702 000 (30 June 2024: R6 096 000) for further detail.

(R'000)	2025	2024
COMPENSATION TO DIRECTORS AND OTHER KEY MANAGEMENT		
Short-term employee benefits	14 655	13 453
Performance bonus	5 079	4 440
	19 734	**17 893**

26. DIRECTORS' EMOLUMENTS EXECUTIVE

EXECUTIVE

Directors' emoluments (R'000)	Basic salary	Performance bonus	Retirement/ Medical aid	Other benefits	Total
2025					
Services as director or prescribed officer					
SS Mbelle	3 288	1 530	628	14	5 460
2024					
Services as director or prescribed officer					
SS Mbelle	2 880	1 451	554	352	5 237

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

26. DIRECTORS' EMOLUMENTS EXECUTIVE (CONTINUED)

NON-EXECUTIVE

Directors' emoluments (R'000)	Board Basic Remuneration as director	Audit Basic Remuneration as committee member	Risk Basic Remuneration as committee member	Investment Basic Remuneration as committee member	Remuneration Basic Remuneration as committee member	Nominations committee	Total
2025							
Services as director or prescribed officer							
MJ Haken	555	79	—	—	102	114	850
EA Moolla	266	—	—	173	102	—	541
TD Khanyile	266	79	142	—	—	—	487
MJ Lesejane	266	102	102	—	—	104	574
DP du Plessis	266	—	102	136	—	—	504
SH Chaba	266	—	—	—	142	104	512
SK O'Mahony	239	79	90	—	—	—	408
M Selepeng	—	—	—	167	—	—	167
HK Matolo-Dhlepu	—	—	—	108	—	—	108
M Mafanya	—	—	—	137	—	—	137
	2 124	**339**	**436**	**721**	**346**	**322**	**4 288**
2024							
Services as director or prescribed officer							
MJ Haken	461	48	—	—	95	97	701
D Subbiah	28	—	—	—	—	—	28
DP du Plessis	201	—	120	182	—	16	519
EA Moolla	201	—	—	160	95	16	472
MJ Lesejane	201	85	120	—	—	103	509
SH Chaba	201	—	—	—	132	97	430
SK O'Mahony	—	—	—	—	—	—	—
TD Khanyile	201	48	165	—	—	16	430
M Mafanya	—	—	—	41	—	—	41
M Selepeng	—	—	—	182	—	—	182
HK Matolo-Dhlepu	—	—	—	126	—	8	134
	1 494	**181**	**405**	**691**	**322**	**353**	**3 446**

27. INSURANCE RISK MANAGEMENT

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts.

UNDERWRITING RISK MANAGEMENT

As the company, by virtue of the applicable precepts of the Legal Practice Act, does not have the ability to underwrite, nor does the company have significant current exposures to reinsurance contracts, the company defines Insurance risk as unexpected or unforeseen negative volatility in the number of claims reported and/or individual claims resulting in higher than expected claim payments, or increased development patterns resulting in the inability to generate sufficient investment income due to accelerated payment patterns.

With the ultimate potential value per claim being limited to R3.125 million, the emphasis on volatility is biased towards unexpected numbers of claims (frequency). History has shown an inverse link between economic activity and Professional Indemnity claim propensity, which would potentially indicate that current claim propensity in South Africa should be at a heightened level.

In order to manage the drivers of Insurance Risk, the company undertakes the following:

- Several risk management (pre-loss and post-loss) initiatives, including partner engagement and services such as Prescription Alert.
- Clear procedures on the management of claims, with regular claim audits to ensure only valid claims are paid.
- Constant monitoring of emerging claims experience, including full actuarial valuations on a quarterly basis, extending to development patterns over the entire portfolio.
- Clear investment strategy, guidelines and mandates to optimise investment income, whilst maintaining adequate solvency margins and asset duration profiles to accommodate accelerated claim payment patterns should they occur.

The valuations are conducted using accepted actuarial techniques, coupled with alternative method testing as well as analyses of emerging experience against original assumptions to confirm validity of assumptions. With the premium being a single premium received annually from the Legal Practitioners' Fidelity Fund, the ability to adjust premium income is only possible at annual intervals. However, this removes the bulk of the risk related to receivables and premium non-payment.

The emerging experience, outstanding claims requirements and development patterns, investment profile and solvency impact of changes are communicated on a quarterly basis to the Audit Committee, the Risk Committee, the Investment Committee and the board.

The company's underwriting exposure is limited, as it does not actively underwrite insurance contracts but relies on a single annual premium paid by the Legal Practitioners' Fidelity Fund. This creates a concentration risk, as the company's ability to adjust premiums are restricted

REINSURANCE RISK

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the company's risk management strategy and objectives. The company obtain third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the capital of the company.

The company has implemented a Reinsurance and Risk Transfer Policy to govern the assessment and transfer of risks to (re) insurers or other structures. Historically, the company purchased conventional Excess of Loss (both individual and aggregate) reinsurance from SHA Risk Specialists (formerly Stalker Hutchinson Admiral – Santam subsidiary) to provide volatility protection from large individual claims or adverse aggregation of claims.

Over time, the cost of this reinsurance protection increased to the point, coupled with changes in attachment and cover provided by the insurer, that the cost of reinsurance significantly exceeded the actuarial cost of risk, even allowing for volatility in experience. Based on detailed analysis, the board resolved in 2019 to discontinue the purchasing of conventional reinsurance cover for the Professional Indemnity risk. Prior open underwriting periods remain active with recoveries continuing as set out in the various policies.

The emerging experience of the company's Professional Indemnity claims is carefully monitored in order to assess whether the decision to discontinue the purchase of conventional reinsurance remains reasonable and prudent. These analyses continue to confirm the validity of the decision and has resulted in material savings in risk transfer costs, without exposing the company to unwanted levels of risk.

In 2019, the company made the strategic decision to discontinue the purchase of conventional reinsurance cover for its Professional Indemnity risk. Historically, the company had relied on Excess of Loss reinsurance from SHA Risk Specialists to provide protection against large individual claims and the accumulation of claims. By halting this reinsurance, the company has assumed a higher concentration of risk directly on its balance sheet, particularly in the event of a large claim or an adverse accumulation of claims.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

27. INSURANCE RISK MANAGEMENT (CONTINUED)

CONCENTRATION RISK

With the LPIIF being an industry-wide insurer, participation by individual legal practitioners in the arrangement is compulsory, not voluntary. This avoid concentration in a small number of law firms. Although there is a low level of inherent concentration risk in the fact that the LPIIF only insures the legal profession, this is mitigated by the ability to specialise in the risks presented by the industry, as well as the fat that the LPIIF only accepts the first R3.125 million of potential risk, reducing concentration in risks that could lead to single large claims.

Although there is potential for concentration risk to be present in the fact that the LPIIF only receives a single premium, the payment of this premium is mandated by the Legal Practitioners' Act, which places a statutory obligation on the LPFF to pay sufficient premium to the LPIIF to maintain the organisation and its regulatory capital base

CLAIMS DEVELOPMENT

Although Professional Indemnity claims are typically long tailed and can be volatile, the LPIIF manages this risk through quarterly actuarial valuations of emerging experience, which has shown the development patterns to be stable and sufficiently predictable over a number of years. This, coupled with the limited exposure per claim (R3.125m) allows the LPIIF to prudently reserve for the ultimate cost of claims with the required level of certainty.

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 30 June 2025.

Underwriting Year (R'000)	Gross Ultimate Incurred	Paid to Date	Gross cumulative claims liabilities per U/W
2024/2025	84 830	2 811	82 019
2023/2024	79 387	3 468	75 918
2022/2023	91 613	11 638	79 976
2021/2022	64 586	14 726	49 860
2020/2021	83 404	25 212	58 192
2019/2020	80 210	35 719	44 490
2018/2019	98 436	36 774	61 662
2017/2018	103 132	49 174	53 958
2016/2017	110 863	59 667	51 196
2015/2016	117 766	77 707	40 058
2014/2015	107 956	81 841	26 115
2013/2014	91 133	73 964	17 169
2012/2013	94 873	82 542	12 331
2011/2012	94 292	87 386	6 906
2010/2009	85 935	80 557	5 378
2009/2010	114 042	111 049	2 994
2008/2009	91 628	90 940	687
2007/2008	57 955	57 941	14
2006/2007	40 410	40 188	221
2005/2006	42 097	41 958	139
2004/2005	36 816	36 816	—
Prior Years	208 034	208 034	—
	1 979 398	**1 310 112**	**669 283**
Gross cumulative claims liabilities – Unallocated Loss Adjustment Expense			39 125
Effect of discounting			(192 807)
Effect of the risk adjustment for non-financial risk			40 630
Gross LIC for the contracts (Note 3 & 4)			**556 233**

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 30 June 2024.

Underwriting Year (R'000)	Gross Ultimate Incurred	Paid to Date	Gross cumulative claims liabilities per U/W
2023/2024	80 273	444	79 829
2022/2023	92 024	8 482	83 542
2021/2022	63 778	9 690	54 087
2020/2021	82 481	20 625	61 856
2019/2020	79 586	32 942	46 643
2018/2019	93 541	32 764	60 777
2017/2018	102 799	42 256	60 543
2016/2017	112 949	54 103	58 846
2015/2016	115 979	71 422	44 557
2014/2015	106 849	78 747	28 103
2013/2014	91 246	73 147	18 100
2012/2013	93 905	80 919	12 986
2011/2012	93 671	85 526	8 144
2010/2011	85 801	80 228	5 572
2009/2010	112 284	109 377	2 907
2008/2009	91 462	90 638	824
2007/2008	58 211	57 543	668
2006/2007	40 431	40 179	252
2005/2006	42 097	41 958	139
2004/2005	36 836	36 836	—
	1 676 203	**1 047 826**	**628 375**
Gross cumulative claims liabilities – Unallocated Loss Adjustment Expense			32 720
Effect of discounting			(179 493)
Effect of the risk adjustment for non-financial risk			35 889
Gross LIC for the contracts (Note 3 & 4)			**517 491**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

27. INSURANCE RISK MANAGEMENT (CONTINUED)

CLAIMS DEVELOPMENT (CONTINUED)

Actual claims payments are compared with estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 30 June 2025

Underwriting Year (R'000)	Net Ultimate Incurred	Paid to Date	Net cumulative claims liabilities per U/W
2024/2025	84 830	2 811	82 019
2023/2024	79 387	3 468	75 918
2022/2023	91 613	11 638	79 976
2021/2022	64 586	14 726	49 860
2020/2021	83 404	25 212	58 192
2019/2020	80 210	35 719	44 490
2018/2019	96 209	36 774	59 435
2017/2018	75 591	46 179	29 413
2016/2017	79 123	56 145	22 978
2015/2016	75 177	72 357	2 821
2014/2015	77 724	74 593	3 131
2013/2014	77 453	66 922	10 530
2012/2013	74 366	70 555	3 811
2011/2012	49 278	49 313	(35)
2010/2011	48 146	47 838	309
2009/2010	68 045	71 918	(3 873)
2008/2009	49 768	49 914	(146)
2007/2008	39 206	39 402	(196)
2006/2007	35 069	34 848	221
2005/2006	41 323	41 184	139
2004/2005	34 745	34 987	(241)
Prior Years	195 955	195 957	(2)
	1 601 208	**1 082 460**	**518 750**
Net cumulative claims liabilities – Unallocated Loss Adjustment Expense			39 125
Effect of discounting			(169 227)
Effect of the risk adjustment for non-financial risk			37 089
Net LIC for the contracts			**425 737**

Actual claims payments are compared with estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 30 June 2024

Underwriting Year (R'000)	Net Ultimate Incurred	Paid to Date	Net cumulative claims liabilities per U/W
2023/2024	80 273	444	79 829
2022/2023	92 024	8 482	83 542
2021/2022	63 778	9 690	54 087
2020/2021	82 481	20 625	61 856
2019/2020	79 586	32 942	46 643
2018/2019	91 310	32 764	58 546
2017/2018	78 328	39 260	39 067
2016/2017	79 902	50 630	29 272
2015/2016	76 909	66 071	10 838
2014/2015	77 668	71 498	6 170
2013/2014	77 786	66 105	11 681
2012/2013	74 438	68 931	5 507
2011/2012	48 816	46 904	1 912
2010/2011	48 147	49 724	(1 578)
2009/2010	67 656	70 246	(2 590)
2008/2009	49 600	49 612	(12)
2007/2008	39 206	38 980	227
2006/2007	35 091	34 839	252
2005/2006	41 323	41 184	139
2004/2005	34 745	34 987	(241)
2003/2004	195 955	195 957	(2)
	1 515 022	**1 029 875**	**485 145**

Net cumulative claims liabilities – Unallocated Loss Adjustment Expense	32 720
Effect of discounting	(155 149)
Effect of the risk adjustment for non-financial risk	32 541
Net LIC for the contracts	**395 257**

CREDIT RISK MANAGEMENT AND EXPOSURES

The company is exposed to credit risk arising from the potential default of reinsurers on the settlement of valid claims. This risk is managed through the selection of reinsurers with strong international credit ratings, the diversification of reinsurance counterparties, and ongoing monitoring of their financial strength.

The carrying amount of reinsurance assets is adjusted for expected credit losses in accordance with IFRS 9. In the event of default, the company remains liable to policyholders and would be required to settle claims from its own resources, with recovery actions pursued against the defaulting reinsurer.

The levels of credit risk arising from reinsurance is structured by placing limits on its exposure to a single counterparty or groups of counterparties and to geographical and industry segments, if relevant. Such risks are subject to a review annually or more frequently. Limits on the level of credit risk by category and territory are approved quarterly by the Executive Risk Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

27. INSURANCE RISK MANAGEMENT (CONTINUED)

CREDIT RISK MANAGEMENT AND EXPOSURES (CONTINUED)

Key to rating:

A – The obligator's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+).

This indicates that the obligator's capacity to meet its financial commitments on these obligations is extremely strong.

The table represents the credit risk exposure of the company, which equals the maximum exposure to credit risk. The concentration of credit risk has not significantly changed compared to the prior year.

(R'000)

2025	
(Assets)/liabilities	**A-**
Assets arising from reinsurance contracts held	(142 897)
Liabilities arising from reinsurance contracts issued	440
	(142 457)

2024	
(Assets)/liabilities	**A-**
Assets arising from reinsurance contracts held	(130 360)
	(130 360)

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the company will be unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments. Such outflows would deplete available cash resources for insurance and investment activities. The risk that the company will be unable to fulfil policyholder commitments is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The company's liquidity management process, as carried out within the company and monitored by the company, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows and monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements.

The next table presents the contractual cash flows of insurance contract liabilities for incurred claims and reinsurance contract assets for claim recoveries, determined as the estimates of the present value of the future cash flows expected to be paid out in the periods presented (excluding the non-financial risk adjustment).

(R'000)	0 – 1 Year	1 – 2 Years	2 – 3 Years	3 – 4 Years	4 – 5 Years	> 5 Years	Total
2025							
Insurance Contracts							
Professional Indemnity	(128 233)	(57 804)	(49 859)	(39 763)	(31 277)	(78 298)	(385 234)
▪ Insurance contract liabilities	(203 113)	(76 171)	(62 605)	(47 864)	(36 667)	(85 709)	(512 129)
▪ Reinsurance contract assets	74 880	18 366	12 746	8 101	5 390	7 410	126 893
Executor Bonds	(1 142)	(821)	(505)	(320)	(209)	(415)	(3 412)
▪ Insurance contract liabilities	(1 162)	(836)	(515)	(326)	(213)	(423)	(3 475)
▪ Reinsurance contract assets	20	15	9	6	4	8	62
Net insurance contracts	**(129 375)**	**(58 625)**	**(50 365)**	**(40 084)**	**(31 486)**	**(78 713)**	**(388 648)**
2024							
Insurance Contracts							
Professional Indemnity	(129 810)	(56 280)	(47 339)	(37 338)	(27 905)	(60 466)	(359 138)
▪ Insurance contract liabilities	(200 406)	(73 852)	(59 312)	(44 752)	(32 705)	(66 885)	(477 912)
▪ Reinsurance contract assets	70 596	17 573	11 973	7 414	4 799	6 420	118 775
Executor Bonds	(1 446)	(1 020)	(504)	(268)	(147)	(194)	(3 579)
▪ Insurance contract liabilities	(1 489)	(1 052)	(521)	(277)	(152)	(201)	(3 692)
▪ Reinsurance contract assets	42	32	17	9	5	7	112
Net insurance contracts	**(131 256)**	**(57 299)**	**(47 843)**	**(37 606)**	**(28 052)**	**(60 660)**	**(362 716)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

28. INSURANCE RISK SENSITIVITY ANALYSIS

The sensitivity analysis set out below reflects the impact on profit and equity for a reasonably possible increase/decrease in exposure from insurance risk based on:

- 5% increase/decrease in claims development with all other variables held constant.
- 1% increase/decrease in discounting rate with all other variables held constant.
- 25% increase/decrease in ULAE with all other variables held constant.

(R'000)	Resulting from the liability for incurred claims		Resulting from the asset for recoveries of claims incurred	
	2025	2024	2025	2024
5% INCREASE IN CLAIMS ESTIMATES				
■ Professional Indemnity	26 223	24 590	9 810	(24 610)
■ Executor Bonds	(11)	11	(3)	12
5% DECREASE IN CLAIMS ESTIMATES				
■ Professional Indemnity	(26 247)	(24 610)	(9 805)	(10 621)
■ Executor Bonds	12	12	3	6
1% INCREASE IN DISCOUNTING RATE				
■ Professional Indemnity	(12 461)	(10 557)	(1 800)	(1 642)
■ Executor Bonds	(96)	(81)	(6)	(5)
1% DECREASE IN DISCOUNTING RATE				
■ Professional Indemnity	13 180	11 120	1 874	1 708
■ Executor Bonds	101	84	6	6
25% INCREASE IN ULAE 1				
■ Professional Indemnity	7 701	6 445	—	
■ Executor Bonds	53	52	—	
25% INCREASE IN ULAE 1				
■ Professional Indemnity	(7 701)	(6 444)	—	
■ Executor Bonds	(53)	(52)		

SENSITIVITY IMPACT

(R'000)	Asset for remaining coverage*	
	2025	2024
Executor Bonds	485	235
2% decrease in investment return		
Executor Bonds	(464)	(228)

* Sensitivity was calculated on the ARC balance as at end of each assessed period.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial assets (R'000)	Note(s)	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Gross carrying amount
2025					
Investments	10	1 203 095	906 368	101 694	2 211 157
Trade and other receivables	12	—	—	8 593	8 593
Cash and cash equivalents	13	—	—	125	125
		1 203 095	**906 368**	**110 412**	**2 219 875**
2024					
Investments	10	1 115 488	645 745	59 139	1 820 372
Trade and other receivables	12	—	—	5 582	5 582
Cash and cash equivalents	13	—	—	111	111
		1 115 488	**645 745**	**64 832**	**1 826 065**

Categories of financial liabilities (R'000)	Note(s)	Fair value through profit or loss – Held for trading	Amortised cost	Leases	Total
2025					
Trade and other payables	15	—	3 396	—	3 396
Financial liabilities	11	847	—	—	847
Lease liabilities	9	—	—	44	44
		847	**3 396**	**44**	**4 287**
2024					
Trade and other payables	15	—	4 047	—	4 047
Lease liabilities	9	—	—	149	149
		—	**4 047**	**149**	**4 196**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

CAPITAL RISK MANAGEMENT

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The LPIIF has not breached the regulatory requirement in respect of minimum Capital Adequecy Ratio (CAR) requirements and has further not breached the solvency risk appetite set by the board, which is 30% higher than the regulatory requirement. The Prudential Authority (PA) has indicated that they are comfortable the LPIIF will remain solvent for the next 12 months even in the event of the Catastrophe Risk (CAT) dispensation not being extended.

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

(R'000)	2025	2024
The capital structure and gearing ratio of the company at the reporting date was as follows:		
Capital	205 258	205 258
Retained income	1 401 170	1 109 180
Other reserves	186 605	111 982
Total equity	**1 793 032**	**1 426 420**
Solvency Capital Requirement (SCR) ratio	2.12	2.32
Minimum Capital Requirement (MCR) ratio	8.49	9.29

The actual SCR and MCR ratios significantly exceeded the targeted capital requirements set by the board as follows:

- SCR target ratio: 1.3
- MCR target ratio: 1

Actual SCR amount is available on the Solvency and Assessment Management (SAM) return.

FINANCIAL RISK MANAGEMENT

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is presented in the table below:

		2025			2024		
(R'000)	Note	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Investments at fair value	10	702 339	(9 876)	692 463	736 740	(11 429)	725 311
Investments at amortised cost		101 694	—	101 694	59 139	—	59 139
Trade and other receivables	12	9 560	—	8 593	5 582	—	6 039
Cash and cash equivalents	13	125	—	125	111	—	111
		813 718	**(9 876)**	**803 842**	**802 029**	**(11 429)**	**790 600**

The credit exposure to any counter party is managed by the board with the assistance from the Investment committee that meets quarterly.

There is an approved investment strategy and any new investment that is considered, is tested for the impact on solvency due to the capital charges that get published by the Prudential Authority, the regulator for the Insurance Industry.

The company's credit risk is managed through it's investment strategy which is based on the solvency requirements for insurers.

The table below provides information on the credit risk exposure by credit ratings for debt instruments at the end of the financial year:

(R'000)	Financial assets through OCI
2025	
Prime	415 248
High	191 558
Upper medium grade	39 338
Lower medium grade	691
Extremely Speculative	1 446
Unrated	44 182
	692 463
2024	
Prime	419 947
High	220 254
Upper medium grade	36 091
Lower medium grade	703
Substantial risk	1 294
Unrated	47 020
	725 311

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

THE RATINGS WERE OBTAINED FROM REPUTABLE RATING AGENCIES (MOODY)

Key to rating	Risk Characteristic	
Aaa	Prime – Highest quality	Investment grade
Aa1	High grade – High quality	
Aa2		
Aa3		
A1	Upper medium grade – Adequate payment capacity	Investment grade
A2		
A3		
Baa1	Lower medium grade – Adequate payment capacity	
Baa2		
Baa3		
Ba1	Non Investment grade – Speculative likely to fulfill obligations ongoing uncertainty	
Ba2		
Ba3		
B1	Highly speculative – High credit risk	Non investment grade – Junk status
B2		
B3		
Caa1	Substantial risk – Very high credit risk	
Caa2		
Caa3		
Ca	Default imminent – near default with possibility of recovery	
C	Default	

LIQUIDITY RISK

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

To manage liquidity risk, the company uses past experience to estimate its liquidity needs for a period of three months so that it maintains sufficient cash to cover weekly claims expense and other recurring expenses. The company provisions cash based on these forecasts, adjusting as necessary to maintain adequate liquidity. For larger capital expenditures or exceptional projects, the company follows a formal capital budgeting process, with approval from the board to ensure these expenditures do not strain liquidity. Regular cash flow monitoring and quarterly reviews help identify any potential gaps in liquidity, ensuring the company can meet its obligations without incurring unacceptable losses or risking its financial stability.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table.

The cash flows are undiscounted contractual amounts.

(R'000)	Note	Less than 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
2025						
CURRENT LIABILITIES						
Trade and other payables	15	3 392	—	—	—	3 392
Lease liabilities	9	44	—	—	—	44
		3 436	**—**	**—**	**—**	**3 436**
NON-CURRENT ASSETS						
Debt instruments		—	68 762	245 238	323 471	637 471
CURRENT ASSETS						
Debt instruments		159 984	—	—	—	159 984
Trade and other receivables		8 593	—	—	—	8 593
Cash and cash equivalents		125	—	—	—	125
		168 702	**68 762**	**245 238**	**323 471**	**806 173**
		172 138	**68 762**	**245 238**	**323 471**	**809 609**
2024						
NON-CURRENT LIABILITIES						
Lease liabilities	9	44	—	—	—	44
CURRENT LIABILITIES						
Trade and other payables	15	4 047	—	—	—	4 047
Lease liabilities		105	—	—	—	105
		4 196	**—**	**—**	**—**	**4 196**
NON-CURRENT ASSETS						
Debt instruments		—	88 706	206 177	330 631	625 514
CURRENT ASSETS						
Debt instruments		158 937	—	—	—	158 937
Trade and other receivables		5 582	—	—	—	5 582
Cash and cash equivalents		111	—	—	—	111
		164 630	**88 706**	**206 177**	**330 631**	**790 144**
		168 826	**88 706**	**206 177**	**330 631**	**794 340**

The maturity profile of contractual cash flows above for 2024 have been updated since the prior period financial statements.

INTEREST RATE RISK
Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. The Investment committee manages interest rate risk on a quarterly basis by reviewing the returns on various investment portfolios.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2025

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

INTEREST RATE SENSITIVITY ANALYSIS

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

The company makes use of asset managers and internal resources to invest in securities exposed to interest rate risk. The securities managed by asset managers are contractually agreed with specific risk levels.

(R'000)	2025	2025	2024	2024
Increase or decrease in rate	1% Increase	1% Decrease	1% Increase	1% Decrease
IMPACT ON PROFIT OR LOSS				
Interest income on cash and cash equivalents	233	(233)	225	(225)
Interest income on financial assets	515	(515)	552	(552)
	748	**(748)**	**777**	**(777)**

30. GOING CONCERN

In determining solvency, the Companies Act 71 of 2008 ("Act") requires companies to apply the Solvency and Liquidity Test set out in Section 4 of the Act. Section 4 requires that, for any purpose of this Act, a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances of the company at that time

- the assets of the company or, if the company is a member of a group of companies, the aggregate assets of the company, as fairly valued, equal or exceed the liabilities of the company or, if the company is a member of a group of companies, the aggregate liabilities of the company, as fairly valued; and,
- it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of
  - (i) 12 months after the date on which the test is considered; or
  - (ii) in the case of a distribution contemplated in paragraph (a) of the definition of 'distribution' in section 1, 12 months following that distribution.

Based on the above definition the LPIIF is in a solvent position as it will be able to pay its debts as they become due in the ordinary course of business for the 12 month period ending 30 June 2026. Further its assets fairly valued exceed its liabilities.

The FSRA empowers the Prudential Authority (PA) to establish specific rules in respect of minimum capital requirements of an insurer. Core to the PA's requirements as set out in section 35 of the Insurance Act are the requirements that a company maintain a specific level of eligible own fund and meet the capital adequacy requirements in terms of specific formulae and rules set by the PA.

(The rules are set out extensively in the Financial Soundness Standards for Insurers and form the basis for the LPIIF's actuarial calculation of its eligible own funds and solvency relative to the minimum capital adequacy requirements set out by the PA).

The LPIIF has not breached the regulatory requirement in respect of minimum capital adequacy requirements and has further not breached the solvency risk appetite set by the board, which is 30% higher than the regulatory requirement. The PA has indicated that they are comfortable the LPIIF will remain solvent for the next 12 months even in the event of the capital adequacy risk dispensation not being extended.

IFRS defines going concerns much the same as set in our South African legislation, in that it requires that in order to prepare financial statements on a going concern basis, a company at the least must ensure that it will operate for the foreseeable future.

Based on the level of comfort with the going concern status of the LPIIF, management is of the view that the LPIIF remains a going concern and the financial statements have been prepared on this basis

31. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

ADMINISTRATION

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

EXECUTIVE
Sipho Mbelle
Managing Director
012 622 3900
Sipho.Mbelle@LPIIF.co.za

REGISTERED OFFICE
1256 Heuwel Road
Centurion
0157

BUSINESS ADDRESS
1256 Heuwel Road
Centurion
0157

POSTAL ADDRESS
PO Box 12189
Die Hoewes
0163

BANKERS
First National Bank
3rd Floor, 1 First Place
Simmonds Street
Johannesburg
2001

COMPANY SECRETARY
Khoboso Tsike
012 622 3900
081 525 0375
Khoboso.Tsike@LPIIF.co.za

AUDITOR
BDO South Africa Incorporated
6th Floor, 123 Hertzog Boulevard
Foreshore
Cape Town
8001
021 417 8800

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