**The Law Society of Scotland**

**Annual General Meeting – Thursday 27 May 2021 at 17:30pm**

**Report by Graham Watson, Treasurer**

The Society reported an after-tax profit of £410,000 for the year, from a turnover of £11.5m. Overall turnover was in line with 2019, however operating costs reduced by £670,000. These savings are due to a significant reduction in Society activity from March 2020 as a result of the Covid-19 outbreak and the lockdown restrictions imposed across the UK. There was also a significant fluctuation between 2020 and 2019 in the performance of the investment portfolio. Unrealised losses of £115,000 were recorded at the year-end valuation date, as a result of uncertainty and volatility in the markets due to Covid-19, compared to unrealised gains of £215,000 in 2019.

Due to the disruptive impact of the Covid-19 outbreak in early 2020, additional work was carried out to assess the appropriateness of the going concern basis of preparation for the Society’s financial statements. Council is content, having reviewed the work done, that it does not believe there to be a material uncertainty over the going concern basis of preparation and therefore this remains the appropriate basis of preparation for these financial statements.

The budget approved by the Council for 2020/21 reflected the significant reduction in core membership fees that were approved by Council. It also reflected a prudent assumption that the number of members renewing at 31 October 2020 may reduce. These budget assumptions resulted in a significant drop in projected revenues for the year. In response to the expected reduction in revenue, significant reductions in costs were also incorporated into the budget. The net effect of these assumptions was agreement to a budgeted 2020/21 loss of just over £1.5m. Council recognised that this would lead to an erosion of the reserves position in the short term. During the year the Finance sub-committee therefore agreed a revised Reserves Policy, which will monitor the reserves position and ensure a plan is in place to return reserves to pre-Covid levels.

The presentation of the Society’s financial statements is consistent with the previous year. In order to comply with Financial Reporting Standard 102, the figures of the Society and its subsidiary, Law Society of Scotland (Services) Limited, have been consolidated with those of the Scottish Solicitors’ Guarantee Fund and presented as group financial statements. It should be noted that, as required by statute, all income received by the SSGF is legally ringfenced to meet only future claims and therefore is not available under any circumstances for the Society’s use. Similarly, the reserves of the Guarantee Fund are also ringfenced and designated for the Fund’s use only.

There is more detailed commentary on the financial statements within the Financial Review section of the Annual Report <https://www.lawscot.org.uk/about-us/strategy-reports-plans/annual-reports/>

The auditors have completed their work and have concluded that these financial statements give a true and fair view of the state of the Society’s affairs as at 31 October 2020 and of its profit for the year ended 31 October 2020.

I therefore propose that the members approve the Report and Consolidated Financial Statements of the Law Society of Scotland for the year ended 31 October 2020.

Graham Watson

Treasurer