



Law Society of Scotland

Report and Consolidated Financial Statements

Year ended 31 October 2024



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Council's Report

Overview and Principal Activity

The Law Society of Scotland (the 'Society') is the professional governing body and regulator for Scottish solicitors. It promotes excellence among solicitors through the support and regulation of its members. It also promotes the interests of the public in relation to the legal profession. The Society was established by statute in 1949 and its core legislative framework is set out in the Solicitors (Scotland) Act 1980. All practising solicitors are members.

The Society operates through five directorates covering its main areas of work:

- regulation and standards;
- member services and engagement;
- education, training and qualifications;
- external relations;
- finance and operations.

Within these directorates a range of teams provide regulatory and representational services to members, the work of which is described within the 2024 Law Society of Scotland Annual Report. The Annual Report does not form part of these financial statements, is not subject to review by independent auditor and can be found on the Law Society of Scotland website.

The work of the Society is supported by solicitors and non-solicitor volunteers who contribute their time and expertise through many committees and working groups.

The Society also controls and administers the Client Protection Fund, the operating name of the Scottish Solicitors' Guarantee Fund (SSGF). The Fund exists solely to protect clients who have lost money as a result of dishonesty of a solicitor or a member of their staff in connection with the practice of the solicitor. It is paid for entirely by solicitor firms without the use of taxpayer money from government. The Fund is only available to clients who use solicitors who are employed by legal firms regulated by the Society.

Review of financial year

Group

In compliance with Financial Reporting Standard 102, the Society's financial statements have been consolidated with those of the Scottish Solicitors' Guarantee Fund (SSGF) and with The Law Society of Scotland Services Limited and presented as financial statements for the Group. The statutory basis, day to day management and governance oversight of the SSGF is unaltered by consolidation. The SSGF is included within the consolidated financial statements in recognition of the Society exercising control over the management, governance and operation of the Fund.

As required by statute, all income received by the SSGF is legally ringfenced to meet only future claims and therefore not available under any circumstances for the Society's use. Similarly, the reserves of the SSGF are legally designated for that purpose and do not under any circumstances form part of the Society's free reserves. Control of the SSGF is, however, bestowed on the Society by law, and, more widely, the SSGF is considered to be of benefit to the Society in helping underpin the positive reputation of the profession.



Council's Report (continued)

Profit (prior to actuarial adjustments to defined benefit pension scheme) - Group

The Group reports a profit (prior to the actuarial adjustments to the defined benefit pension scheme) of £2,359,000 for the financial year ended 31 October 2024 (2023: profit of £878,000). This comprises the following components:

	2024 £000	2023 £000
Law Society of Scotland	1,626	951
The Law Society of Scotland Services Limited	9	(8)
Scottish Solicitors' Guarantee Fund	726	(64)
Total – Group	2,360	878

Profit reported by the Group after actuarial adjustment was £2,050,000 (2023: profit of £620,000).

Investments - Group

The Group's investment portfolios reflect the improved performance of financial asset values during the year, with market values as at 31 October 2024 as follows:

	2024 £000	2023 £000
Law Society of Scotland	3,582	3,146
The Law Society of Scotland Services Limited	-	91
Scottish Solicitors' Guarantee Fund	6,070	5,325
Total – Group	9,652	8,562

Cash - Group

Cash balances for the Group as at 31 October 2024 were as follows:

	2024 £000	2023 £000
Law Society of Scotland	20,106	17,476
The Law Society of Scotland Services Limited	4	93
Scottish Solicitors' Guarantee Fund (<i>not available for the Society's use</i>)	1,865	1,831
Total – Group	21,975	19,400



Council's Report (continued)

Reserves - Group

Group Reserves increased from £13,847,000 to £15,898,000 at the year end. The breakdown is as follows:

	2024 £000	2023 £000
Law Society of Scotland	8,042	6,514
The Law Society of Scotland Services Limited	-	204
Scottish Solicitors' Guarantee Fund	7,855	7,129
Total – Group	15,897	13,847

Reserves held by the SSGF are legally designated solely for the purposes of the SSGF and are not available to the Society. At 31 October 2024 the SSGF reserves were £7,855,000 (2023: £7,129,000).

Society

Profit reported by the Society after actuarial adjustment was £1,528,000 (2023: profit of £692,000).

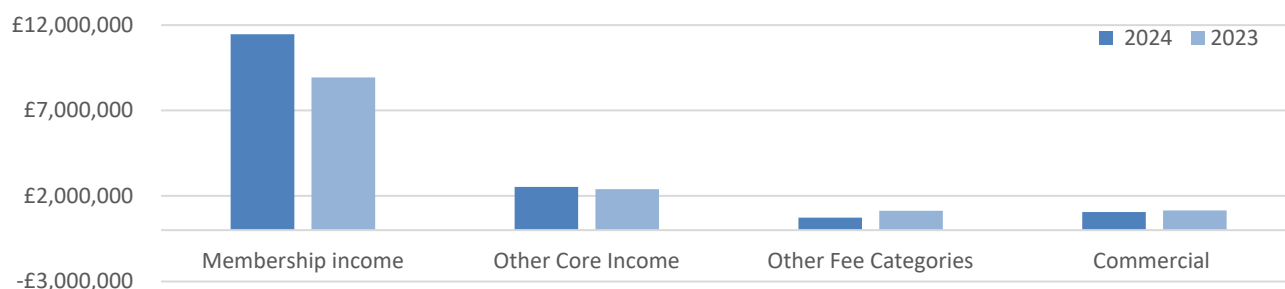
The Society reports a profit (prior to the actuarial adjustments to the closed final salary pension scheme liability) of £1,838,000 including dividend received of £212,000 from Law Society of Scotland Services Limited for the financial year ended 31 October 2024 (2023: profit of £951,000)

A gain of £393,000 (2023: loss of £178,000) in the value of the investment portfolio held by the Society is included in the reported profits. The Society is investing in funds for the longer term and the portfolio is managed according to defined criteria. The investment objective is to achieve a balanced return, seeking long term capital gains and some income. A medium risk profile is adopted.

Overall, the Society exceeded expectations at an operating level compared both with the budget set, and against the prior year, with an operating profit of £539,000 (2023: £670,000). Revenue uplift has positioned the Society to weather inflation increases already suffered and to adequately fund reserves to support the implementation of the Regulation of Legal Services (Scotland) bill and support required for infrastructure transformations. Operational expenditure has continued to rise with the return of post pandemic operating activity plus additional requirements and improved resource management has seen a reduction in vacancies; however, this remains challenging in a competitive recruitment market where delayed recruitment has created a financial upside. One of the main items in the Society's Income Statement is the unrealised movements in investment values, and the general improvement in financial asset values during the year is reflected in the overall result for the Society, as outlined above.

Operating Income - Society

Income for the year (excluding investment gains) was £15.8 million, an increase of 20% from the previous year. Income is analysed as follows:





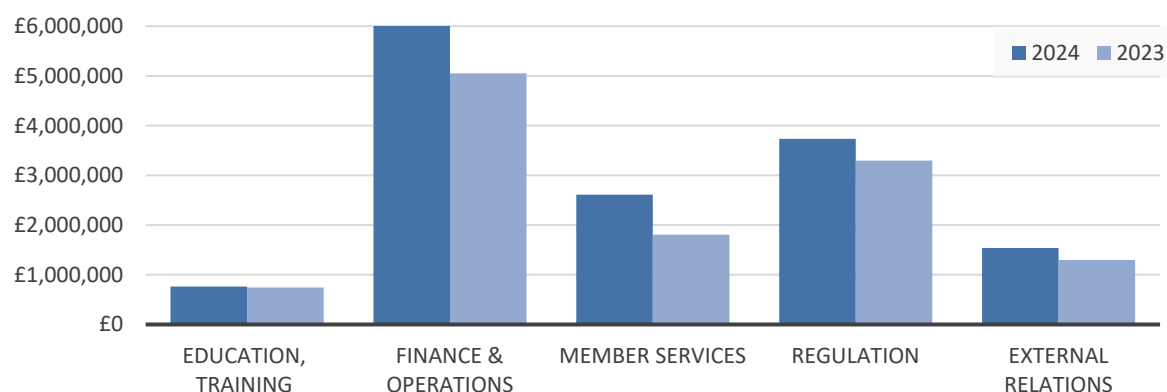
Council's Report (continued)

Membership income comprises practising certificates, retentions and non-practising member fees. Other core income comprises fees from regulatory activity. This includes the accounts fee paid by firm principals towards financial compliance and interventions, recovery of costs awarded to the Society by the Scottish Solicitors Disciplinary Tribunal, and commission and recoveries from Judicial Factories.

In the course of the covid-19 pandemic, the Society provided a support package amounting to circa £2.2 million over two years to the profession in the form of discounted membership fees. The practising certificate fee and accounts fee for the 2020/21 practising year were discounted by 20%, with a discount of 10% applied to both fee categories for the 2021/22 practising year. In 2022/23 fees were realigned to pre-covid levels with significant increases agreed for the 2023/24 practising year, driven by high inflation pressures within a changing economic environment whilst maintaining appropriate reserves. Fees uplift for practise year 2024/25 are comparatively modest compared to prior year, this is reflective of the Society current reserves position and operating in an economy that has improved but remains challenging.

Operating Expenditure - Society

Expenditure (excluding actuarial movements in closed pension scheme) was £15.2 million, an increase of 20% from 2023. Expenditure is analysed as follows:



In 2023/24 operating costs increased compared with the prior year across most areas, reflecting increased activity and notably a change of accounting treatment for cloud-based IT systems that were previously considered to be intangible assets contributed £674,000 to operating expenditure. Member Services expenditure has increased inline with increased activity and the transfer in of the Member Registration team from Finance and Operations. Additionally, whilst continuing to practice good cost control, inflationary pressures across the cost base, for people, programmes and operations, have also contributed to the overall expenditure increase compared with the prior year, particularly with the essential investment in IT infrastructure and security.

Pension debt and actuarial movement

The Society is responsible for a defined benefit pension scheme which was closed to future accrual from 1 May 2010. The most recent full actuarial valuation was carried out on 31 March 2022 by a qualified actuary, independent of the scheme's sponsoring employer.

The overall deficit shown by most recent triennial valuation on 31 March 2022 was £800,000 (March 2019: £1,423,000) with the value of assets covering 92% (March 2019: 86%) of the value of the liabilities. The main reasons for the improvement in the funding level were the contributions paid by the Society over the intervalation period, combined with better than expected investment returns, higher interest rates and gains on member settlements. These factors were partly offset by changing market conditions, mainly higher inflation rates with the overall net effect resulting in an increase in assets and a reduction in liabilities.



Council's Report (continued)

The deficit recovery repayment plan agreed in 2017 has resulted in aggregate contributions of £1,559,000 in the three years to March 2020. The Society meets the scheme running costs as they fall due. The Society finalised negotiations with the scheme trustees in August 2020 to determine the next recovery plan. Following the finalisation of the March 2019 triennial valuation in 2020, the next recovery plan was agreed covering a ten-year period. £170,000 was paid in March 2020 as year 1 of the revised plan. From March 2021 for nine years, £99,000 will be due to be paid annually, increasing at a rate of 5% per annum, with £109,000 having been paid in March 2023 and £115,000 paid in March 2024.

Financial Reporting Standard 102 applies less prudent assumptions than those in the triennial actuarial valuation (as explained in note 14). Consequently, the sum paid to the scheme this year has resulted in a reduction in reserves as the FRS102 valuation resulted in a surplus. The valuation surplus is not carried as an asset in the financial statements as the Society does not have an unconditional right to any surplus funds remaining at the cessation of the scheme. The actuarial valuation reported a loss for the year of £310,000 (2023: £259,000).

At 31 October 2024 there was no scheme deficit for financial reporting purposes (2023: deficit £nil).

Reserves

The Society's reserves increased from £6.5 million to £8 million at the year end. The principal reason for this movement was net operational surplus, investment gain and dividend income.

Council approved an updated Operating Reserves Policy in January 2021. The purpose of the Operating Reserves Policy is to ensure the stability of the activities and ongoing operations of the Society in support of the Society's strategy and annual operating plan. The Society's policy for operating reserves (excluding designated SSGF reserves) is to hold between three and six months' average operating cost for the Society. The policy makes provision for the lower end of this range, or the minimum target, to be varied to reflect changes in the overall business environment. The calculation of the monthly operating cost is based on projected expenditure in future periods. In setting reserve targets the Finance Sub-committee also recognises the remaining operating lease commitment for the rent of the Society's premises (note 17), as reflected in future cash flow projections.

Operating reserves cover calculation as at 31 October 2024:

	£000 2024	£000 2023
Total Capital Employed	8,042	6,514
Less: Net book value of fixed assets	(768)	(1,333)
Reserves per policy (A)	7,274	5,181
Projected operating and capital expenditure for the next 12 months - Society only (B)	20,007	17,389
Number of months' coverage from reserves (A / (B/12))	4.4 months	3.6 months

The Operating Reserves Policy makes provision for a recovery period in the event that the use of reserves has been approved by Council and the supporting financial forecast indicate that two or more consecutive future year ends may see reserves measured below the minimum target level. During a recovery period, additional reporting and monitoring is required, including the review of a rolling 12 month forecast by the Finance Sub-committee and the Board on a quarterly basis. The above reserves cover calculation shows the Society holds sufficient reserves to meet the requirements of the reserves policy and so is not considered to be in a recovery period.

The Finance sub-committee reviews the appropriateness of the policy on an annual basis.



Council's Report (continued)

Corporate Governance

Solicitors elect representatives to serve on the Society's Council, the Society's decision-making body. It has twenty-eight members elected from geographical constituencies, up to eight co-opted members representing other interest groups and nine non-solicitor members. It meets regularly and is chaired by the President. It oversees the work of a wide range of committees and sub-committees. The work of the Council is supported by the Society's Board, comprising office bearers, elected representatives and the Society's Chief Executive, and also by the Senior Leadership Team.

The following individuals currently serve on the Society's Council:

Office Bearers:

President

Vice President

Past President

Susan Murray

Pat Thom

Sheila Webster

Elected members for constituencies:

Aberdeen, Banff, Peterhead & Stonehaven

Airdrie, Hamilton and Lanark

Alloa, Falkirk, Linlithgow and Stirling

Arbroath, Dundee and Forfar

Ayr, Dumfries, Kirkcudbright and Stranraer

Cupar, Dunfermline and Kirkcaldy

Dingwall, Dornoch, Elgin, Inverness, Kirkwall, Lerwick, Lochmaddy,

Portree, Stornoway, Tain and Wick

Edinburgh

Arlene Gibbs

Luke O'Curry

Paul Gerard Gostelow

Ken Dalling

John Mulholland

Baktosch Gillan

Lauren Fowler

Jaclyn Robertson

Ross Taylor

Sheekha Saha

Serena Sutherland

Rebecca Roberts

Kirsty Lang

Nyree Conway

England and Wales

Glasgow and Strathkelvin

Eilidh May Dobson

Amna Ashraf

Austin Lafferty

Beatrice Nicholas

Jean-Paul Kasasula

William Lennox

Peter Walsh

Caroline Harrison

Greenock, Kilmarnock and Paisley

Haddington, Peebles, Jedburgh, Duns and Selkirk

Iain Thomas Burke

Struan Ferguson

Euan Mitchell

Perth

Co-opted members:

Corporate & banking sector

Solicitor to the Scottish Government

Scottish solicitors outside of Great Britain

Scottish solicitor advocates

Crown Office & Procurator Fiscal Service

Andrew Hinstridge

Ruaraidh Macniven

Siobhan Kahmann

James Keegan KC

Stephen McGowan



Council's Report (continued)

In-house lawyers

Vlad Valiente

Lay members:

Fiona Larg
Anne Follin
John McGuigan
Charles Ilako
Katherine Graham
Patricia Matheson
Bruce Nelson
Ian Duddy
Lesley Watt

The following individuals currently sit on the Society's Board:

President
Vice President
Past President
Elected members:

Susan Murray
Pat Thom
Sheila Webster
Paul Gostelow
Serena Sutherland
Katherine Graham

Co-opted member
Observer Member (Convener of the Regulatory Committee)

Jennifer McGrath
David Gordon

Disclosure of information to auditor

The Council members who held office at the date of the approval of this Council report confirm that, so far as they each are aware, there is no relevant audit information of which the Society's auditor is unaware; and each Council member has taken all the steps that they ought to have taken as a member of the Society's Council to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

Going Concern

Council has a reasonable expectation at the time of approving the financial statements that the Society has adequate resources to continue its operations and meet its liabilities as they fall due for the foreseeable future. This conclusion has been reached from an assessment of three-year financial forecasts and scenario analysis. Key items and issues considered include continuing increase in the membership numbers for 2024/25, the continued return of online and in-person events and CPD training in 2024/25 and the continuation of appropriate cost and budgetary control.

The Scottish Government announced its plans for the regulation of legal services in December 2022, following a review and public consultation process. Scottish Ministers confirmed the Law Society will continue as the regulator of Scottish solicitors, with additional powers and new flexibility to act to protect the public interest when needed. Legislation has been brought forward to the Scottish Parliament in 2023, the impact of this legislation on cost base is still evolving, therefore a prudent approach to forecasting has been adopted until the cost impact is fully established.



Council's Report (continued)

Key risks

Council has ultimate responsibility for the management of risk which is discharged through the Audit Committee. The Audit Committee reviews processes in place for risk management with reference to the corporate risk reports and through a programme of targeted internal audit activity.

The Senior Leadership Team review the risk register regularly. The risk register records corporate risks together with mitigating controls. Reports are made to Board and Audit Committee regularly to ensure risks are properly recorded and relevant controls documented. Key current risks include:

Area	Risk	Mitigating Action
Funding	The risk that we are unable to finance the business, caused by support provided to the profession in the form of discounted fees over two years with additional legislative obligations from new legal services bill pending, combined with a changing economic environment, record levels of inflation, cost of living crises and challenging labour market. This may result in reserves being depleted	Approved fees for 2023/24 included an increase that realigned fees to pre-covid levels, approved 2024/25 fees continue to keep pace with inflation whilst ensuring reserves are adequately maintained. Our operating plan for 2024/25 includes key technology projects which will ultimately improve efficiency and improve quality of our internal reports. Expenditure is managed closely to ensure we do not exceed budget
Closed defined benefit pension scheme	The risk that our pension scheme position declines, caused by insufficient funding and market volatility. This may result in a significant financial commitment	Close liaison with scheme Trustees, funding plans and de-risking of investments. The recovery plan was accepted by the regulator agreed during 2020, covering a 10-year period. A review of investment strategy to consolidate market gains indicated by the triennial valuation was received in 2024
Cyber security	The risk that the Society's cyber security fails to protect the organisation from a cyber-attack or fails to enable the organisation to prepare for and respond to cyber security issues.	Continued focus on colleague education and email/web filtering. Program of improvements and upgrades to processes and business systems with a focus of protecting and preparing for cyber security issues, such as introducing disaster recovery as a service for our CRM and Website hosted environment, continual migration of business systems to the cloud improving security and disaster recovery, implementing managed section and response service to proactively monitor and mitigate cyber attacks for our network, Microsoft 365 environment and hosted website environment.
AI	The risk that the Society's data is made available to unintended recipients by use of an AI tool. This could include sensitive data	Introduction of the AI policy restricting use of AI tools to only those approved by IT, which will only be those that protect and ringfence our data



Council's Report (continued)

Looking ahead

Our strategy for 2022 to 2027 sets out our vision to enable a thriving profession of high quality and trusted solicitors in Scotland with access to justice for all. Our operating plan for 2023/24 was the second year of this new strategy. Many of the objectives were continued from the previous year objectives, including improving our infrastructure, processes and efficiencies. In 2022/23, we transitioned from a post-pandemic position into delivery of the new 5-year strategy at a time of economic uncertainty and record levels of inflation. During 2023/24 inroads were made into delivering “Our People Strategy” improving best colleague experience, building a value-based work environment to attract and retain the best talent for the benefit of the Society and our members.

Our people remain at the heart of everything we do and “Our People Strategy” will continue to be a priority, building on the progress achieved during 2023/24. The anticipated enactment of the Regulation of Legal Services (Scotland) Bill will lead to focus on planning and commencing the delivery of a transformation program to the regulation of legal services in Scotland from 2025, a substantial and welcome undertaking. IT transformation remains a key focus, ensuring a fit for purpose infrastructure is in place to support current and future requirements.

Future year budgets will consider the investment required to deliver on our strategic aims, securing our reserves position and ensuring we offer best value and service to our members.

Susan Murray

President, Law Society of Scotland

20 June 2025



Finance Sub-Committee – Convener's report

Committee members

Paul Gostelow (appointed as Convener 14 October 2024)
 Ian Duddy (appointed 21 November 2024)
 Baktoch Gillan (appointed 21 November 2024)
 Bruce Nelson (appointed 21 November 2024)
 Serena Sutherland
 Gordon Lennox (appointed 27 November 2023)
 Jaqui Low (appointed November 2023)
 Graham Watson (resigned 30 May 2024)
 Derek McIntyre (resigned 30 May 2024)

Governance and financial control

The Finance sub-committee reports directly to the Society's Board.

The Finance sub-committee is specifically required to:

- determine financial controls and propose innovations in financial management
- maintain a register of key risks in relation to finance and resources
- set policy and supervise the procurement process of the Society
- provide advice on any other matters referred to it by the Board
- review the level and nature of the Society's banking arrangements, investments, borrowings and insurance cover
- report on quarterly management accounts to the Board
- produce an annual report to the Board and Council
- make a recommendation to the Board on the budget for the coming year
- make a recommendation to the Board on the practising certificate and other fees for the forthcoming year

Overview

The sub-committee continues to work closely with the Executive, Audit Committee and Board. Five sub-committee meetings were held during the year under review, including two joint meetings with the Audit Committee. The sub-committee monitored the reserves position throughout the year, by reviewing regular full year forecasts and the budget for 2023/24, which was approved by Council in October 2023. Principal member fees for 2024/25 were agreed at the Annual General Meeting in June 2024. The sub-committee will remain actively engaged during 2024/25 to ensure robust financial controls are in place, while supporting the Society to meet its strategic goals.

Paul Gostelow
 Finance Committee
 20 June 2025



Audit Committee – Convener's report

Committee members

Fiona Larg (Convener)
Helen Howden
Aidan Robertson (appointed 09 December 2024)
Kenneth Rose (appointed 20 May 2024)
Simon Young (appointed 20 May 2024)
Keith Donald (appointed 20 May 2024)
Peter McCall (resigned 01 January 2025)
Deborah Wilson-McCuish (resigned November 2023)
Angela Winchester (resigned 29 August 2024)

Governance and membership

The Committee, working with the finance team and external auditor, ensured that the financial statements were audited and presented to the members on time at the Annual General Meeting.

The Committee minute is reported to the Society's Council. The Committee Convener also formally reports on the Committee's work at the annual general meeting of the Society.

Responsibilities

The work of the Committee is to review and report on the effectiveness of the Society's arrangements for audit, internal control and risk management. The Committee oversees the appointment of and monitors the work carried out by the Society's internal and external auditors. Informed by its consideration of the work of the auditors, the Committee comments and makes recommendations on the appropriateness, practical application and effectiveness of the Society's financial policies and procedures, management controls and its arrangements to identify and manage risk.

The Committee reviews the following at each of its meetings:

- progress by the Society against its annual plan objectives especially in relation to their financial impact on the Society; and
- the Society's risk register with emphasis on changes in the risk profile and actions taken to mitigate key strategic risks

Through that regular review the Committee will question the actions and judgements of the Society's senior leadership team, the Board and the office bearers in relation to the Society's financial stewardship, safeguarding of the Society's assets and the extent to which the Society achieves best value in the acquisition and use of resources. The Committee oversees the Society's relations with the external auditor. To this end it receives and comments on the Society's annual financial statements prior to their approval by Council and receives the report from the external auditor in forming their opinion on the financial statements.

The Committee also commissions and oversees the delivery of an agreed programme of work from its appointed internal auditors. It will also follow up to ensure that recommendations contained in internal audit reports are implemented appropriately and within a reasonable timeframe.



The Committee will from time to time carry out reviews into or report on ad hoc matters as it may consider appropriate or as it is requested to do by Council or the Society's office bearers in accordance with the Society's protocols on such matters.

Audit Committee – Convener's report (continued)

Overview

The Committee met on six occasions this year. Two of these meetings were with the Finance sub-committee. These joint meetings ensured a joint approach to the review and approval of the financial statements for this year and the budget for 2024/25.

The overall work of the Committee should continue to be seen within the context of the Society's approach to good governance as the Committee plays a key role in holding the Society's office bearers, Council and senior leadership team to account for the management of risk and the effective operation of all risk management systems.

The Committee reviewed the reports on two internal audits conducted by Wylie and Bisset.

The Committee was satisfied with the overall conclusion of the internal auditors and continues to closely monitor progress against the recommended actions.

A considerable proportion of the Committee's time was spent reviewing the principal risks of the Society.

The hard work by Committee members and everyone in the finance team is recognised and appreciated.

Fiona Larg
Convener
20 June 2025



Statement of Council's responsibilities

Council of the Law Society of Scotland ('the Society') are responsible for preparing the financial statements of the Society in accordance with the constitution of the Society.

The constitution requires Council to prepare financial statements for each financial year. Under the constitution, Council have elected to prepare the Group and Society financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Council will not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Society and of the surplus or deficit of the Group and Society for that period.

In preparing these financial statements, Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

Council are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the constitution and UK GAAP. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Society's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Society's website is the responsibility of Council. Council's responsibility also extends to the ongoing integrity of the financial statements contained therein.



Independent Auditor's Report to the Council of the Law Society of Scotland

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Entity's affairs as at 31 December 2024 and of the Group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of Law Society of Scotland ("the Parent Entity") and its subsidiaries ("the Group") for the year ended 31 December 2024 which comprise Group and Society Income Statements, Group and Society Statements of Comprehensive Income, Group and Society Statements of Financial Position, Group and Society Statements of Changes in Reserves, Group and Society Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group's and Parent Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.



Independent Auditor's Report to the Council of the Law Society of Scotland (continued)

Other information

The Council are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Council

As explained more fully in the Statement of Council's Responsibilities, the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council 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 Council are responsible for assessing the Group's and the Parent Entity'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 Council either intend to liquidate the Group or the Parent Entity 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 as a whole 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and Parent Entity and the industry in which they operate;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group's and Parent Entity's policies and procedures regarding compliance with laws and regulations.



Independent Auditor's Report to the Council of the Law Society of Scotland (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We considered the significant laws and regulations to be the applicable accounting framework (UK GAAP) and UK tax legislation.

The Group and Parent Entity is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK Tax legislation and UK employment legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of confirmations received from the entity's solicitor.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's and Parent Entity's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Reconciling the revenue in IMIS to the revenue recognised in the financial statements;
- Performing analytical procedures to calculate expected revenue based on the number of members and the annual subscription fees and comparing this to the revenue recognised;
- Performing other substantive procedures, including selecting samples of revenue recognised by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.



Independent Auditor's Report to the Council of the Law Society of Scotland (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Council, as a body. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Entity and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



CONSOLIDATED FINANCIAL STATEMENTS

Group and Society Income Statements

for the year ended 31 October 2024

	Note	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Continuing operations					
Subscriptions and other income	2	15,963	15,778	13,342	13,152
Employment costs	2,3	(8,634)	(8,634)	(7,622)	(7,622)
Other operating costs	2	(6,853)	(6,605)	(5,066)	(4,860)
Operating profit	2	476	539	654	670
Gain on fair value of investments		955	393	(476)	(178)
Income from fixed asset investments		311	114	301	108
Interest receivable and similar income	4	701	888	379	369
Profit/(loss) before tax		2,444	1,934	857	969
Taxation on profit	6	(84)	(96)	21	(18)
Profit/(loss) for the year		2,360	1,838	878	951

Group and Society Statements of Comprehensive Income

for the year ended 31 October 2024

	Note	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Profit/(loss) for the year		2,360	1,838	878	951
Actuarial loss in defined benefit pension scheme	13	(310)	(310)	(259)	(259)
Total comprehensive income/(loss) for the year		2,050	1,528	620	692

The notes on pages 25 to 44 form part of these financial statements.



Group and Society Statements of Financial Position

As at 31 October 2024

		Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
	Note				
Fixed assets					
Intangible assets	7	19	19	232	207
Tangible assets	8	749	749	1,126	1,126
Investments	9	9,652	3,582	8,562	3,146
		10,420	4,350	9,920	4,479
Current assets					
Cash and cash equivalents	10	21,975	20,106	19,400	17,476
Trade and other receivables	11	986	986	846	846
		22,961	21,092	20,246	18,322
Current liabilities					
Trade and other payables	12	(16,588)	(16,504)	(15,359)	(15,327)
		(16,588)	(16,504)	(15,359)	(15,327)
Net current assets		6,373	4,588	4,887	2,995
Non-current liabilities					
Creditors: due after more than one year	12	(803)	(803)	(960)	(960)
Provision for deferred tax	13	(93)-	(93)-	-	-
		(896)	(896)	(960)	(960)
Net assets		15,897	8,042	13,847	6,514
Reserves					
General funds		8,042	8,042	6,718	6,514
Scottish Solicitors' Guarantee Fund		7,855	-	7,129	-
		15,897	8,042	13,847	6,514

Patricia Thom
President, Law Society of Scotland
20 June 2025

The notes on pages 25 to 43 form part of these financial statements.



Group and Society Statements of Changes in Reserves

for the year ended 31 October 2024

	General Fund	Group Scottish Solicitors' Guarantee Fund	Total	Society General Fund
	2024 £000	2024 £000	2024 £000	2024 £000
1 November 2023	6,718	7,129	13,847	6,514
Profit for the year	1,634	726	2,360	1,838
Total profit for year	1,634	726	2,360	1,838
Actuarial loss on pension schemes	(310)	-	(310)	(310)
Other comprehensive loss for the year	(310)	-	(310)	(310)
Total comprehensive income for the year	1,324	726	2,050	1,528
31 October 2024	8,042	7,855	15,897	8,042

	General Fund	Group Scottish Solicitors' Guarantee Fund	Total	Society General Fund
	2023 £000	2023 £000	2023 £000	2023 £000
1 November 2022	6,034	7,193	13,227	5,822
Profit for the year	942	(64)	878	951
Total profit for year	942	(64)	878	951
Actuarial loss on pension schemes	(259)	-	(259)	(259)
Other comprehensive loss for the year	(259)	-	(259)	(259)
Total comprehensive income for the year	684	(64)	620	692
31 October 2023	6,718	7,129	13,847	6,514

The notes on pages 25 to 44 form part of these financial statements.



Group and Society Cash Flow Statements

for the year ended 31 October 2024

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Net cash generated from operating activities				
(Loss)/profit for the year	2,360	1,838	878	951
Interest and dividends receivable	(702)	(888)	(229)	(219)
Notional interest (credit)/charge on pension liability	(195)	(195)	(150)	(150)
Taxation (credit)/charge	84	96	(21)	18
Depreciation charges	620	620	292	292
Amortisation charges	5	1	12	12
Loss/(gain) on sale of fixed assets and investments	(955)	(393)	476	178
Defined benefit pension scheme contributions	(115)	(115)	(109)	(109)
Decrease/(increase) in debtors	(140)	(140)	54	243
(Decrease)/Increase in creditors & provisions	1,072	1,019	1,752	1,772
Cash from operations	2,034	1,843	2,955	2,988
Taxes paid	(10)	-	20	19
	2,045	1,843	2,975	3,007
Cash flows from investing activities				
Interest and dividends received	702	888	229	219
Payments to acquire investments	(1,213)	(384)	(1,379)	(478)
Receipts from sale of investments	1,080	341	924	248
Payments to acquire intangible fixed assets	-	(20)	(244)	(219)
Payments to acquire tangible fixed assets	(38)	(38)	(129)	(129)
	531	787	(599)	(359)
Increase/(decrease) in cash during the year	2,575	2,630	2,376	2,648
Net cash & cash equivalents at the start of the year	19,400	17,476	17,024	14,828
Net cash & cash equivalents at the end of the year	21,975	20,106	19,400	17,476



Group and Society Cash Flow Statements (continued)

for the year ended 31 October 2024

Net debt reconciliation		1 November 2023	Cash flows	31 October 2024
		£000	£000	£000
Group				
Cash at bank		19,400	2,575	21,975
Total		19,400	2,575	21,975
Society				
Cash at bank		17,476	2,630	20,106
Total		17,476	2,630	20,106

Net debt reconciliation		1 November 2022	Cash flows	31 October 2023
		£000	£000	£000
Group				
Cash at bank		17,024	2,376	19,400
Total		17,024	2,376	19,400
Society				
Cash at bank		14,828	2,648	17,476
Total		14,828	2,648	17,476

The notes on pages 25 to 44 form part of these financial statements.



Notes to the Financial Statements

for the year ended 31 October 2023

Note 1 - Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with accounting standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland". The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are prepared in £ sterling and rounded to the nearest £ thousand.

The financial statements have been prepared on the going concern basis. Council has a reasonable expectation at the time of approving the financial statements that the Group and Society have adequate resources to continue their operations and meet their liabilities as they fall due for the foreseeable future.

Basis of consolidation

The consolidated financial statements include the financial statements of the Society and its subsidiary undertaking, The Law Society of Scotland Services Limited, as well as The Scottish Solicitors' Guarantee Fund.

Non-consolidated entities

The following entities are not consolidated into the financial statements as they are not considered to be subsidiaries, associates or joint ventures as defined by FRS102; The Scottish Solicitors' Benevolent Fund and The Law Society of Scotland Education Foundation.

Income recognition

The Group recognises all categories of income on an accruals basis, recognising income as goods and services are delivered. Income, including membership subscriptions, is recognised in the period to which it relates.

Income received in advance which relates to future periods, or where services have not yet been provided or goods delivered, are held within liabilities as deferred income.

Due to the uncertain nature of Judicial Factories, any commission and recoveries are recognised only where the Society has received funds on notification of final settlement.

Expenditure

Expenditure is recognised on an accruals basis as a liability is incurred which is as soon as there is a legal or constructive obligation committing the Group to the expenditure. Running costs include travel, accommodation, legal fees, professional subscriptions, and other direct costs.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 1 - Accounting policies (continued)

Guarantee Fund Claims

Claims are recognised where the Fund has received a claim by 31 October 2023 which has subsequently been paid out.

Potential claims of which the Client Protection Fund are aware, but have not yet crystallised, are not provided for within these financial statements because there is no conclusive way to determine the likelihood of the claim being accepted, or to accurately assess any value of the claim to be paid. Accordingly, these potential claims fail to meet the criteria for a provision and are regarded as unquantifiable contingent liabilities.

Taxation

The Society is liable for corporation tax on chargeable investment gains, investment income and assessable profits from commercial activity.

Provision is made for deferred taxation to the extent that timing differences are expected to reverse in future periods. Changes in deferred taxation on assets or liabilities are recognised as a component of tax expense in the Income Statement.

Operating lease

The Society leases the premises at 144 Morrison Street, Edinburgh. Lease incentives are released to profit or loss over the term of the lease.

Intangible assets

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probably future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, as follows:

Software	5 years
Course Development	5 years

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Right of Use assets provision is measured as the present value of future expected costs to fulfil the obligation using a risk-adjusted discount rate.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	15 years
Office equipment, fixtures and furniture	3-10 years
Right of Use assets	15 years

Note 1 - Accounting policies (continued)

Investments

Investments comprise investments in quoted and unquoted equity instruments which are measured at fair value where this can be measured reliably. Where fair value cannot be measured reliably then the investment is carried at cost less impairment. Changes in fair value are recognised in the Income Statement. The Group also has one investment in a subsidiary, The Law Society of Scotland Services Limited, for which the cost model has been adopted.

Trade and other receivables

Debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

Cash and cash equivalents

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar.

Trade and other payables

Creditors and provisions are recognised where the Group has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party, and where the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their likely settlement amount.

Pension scheme liability

The Group operates a defined benefit pension scheme providing benefits based on final pensionable pay (closed to new members from 30 June 2003 and closed to future accrual from 1 May 2010). The assets of the scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. A pension scheme surplus is not carried as an asset in the financial statements as the Group does not have an unconditional right to any funds left at the cessation of the defined benefit pension scheme. Any pension scheme deficit is recognised in full. The movement in the scheme deficit is reported within other comprehensive income as actuarial gains and losses.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Employee benefits

The Group contributes to a group personal pension plan on behalf of certain employees. The assets of this scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period. Other short-term employee benefits are recognised as an expense in the period in which they are incurred.

Provision for liabilities

In cases where the in-house team director has been appointed by the Court to act as Judicial Factor, funds are advanced to cover direct costs including, but not limited to, storage costs, court and legal fees identified in the specific cases.

Note 1 - Accounting policies (continued)

During the administration of an estate, further loans are advanced until the Judicial Factor is able to secure sufficient funding from assets in the estate to continue to operate. If the Judicial Factor is unable to secure sufficient funding, the loans advanced will be immediately written off as an expense and provisions made to cover expected future costs. The provision is then adjusted based on the best available information. Where the Society requests the court to appoint an external Judicial Factor, the Society has a contractual obligation to meet any shortfall where the estate under administration is insufficient to meet the commission payable to the judicial factor as fixed by the Accountant of Court.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, Council is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In preparing these financial statements, Council have made the following judgements:

- Actuarial assumptions in respect of the defined benefit pension scheme. In making these assumptions, advice has been taken from an independent, qualified actuary. The assumptions are all shown in note 14.
- Tangible fixed assets depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.
- Determining whether leases entered into by the Group as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Intangible assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.



Notes to the financial statements (continued)

for the year ended 31 October 2024

The following are the Group's key sources of estimation uncertainty:

- Potential claims of which the Client Protection Fund are aware, but have not yet crystallised, are not recognised within these financial statements as there is no conclusive way to determine the likelihood of any claim being accepted, or accurately assess the value of any claim to be paid.
- Recoveries from amounts spent on Judicial Factories, Client Protection Fund claims and Scottish Solicitor Disciplinary Tribunal expenses are only recognised when a repayment is certain or agreement reached, which can occur several years after the related expenditure has been incurred.
- Deferred tax has been estimated based on available future corporation tax rates. It is not known what the corporation tax rate will be when the investments are sold.
- Dilapidations provision has been based on the estimated cost of reinstatement of the office at the end of the lease using a discounted cash flow approach, calculating present value of future repair costs. The provision is recorded under current liabilities, with a corresponding adjustment to the Right-of-Use asset.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 2 – Segmental Information

All segments of operating activity are continuing and are based in the UK. For management purposes the Society is organised into 5 directorates to reflect different operational and statutory functions. The individual segments of the Society, together with the consolidated entities, Scottish Solicitor's Guarantee Fund and Law Society of Scotland Services Limited, do not include any allocation of the Shared Service overhead.

Group	2024				2023			
	Segmentation by Directorate	Subscriptions and other income £000	Employment Costs £000	Other direct costs £000	Operating profit/(loss) £000	Subscriptions and other income £000	Employment Costs £000	Other direct costs £000
Membership income	11,463	-	-	11,463	9,339	-	-	9,339
Education, Training & Qualifications	425	(648)	(115)	(338)	440	(651)	(91)	(302)
Finance and Operations	-	(2,068)	(4,524)	(6,592)	-	(2,020)	(3,344)	(5,364)
Member Services	1,667	(1,731)	(878)	(942)	1,245	(1,265)	(540)	(560)
Regulation	2,223	(3,048)	(687)	(1,512)	2,128	(2,658)	(615)	(1,145)
External Relations	-	(1,139)	(401)	(1,540)	-	(1,028)	(270)	(1,298)
Scottish Solicitors' Guarantee Fund	183	-	(238)	(55)	190	-	(197)	(7)
LSS Services Ltd	2	-	(10)	(8)	-	-	(9)	(9)
	15,963	(8,634)	(6,853)	476	13,342	(7,622)	(5,066)	654

Education, Training & Qualifications deal with all matters relating to the education, training and qualification of members. This includes policy aspects of pre- and post-qualification education and training; accreditation of providers of the components of the route to qualification; the registration and admission of trainee solicitors; the Society's equality and diversity work; work with schools; engagement with students and trainee solicitors; and the development of qualifications to underpin new categories of affiliate membership.

Finance and Operations include the finance functions, IT, Human Resources, governance, facility management, property costs and health and safety functions. These grants were recognised within the Finance and Operations segment as income.

Member Services comprise four main areas of responsibility. Professional Practice offers support and advice to members. Commercial activity includes the creation and delivery of events and webinars to members and the general public, as well as sourcing business sponsorship. The non-commercial team offer a wide range of member support services, now including member registration.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 2 – Segmental Information (continued)

Regulation comprises teams dealing with complaints, financial compliance, interventions, rules and policy matters, and the Civil Legal Quality Assurance regime.

External Relations is responsible for the Society's communications, policy work, research, and international work. This includes representing the Society with Government, stakeholder groups and other influencers.

Society Segmentation by Directorate	2024				2023			
	Subscriptions and other income £000	Employment Costs £000	Other direct costs £000	Operating profit/(loss) £000	Subscriptions and other income £000	Employment Costs £000	Other direct costs £000	Operating profit/(loss) £000
Membership income	11,463	-	-	11,463	9,339	-	-	9,339
Education, Training & Qualifications	425	(648)	(115)	(338)	440	(651)	(91)	(302)
Finance and Operations	-	(2,068)	(4,524)	(6,592)	-	(2,020)	(3,344)	(5,364)
Member Services	1,667	(1,731)	(878)	(942)	1,245	(1,265)	(540)	(560)
Regulation	2,223	(3,048)	(687)	(1,512)	2,128	(2,658)	(615)	(1,145)
External Relations	-	(1,139)	(401)	(1,540)	0	(1,028)	(270)	(1,298)
	15,778	(8,634)	(6,605)	539	13,152	(7,622)	(4,860)	670



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 3 – Employment Costs

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Salary	7,934	7,934	6,964	6,964
Pension	640	640	533	533
Temporary Staff	60	60	125	125
	<u>8,634</u>	<u>8,634</u>	<u>7,622</u>	<u>7,622</u>

The Group and Society employment costs include those of the key management personnel.

Senior Leadership Team

The senior leadership team are considered to be the key management personnel of the Society.

The senior leadership team are those persons having authority and responsibility for planning, directing and controlling the activities of the Society. The senior leadership team comprises the chief executive officer and the executive directors of the following five areas: education, training & qualifications; external relations; finance & operations; member services, and regulation.

	Senior Leadership Team (excluding Chief Executive)		Chief Executive	
	2024 £000	2023 £000	2024 £000	2023 £000
Salary	512	489	190	182
Employer National Insurance	61	61	25	24
Pension	51	48	-	-
	<u>624</u>	<u>598</u>	<u>215</u>	<u>206</u>

The remuneration of the Chief Executive package, including employers NI was £215,000 (2023: £206,000) which equates to 4.2x the median annualised salary of all other employees (2023: 4.4x).

Average Number of Employees by Directorate	2024	2023
Education, Training & Qualification	13	13
External Relations	20	20
Finance and Operations	37	39
Member Services	35	27
Regulation	51	48
	<u>156</u>	<u>147</u>



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 3 – Employment Costs (continued)

Office Bearers and Council Members

The President of the Society received compensation of £88,631 (2023: £85,086), the Vice President received compensation of £44,316 (2023: £42,543) and the Past President received compensation of £22,158 (2023: £21,270) in relation to their respective roles.

Council Members, when serving on the Board of the Society, receive an honorarium for their services of £2,952 (2023: £2,805). In the year a total of £12,099 was paid to 5 members of the Board (2023: £12,856).

Compensation is also paid to the conveners of the various committees run by the Society. The aggregate total compensation paid to all conveners in the year was £197,811 (2023: £185,694).

Note 4 – Interest receivable and similar income

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Interest Income				
Current Account	-	-	-	-
Dividends	-	212	-	-
Deposit Account	507	481	229	219
Pension Scheme (Net)	195	195	150	150
	<u>702</u>	<u>888</u>	<u>379</u>	<u>369</u>

Note 5 – Auditor's remuneration

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Group external audit fees	47	42	49	43
Tax advisory fees	11	8	13	9
	<u>58</u>	<u>50</u>	<u>62</u>	<u>52</u>



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 6 – Corporation tax

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Current corporation tax charge	117	98	117	98
Adjustment in relation to prior year	(92)	(57)	(92)	(57)
Movement in deferred tax provision	(46)	(23)	(46)	(23)
	(21)	18	(21)	18
Reconciliation:				
(Deficit)/Surplus for the year before tax	2,644	1,931	857	969
Corporation taxation at 225%	661	483	193	219
Deferred tax provision c/f	93	93-	-	-
Deferred tax provision b/f	(24)	(-)	(46)	(23)
Income not subject to corporation tax	(491)	(327)	(110)	(121)
Expenditure not allowable for corporation tax	-	-	34	-
(Over) provision previous year	(155)	(153)	(92)	(57)
	84	96	(21)	18

The majority of the Society's income (and related expenditure) is not subject to corporation tax due to the Society's mutual status and associated mutual trade. The SSGF is not considered to be carrying out a trade and the surplus recognised in respect of its core activity is not considered to fall within any other sources of taxable income and therefore the majority of its income and related expenditure is not subject to corporation tax.

Note 7 – Intangible Assets

Group

	Intangible Assets Course Development £000	Intangible Assets- Software £000	Total £000
Cost			
At 1 November 2023	25	219	244
Additions	-	-	-
Disposals	-	(219)	(219)
At 31 October 2024	25	-	25
Amortisation			
At 1 November 2023	-	12	12
Charge for year	6	-	6
Disposals	-	(12)	(12)
At 31 October 2024	6	-	6
Net book value 31 October 2024	19	-	19
Net book value 31 October 2023	25	207	232



Notes to the financial statements (continued)

for the year ended 31 October 2024

Society

	Intangible Assets Course Development £000	Intangible Assets- Software £000	Total £000
Cost			
At 1 November 2023	-	219	219
Additions	20	-	20
Disposals	-	(219)	(219)
At 31 October 2024	20	-	20
Amortisation			
At 1 November 2023	-	12	12
Charge for year	1	-	1
Disposals	-	(12)	(12)
At 31 October 2024	1	-	1
Net book value 31 October 2024	19	-	19
Net book value 31 October 2023	25	207	232

Intangible assets were reviewed during 2024, concluding that the previously capitalised costs relating to the implementation of the Finance System did not meet the criteria as laid down by accounting standards and therefore have created disposals this year. Intangible assets relate to investment in Paralegal course creation in conjunction with Robert Gordon University were transferred from Law Society of Scotland Services Limited, during the Financial Year, ahead of the Services company being made dormant.

Note 8 – Tangible Assets

Group and Society

	Leasehold improvements £000	Right of use asset £000	Office equipment, fixtures and furniture £000	Total £000
Cost				
At 1 November 2023	1,485	-	1,607	3,092
Additions	34	205	4	243
Disposals	-	-	-	-
At 31 October 2024	1,519	205	1,611	3,335
Depreciation				
At 1 November 2023	807	-	1,159	1,966
Charge for year	330	132	158	620
Disposals	-	-	-	-
At 31 October 2024	1,137	132	1,317	2,586
Net book value 31 October 2024	382	73	294	749
Net book value 31 October 2023	678	-	448	1,126



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 9 – Investments

	Group	Society	Group	Society
	2024	2024	2023	2023
	£000	£000	£000	£000
Cost or Market value				
At 1 November	8,562	3,146	8,568	3,079
Additions	1,215	384	1,379	478
Disposal at opening market value	(1,080)	(341)	(924)	(248)
Unrealised (losses)/gains	955	393	(461)	(163)
At 31 October	9,652	3,582	8,562	3,146
<i>Comprises:</i>				
Listed investments	9,652	3,582	8,562	3,146
	9,652	3,582	8,562	3,146

The historical cost of listed investments at 31 October 2023 was Group £8,893,000 (2023: £8,845,000) and the Society £3,210,000 (2023: £3,189,000). The listed investments are valued monthly to market value (bid price).

The Society owns 100% of its subsidiary, The Law Society of Scotland Services Limited, registered at Atria One, 144 Morrison Street, Edinburgh, EH3 8EX. The purpose of The Law Society of Scotland Services Limited is to undertake certain commercial opportunities on behalf of the Society.

Note 10 – Cash and Cash equivalents

	Group	Society	Group	Society
	2024	2024	2023	2023
	£000	£000	£000	£000
Cash at bank	21,834	20,072	19,189	17,422
Cash held by investment manager	141	34	211	54
Cash and cash equivalents	21,975	20,106	19,400	17,476

At the year end, the Society held funds in the sum of £1,947,000 in respect of Master Policy insurance rebates, to be applied specifically against future Master Policy insurance premiums, in 2025. This sum is included in the above Society and Group cash at bank balances, and is also included in Other creditors in Note 12.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 11 – Trade and other receivables

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Trade debtors	220	220	203	203
Other debtors	76	76	253	253
Prepayments and accrued income	690	690	390	390
	<u>986</u>	<u>986</u>	<u>846</u>	<u>846</u>

Note 12 – Trade and other payables

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Fees in advance	12,550	12,550	11,497	11,497
Trade creditors	421	421	320	320
Corporation tax	111	100	130	119
Other taxation and social security	256	276	201	201
Other creditors	2,441	2,370	2,520	2,520
Accruals	809	787	691	670
	<u>16,588</u>	<u>16,504</u>	<u>15,359</u>	<u>15,327</u>
Accruals falling due after more than one year	<u>803</u>	<u>803</u>	<u>960</u>	<u>960</u>

Note 13 – Deferred Tax Provision

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Provision brought forward	-	-	46	23
Charge/(credit) for unrealised gains/losses on investments	93	93	(46)	(23)
Provision carried forward	<u>93</u>	<u>93</u>	<u>-</u>	<u>-</u>

Deferred tax assets not recognised for the Group 2024 £93,000 (2023 £nil) and Society 2024 £93,000 (2023 £23,000)



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 14 – Pension Schemes

Defined benefit pension scheme

The Society operates a defined benefit pension arrangement called The Law Society of Scotland Staff Retirement Benefits Scheme (the “Scheme”). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Society also operates a defined contribution scheme, but this is not included in these disclosures.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Society must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Society meets the scheme running costs as they fall due. The Society finalised negotiations with the scheme Trustees in August 2020 to determine the next recovery plan. Following the finalisation of the March 2022 triennial valuation the next recovery plan was agreed covering a ten year period. £170,000 was paid in March 2020 as year 1 of the revised plan. From March 2021 for nine years, £99,000 will be due to be paid annually, increasing at a rate of 5% per annum, with £104,000 having been paid in March 2022, £109,000 paid in March 2023 and £115,000 paid in March 2024. The most recent actuarial valuation of the Scheme was carried out as at 31 October 2024, at the review date there was a surplus of £3,880,000 (2023 £3,337,000). Due to the performance the Trustees of the Scheme have agreed that contributions from the Society are currently not required, however, may be required in the future.

Explanation of amounts in the financial statements

Amounts recognised in the Statement of Financial Position at 31 October 2024	Value at 31 October 2024 £000	Value at 31 October 2023 £000
Fair value of assets	8,093	7,237
Present value of funded obligations	4,213	3,900
Valuation surplus	3,880	3,337
Impact of asset ceiling *	(3,880)	(3,337)
Recognised defined benefit asset/(liability)	-	-

* The valuation surplus is not carried as an asset in the financial statements as the Society does not have an automatic right to any surplus funds remaining at the cessation of the Scheme.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Amounts recognised in the Income Statement over the year	31 October 2024 £000	31 October 2023 £000
Current service cost	-	-
Interest on liabilities	(224)	(233)
Interest on assets	419	383
Past service cost	-	-
Settlement cost	-	-
Total	195	150

Remeasurements over the year	31 October 2024 £000	31 October 2023 £000
Loss/(gain) on scheme assets in excess of interest	(335)	1,187
Experience losses/(gains) on liabilities	(89)	(472)
Losses/(gains) from changes to demographic assumptions	-	(39)
Losses/(gains) from changes to financial assumptions	191	(644)
Impact of asset ceiling *	543	227
Total remeasurements	310	259

* The valuation surplus is not carried as an asset in the financial statements as the Society does not have an automatic right to any surplus funds remaining at the cessation of the Scheme.

Reconciliation of assets and defined benefit obligation

The change in the assets over the period was:

	31 October 2024 £000	31 October 2023 £000
Fair value of assets at 1 November 2023	7,237	8,097
Interest on assets	419	383
Society contributions	115	109
Contributions by Scheme participants	-	-
Benefits paid	(13)	(165)
Change due to settlements	-	-
Return on Scheme assets less interest	335	(1,187)
Fair value of assets at 31 October 2024	8,093	7,237



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 14 – Pension Schemes (continued)

The change in the Defined Benefit Obligation over the period was:

	31 October 2024	31 October 2023
	£000	£000
Defined Benefit Obligation at 1 November 2023	3,900	4,987
Current service cost	-	-
Contributions by Scheme participants	-	-
Past service cost	-	-
Interest cost	224	233
Benefits paid	(13)	(165)
Change due to settlements	-	-
Experience loss/(gain) on defined benefit obligation	(89)	(472)
Changes to demographic assumptions	-	(39)
Changes to financial assumptions *	191	(644)
Defined Benefit Obligation at 31 October 2024	4,213	3,900

* See Actuarial Assumptions below.

Assets

The major categories of assets as a percentage of total assets are as follows:

Asset category	31 October 2024	31 October 2023
Corporate bonds	-	27%
Diversified funds	58%	72%
Gilts and Index Linked Gilts	41%	-
Cash	1%	1%
Total	100%	100%

The return on the assets over the period was (£754,000) (2023: £804,000).



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 14 – Pension Schemes (continued)

Actuarial assumptions

The principal assumptions used to calculate the Scheme's liability include:

	31 October 2024	31 October 2023
Discount rate	5.45% pa	5.75% pa
Inflation assumption (RPI)	3.40% pa	3.40% pa
Inflation assumption (CPI)	2.80% pa	2.80% pa
Pension increases – CPI limited to 5%	2.70% pa	2.70% pa
Pension increases – CPI limited to 3%	2.30% pa	2.30% pa
Pension increases – CPI limited to 2.5%	2.05% pa	2.05% pa
Revaluation in deferment	2.80% pa	2.80% pa
Post retirement mortality assumption	110% of S3PxA, projected with CMI 2023 using a long term improvement rate of 1.5% pa,	110% of S3PxA, projected with CMI 2022 - long term rate of improvement 1.5% pa, initial addition of 0%, 2020 and 2021 weight parameter of 0%, 2022 weight parameter of 25% and smoothing parameter of 7.0
Commutation	Members are assumed to take 25% of their pension as tax free cash	Members are assumed to take 25% of their pension as tax free cash

Defined contribution pension scheme

The Society operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The total contributions paid in the year was £543,000 (2023: £533,000). At the year end contributions totalling £nil (2023: £140,000) were payable to the scheme and are included in other creditors.

Note 15 – Related party transactions

Scottish Solicitors' Benevolent Fund

The Council of the Law Society of Scotland has the sole power to amend the Declaration of Trust which established SSBF. At the year-end, a balance of £nil (2023: £10,058) was due to the Law Society of Scotland.

Legal services

Some Council members are partners of firms instructed by the Law Society of Scotland to provide legal services to the Society. Firms are appointed to the Society's panel of approved solicitors after a competitive tendering process. None of the office bearers' firms provided any services to the Society in the year.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 15 – Related party transactions (continued)

Law Society of Scotland Educational Foundation

The Society provides administrative support at no charge to Law Society of Scotland Educational Foundation (The Foundation), a registered charity. One staff member is a trustee. At the year end a balance of £NIL was due to the Law Society of Scotland from the Foundation (2023: £1,018 due from the Society).

Scottish Solicitors Guarantee Fund

The Society provides administrative support at a charge of £108,000 per annum to Scottish Solicitors Guarantee Fund. At the year end a balance of £1,419 was due to The Law Society of Scotland from the Scottish Solicitors Guarantee Fund (2023: £nil due from the Society).

Council, Board and Committee members

Transactions that the Society has with Office Bearers, Members of Council and the Society Board, either individually or through an entity that the member has significant influence over are considered to be related parties. Direct compensation paid to members is covered in note 3.

Solicitor members are required to pay an annual practising certificate fee, which is charged on the same bases as all other members of the Society. Due to the nature of the Society's activities, such transactions with individual members, or their firms, have not been disclosed.

Dalling Solicitors

The Society was invoiced a total of £4,340 (2023: £42,844) by Dalling Solicitors in the year for the services of Ken Dalling in his capacity as President, Past President and committee convener. At 31 October 2024 a balance of £nil (2023: £5,048) was owed by the Society to Dalling Solicitors in respect of these transactions.

Positive Leadership Limited

The Society was invoiced a total of £5,722 (2023: £8,317) by Positive Leadership Limited in the year for the services of Graham Watson in his capacity as Board member and committee convener. At 31 October 2024 a balance of £nil (2023: £nil) was owed by the Society to Positive Leadership Limited in respect of these transactions.

Austin Lafferty Limited

The Society was invoiced a total of £3,616 (2023: £6,183) by Austin Lafferty Limited in the year for the services of Austin Lafferty, a Council member, in his capacity as committee convener. At 31 October 2024 a balance of £nil (2023: £nil) was owed by the Society to Austin Lafferty Limited in respect of these transactions.

Davidson Chalmers Stewart

The Society was invoiced a total of £5,520 (2023: nil) by Davidson Chalmers Stewart, of which Sheila Webster is a partner. At 31 October 2024 a balance of £nil (2023: £nil) was owed by the Society to Davidson Chalmers Stewart in respect of these transactions.

Aside from the above noted transactions, the Society also transacts with Council Members, their firms or related entities in the normal course of business for legal, consultancy and recruitment services. The Society maintains a panel, run independently to the Council, which tenders from time to time for preferred suppliers of such services. This ensures that these transactions can be considered arms-length and no preferential treatment is given.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 16 - Contingent liabilities

In appointments of external Judicial Factors, the Society has an obligation to meet any shortfall where the estate under administration is insufficient to meet the commission payable to the Judicial Factors as fixed by the Accountant of Court. In cases where a potential shortfall is identified a provision representing the best available estimate of the liability is made within the financial statements. However, the Society may also have a liability in other cases where a Judicial Factor has been appointed but it is not possible to quantify the liability at the Statement of Financial Position date. The existence of these liabilities depends on the funds collected by the Judicial Factor in the administration of the estate and the Society may receive a refund or incur future costs in bringing the estate to a conclusion.

Guarantee Fund Claims intimated but not paid are subject to investigation and the sum claimed may or may not be admitted on the basis of whether the claim falls within the criteria of the Fund. If a claim is admitted, it may not be for the sum claimed. Many claims are straightforward and can be resolved quickly. However, in more complex cases or where the records left by the former firm are very poor, a longer resolution timescale will be necessary. In the absence of reliable information to the contrary, outstanding claims are treated as contingent liabilities at the sum intimated. As such, the total of claims intimated does not necessarily represent claims that will be paid. At 31 October 2024 these claims amounted to £1.7 million (2023: £0.88 million).

Note 17 - Commitments under Operating Leases

At 31 October the Society had the following minimum payments under non-cancellable operating leases:

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Land and Buildings:				
Within 1 year	468	468	468	468
Within 2 to 5 years	1,874	1,874	1,874	1,874
In 5 years or more	371	371	839	839
	<u>2,713</u>	<u>2,713</u>	<u>3,181</u>	<u>3,181</u>

Operating lease payments represent total rentals in respect of the Society's office premises at Atria One, Morrison Street Edinburgh from 1 November 2023 until the expiry date of the lease, 16th August 2030. The figures exclude any irrecoverable VAT, which will vary from year to year depending on income sources. During the year the Society surrendered part of its floorspace to a neighbouring tenant, with a proportionate reduction in the annual rental charge.



Notes to the financial statements (continued)

for the year ended 31 October 2024

Note 18 – Financial Instruments

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Financial assets:				
Financial assets measured at fair value	9,652	3,582	8,563	3,146
Financial assets measured at amortised cost	22,266	20,398	19,729	17,805
Financial liabilities:				
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities measured at amortised cost	4,475	4,381	4,364	4,343

Financial assets and liabilities are initially measured at transaction price (including transaction costs). The Group only has financial assets and liabilities which qualify as a basic financial instrument.

Financial assets measured at fair value comprise listed investments which are valued at market value (closing bid price).

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors and other debtors.

The Group has no liabilities requiring measurement at fair value.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.