



Law Society of Scotland

Report and Consolidated Financial Statements

Year ended 31 October 2023



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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 2023 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 £878,000 for the financial year ended 31 October 2023 (2022: loss of £666,000). This comprises the following components:

	2023	2022
	£000	£000
Law Society of Scotland	951	(5)
The Law Society of Scotland Services Limited	(8)	(14)
Scottish Solicitors' Guarantee Fund	(64)	(647)
Total – Group	878	(666)

Profit reported by the Group after actuarial adjustment was £620,000 (2022: loss of £792,000).

Investments - Group

The Group's investment portfolios reflect the flat performance of financial asset values during the year, with market values as at 31 October 2023 as follows:

	2023	2022
	£000	£000
Law Society of Scotland	3,146	3,079
The Law Society of Scotland Services Limited	91	93
Scottish Solicitors' Guarantee Fund	5,325	5,396
Total – Group	8,562	8,568

Cash - Group

Cash balances for the Group as at 31 October 2023 were as follows:

	2023	2022
	£000	£000
Law Society of Scotland	17,476	14,828
The Law Society of Scotland Services Limited	93	129
Scottish Solicitors' Guarantee Fund (<i>not available for the Society's use</i>)	1,831	2,067
Total – Group	19,400	17,024



Council's Report (continued)

Reserves - Group

Group Reserves increased from £13,227,000 to £13,847,000 at the year end. The breakdown is as follows:

	2023 £000	2022 £000
Law Society of Scotland	6,514	5,822
The Law Society of Scotland Services Limited	204	212
Scottish Solicitors' Guarantee Fund	7,129	7,193
Total – Group	13,847	13,227

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 2023 the SSGF reserves were £7,129,000 (2022: £7,193,000).

Society

The Society reports a profit (prior to the actuarial adjustments to the closed final salary pension scheme liability) of £951,000 for the financial year ended 31 October 2023 (2022: loss of £5,000)

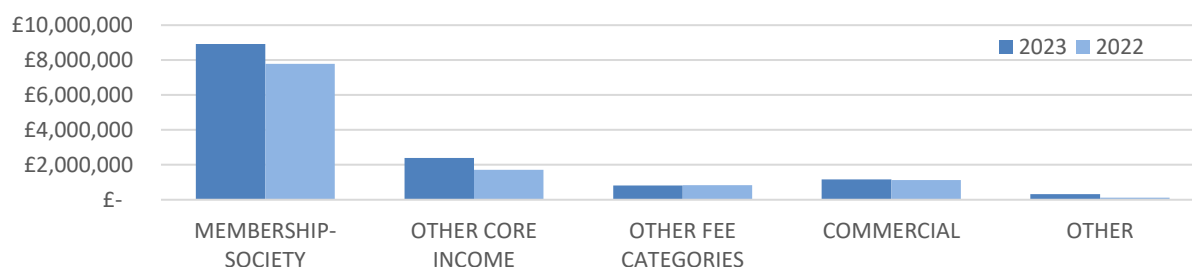
A loss of £172,000 (2022: loss of £598,000) in the value of the investment portfolio held by the Society reduced the profits. The Society is investing in funds for the longer term and the portfolio is managed according to defined criteria. The investment objective is to achieve a balanced return, seeking 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 £670,000 (2022: £339,000). Revenue uplift has positioned the Society to weather inflation increases already suffered and anticipated. Operational expenditure has risen with the return of post pandemic operating activity, however, resource management has been impacted by a challenging and 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.

Profit reported by the Society after actuarial adjustment was £692,000 (2022: loss of £131,000).

Operating Income - Society

Income for the year (excluding investment gains) was £13.1 million, an increase of 16% from the previous year. Income is analysed as follows:





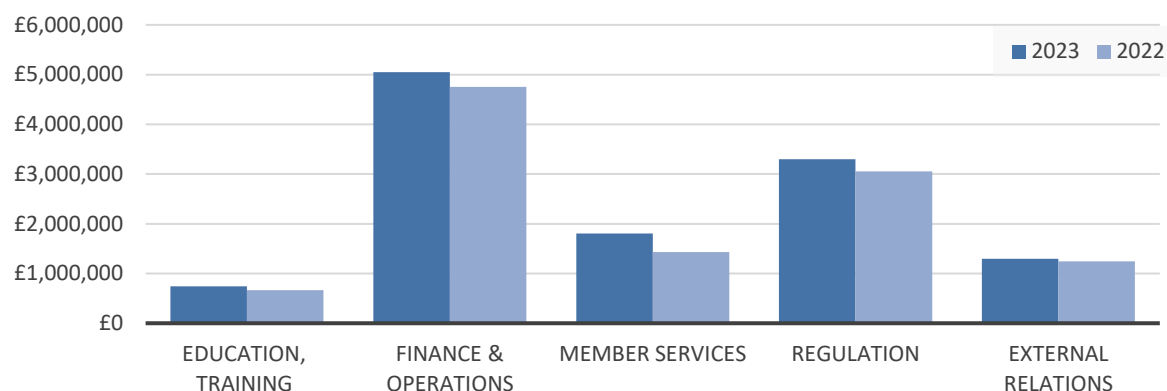
Council's Report (continued)

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

Operating Expenditure - Society

Expenditure (excluding actuarial movements in closed pension scheme) was £12.5 million, an increase of 11.6% from 2022. Expenditure is analysed as follows:



In 2022/23 the return to post-pandemic levels of activity was consolidated. Operating cost increased compared with the prior year across most areas, reflecting this return of activity, despite the challenge of filling of vacancies required to deliver these activities. While 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, together with continuing necessary 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 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 intervaluation 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.

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.



Council's Report (continued)

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.

Financial Reporting Standard 102 applies less prudent assumptions than those in the triennial actuarial valuation (as explained in note 13). 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 £259,000 (2022: £126,000).

At 31 October 2023 there was no scheme deficit for financial reporting purposes (2022: deficit £nil).

Reserves

The Society's reserves increased from £5.8 million to £6.5 million at the year end. The principal reason for this movement was net operational surplus, as a result of fee income ahead of inflationary and base operating cost increases.

Council approved an updated Operating Reserves Policy in January 2021. The purpose of the Operating Reserve 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 16), as reflected in future cash flow projections.

Operating reserves cover calculation as at 31 October 2023:

	£000 2023	£000 2022
Total Capital Employed	6,514	5,822
Less: Net book value of fixed assets	(1,333)	(1,303)
Reserves per policy (A)	5,181	4,519
Projected operating and capital expenditure for the next 12 months - Society only (B)	17,389	14,172
Number of months' coverage from reserves (A / (B/12))	3.6 months	3.8 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.



Council's Report (continued)

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

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 nine co-opted members representing other interest groups and eight 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 2022/23

Vice President 2022/23

Past President 2022/23

Sheila Webster

Susan Murray

Murray Etherington

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

Campbeltown, Dumbarton, Dunoon, Oban, Rothesay and Fort William

Cupar, Dunfermline and Kirkcaldy

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

Portree, Stornoway, Tain and Wick

Edinburgh

England and Wales

Glasgow and Strathkelvin

Greenock, Kilmarnock and Paisley

Haddington, Peebles, Jedburgh, Duns and Selkirk

Perth

Co-opted members:

Arlene Gibbs

Luke O'Curry

Paul Gerard Gostelow

Ken Dalling

John Mulholland

Murray Etherington

Lauren Fowler

Philip Lafferty

Campbell Read

Jaclyn Robertson

Ross Taylor

Sheekha Saha

Serena Sutherland

Rebecca Roberts

Kirsty Lang

Nyree Conway

Susan Murray

Sheila Webster

James Bryden

Amna Ashraf

Austin Lafferty

Beatrice Nicholas

Jean-Paul Kasasula

William Lennox

Peter Walsh

Struan Ferguson

Patricia Thom

Euan Mitchell



Council's Report (continued)

New lawyers

Corporate & banking sector

Solicitor to the Scottish Government

Scottish solicitors outside of Great Britain

Scottish solicitor advocates

Crown Office & Procurator Fiscal Service

Charlotte Edgar
 Andrew Hintridge
 Ruaraidh Macniven
 Siobhan Kahmann
 James Keegan KC
 Stephen McGowan

In-house lawyers

Sheekha Saha
 Vlad Valiente

Lay members:

Sue Carter
 Aisha Holloway
 Fiona Larg
 John McGuigan
 Derek McIntyre
 Christine Walsh
 Graham Watson
 Lesley Watt

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

President

Vice President

Past President

Treasurer

Elected members:

Sheila Webster
 Susan Murray
 Murray Etherington
 Graham Watson
 Paul Gostelow
 Sue Carter
 Susan Murray

Co-opted member

Observer Member

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.



Council's Report (continued)

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 meets 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 2023/24, the continued return of online and in-person events and CPD training in 2023/24 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 cost impact is fully established.

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 include an increase that realigns fees to pre-covid levels plus keeping pace with inflation. Our operating plan for 2023/24 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 deficit worsens, 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, 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 received in 2023



Council's Report (continued)

Key risks (continued)

Area	Risk	Mitigating Action
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 introduce 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	Introduce the AI policy, agreed by SLT, restricting use of AI tools to only those approved by IT, which will only be those that protect and ringfence our data

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 2022/23 was the first 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.

Our people remain at the heart of everything we do and whilst we must balance a number of key priorities like IT transformation, in 2022/23 we published "Our People Strategy" setting out our commitment to providing the best colleague experience possible. We will build on our value-based work environment to attract and retain the best talent for the benefit of the Society and our members.

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.

Sheila Webster
 President, Law Society of Scotland
 15 March 2023



Finance Sub-Committee – Convener’s report

Committee members

Graham Watson (Convener and Treasurer)
Derek McIntyre
Campbell Read (resigned January 2023)
Serena Sutherland
Paul Gostelow
Jaqui Low (appointed November 2023)
Gordon Lennox (appointed November 2023)

Gaynor MacLellan (Secretary)

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 had been agreed at the Annual General Meeting in June 2023. The sub-committee will remain actively engaged during 2023/24 to ensure robust financial controls are in place, while supporting the Society to meet its strategic goals.

Graham Watson
Treasurer
Date 2024



Audit Committee – Convener’s report

Committee members

Fiona Larg (Convener)
Peter McCall
Deborah Wilson-McCuish (resigned November 2023)
Angela Winchester
Helen Howden

Gaynor MacLellan (Secretary)

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 in May 2023.

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 five 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 2023/24

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
Date 2024



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 October 2023 and of the Group's and Parent Entity's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

We have audited the financial statements of Law Society of Scotland ("the Parent Entity") and its subsidiaries (the "Group") for the year ended 31 October 2023 which comprise the Group and Society income statements, the Group and Society statements of comprehensive income, the Group and Society statements of financial position, the Group and Society statements of changes in reserves, the 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).

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.

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.

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



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)

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).

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.

BDO LLP
Chartered Accountants
Edinburgh, UK

Date 2023

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 2023

	Note	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Continuing operations					
Subscriptions and other income	2	13,342	13,152	11,497	11,492
Employment costs	2,3	(7,622)	(7,622)	(6,933)	(6,933)
Other operating costs	2	(5,066)	(4,860)	(4,403)	(4,220)
Operating profit	2	654	670	161	339
Loss on fair value of investments		(476)	(178)	(1,339)	(558)
Income from fixed asset investments		301	108	250	90
Interest receivable and similar income	4	379	369	25	25
Profit/(loss) before tax		857	969	(903)	(104)
Taxation on profit	6	21	(18)	237	99
Profit/(loss) for the year		878	951	(666)	(5)

Group and Society Statements of Comprehensive Income

for the year ended 31 October 2023

	Note	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Profit/(loss) for the year		878	951	(666)	(5)
Actuarial loss in defined benefit pension scheme	13	(259)	(259)	(126)	(126)
Total comprehensive income/(loss) for the year		620	692	(792)	(131)

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



Group and Society Statements of Financial Position

As at 31 October 2023

	Note	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Fixed assets					
Intangible assets	7	232	207	-	-
Tangible assets	8	1,126	1,126	1,303	1,303
Investments	9	8,562	3,146	8,568	3,079
		<u>9,920</u>	<u>4,479</u>	<u>9,871</u>	<u>4,382</u>
Current assets					
Cash and cash equivalents	10	19,400	17,476	17,024	14,828
Trade and other receivables	11	846	846	900	1,089
		<u>20,246</u>	<u>18,322</u>	<u>17,924</u>	<u>15,917</u>
Current liabilities					
Trade and other payables	12	(15,359)	(15,327)	(13,452)	(13,384)
		<u>(15,359)</u>	<u>(15,327)</u>	<u>(13,452)</u>	<u>(13,384)</u>
Net current assets		<u>4,887</u>	<u>2,995</u>	<u>4,472</u>	<u>2,533</u>
Non-current liabilities					
Creditors: due after more than one year	12	(960)	(960)	(1,070)	(1,070)
Provision for deferred tax	13	-	-	(46)	(23)
		<u>(960)</u>	<u>(960)</u>	<u>(1,116)</u>	<u>(1,093)</u>
Net assets		<u>13,847</u>	<u>6,514</u>	<u>13,227</u>	<u>5,822</u>
Reserves					
General funds		6,718	6,514	6,034	5,822
Scottish Solicitors' Guarantee Fund		7,129	-	7,193	-
		<u>13,847</u>	<u>6,514</u>	<u>13,227</u>	<u>5,822</u>

Approved by the Council of the Law Society of Scotland

President, Law Society of Scotland
Date 2024

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 2023

	Group			Society
	General Fund	Scottish Solicitors' Guarantee Fund	Total	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

	Group			Society
	General Fund	Scottish Solicitors' Guarantee Fund	Total	General Fund
	2022 £000	2022 £000	2022 £000	2022 £000
1 November 2021	6,179	7,840	14,019	5,953
Loss for the year	(19)	(647)	(666)	(5)
Total loss for year	(19)	(647)	(666)	(5)
Actuarial loss on pension schemes	(126)	-	(126)	(126)
Other comprehensive loss for the year	(126)	-	(126)	(126)
Total comprehensive income for the year	(145)	(647)	(792)	(131)
31 October 2022	6,034	7,193	13,227	5,822

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



Group and Society Cash Flow Statements

for the year ended 31 October 2023

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Net cash generated from operating activities				
(Loss)/profit for the year	878	951	(666)	(5)
Interest and dividends receivable	(229)	(219)	(252)	(93)
Notional interest (credit)/charge on pension liability	(150)	(150)	(22)	(22)
Taxation (credit)/charge	(21)	18	(237)	(99)
Depreciation charges	292	292	272	272
Amortisation charges	12	12	-	-
Loss/(gain) on sale of fixed assets and investments	476	178	1,336	557
Defined benefit pension scheme contributions	(109)	(109)	(104)	(104)
Decrease/(increase) in debtors	54	243	(200)	(312)
(Decrease)/Increase in creditors & provisions	1,752	1,772	3,195	3,181
Cash from operations	2,955	2,988	3,322	3,375
Taxes paid	20	19	(61)	(40)
	2,975	3,007	3,261	3,335
Cash flows from investing activities				
Interest and dividends received	229	219	252	93
Payments to acquire investments	(1,379)	(478)	(1,066)	(339)
Receipts from sale of investments	924	248	1,093	380
Payments to acquire intangible fixed assets	(244)	(219)	-	-
Payments to acquire tangible fixed assets	(129)	(129)	(306)	(306)
	(599)	(359)	(27)	(172)
Increase/(decrease) in cash during the year	2,376	2,648	3,234	3,163
Net cash & cash equivalents at the start of the year	17,024	14,828	13,790	11,665
Net cash & cash equivalents at the end of the year	19,400	17,476	17,024	14,828



Group and Society Cash Flow Statements (continued)

for the year ended 31 October 2022

Net debt reconciliation	1 November 2022 £000	Cash flows £000	31 October 2023 £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

Net debt reconciliation	1 November 2021 £000	Cash flows £000	31 October 2022 £000
Group			
Cash at bank	13,790	3,234	17,024
Total	13,790	3,234	17,024
Society			
Cash at bank	11,665	3,163	14,828
Total	11,665	3,163	14,828

The notes on pages 25 to 43 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 2023

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.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

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



Notes to the financial statements (continued)

for the year ended 31 October 2023

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.

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.



Notes to the financial statements (continued)

for the year ended 31 October 2023

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 13.
- 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.

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.



Notes to the financial statements (continued)

for the year ended 31 October 2023

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	2023				2022			
	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	9,339	-	-	9,339	9,451	-	-	9,451
Education, Training & Qualification	440	(651)	(91)	(302)	394	(599)	(69)	(274)
Finance and Operations	-	(2,020)	(3,344)	(5,364)	31	(1,789)	(2,967)	(4,725)
Member Services	1,245	(1,265)	(540)	(560)	1,196	(1,105)	(327)	(236)
Regulation	2,128	(2,658)	(615)	(1,145)	424	(2,475)	(576)	(2,627)
External Relations	-	(1,028)	(270)	(1,298)	-	(965)	(281)	(1,246)
Scottish Solicitors' Guarantee Fund	190	-	(197)	(7)	-	-	(180)	(180)
LSS Services Ltd	-	-	(9)	(9)	-	-	(3)	(3)
	13,342	(7,622)	(5,066)	654	11,496	(6,933)	(4,403)	160

Education, Training & Qualification 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.



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 2 – Segmental Information (continued)

Finance and Operations include the finance functions, member registration functions, IT, Human Resources, governance, facility management and health and safety functions. In the year £nil (2021: £25,000) of government grants were received in relation to the Coronavirus Job Retention Scheme as a result of placing a number of employees on furlough. These grants were recognised within the Finance and Operations segment as income.

Member Services comprise three 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.

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.

Shared Services consist of overheads and other costs shared across all directorates, such as property costs, irrecoverable input VAT and depreciation.

Society	2023				2022			
	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	9,339	-	-	9,339	9,451	-	-	9,451
Education, Training & Qualification	440	(651)	(91)	(302)	394	(599)	(69)	(274)
Finance and Operations	-	(2,020)	(3,344)	(5,364)	31	(1,789)	(2,967)	(4,725)
Member Services	1,245	(1,265)	(540)	(560)	1,196	(1,105)	(327)	(236)
Regulation	2,128	(2,658)	(615)	(1,145)	420	(2,475)	(576)	(2,631)
External Relations	0	(1,028)	(270)	(1,298)	-	(965)	(281)	(1,246)
	13,152	(7,622)	(4,860)	670	11,492	(6,933)	(4,220)	339



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 3 – Employment Costs

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Salary	6,964	6,964	6,377	6,377
Pension	533	533	495	495
Temporary Staff	125	125	61	61
	<u>7,622</u>	<u>7,622</u>	<u>6,933</u>	<u>6,933</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 and operations; member services and regulation.

	Senior Leadership Team (excluding Chief Executive)		Chief Executive	
	2023 £000	2022 £000	2023 £000	2022 £000
Salary	489	471	182	185
Employer National Insurance	61	61	24	25
Pension	48	47	-	6
	<u>598</u>	<u>579</u>	<u>206</u>	<u>216</u>

The remuneration of the Chief Executive package, including employers NI was £206,000 (2022: £216,000) which equates to 4.4x the median annualised salary of all other employees (2022: 4.7x).

Average Number of Employees by Directorate	2023	2022
Education, Training & Qualification	13	14
External Relations	20	20
Finance and Operations	39	35
Member Services	27	24
Regulation	48	47
	<u>147</u>	<u>140</u>



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 3 – Employment Costs (continued)

Office Bearers and Council Members

The President of the Society received compensation of £85,086 (2022: £81,035), the Vice President received compensation of £42,543 (2022: £40,517) and the Past President received compensation of £21,270 (2022: £20,257) in relation to their respective roles.

Council Members, when serving on the Board of the Society, receive an honorarium for their services of £2,805 (2022: £2,671). In the year a total of £12,856 was paid to 5 members of the Board (2022: £16,026).

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 £185,694 (2022: £186,000).

Note 4 – Interest receivable and similar income

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Interest Income				
Current Account	-	-	-	-
Deposit Account	229	219	3	3
Pension Scheme (Net)	150	150	22	22
	<u>379</u>	<u>369</u>	<u>25</u>	<u>25</u>

Note 5 – Auditor's remuneration

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Group external audit fees	49	43	39	33
Tax advisory fees	13	9	6	3
	<u>62</u>	<u>52</u>	<u>45</u>	<u>36</u>



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 6 – Corporation tax

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Current corporation tax charge	117	98	73	47
Adjustment in relation to prior year	(92)	(57)	(22)	(22)
Movement in deferred tax provision	(46)	(23)	(288)	(124)
	(21)	18	(237)	(99)
Reconciliation:				
(Deficit)/Surplus for the year before tax	857	969	(903)	(104)
Corporation taxation at 22.52%% (2022 - 19%)	193	219	(172)	(20)
Deferred tax provision c/f	-	-	46	23
Deferred tax provision b/f	(46)	(23)	(334)	(147)
Income not subject to corporation tax	(110)	(121)	(1,856)	(1,997)
Expenditure not allowable for corporation tax	34	-	2,101	2,064
(Over) provision previous year	(92)	(57)	22	(22)
	(21)	18	(237)	(99)

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 2022	-	-	-
Additions	25	219	244
Disposals	-	-	-
At 31 October 2023	25	219	244
Amortisation			
At 1 November 2022	-	-	-
Charge for year	-	12	12
Disposals	-	-	-
At 31 October 2023	-	12	12
Net book value 31 October 2023	25	207	232
Net book value 31 October 2022	-	-	-



Notes to the financial statements (continued)

for the year ended 31 October 2023

Intangible asset additions, in the main, relate to investment in infrastructure with the implementation of new software, this is part of an on-going program of key technology projects which will ultimately improve operational efficiency and effectiveness.

Society

	Intangible Assets- Software	Total
	£000	£000
Cost		
At 1 November 2022	-	-
Additions	219	219
Disposals	-	-
At 31 October 2023	219	219
Amortisation		
At 1 November 2022	-	-
Charge for year	12	12
Disposals	-	-
At 31 October 2023	12	12
Net book value 31 October 2023	207	207
Net book value 31 October 2022	-	-

Note 8 – Tangible Assets

Group and Society

	Leasehold improvements	Office equipment, fixtures and furniture	Total
	£000	£000	£000
Cost			
At 1 November 2022	1,424	1,704	3,128
Additions	61	68	129
Disposals	-	(165)	(165)
At 31 October 2023	1,485	1,607	3,092
Depreciation			
At 1 November 2022	655	1,170	1,825
Charge for year	152	140	292
Disposals	-	(151)	(151)
At 31 October 2023	807	1,159	1,966
Net book value 31 October 2023	678	448	1,126
Net book value 31 October 2022	769	534	1,303



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 9 – Investments

	Group	Society	Group	Society
	2023	2023	2022	2022
	£000	£000	£000	£000
Cost or Market value				
At 1 November	8,568	3,079	9,929	3,677
Additions	1,379	478	1,067	339
Disposal at opening market value	(924)	(248)	(914)	(293)
Unrealised (losses)/gains	(461)	(163)	(1,514)	(644)
At 31 October	8,562	3,146	8,568	3,079
<i>Comprises:</i>				
Listed investments	8,562	3,146	8,568	3,079
	8,562	3,146	8,568	3,079

The historical cost of listed investments at 31 October 2023 was Group £8,845,000 (2022: £8,332,000) and the Society £3,146,000 (2022: £2,956,000). 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
	2023	2023	2022	2022
	£000	£000	£000	£000
Cash at bank	19,189	17,422	16,570	14,618
Cash held by investment manager	211	54	454	210
Cash and cash equivalents	19,400	17,476	17,024	14,828

At the year end, the Society held funds in the sum of £2,288,000 in respect of Master Policy insurance rebates, to be applied specifically against future Master Policy insurance premiums, in 2023. 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 2023

Note 11 – Trade and other receivables

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Trade debtors	203	203	274	274
Other debtors	253	253	167	363
Prepayments and accrued income	390	390	459	452
	<u>846</u>	<u>846</u>	<u>900</u>	<u>1,089</u>

Note 12 – Trade and other payables

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Fees in advance	11,497	11,497	8,574	8,574
Trade creditors	320	320	468	468
Corporation tax	130	119	84	58
Other taxation and social security	201	201	314	314
Other creditors	2,520	2,520	3,098	3,081
Accruals	691	670	914	889
	<u>15,359</u>	<u>15,327</u>	<u>13,452</u>	<u>13,384</u>
Accruals falling due after more than one year	960	960	1,070	1,070

Note 13 – Deferred Tax Provision

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Provision brought forward	46	23	334	147
Charge/(credit) for unrealised gains/losses on investments	(46)	(23)	(288)	(124)
Provision carried forward	<u>-</u>	<u>-</u>	<u>46</u>	<u>23</u>

Deferred tax assets not recognised for the Group 2023 £0 (2022 £46,000) and Society 2023 £0 (2022 £23,000)



Notes to the financial statements (continued)

for the year ended 31 October 2023

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 most recent actuarial valuation of the Scheme was carried out as at 31 October 2023, at the review date there was a surplus of £3,337,000 (2022 £3,110,000). Contributions have not been altered. In the event that a future valuation reveals a larger deficit than expected the Society may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, it's possible that contributions may be reduced.

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 and £109,000 paid in March 2023. The latest triennial valuation as at March 2022 made no changes to the recovery plan and scheduled contributions, per agreement put in place after the March 2019 triennial valuation.

Explanation of amounts in the financial statements

Amounts recognised in the Statement of Financial Position at 31 October 2023	Value at 31 October 2023 £000	Value at 31 October 2022 £000
Fair value of assets	7,237	8,097
Present value of funded obligations	3,900	4,987
Valuation surplus	3,337	3,110
Impact of asset ceiling *	(3,337)	(3,110)
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 2023

Amounts recognised in the Income Statement over the year	31 October 2023 £000	31 October 2022 £000
Current service cost	-	-
Interest on liabilities	(233)	(152)
Interest on assets	383	174
Past service cost	-	-
Settlement cost	-	-
Total	150	22

Remeasurements over the year	31 October 2023 £000	31 October 2022 £000
Loss/(gain) on scheme assets in excess of interest	1,187	1,720
Experience losses/(gains) on liabilities	(472)	552
Losses/(gains) from changes to demographic assumptions	(39)	3
Losses/(gains) from changes to financial assumptions	(644)	(3,957)
Impact of asset ceiling *	227	1,808
Total remeasurements	259	126

* 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 2023 £000	31 October 2022 £000
Fair value of assets at 1 November 2022	8,097	9,707
Interest on assets	383	174
Society contributions	109	104
Contributions by Scheme participants	-	-
Benefits paid	(165)	(168)
Change due to settlements	-	-
Return on Scheme assets less interest	(1,187)	(1,720)
Fair value of assets at 31 October 2023	7,237	8,097



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 14 – Pension Schemes (continued)

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

	31 October 2023	31 October 2022
	£000	£000
Defined Benefit Obligation at 1 November 2022	4,987	8,405
Current service cost	-	-
Contributions by Scheme participants	-	-
Past service cost	-	-
Interest cost	233	152
Benefits paid	(165)	(168)
Change due to settlements	-	-
Experience loss/(gain) on defined benefit obligation	(472)	552
Changes to demographic assumptions	(39)	3
Changes to financial assumptions *	(644)	(3,957)
Defined Benefit Obligation at 31 October 2023	3,900	4,987

* See Actuarial Assumptions below.

Assets

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

Asset category	31 October 2023	31 October 2022
Corporate bonds	27%	25%
Diversified funds	72%	73%
Cash	1%	2%
Total	100%	100%

The return on the assets over the period was (£804,000) (2022: £1,546,000).



Notes to the financial statements (continued)

for the year ended 31 October 2023

Note 14 – Pension Schemes (continued)

Actuarial assumptions

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

	31 October 2023	31 October 2022
Discount rate	5.75% pa	4.75% pa
Inflation assumption (RPI)	3.40% pa	3.25% pa
Inflation assumption (CPI)	2.80% pa	2.65% pa
Pension increases – CPI limited to 5%	2.70% pa	2.60% pa
Pension increases – CPI limited to 3%	2.30% pa	2.20% pa
Pension increases – CPI limited to 2.5%	2.05% pa	2.00% pa
Revaluation in deferment	2.80% pa	2.65% pa
Post retirement mortality assumption	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	110% of S3PxA, projected with CMI 2021 - long term rate of improvement 1.5% pa, initial addition of 0%, 2020 and 2021 weight parameter of 0% 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 £533,000 (2022: £495,000). At the year end contributions totalling £140,000 (2022: £119,000) 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 £10,058 (2022: £4,583) 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 2023

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 £1,018 was due to the Law Society of Scotland from the Foundation (2022: £1,288 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.

Highland and Islands Airports Limited

The previous Chief Executive, Lorna Jack, chairs the Board of Highlands and Islands Airports Limited (HIAL). Society income for the year includes £nil (2022: £4,000) from HIAL. At 31 October 2023 a balance of £nil (2022: £nil) was owed to the Society.

Dalling Solicitors

The Society was invoiced a total of £42,844 (2022: £68,994) 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 2023 a balance of £5,048 (2022: £nil) was owed by the Society to Dalling Solicitors in respect of these transactions.

Positive Leadership Limited

The Society was invoiced a total of £8,317 (2022: £7,994) 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 2023 a balance of £nil (2022: £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 £6,183 (2022: £7,158) 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 2023 a balance of £nil (2022: £nil) was owed by the Society to Austin Lafferty Limited 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 2023

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 2023 these claims amounted to £0.88 million (2022: £1.641 million).

Note 17 - Commitments under Operating Leases

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

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £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	839	839	1,308	1,308
	3,181	3,181	3,650	3,650

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 2023

Note 18 – Financial Instruments

	Group 2023 £000	Society 2023 £000	Group 2022 £000	Society 2022 £000
Financial assets:				
Financial assets measured at fair value	8,563	3,146	8,568	3,079
Financial assets measured at amortised cost	19,729	17,805	17,465	15,465
Financial liabilities:				
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities measured at amortised cost	4,364	4,343	5,550	5,508

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.