



## **Annual General Meeting 2022**

### **Report by Graham Watson, Treasurer of the Law Society of Scotland**

The Society reported an after-tax profit of £583,000 for the year, from income of £10.6m. A significant unrealised gain of £618,000 on the value of the investment portfolio held by the Society contributed to the profit of the Society.

The practising certificate fee and accounts fee for the 2020/21 practising year were discounted by 20% as part of the agreed £2.2m support package to the profession, resulting in a significant reduction of £930,000 in income compared to the previous year.

Expenditure (excluding actuarial movements in the closed pension scheme) was £10.5 million, a decrease of 5.3% from 2020. The Covid-19 pandemic resulted in reductions in Society activity from March 2020. Some of this reduced activity continued into the 2020/21 financial year and many activities were conducted virtually instead of in-person.

Overall performance against the budgeted operating loss of £1,500,000 for the year was positive. The budget assumed a reduction in the number of members, which did not materialise. Income has been enhanced by an increase in commercial income, including online events and training programmes, against budget. Operating costs were closely managed with savings against budget achieved as mentioned above.

The Finance sub-committee monitors the reserves position throughout the year against the Operating Reserves Policy agreed last year. The reserves cover calculation as at 31 October 2021 shows the Society holds sufficient reserves to meet the requirements of the reserves policy and is not considered to be in a recovery period.

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.

The budgeted operating loss of £455,000 for 2021/22 as approved by the Council, includes a reduction of income due to the practising certificate fee and accounts fee being discounted by 10% as part of the 2-year support package. Some in-person activities are being phased in, although still at a limited level.

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**.

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 2021 and of its profit for the year ended 31 October 2021.

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 2021.