



## **Annual General Meeting 2023**

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

The Society reported an after-tax loss of £5,000 for the year, from income of £11.5m. A significant unrealised loss of £558,000 on the value of the investment portfolio held by the Society contributed to the loss of the Society.

The practising certificate fee and accounts fee for the 2021/22 practising year were discounted by 10% as part of the agreed £2.2m support package to the profession which was delivered over two years. The practising certificate fee and accounts fee were discounted by 20% in the previous operating year.

Expenditure (excluding actuarial movements in the closed pension scheme) was £11.2 million, an increase of 5.9% from 2021. While some of the reduced activity, which resulted from the Covid-19 pandemic, continued into the 2021/22 financial year, with a number of operations and events being conducted virtually, there began a welcome return to previous levels of activity. Costs continued to be managed closely throughout the year. Operating cost increased compared with the prior year across most areas, reflecting this return of activity, and the filling of a number 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.

The Finance sub-committee monitors the reserves position throughout the year against the Operating Reserves Policy. The reserves cover calculation as at 31 October 2022 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 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 2022 and of its loss for the year ended 31 October 2022.

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 2022.