

# Tender for External Audit Services



## Background

Established in 1949, the Law Society of Scotland is the independent professional body for all 11,500 solicitors in Scotland.

As a professional body, our purpose is to lead legal excellence. The membership currently comprises approximately two thirds working in private practice with the rest employed as in-house lawyers.

The Society has a governing Council, which sits as the principal decision-making body of the organisation. It is made up of solicitor members, the majority of whom are elected by solicitors in constituencies covering each part of Scotland. We also have co-opted members representing particular parts of the profession, along with new non-solicitor members, who help ensure the Society meets its important responsibilities towards the public interest.

The Society has a Board of ten individuals, comprising Council members with the exception of one co-optee, which meets monthly and reviews both operational and strategic matters. We are supported by a range of different committees, including the Regulatory Committee, which is made up of solicitors and non-solicitors and is responsible for all of the Society's regulatory work. We also have representative committees which cover particular areas of work or consider the specific interests of different parts of the profession.

The Society has a president and a vice president, both of whom are both elected by Council and hold office for one year. The other office bearers are the treasurer and immediate past president. Our chief executive is responsible for the day-to-day operations of the Society and leading a staff of approximately 130 who work from our offices at Atria One in Edinburgh.

The Society has a senior leadership team, made up of the chief executive, and five executive directors of education & training, external relations, finance & operations, member services, and regulation.

## Entities subject to audit

The external audit tender covers the following five entities:

- The Law Society of Scotland (legal entity established by statute)
- The Law Society of Scotland (Services) Limited ( 100%-owned subsidiary company, consolidated accounts prepared)
- The Scottish Solicitors' Guarantee Fund (separate legal entity established by statute)
- The Scottish Solicitors' Benevolent Fund (a charity)
- The Law Society of Scotland Educational Foundation (a charity)

Each entity operates independently of the other, and each reports directly to its own Board or Committee on financial and governance matters. As part of our overall Financial Management approach we wish to jointly procure external audit services for all entities. The initial contract period will be for the year ended 31 October 2018 and run for 3 years, but may be renewed beyond this period.

The Society currently receives internal audit services from Wylie & Bisset LLP, who report directly to the Audit Committee. The successful tenderer will be expected to liaise with our internal auditors to ensure there is no duplication on internal control reviews.

Key requirements are:

- A thorough understanding of the legal sector in Scotland
- To offer guidance on the best contemporary reporting practice appropriate to a membership organisation
- A tailored and proportionate audit approach which focuses on areas of risk

In order to gain a detailed understanding of the Society's activities please refer to our website <https://www.lawscot.org.uk/>

The Society's internal auditors are currently Wylie & Bisset LLP, who carry out a rolling programme of internal control reviews and report regularly to the Audit Committee.

The following financial statements for each entity for the year ended 31 October 2016 are attached as pdf appendices to this document:

- The Law Society of Scotland
- The Law Society of Scotland (Services) Limited
- The Scottish Solicitors' Guarantee Fund
- The Scottish Solicitors' Benevolent Fund
- The Law Society of Scotland Educational Foundation (1<sup>st</sup> year to May 2017, unaudited)

#### **Information required and selection criteria**

A selection panel formed from the Audit Committee will review the returned submissions and carry out interviews.

The following criteria will be used in the selection process:

*From the tender submission:*

- *Relevant experience of the firm and audit personnel in delivering similar contracts*
- *Proposed fees*

*As well as:*

- *Subsequent presentation/ interview*
- *Satisfactory references from two recent relevant referees*

The Society will not be obliged to accept the lowest or indeed any tender submitted.

### Contact details

Interested parties should contact either of the following for further information:

#### Ken Tudhope – Executive Director – Finance & Operations

☎ 0131 476 8093  
✉ [kentudhope@lawscot.org.uk](mailto:kentudhope@lawscot.org.uk)

#### Virginia Hay – Head of Finance

☎ 0131 476 8149  
✉ [virginiahay@lawscot.org.uk](mailto:virginiahay@lawscot.org.uk)

### Timeline

The **closing date** for tenders is **Friday 3 November 2017 at mid-day**. Tenders should be submitted in pdf form by email to [kentudhope@lawscot.org.uk](mailto:kentudhope@lawscot.org.uk).

We then plan to interview short-listed candidates at our offices on **Friday 10 November** with a view to making a recommendation to our Audit Committee. Thereafter any appointment will require to be ratified by our members at the Annual General Meeting which is likely to be held in May 2018.



# Law Society of Scotland

**Annual report and financial statements for the year ended 31 October 2016**

## Review of financial year

### Overview

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The Society reports a surplus of income over expenditure from normal activities (prior to the actuarial charge to the Society's closed final salary pension scheme) of £33,000 for the financial year ended 31 October 2016 (2015, as restated under FRS 102, surplus £3,000).

The actuarial charge in respect of the scheme was £1,495,000 (2015 – £240,000), giving a total recognised deficit for the year of £1,462,000 (2015 – recognised gain of £2,898,000, inclusive of the gain on sale of heritable property).

### Pension debt & actuarial charge

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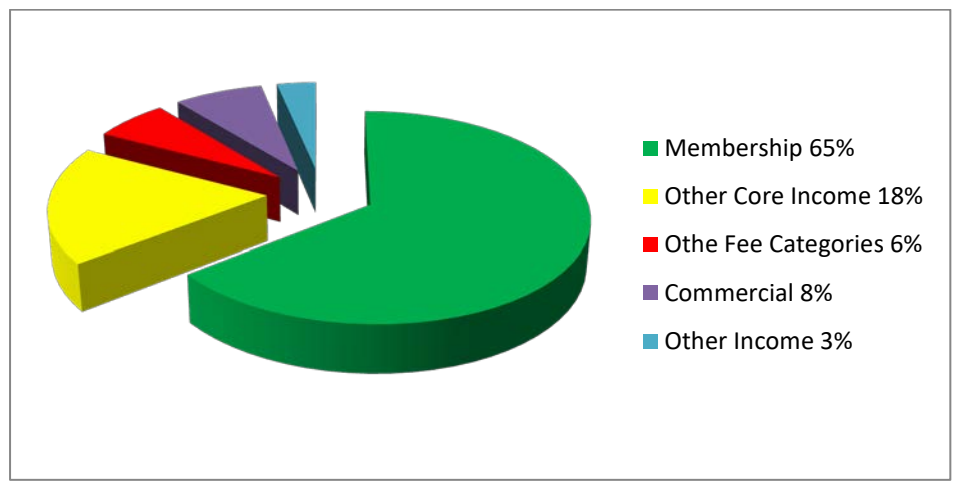
The Society is responsible for a defined benefit pension scheme which was closed to future accrual from 1 May 2010. The most recent full actuarial valuation was carried out at 31 March 2013 by a qualified actuary, independent of the scheme's sponsoring employer. The next triennial valuation date is 31 March 2016.

The overall deficit shown by this valuation was £2 million. A deficit recovery repayment plan has been agreed with the scheme trustees which is scheduled for repayment over a seven year period. In previous years this debt has not been incorporated within liabilities on the balance sheet as the valuation assumptions for accounting purposes, provided by an independent actuary, produced an accounting surplus. However, changes to bond yields following the EU referendum have produced an accounting deficit of £1.267m. As a result there is an actuarial charge in the income & expenditure account this year to reflect this.

### Income

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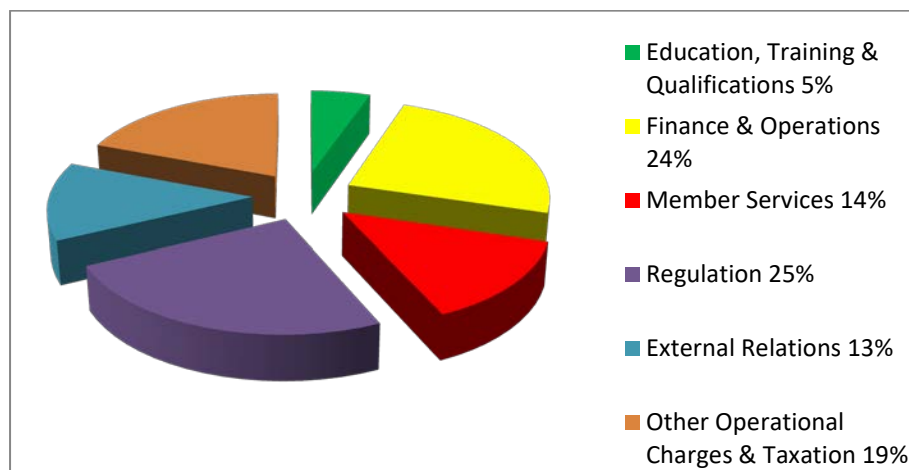
The Society's income in the year amounted to £10.99 million, an increase of 7.3% from last year. Income sources were as follows:



## Review of financial year (ctd.)

### Expenditure

The Society's expenditure (excluding actuarial charge to closed pension scheme) was £10.96 million, an increase of 7.0% from last year mainly as a result of the premises move. Expenditure was split as follows:



### Reserves

In 2015 the Finance Committee reviewed the Society's reserves policy in light of the move from owned to leased office premises. The reserves policy is to hold between three and six months' average expenditure. Reserves for this purpose are defined as net current assets plus realisable investments, less pension scheme deficit (from the most recent valuation less recovery plan payments made subsequently).

At 31 October 2016 this figure amounted to £3.3 million, which is between three and four months' average expenditure. The committee regards this level as satisfactory.

### Fixed assets

Following the sale of heritable property, leasehold improvements were carried out in the new premises in 2015 and 2016 and are amortised over the length of the lease.

### Investments

Investments are now stated at market value with the exception of the Society's subsidiary company's 20% shareholding in Legal Post (Scotland) Limited, which is accounted for as an associate using the cost model. The shares were acquired for £20 in 2000. Following a takeover the shareholding was sold after the year-end for a consideration of £261,585 which will be accounted for in the 2016/17 financial statements. As part of its review of the Society's reserves during the year, the Finance Committee approved a further transfer from cash to listed investments of £500,000 during the year.

## Review of financial year (ctd.)

### Cash

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Cash balances at the year-end were £10.7 million. Of this sum, subscription income received in advance of 1 November 2016 was £7.7 million.

### Annual report

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The Society's annual report includes the president's introduction, chief executive's overview of the year, sections measuring progress made against the corporate plan, a report on governance arrangements, the accounts of the Guarantee Fund and a summary of work on equality and diversity. It is available on the Society's website.

The Society remains committed to achieving continual improvement in its financial performance through:

- achieving efficiencies and cost savings across the business
- improved financial forecasting
- growth of non-subscription incomes
- maintenance of reserves at an appropriate level
- managing historic final salary pension scheme liabilities through close liaison with the scheme's trustees

### Key risks

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The Society carries out ongoing monitoring and management of the risks it faces. Risks are also considered for each activity within the Society's strategic objectives and annual plan. The risk register is reviewed monthly by the Society's executive team and subject to additional scrutiny by the Audit Committee, Board and internal auditors. Key risks include:

- remaining liability on the closed final salary pension scheme and exposure to market risk
- legislative change and risk of changes to current regulatory functions
- events which may compromise the Society's ability to act as an effective regulator
- competitive pressures through alternative business structures and the future economic health of the profession
- failure to deliver the Society's strategic objectives

The effectiveness of controls to mitigate each of those risks is continually monitored by the senior leadership team and reported to Audit Committee and Board quarterly.

### Financial year 2016/17

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The budget approved by the Council for 2016/17 left the cost of the practising certificate unchanged at £550. The retention fee and non-practising member fee also remained unchanged at £100 and £200 respectively.

John Mulholland  
Treasurer

3 March 2017

## Statement of the Council's responsibilities

The constitution of the Society requires the Council to prepare accounts for each financial year. In preparing those accounts, the Council has undertaken to:

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

The Council has considered the position for the next 12 months and concluded the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast doubt about the ability of the Society to continue as a going concern.

The Council has overall responsibility to prepare annual financial statements for each financial year, which give a true and fair view of the state of affairs of the Society and of the surplus or deficit for that period.

The Council has delegated to the Board its responsibility for the day-to-day operations, including:

- keeping adequate accounting records, which disclose with reasonable accuracy the financial position of the Society
- safeguarding its assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in Scotland governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

## Finance Committee – Convener's report

### Committee members

John Mulholland (Convener and Treasurer)  
Suzanne Dawson  
Graham Matthews  
David Newton  
David Preston  
Mark Sim  
Ken Tudhope (Executive Director of Finance & Operations; Secretary to the committee)

### Governance and financial control

The Treasurer chairs the Finance Committee which meets four times a year, as well as taking between-meeting decisions remotely. The aim of the Finance Committee is to ensure that annually the Society meets its corporate objectives supported by the effective and efficient use of finances and resources.



## Finance Committee – Convener’s report (ctd.)

In order to achieve this, the Finance Committee will:

- review and finalise the annual budget, in consultation with the Board, Audit Committee and senior management team, for presentation to the Council
- review and, where appropriate, put forward proposals for the alteration of practising certificate fees and subscription levels and bandings
- review the monthly management accounts and make appropriate recommendations
- prepare the Society’s annual accounts and, subject to scrutiny by the Audit Committee and audited by the external auditors, approve them for submission to the Council
- keep under review the level and nature of the Society’s own banking arrangements, investments, borrowings and insurance cover (excluding that relating to insurance of the profession) and take action where necessary or desirable
- 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, including approving the individual award of contracts above a certain threshold amount, as set by the Finance Committee
- provide advice on any other matters referred to it by the Board, Audit Committee, senior leadership team, or Council

### Financial strategy

The financial strategy of the Society is to:

- ensure best value for members’ subscriptions. Best value means value for money can be achieved and demonstrated.
- provide financial resources to support the corporate plan. Consideration will be given to the cost and timing of components within the corporate plan and the departmental plans that are developed so that it is clear when resources will need to be made available. Prioritisation for financial resources takes place to ensure the most important objectives are achieved. All budget holders receive monthly income and expenditure accounts for their cost centres to enable performance against budget to be continuously monitored.
- maintain reserves at an acceptable level. An acceptable level has been determined to be the equivalent of at least three average months’ expenditure.

### Overview

In financial terms this was a challenging year for the Society with the move to Atria One in December 2015 and the sale of Drumsheugh Gardens concluded in January 2016. We planned for an operating deficit and the Society’s overall performance finished within the budgeted position prior to actuarial adjustments.

Looking ahead, principal member fee levels were frozen and a break-even budget is targeted for 2016/17. We continue to seek stability in fee levels, whilst prudently managing expenditure and monitoring budgets to enable the Society to meet its strategic goals.

Following the sale of Drumsheugh Gardens, further sums were invested to provide a platform for future income and capital growth and the Society benefited from a considerable increase in market value of investments during the year.

John Mulholland  
Convener and Treasurer

3 March 2017

## Audit Committee – Convener’s report

### Committee members

Liam McCabe (Convener)  
Simon Brown  
Abigail Clark  
Amanda Millar  
Sara Scott  
Richard Spilsbury  
Eileen Sumpter  
David Cullen (Secretary)

### Governance and membership

The committee’s membership benefited from the appointment of one new member – Abigail Clark – who joined at the beginning of the year. Abigail is a very experienced Chartered Accountant who currently works in a senior role for a global investment manager. Her extensive accountancy background is in both public practice and in various industries.

The committee’s reporting procedure remained the same as in previous years. The full committee minute is reported to the Society’s Board, with a one page summary report of each committee meeting being given to the Society’s Council. The committee convener also formally reports on the committee’s work at the annual general meeting of the Society. The secretary to the committee is the Society’s registrar.

### Responsibilities

The work of the committee is to review and report on the Society’s arrangements for audit, internal control and risk management. The committee oversees the work of the Society’s internal and external auditors. With the benefit of its consideration the work of the auditors the committee comments and make recommendations on the effectiveness in practice of the Society’s financial policies and procedures, management controls and its arrangements to identify and manage risk.

In this context the committee reviews the following at each of its meetings:

- progress by the Society against its corporate plan objectives especially in relation to their financial impact on the Society
- the Society’s risk register with emphasis on changes in the risk profile and actions taken to mitigate risk

Through that regular review the committee will question the actions and judgements of the Society’s senior leadership team, Board and 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.

The committee oversee the Society’s relations with the external auditors. 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 Society’s external auditors on their work in forming their opinion on the financial statements.

## Audit Committee – Convener’s report (ctd.)

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 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.

### Overview

The committee met on five occasions this year. The work of the committee should be seen within the context of the Society’s overall 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. To this end the committee can report that the internal audit system (by an external firm of accountants) completed its second full year of operation. A total of five internal audits were carried out in the year. The internal auditors’ reviews covered the following areas of the Society’s operations:

- Data protection
- Income collection and credit control
- Personnel and payroll
- Purchase, payments and procurement
- Travel expense

The committee was satisfied with the overall conclusion of the internal auditors which was that the Society does have adequate and effective risk management controls and governance processes in place to achieve its long term objectives.

The committee concluded its work in relation to the internal review of the regulatory systems following an investigation into a case involving a former solicitor. The committee’s involvement in its risk assessment work for the project has resulted in a number of planned improvements to the Society’s regulatory processes – all of which are now in place.

The committee reviews the principal risk register of the Society at each meeting to ensure appropriate and timely risk management actions are taken to mitigate such risks. The committee also reviews the performance of the Society’s auditors in terms of their performance, cost and independence. An overhaul of the principal risk register was carried out to ensure that the principal risks identified are better married to the Society’s five year strategy. As part of this exercise a separate risk register was drawn up following the UK’s decision to withdraw from the European Union.

I conclude my report by thanking all committee members for their contributions over the course of this year.

Liam McCabe  
Convener

25 January 2017

## Independent auditors' report to the members of the Law Society of Scotland

We have audited the accounts of the Law Society of Scotland for the year ended 31 October 2016, which comprise the income and expenditure account, the statement of other comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Society's members, as a body, in accordance with relevant legal and regulatory requirements. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' 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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Council and auditors

As explained more fully in the statement of Council's responsibilities set out on page 5, the Council is responsible for the preparation of accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) ethical standards for auditors.

### Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### Opinion on financial statements

In our opinion the accounts:

- give a true and fair view of the state of the Society's affairs as at 31 October 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the annual report is inconsistent in any material respect with the accounts; or
- proper accounting records have not been kept; or
- the accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Henderson Loggie

Chartered Accountants and Statutory Auditors

Edinburgh, Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

3<sup>rd</sup> March 2017

## Group income and expenditure account

for the year ended 31 October 2016

	Note	2016 £000	Restated 2015 £000
<b>INCOME</b>			
Membership	2	7,081	6,847
Other Core Income	3	2,010	1,602
Other Fee Categories	4	701	834
Commercial	5	832	882
Other Income	6	366	79
<b>Total Income</b>		<b>10,990</b>	<b>10,244</b>
<b>EXPENDITURE</b>			
Education, Training & Qualifications	7	587	493
Finance & Operations	8	2,660	2,767
Member Services	9	1,490	1,746
Regulation	10	2,701	2,446
External Relations	11	1,413	1,269
Other Operational Charges	12	2,025	1,499
Corporation Tax	14	81	21
<b>Total Expenditure</b>		<b>10,957</b>	<b>10,241</b>
<b>(Deficit)/Surplus for the year</b>		<b>33</b>	<b>3</b>
Gain on Disposal of Heritable Property		-	3,614
Corporation tax on gain on Sale		-	(479)
		-	<b>3,135</b>
<b>Overall Surplus for year</b>		<b>33</b>	<b>3,138</b>
<b>Other Comprehensive Income</b>			
Surplus for the financial year		33	3,138
Actuarial movement in defined benefit pension scheme		(1,495)	(240)
<b>Total recognised (losses)/gains for the financial year</b>		<b>(1,462)</b>	<b>2,898</b>
<b>Statement of changes in equity</b>			
Opening reserves		7,668	4,770
Closing reserves		<b>6,206</b>	<b>7,668</b>

## Balance sheet – Group

as at 31 October 2016

	Note	2016 £000	Restated 2015 £000
<b>Fixed Assets</b>			
Leasehold improvements	15.1	1,312	1,288
Furniture and Equipment	15.1	803	626
Investments	15.2	2,399	1,819
		<u>4,514</u>	<u>3,733</u>
<b>Debtors: amounts falling due after more than one year</b>	16	-	1,250
<b>Current Assets</b>			
Cash in Hand and at Bank	21.2	10,727	8,481
Debtors	16	2,249	3,662
		<u>12,976</u>	<u>12,143</u>
<b>Creditors: amounts falling due within one year *</b>	17	(9,990)	(8,792)
<b>Provisions</b>	18	(27)	(666)
<b>Net Current Assets</b>		<u>2,959</u>	<u>2,685</u>
Net assets excluding pension liability		7,473	7,668
Defined Benefit Scheme - pension liability		(1,267)	-
Net assets including pension liability		<u>6,206</u>	<u>7,668</u>
<b>Represented by:-</b>			
Capital Account	19	<u>6,206</u>	<u>7,668</u>

Approved by the Council of the Law Society of Scotland on 3<sup>rd</sup> March 2017

Eilidh Wiseman, President

## Balance sheet – Society

as at 31 October 2016

	Note	2016 £000	Restated 2015 £000
<b>Fixed Assets</b>			
Leasehold improvements	15.1	1,312	1,288
Furniture and Equipment	15.1	803	626
Investments	15.2	2,317	1,819
		<u>4,432</u>	<u>3,733</u>
<b>Debtors: amounts falling due after more than one year</b>	16	-	1,250
<b>Current Assets</b>			
Cash in Hand and at Bank	21.2	10,462	8,189
Debtors	16	2,253	3,679
		<u>12,715</u>	<u>11,868</u>
<b>Creditors: amounts falling due within one year</b>	17	(9,965)	(8,770)
<b>Provisions</b>	18	(27)	(682)
<b>Net Current Assets</b>		<u>2,722</u>	<u>2,416</u>
Net assets excluding pension liability		7,155	7,399
Defined Benefit Scheme - pension liability		(1,267)	-
Net assets including pension liability		<u>5,888</u>	<u>7,399</u>
<b>Represented by:-</b>			
Capital Account	19	<u>5,888</u>	<u>7,399</u>

Approved by the Council of the Law Society of Scotland on 3<sup>rd</sup> March 2017

Eilidh Wiseman, President

## Group cash flow statement

for the year ended 31 October 2016

	Note	2016 £000	Restated 2015 £000
<b>Net cash generated from operating activities</b>	<b>21</b>	3,044	4,087
<b>Cash flows from investing activities</b>			
Interest and dividends received		130	140
Payments to acquire investments		(657)	(1,902)
Receipts from sale of investments		290	234
Payments to acquire tangible fixed assets		(798)	(2,615)
Increase in cash during the year		2,246	1,472
Net funds at the start of the year		8,481	7,009
Net funds at the end of the year		10,727	8,481



## Notes to the financial statements

for the year ended 31 October 2016

### 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, except as noted below.

#### Basis of preparation

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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.

This is the first year in which the financial statements have prepared under FRS102. Refer to note 19 for an explanation of the transition.

The financial statements are prepared in £ sterling.

The Council considers it appropriate to prepare the financial statements on a going concern basis. In reaching this view we have reviewed the number of members paying subscriptions and the level of reserves available should there be any unforeseen events.

#### Basis of consolidation

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The consolidated accounts include the accounts of the Society and its subsidiary undertaking, The Law Society of Scotland Services Limited, made up to 31 October 2016.

#### Leasehold improvements

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Leasehold improvements are depreciated over the length of the lease.

#### Tangible fixed assets

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Tangible fixed assets are measured at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of items over their estimated useful lives as follows:

Office machinery	three to five years
Office equipment	three to ten years
Office fixtures and furniture	five to ten years
Motor cars	four years

#### Investments

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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 income and expenditure. The group also has one associate for which the cost model has been adopted.

#### Debtors

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

## Notes to the financial statements

for the year ended 31 October 2016

### Note 1 - Accounting policies (continued)

#### Cash

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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.

#### Creditors

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

#### Pension scheme - defined benefit pension scheme

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The Society operates a 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 Society.

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. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between other income for interest received and, other comprehensive income for actuarial gains and losses.

#### Employee benefits

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

#### Provision for liabilities

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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. A provision for liabilities and charges is recognised in accordance with Financial Reporting Standard 102. In cases where the judicial factor is internal and additional costs require to be incurred in order to carry out the work, a provision is also made. During the administration of an estate, the provision is adjusted based on the best available information.

#### Income recognition

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The Society recognises all categories of income in the period to which they relate. Membership income received which relates to future periods is held on the balance sheet as fees in advance.

#### Expenditure

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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 Society to the expenditure. Running costs include travel, accommodation, legal fees, professional subscriptions, and other direct costs where applicable.

#### Taxation

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The Society is liable for corporation tax on interest and dividends, chargeable investment gains and publication royalty payments. Full provision is made for corporation tax on assessable income

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

**2016**                      2015  
**£000**                      £000

### Note 2 - Membership

Practising certificate fees	5,958	5,830
Membership fees	49	53
Retention fees	1,074	964
	<b>7,081</b>	<b>6,847</b>

### Note 3 - Other core income

Accounts fees from members	1,435	1,422
Judicial factor commission	408	22
Inspection fees	26	20
SSDT costs recovered	141	138
	<b>2,010</b>	<b>1,602</b>

### Note 4 - Other fee categories

Retention fees - non-members	255	228
Registered foreign lawyers	181	242
Financial services	-	69
Examination & admissions	167	125
Other income (paralegals, notaries, incorporations)	98	170
Licensed provider income	-	-
	<b>701</b>	<b>834</b>

### Note 5 - Commercial

Annual conference	57	55
Update incl. rights of audience	335	345
Sponsorship/business development	68	50
Service provider scheme	21	21
Journal	247	295
Publications	104	116
	<b>832</b>	<b>882</b>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

Restated  
2015  
£000

**2016**  
**£000**

### Note 6 - Other Income

Interest & dividends received	139	161
Realised investment gains / (losses)	(15)	11
Unrealised investment gains / (losses)	228	(93)
Other income	14	-
	<u>366</u>	<u>79</u>

### Note 7 - Education, Training & Qualifications

Employment costs	452	340
Travel and catering	34	52
Fees and remuneration	52	46
Diversity running costs	12	18
General expenditure	37	37
	<u>587</u>	<u>493</u>

### Note 8 - Finance & Operations

#### Note 8 - Finance & Operations

##### Council etc.

Travel & catering	35	32
Training	15	36
AGM & SGM	1	2
President, vice-president compensation	114	120
Other	58	50
	<u>223</u>	<u>240</u>

##### Board

Travel, training and catering	5	6
Board compensation	21	18
	<u>26</u>	<u>24</u>

##### Corporate Office

Employment costs	332	384
Travel and catering	23	21
Professional fees	11	37
	<u>366</u>	<u>442</u>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

**2016**                      2015  
**£000**                      £000

### Note 8 - Finance & Operations (ctd.)

#### Registrars

Employment costs	346	379
Conveners' compensation	6	40
Travel and catering	7	8
Registrars' fees	13	32
Smartcard costs	55	34
Paralegals	7	2
General expenses	27	24
	<b>461</b>	<b>519</b>

#### Finance, IT & Central Operations

Finance employment costs	208	217
IT employment costs	279	254
Central operations employment costs	294	284
Facilities - printing & photocopying	43	41
Conveners' compensation	5	5
IT repairs & maintenance	292	230
Disaster recovery	3	5
Administration - postage costs	146	153
Administration - telephone costs	41	24
Administration - general costs	80	50
Overhead recovery - SLAB, SSGF	(100)	(72)
Finance - running costs	41	36
	<b>1,332</b>	<b>1,227</b>

#### Human Resources

HR employment costs	85	143
Advertising and recruitment costs	13	19
Staff training	73	51
Other operational costs	81	102
	<b>252</b>	<b>315</b>

#### Total Finance & Operations

**2,660**                      **2,767**

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Note 9 - Member Services</b>		
Employment costs	332	359
Employment costs - professional practice	222	250
Conveners' compensation	43	65
Annual conference	49	46
IHLG events	-	7
ABA & CBA	5	12
IBA	17	9
CCBE	35	21
Commonwealth Law	2	27
Professional support - travel & catering	62	33
Professional support - other expenses	37	53
Professional practice - running costs	16	69
	<b>820</b>	<b>951</b>
<b>Commercial</b>		
Employment costs	176	173
Business development costs	13	7
Events	206	301
Journal - production and distribution costs	237	261
Journal - commission	38	48
<b>Publications</b>	-	<b>5</b>
	<b>670</b>	<b>795</b>
<b>Total Member Services</b>	<b>1,490</b>	<b>1,746</b>

## Note 10 - Regulation

Employment costs	239	178
Employment costs - complaints investigation	588	548
Employment costs - financial compliance & interventions	926	892
Conveners' compensation	25	45
SSDT expenditure	610	428
Regulation - travel and catering	22	25
Regulation - other expenses	34	29
Licensed providers	22	2
Judicial factor costs	235	244
Other financial compliance costs	-	55
<b>Total regulation</b>	<b>2,701</b>	<b>2,446</b>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

**2016**                      2015  
**£000**                      £000

### Note 11 - External relations

Employment costs	819	729
Society stakeholder engagement	136	97
Corporate comms - advert, monitoring, photo & marketing	177	172
Corporate comms - other expenses	100	94
External relations - travel costs	26	26
External relations - other costs	41	58
Brussels office	114	93
<b>Total external relations</b>	<b>1,413</b>	<b>1,269</b>

### Note 12 – Other operational charges

VAT non recoverable	480	549
Property rent, rates and service charges	798	257
Other property costs	195	281
Audit fees	40	30
Professional fees	19	19
Pension scheme fees	133	79
Depreciation	360	262
(Gain)/loss on sale of fixed assets	-	22
	<b>2,025</b>	<b>1,499</b>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

**2016**                      2015  
**£000**                      £000

### Note 13 - Analysis of commercial activity

#### a) The Journal

Income (note 5)	247	295
Expenditure	(275)	(308)
Deficit for period	<u>(28)</u>	<u>(13)</u>

#### b) Publications

Income (note 5)	104	116
Expenditure (note 9)	-	(5)
Surplus for period	<u>104</u>	<u>111</u>

#### c) Events & sponsorship

Income - events (note 5)	335	345
- sponsorship (note 5)	68	50
Expenditure - events	(206)	(233)
Surplus for period	<u>197</u>	<u>162</u>

#### d) Annual conference & in-house lawyer events

Income – delegate fees & sponsorship (note 5)	57	55
Expenditure (note 9)	(49)	(53)
Surplus for period	<u>8</u>	<u>2</u>

#### e) Service provider scheme:

Income (note 5)	21	21
Expenditure	-	(7)
Surplus for period	<u>21</u>	<u>14</u>

#### f) Staff costs (note 9)

(176)                      (173)

#### Overall surplus for year

126                      103



## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

Restated  
2016  
£000      2015  
£000

### Note 14 – Corporation tax

Current corporation tax charge	81	21
Movement in deferred tax provision	(43)	19
	38	40
Reconciliation:		
Surplus for the year before tax	114	24
Corporation taxation at 20% (2015 – 20.4%)	23	5
Income not subject to corporation tax	(2,160)	(2,051)
Expenditure not allowable for corporation tax	2,175	2,087
Small companies relief	-	(1)
	38	40

The majority of the Society's income (and related expenditure) is not subject to corporation tax.

14.2 Corporation tax on gain on disposal of heritable property	-	479
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This represents the tax charge for the gain on disposal of Drumsheugh Gardens after deducting original cost/1982 valuation, indexation relief and deduction of direct costs.

### Note 15 - Fixed assets

15.1 Tangible fixed assets (Group and Society):

	Leasehold improvements £000	Office furniture & equipment £000	Total £000
<b>Cost</b>			
At 1 November 2015	1,288	3,344	4,632
Additions	104	457	561
Disposals	-	(3)	(3)
At 31 October 2016	1,392	3,798	5,190
<b>Depreciation</b>			
At 1 November 2015	-	2,718	2,718
Charge for year	80	280	360
On disposals	-	(3)	(3)
At 31 October 2016	80	2,995	3,075
<b>Net book value 31 October 2016</b>	<b>1,312</b>	<b>803</b>	<b>2,115</b>
<i>Net book value 31 October 2015</i>	<i>1,288</i>	<i>626</i>	<i>1,914</i>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 15 - Fixed assets (continued)

15.2 Investments:	<b>Group</b>	<b>Society</b>		
	<b>£000</b>	<b>£000</b>		
<b>Cost or Market value</b>				
At 1 November 2015	1,819	1,819		
Additions	657	575		
Disposal proceeds	(290)	(290)		
Realised (loss) on disposals	(15)	(15)		
Unrealised gains	228	228		
At 31 October 2016	<b>2,399</b>	<b>2,317</b>		
<i>Comprises:</i>	<b>Group</b>	<b>Society</b>	Restated	Restated
	<b>2016</b>	<b>2016</b>	Group	Society
	<b>£000</b>	<b>£000</b>	2015	2015
Listed investments	2,317	2,317	£000	£000
Unlisted investments	82	-	1,819	1,819
	<b>2,399</b>	<b>2,317</b>	<b>1,819</b>	<b>1,819</b>

At 31 October 2016 and 31 October 2015 the group had a 20% interest in the ordinary shares of The Legal Post (Scotland) Limited which is incorporated in the United Kingdom. The interest is held at cost of £20 and the group received dividends of £64,000 in the year. At 31 October 2016 the group had a 10% interest in the ordinary shares of Altis Legal Limited which is incorporated in the United Kingdom. The interest is held at cost of £82,500.

15.3 Gain on sale of property	<b>2016</b>	2015
	<b>£000</b>	£000
Property sales price	-	4,250
Book cost of assets sold	-	(587)
Professional fees	-	(49)
	<b>-</b>	<b>3,614</b>

### Note 16 - Debtors

Due within one year:

	<b>Group</b>	<b>Society</b>	Group	Restated
	<b>2016</b>	<b>2016</b>	2015	Society
	<b>£000</b>	<b>£000</b>	£000	£000
Trade debtors	221	221	268	268
Other debtors	1,416	1,420	3,212	3,213
Prepayments	612	612	182	182
Deferred tax asset	-	-	-	16
	<b>2,249</b>	<b>2,253</b>	<b>3,662</b>	<b>3,679</b>

Due after more than one year:

Other debtors*	-	-	1,250	1,250
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\*represents the final instalment of sale proceeds from the Society's heritable property.

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

	<b>Group</b>	<b>Society</b>	Restated Group	Restated Society
	<b>2016</b>	<b>2016</b>	2015	2015
	<b>£000</b>	<b>£000</b>	£000	£000

### Note 17 - Creditors: amounts falling due within one year

Fees in advance	7,762	7,762	6,451	6,451
Trade creditors	794	794	662	662
Corporation tax	49	37	520	520
Other taxation and social security	161	161	117	117
Other creditors	500	487	724	702
Accruals	142	142	214	214
Deferred income	582	582	104	104
	<b>9,990</b>	<b>9,965</b>	<b>8,792</b>	<b>8,770</b>

### Note 18 - Provisions

Leasehold improvements	-	-	682	682
Deferred tax	79	27	36	-
	<b>79</b>	<b>27</b>	<b>718</b>	<b>682</b>

### Note 19 - Transition to FRS102

This is the first year that the Society has presented its results under FRS102. The last financial statements under the old UK GAAP were for the year ended 31 October 2015. The date of transition to FRS102 was 1 November 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 October 2015 and the total equity as at 1 November 2014 and 31 October 2015 between UK GAAP as previously reported and FRS102.

	£000
<i>Restated Income &amp; Expenditure account for the year ended 31 October 2015:</i>	
Total comprehensive income as previously reported	2,972
Investment revaluation*	(93)
Deferred tax on investment revaluation	19
Restated total comprehensive income	<u>2,898</u>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 19 - Transition to FRS102 (continued)

	<b>Group 2015 £000</b>	<b>Society 2015 £000</b>	Group 2014 £000	Society 2014 £000
<i>Restated Balance Sheet</i>				
Capital Account as previously reported	7,730	7,461	4,758	4,525
Investment revaluation*	(78)	(78)	15	15
Deferred tax impact of adjustments	16	16	(3)	(3)
Restated Capital Account under FRS102	<u>7,668</u>	<u>7,399</u>	<u>4,770</u>	<u>4,537</u>

\* FRS102 requires listed investments to be held at market value. Previously listed investments were held at cost. This has resulted in the revalued amounts above.

### Note 20 – Pension Schemes

#### 20.1 Defined contribution pension scheme

The Society operates a group personal pension on behalf of certain employees. The pension cost charge for the year in respect of those employees represents contributions payable by the Society to the scheme and amounted to £385,000 (2015: £395,000). Contributions outstanding at 31 October 2016 amounted to £46,000, being contributions for the month of October 2016.

#### 20.2 Defined benefit pension scheme

The Law Society of Scotland operates a defined benefit pension arrangement called the The Law Society of Scotland Staff Retirement Benefits Scheme. The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death.

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 comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2013

The Society expects to contribute £219,000 to the scheme during the year to 31 October 2017.

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 20 – Pension Schemes (continued)

The principal assumptions used to calculate scheme liabilities include:	31 October 2016	31 October 2015
Discount rate	3.00% pa	4.10% pa
Inflation assumption (RPI)	3.70% pa	3.50% pa
Inflation assumption (CPI)	3.00% pa	2.80% pa
Pension increases – CPI limited to 5%	3.00% pa	2.80% pa
Pension increases – CPI limited to 3%	2.60% pa	2.50% pa
Pension increases – CPI limited to 2.5%	2.30% pa	2.20% pa
Revaluation in deferment	3.00% pa	2.80% pa
Post retirement mortality assumption	110% of S1PxA, projected with CMI 2012 - long term rate of improvement 1.5% pa	110% of S1PxA, projected with CMI 2012 - long term rate of improvement 1.5% pa
Tax free cash	Members are assumed to convert 25% of their pension into cash at retirement	Members are assumed to convert 25% of their pension into cash at retirement

### Assets

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

Asset category	31 October 2016
Equities	51%
Bonds	33%
Cash	Less than 1%
Other assets	16%
<b>Total</b>	<b>100%</b>

The return on the assets over the period was £867,000

The assets do not include any investment in the group.

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 20 – Pension Schemes (continued)

Amounts recognised in the Balance Sheet at 31 October 2016	Value at 31 October 2016	Value at 31 October 2015
Fair value of assets	£6,776,000	£6,252,000
Present value of funded obligations	(£8,043,000)	(£6,132,000)
<b>(Deficit)/surplus</b>	<b>(£1,267,000)</b>	<b>£120,000</b>
Impact of asset ceiling	£0	£0
<b>Net defined benefit (liability)/asset at 31 October 2016</b>	<b>(£1,267,000)</b>	<b>£120,000</b>

Amounts recognised in the Profit & Loss account over the year	31 October 2016	31 October 2015
Current service cost	£0	£0
Interest on liabilities	£240,000	£228,000
Interest on assets	(£249,000)	(£249,000)
Past service cost	£0	£0
Settlement cost	£0	£0
<b>Total</b>	<b>(£9,000)</b>	<b>(£21,000)</b>

Remeasurements over the year	31 October 2016	31 October 2015
Loss (gain) on scheme assets in excess of interest	(£618,000)	(£59,000)
Experience losses (gains) on liabilities	£322,000	£54,000
Losses (gains) from changes to demographic assumptions	£0	£0
Losses (gains) from changes to financial assumptions	£1,911,000	£525,000
Changes in effect of asset ceiling	£0	£0
<b>Total remeasurements</b>	<b>£1,615,000</b>	<b>£520,000</b>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 20 – Pension Schemes (continued)

#### Reconciliation of assets and Defined Benefit Obligation

The change in the assets over the period was:

	31 October 2016	31 October 2015
<b>Fair value of assets at the beginning of the period</b>	<b>£6,252,000</b>	<b>£6,188,000</b>
Interest on assets	£249,000	£249,000
Society contributions	£219,000	£219,000
Contributions by scheme participants	£0	£0
Benefits paid	(£562,000)	(£463,000)
Change due to settlements	£0	£0
Return on plan assets less interest	£618,000	£59,000
<b>Fair value of assets at the end of the period</b>	<b>£6,776,000</b>	<b>£6,252,000</b>

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

	31 October 2016	31 October 2015
<b>Defined benefit obligation at the beginning of the period</b>	<b>£6,132,000</b>	<b>£5,788,000</b>
Current service cost	£0	£0
Contributions by scheme participants	£0	£0
Past service cost	£0	£0
Interest cost	£240,000	£228,000
Benefits paid	(£562,000)	(£463,000)
Change due to settlements	£0	£0
Experience (gain)/loss on defined benefit obligation	£322,000	£54,000
Changes to demographic assumptions	£0	£0
Changes to financial assumptions	£1,911,000	£525,000
<b>Defined Benefit Obligation at the end of the period</b>	<b>£8,043,000</b>	<b>£6,132,000</b>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 21 - Cash flow statement

Reconciliation of surplus to net cash inflow from operating activities

	<b>2016</b>	2015
	<b>£000</b>	£000
(Deficit)/surplus for the year	33	3
Interest and dividends receivable	(139)	(161)
Taxation charge	81	21
Depreciation charges	360	262
Loss/(gain) on sale of fixed assets and investments	(213)	104
Costs associated with disposal of heritable property	-	(49)
Pension scheme - contributions	(219)	(219)
Change in debtors	2,663	80
Change in creditors & provisions	1,030	4,098
Cash from operations	3,596	4,139
Taxes paid	(552)	(52)
Net cash generated from operating activities	<u>3,044</u>	<u>4,087</u>

### Note 22 – Related party transactions

#### 22.1 Scottish Solicitors' Guarantee Fund

Members of the Client Protection Fund Committee, which oversees the Scottish Solicitors' Guarantee Fund, are also members of the Council of the Law Society of Scotland. At the year-end, a balance of £307,055 (2015 - £465,933) was due to the Scottish Solicitors' Guarantee Fund, which included subscriptions received before the year-end for the 2016/17 subscription year. During the year overheads of £100,300 were charged from the Law Society of Scotland to the Guarantee Fund (2015 - £70,529).

#### 22.2 Scottish Solicitors' Benevolent Fund

Three trustees of the Scottish Solicitors' Benevolent Fund are also members of the Council of the Law Society of Scotland. Two trustees of the Scottish Solicitors' Benevolent Fund are employees of the Law Society of Scotland. At the year-end, a balance of £10,015 (2015 - £6,629) was due to the Law Society of Scotland.

#### 22.3 The Law Society of Scotland Services Limited

The above company is a wholly owned subsidiary of the Society. At the year-end the company held a 20% shareholding in Legal Post (Scotland) Limited which is accounted for as an associate using the cost model. The shares were acquired for £20 in 2000. Following a takeover the shareholding was sold after the year-end for a consideration of £261,585 which will be accounted for in the 2016/17 financial statements. At the year-end a balance of £3,804 was due to (2015 - £1,390 due to) the Law Society of Scotland. The Law Society of Scotland Services Limited post-tax profit for the year to 31 October 2015 was £49,386 (2015 - £36,334). During the year the Society purchased services from Legal Post (Scotland) Limited amounting to £109,845 (2015 - £114,228).



## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 22 – Related party transactions

#### 22.4 Legal services

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

#### 22.5 LawCare

During the year the Society paid £20,400 (2015 - £21,150) to LawCare, a registered charity, for pastoral care services. An employee of the Society is a director of LawCare.

#### 22.6 Pritchard Educational Trust

During the year the Society paid £210 (2015 - £10,225) to the Pritchard Educational Trust, a registered charity. The Society's president and vice president are trustees. £20,435 was due from the trust at the year-end (2015; £20,225).

#### 22.7 Law Society of Scotland Educational Foundation

During the year the Society established Law Society of Scotland Educational Foundation, a registered charity. Three staff members are trustees.

### Note 23 - Committee convener allowances

	<b>2016</b>
	<b>£</b>
Regulatory committee	7,500
Admission committee	5,000
Appeal & reviews committee	7,500
Civil aid quality assurance committee	7,500
Client protection fund committee	7,500
Complaints committee	5,000
Education & training (standards setting) committee	5,000
Practising certificate committee	5,000
Professional conduct sub committee 1	7,500
Professional conduct sub committee 2	7,500
Rules, waivers & guidance committee	7,500
Access to justice committee	7,500
Civil justice committee	2,500
Criminal law committee	7,500
Equality & diversity committee	2,500
Finance committee	5,000
In-house lawyers committee	7,500
Insurance committee	7,500
Civil legal aid committee	7,500

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

Criminal legal aid committee	7,500
Professional practice committee	5,000
Property law committee	7,500
Public policy committee	7,500
Remuneration committee	2,500

### Note 24 - Employment costs

	2016	2015
	£000	£000
<i>24.1 By operational area:</i>		
Education, training & qualifications	452	340
Finance & operations	1,544	1,661
Member services	730	782
Regulation	1,753	1,618
External relations	819	729
	<u>5,298</u>	<u>5,130</u>
<i>24.2 By item:</i>		
Gross payroll	4,461	4,287
Employer's national insurance	452	441
Employer's pension contributions	385	402
	<u>5,298</u>	<u>5,130</u>
Staff practising certificates	17	23
	<u>5,315</u>	<u>5,153</u>

The CEO's package was £ 196,242 (2015 - £188,964).

The rest of the senior leadership team comprises the executive directors of the following five areas: education, training & qualifications; external relations; finance & operations; member services and regulation. The total gross remuneration including pension contributions was £437,125 (2015 - £413,764).

### Note 25 – External auditors' remuneration

	2016	2015
	£000	£000
Group external audit fees	19	19
Other accounting and tax services	5	-
	<u>24</u>	<u>19</u>

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### Note 26 - 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 accounts. 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 balance sheet 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 have to make further payments.

### Note 27 - Secured assets

In 2014 the Society assigned security over a specific bank account through a Scots Law Pledge to the Trustees of the Staff Retirement Benefits Scheme. The sum secured is £1m. The security becomes enforceable if the Society defaults on its annual repayment obligations, and remains effective until the next triennial valuation is agreed.

Debtors (note 16) include £1.25m due from the purchaser of the Society's former heritable property at Drumsheugh Gardens. There is a Guarantee from the parent company as well as a standard security over the entire property in respect of the deferred payment. This standard security is postponed to the security granted by the purchaser to its main lender, and there is a ranking agreement in place with the purchaser and lender for the balance of the purchase price.

### Note 28 - Commitments under Operating Leases

At 31st October the Society had the following minimum payments under a non-cancellable operating lease:

	<b>Group 2016 £000</b>	<b>Society 2016 £000</b>	Group 2015 £000	Society 2015 £000
Land and Buildings:				
Within 1 year	-	-	-	-
Within 2 to 5 years	1,567	1,567	929	929
In 5 years or more	5,603	5,603	6,241	6,241
	<u>7,170</u>	<u>7,170</u>	<u>7,170</u>	<u>7,170</u>

Operating lease payments represent total rentals in respect of the Society's office premises at Atria One, Morrison Street Edinburgh from 1st November 2016 until the expiry date of the lease, 16th August 2029. Renewal options exist on 17th August 2020 and 17th August 2025. The figures exclude any irrecoverable VAT, which will vary from year to year depending on income sources.

# Scottish Solicitors'

# Guarantee Fund

Annual Report and Financial Statements for the year ended 31 October 2016

## Contents

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## Overview

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The Guarantee Fund trades as the Client Protection Fund and reports a deficit for the financial year ended 31 October 2016 of £1,010,000 (2015 – restated surplus £153,000).

## Income and Expenditure

Income has remained steady largely due to the decision not to change the subscription rate for 2016. The deficit arose due to grant volumes being significantly higher than in preceding years.

## Balance Sheet

Reserves reduced to £5,610,000 at 31 October 2016 from the previous level of £6,620,000 as a result of the extent and size of grant awards. The Client Protection Fund Sub-Committee believes given the unpredictability of the claims environment that it is essential that a healthy level of reserves is maintained. Reserves had been held at a higher level than the policy last year in preparation for the prospective claims in the system paid out in 2015/16.

## Looking ahead

Many of the Judicial Factories which have boosted claims volumes and grant expenditure in recent years are now in their final stages and are not expected to produce significant new claims. New claims volumes have been modest during 2015/2016 although one judicial factory appointment in the final quarter resulted in several new claims with more being received into 2016/2017.

The Fund continues to hold open a small number of large claims or intimations while the claimants pursue other options for recovery which may result in any claim on the Fund being reduced. However at this stage it is not possible to predict when the Fund will be able to consider the claims or what the financial impact on the Fund will be.

## Independent Auditors' Report to the Council of the Law Society of Scotland

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We have audited the accounts of the Scottish Solicitors' Guarantee Fund (the fund) for the year ended 31 October 2016, which comprise the income and expenditure account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Council of the Law Society of Scotland, as a body, in accordance with relevant legal and regulatory requirements. Our audit work has been undertaken so that we might state to the Council of the Law Society of Scotland those matters we are required to state to them in an auditors' 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 Council of the Law Society of Scotland as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Council and auditors

As explained more fully in the Statement of Council's Responsibilities set out on page five, the Council is responsible for the preparation of accounts which give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ethical standards for auditors.

### Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### Opinion

In our opinion the accounts:

- give a true and fair view of the state of the fund's affairs as at 31 October 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice.

## Independent Auditors' Report to the Council of the Law Society of Scotland (ctd.)

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the annual report is inconsistent in any material respect with the accounts; or
- proper accounting records have not been kept; or
- the accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Henderson Loggie

Chartered Accountants and Statutory Auditors

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Edinburgh

2017



## Statement of the Council's Responsibilities in Respect of the Accounts of the Scottish Solicitors' Guarantee Fund

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The Council of the Law Society of Scotland is responsible for preparing the accounts of the Scottish Solicitors' Guarantee Fund in accordance with the constitution of the Society.

While the constitution of the Society does not contain any accounts requirements in respect of the fund, the Council has decided to prepare accounts for each financial year which give a true and fair view of the state of affairs of the fund and of the surplus or deficit of the fund for that period and to prepare the accounts in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice).

In preparing these accounts, the Council has undertaken to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the fund will continue in business

The Council has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the fund and to prevent and detect fraud and other irregularities.

## Income and Expenditure Account

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for the year ended 31 October 2016

	Note	2016 £000	Restated 2015 £000
<b>Income</b>			
Subscriptions		666	645
Income from investments and deposits		87	49
Dividends in respect of claims		-	34
Claims paid by Judicial Factor		1	8
<b>Total income</b>		<b>754</b>	<b>736</b>
<b>Expenditure</b>			
Stop-loss insurance		(111)	(145)
Overheads and staff costs		(128)	(89)
Convener compensation		(4)	(8)
Auditors' fees		(3)	(4)
Other professional fees		(4)	-
Corporation tax	2	(65)	-
<b>Total expenditure</b>		<b>(315)</b>	<b>(246)</b>
<b>Surplus of running costs</b>		<b>439</b>	<b>490</b>
<b>Gains/(losses) on investments</b>	3	<b>232</b>	<b>(48)</b>
<b>Claims</b>		<b>(1,681)</b>	<b>(289)</b>
<b>Overall fund (deficit)/surplus</b>		<b>(1,010)</b>	<b>153</b>

## Balance Sheet

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as at 31 October 2016

	Note	2016 £000	Restated 2015 £000
<b>Assets</b>			
Investments	3	2,673	2,670
Cash in bank		2,989	3,944
Debtors	4	414	499
		<b>6,076</b>	<b>7,113</b>
<b>Less liabilities</b>			
Provision for taxation	2	(17)	(10)
Deferred tax		(37)	-
Grants made by the Council unpaid at 31 October		(14)	(24)
Sundry creditors		(398)	(459)
		<b>5,610</b>	<b>6,620</b>
<b>Represented by:</b>			
<i>Reserve available to meet claims</i>			
Balance brought forward from last account		6,620	6,467
(Deficit)/Surplus for year		(1,010)	153
		<b>5,610</b>	<b>6,620</b>

Eilidh Wiseman  
President  
2017

## Notes to the Financial Statements

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for the year ended 31 October 2016

### 1. Accounting policies

#### Basis

The accounts are prepared on an accruals basis in accordance with UK GAAP (Generally Accepted Accounting Practice). This is the first year the financial statements have been prepared under FRS 102. The change in accounting framework has resulted in an impact to comparatives as disclosed at note 7.

#### Going Concern

To the Council's knowledge there are no material uncertainties which would prevent the Fund from operating for 12 months from the date of signing this report.

#### Investments

Investments are stated at market value. Investments are only stated at below market value where the committee believes their diminution in value is permanent.

#### Income recognition

The Fund recognises all categories of income in the period to which they relate. Subscription income received that relates to future periods is held on the balance sheet as fees in advance.

#### Taxation

The Fund is liable for corporation tax on investment income and chargeable investments gains. Full provision is made for corporation tax on assessable income. Deferred tax is provided on the unrealised gain on the revaluation of investments.

#### 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 account.

#### Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid after taking account of any trade discounts due.

#### Creditors and provisions

Creditors and provisions are recognised where the Fund has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

#### Financial instruments

The Fund only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

## Notes to the Financial Statements (ctd.)

for the year ended 31 October 2016

### 2. Corporation tax

	<b>2016</b>	<b>Restated</b>
	<b>£000</b>	<b>2015</b>
		<b>£000</b>
Deferred tax	47	(10)
Current corporation tax charge	18	10
	<b>65</b>	<b>-</b>
<b>Reconciliation</b>		
(Deficit)/Surplus for the year before tax	(945)	153
Corporation taxation at 20%	(189)	31
Income not subject to corporation tax	(133)	(138)
Expenditure not allowable for corporation tax	387	107
	<b>65</b>	<b>10</b>

### 3. Investments

	<b>£000</b>
Market value at beginning of the year	2,670
Additions during year	375
Proceeds on disposals during the year	(604)
Realised gain	16
Unrealised gain	216
Market value at end of year	<b>2,673</b>

The historic cost of the investments is £2,491,000 (2015 £2,721,000).

### 4. Debtors

	<b>2016</b>	<b>Restated</b>
	<b>£000</b>	<b>2015</b>
		<b>£000</b>
Sundry debtors	307	487
Prepayments and accrued income	107	2
Deferred tax asset	-	10
	<b>414</b>	<b>499</b>

## Notes to the Financial Statements (ctd.)

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for the year ended 31 October 2016

### 5. Related party transactions

The Law Society of Scotland

Members of the Client Protection Fund sub-committee are also members of the Council of the Law Society of Scotland, with the exception of lay members and three solicitors. At the year-end, a balance of £307,100 was due to The Law Society of Scotland (2015 due from £465,933), representing grants paid on the Fund's behalf, less subscriptions for 2016/17 received by the Society before the year-end.

### 6. Contingent liabilities

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 and, if it 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 recorded at the sum intimated. As such, the total of claims intimated does not necessarily represent claims that will be paid.

The total of claims intimated but not admitted at 31 October 2016 was £5.062 million representing 27 claims made against 11 firms, (2015: £4.1million, 35 claims, 12 firms).

A stop loss insurance policy is in place to enable the Client Protection Fund to meet any catastrophic accumulation of claims. For 2015/2016 the policy requires the Client Protection Fund to meet self-insured claims intimated in the year up to a limit of £4m, after which a further £4m of cover is available.

## Notes to the Financial Statements (ctd.)

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for the year ended 31 October 2016

### 7. Transition to FRS 102

This is the first year the fund has presented its results under FRS 102. The last financial statements under the old UK GAAP were for year ended 31 October 2015. The date of transition to FRS 102 was 1 November 2014. Set out below are the changes in accounting policies which reconcile the surplus for financial year ended 31 October 2015 and the total reserves as at 1 November 2014 and 31 October 2015 between UK GAAP as previously reported and FRS 102.

Restated balance sheet:

	<b>31 October 2015 £000</b>	<b>1 November 2014 £000</b>
Funds as previously reported	6,661	6,467
Investment revaluation	(51)	-
Deferred tax impact	10	-
	<b>6,620</b>	<b>6,467</b>

Restated surplus for year ended 31 October 2015:

	<b>£000</b>
Surplus as previously reported	194
Investment revaluation	(51)
Deferred tax impact	10
<b>Restated surplus</b>	<b>153</b>

FRS 102 requires investments to be held at market value. Previously investments were held at cost. In accordance with FRS 102 deferred tax has been recognised on the investment revaluations.



# Law Society of Scotland Services Limited

Annual Report and Financial Statements for the year ended 31 October 2016

Company registration number SC212094



## Company Information

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### Reference and administrative details

The Law Society of Scotland Services Limited is a company limited by shares.

<b>Governing document</b>	The company's governing instrument is the Memorandum and Articles of Association.
<b>Company name</b>	The Law Society of Scotland Services Limited
<b>Company registration number</b>	SC212094
<b>Registered office</b>	144 Morrison Street Edinburgh EH3 8EX
<b>Company Secretary</b>	Henry Robson (resigned 6 September 2016) Ken Tudhope (appointed 6 September 2016)
<b>Directors</b>	Henry Robson (resigned 6 September 2016) Ken Tudhope Eilidh Wiseman (appointed 6 September 2016) Graham Matthews (appointed 6 September 2016) Lorna Jack-Hooijenga (appointed 6 September 2016)
<b>Bankers</b>	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
<b>Auditors</b>	Henderson Loggie 34 Melville Street Edinburgh EH3 7HA

## Directors' Report

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The directors have pleasure in submitting their annual report and financial statements for the year ended 31 October 2016.

### Principal Activities

The principal activity of the company is to undertake certain commercial opportunities on behalf of the Law Society of Scotland. It holds investments in Legal Post (Scotland) Limited and Altis Legal Limited.

### Structure, Governance and Management

The Law Society of Scotland Services Limited was incorporated as a company limited by shares, it is governed by the memorandum and articles of association. The board meets approximately twice a year and makes any decisions in relation to the company. New directors are appointed by the board. Induction and training of new directors is dealt with by the board.

### Directors

The Directors during the year were:

- Henry Robson
- Ken Tudhope
- Eilidh Wiseman
- Graham Matthews
- Lorna Jack-Hooijenga

### Disclosure of information to auditors

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

This report is prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small companies.

By order of the board

Ken Tudhope  
Director

3<sup>rd</sup> March 2017

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

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The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent auditors' report to the members of The Law Society of Scotland Services Limited

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We have audited the financial statements of The Law Society of Scotland Services Limited for the year ended 31<sup>st</sup> October 2016 which comprise the statement of income and retained earnings, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> October 2016 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from preparing a strategic report.

**James Davidson (Senior Statutory Auditor)**

For and on behalf of Henderson Loggie Statutory Auditors  
Edinburgh

3<sup>rd</sup> March 2017

## Statement of Income & Retained Earnings for the year ended 31 October 2016

	<b>Note</b>	<b>2016</b> £	2015 £
<b>Income</b>			
Dividends from Legal Post		64,000	50,000
Other		592	85
		<u>64,592</u>	<u>50,085</u>
<b>Administration Expenses</b>		<u>(2,859)</u>	<u>(4,667)</u>
<b>Profit on ordinary activities before taxation</b>	2	61,733	45,418
Tax on profit on ordinary activities	3	<u>(12,347)</u>	<u>(9,084)</u>
<b>Profit on ordinary activities after taxation</b>		<b>49,386</b>	36,334
<b>Opening reserves</b>		<u><b>269,371</b></u>	<u>233,037</u>
<b>Closing reserves</b>		<u><b>318,757</b></u>	<u>269,371</u>

There are no recognised gains or losses other than the profit for the year above.

## Balance Sheet as at 31 October 2016

	Note	2016 £	2015 £
<b>Investments</b>	4	82,520	20
<b>Current Assets</b>			
Cash at bank		265,330	292,351
<b>Current Liabilities</b>			
Accruals		(12,942)	(12,902)
Due to the Law Society of Scotland		(3,804)	(1,014)
Corporation Tax	3	(12,347)	(9,084)
		<u>(29,093)</u>	<u>(23,000)</u>
<b>Net current assets</b>		<u><b>236,237</b></u>	<u>269,351</u>
<b>Net assets</b>		<u><b>318,757</b></u>	<u>269,371</u>
<b>Reserves</b>			
Called up share capital		2	2
Profit and Loss account		318,755	269,369
		<u><b>318,757</b></u>	<u>269,371</u>

### Company registration number SC212094

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, and in accordance with the provisions of FRS102 Section 1A – Small entities.

The financial statements were approved by the board of directors on 3<sup>rd</sup> March 2017 and are signed on its behalf by:

Ken Tudhope, Director

## Notes to the financial statements for the year ended 31 October 2016

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### 1. Accounting policies

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

#### 1.1 Basis of preparation

The Law Society of Scotland Services Limited is a private company limited by shares, incorporated in Scotland, and with its registered office and registered number as set out on the Company Information page. These financial statements have been prepared in accordance with and are compliant with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime. The disclosure requirements of section 1A of FRS 102 have been applied early other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company.

This is the first year the financial statements have been prepared under FRS 102.

#### 1.2 Income

Investment income is recognised when receivable.

#### 1.3 Investments

Investments are stated at fair value.

#### 1.4 Cash Flow Statement

The financial statements do not include a cash flow statement because the company, as a small reporting entity, has claimed exemption from the requirement to prepare such a statement.

#### 1.5 Taxation

The tax currently payable is based on taxable profit for the year. The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### 1.6 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 account.

#### 1.7 Debtors

Trade and other debtors are recognised at the settlement amount due.

#### 1.8 Creditors and provisions

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

#### 1.9 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.



## Notes to the financial statements for the year ended 31 October 2016 (ctd.)

### 2. Profit on ordinary activities

	<b>2016</b>	2015
	£	£
Auditors' remuneration	1,390	1,585
Other administrative fees	1,470	3,082
	<u>1,470</u>	<u>3,082</u>

### 3. Taxation

	<b>2016</b>	2015
	£	£
Corporation Tax – current year	12,347	9,084
Charge for the year	12,347	9,084
	<u>12,347</u>	<u>9,084</u>
Profit for the year before taxation	61,733	45,418
Current tax thereon at 20%	12,347	9,084
	<u>12,347</u>	<u>9,084</u>

### 4. Investments

	£
Valuation	
At 1 November 2015	20
Additions	82,500
At 31 October 2016	<u>82,520</u>

Investments comprise two shareholdings:

- a 20% shareholding in Legal Post (Scotland) Limited, a company incorporated in Scotland. The capital and reserves of this company at 31<sup>st</sup> May 2016 were £64,271 and the profit after taxation for the year then ended was £252,037.
- A 10% shareholding in Altis Legal, a company incorporated in Scotland, which commenced trading during the year.

Following a takeover the shareholding in Legal Post (Scotland) Limited was sold after the year-end for a consideration of £261,585, which will be accounted for in the 2016/17 financial statements.

### 5. Related Party Transactions

The company is controlled and administered by the Law Society of Scotland. At 31<sup>st</sup> October 2016, £3,804 was due to (2015 - £1,014) the Law Society of Scotland.

Ken Tudhope, a director, was also a director of Legal Post (Scotland) Limited during the year. Dividends of £64,000 (2015 - £50,000) were received from Legal Post (Scotland) Limited in the year.

## Notes to the financial statements for the year ended 31 October 2016 (ctd.)

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### 6. Ultimate Controlling Party

The Law Society of Scotland Services Limited is ultimately controlled by the Law Society of Scotland who owns the complete shareholding. The address of the Law Society of Scotland is the same as the registered address of the company disclosed at page 1.

### 7. Transition to FRS 102

This is the first year the fund has presented its results under FRS 102. The last financial statements under the old UK GAAP were for year ended 31 October 2015. The date of transition to FRS 102 was 1 November 2014. No adjustments to the profit on ordinary activities after taxation, or reserves, were required for the year ended 31 October 2015.

# Scottish Solicitors' Benevolent Fund

Annual Report and Financial Statements for the year ended 31 October 2016

Charity registration number SC000258

## Trustees' Report

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The trustees have pleasure in submitting their annual report and financial statements for the year ended 31 October 2016.

### Reference and administrative details

The Scottish Solicitors' Benevolent Fund was founded by a deed of trust. Its governing instrument is the trust deed and is managed by the Benevolent Fund Committee. The committee members are the trustees of the fund.

#### Charity name

Scottish Solicitors' Benevolent Fund

#### Charity registration number

SC000258

#### Registered office

166 Buchanan Street  
Glasgow, G1 2LW

### Trustees /members of the Benevolent Fund Committee

From the Law Society of Scotland

Eilidh Wiseman	(President)
Graham Matthews	(Vice President)
Philip Yelland	(Director)
Ken Tudhope	(Director)

From the Scottish Law Agents Society

Mary Pirie	(President)
Catriona Walker	(Vice President)
David MacLennan	(Past President)
Michael Sheridan	(Secretary)

### Governing document

The Benevolent Fund is a charitable trust and is governed by its trust deed.

### Administration

Members of the Benevolent Fund Committee are appointed to deal with the day to day administration of the fund. The members of that committee shall not be less than seven in number. The president and vice president of the Law Society of Scotland and the president and secretary of the Scottish Law Agents Society shall be ex-officio members of the committee. At least two further members of the committee shall be nominated provided always that the balance of membership between the two societies is maintained. From that number, a convener of the committee shall be nominated to hold office at the pleasure of the committee. For the avoidance of doubt, members of the committee other than the ex-officio members need not be member of the Councils of either society.

The funds and assets shall be administered by the management accountant of the Law Society of Scotland and the secretarial duties will be performed by the secretary of the Scottish Law Agents Society.

#### Bankers

The Royal Bank of Scotland,  
36 St Andrew Square, Edinburgh, EH2 2YB

#### Auditors

Henderson Loggie  
34 Melville Street, Edinburgh, EH3 7HA

#### Investment Advisors

Investec Wealth & Investment Limited  
5 George Square  
Glasgow, G2 1DY

#### Structure, governance and management

The Scottish Solicitors' Benevolent Fund is a charitable trust governed by its trust deed. It has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a charity registered in Scotland.

The Benevolent Fund Committee meets twice a year and makes all of the significant decisions in relation to the charity; day-to-day administration is delegated to the management accountant of the Law Society of Scotland and the secretary of the Scottish Law Agents Society. New trustees are appointed by the Benevolent Fund Committee from individuals of the respective societies possessing the relevant skills. Induction and training of new and existing members is dealt with as required.

#### Objectives, activities and achievements

The fund is intended to assist solicitors qualified in Scotland, or their dependants, who are in need of financial assistance and whose circumstances meet the criteria set by the trustees for the payment of grants. In light of this overarching objective, the Benevolent Fund Committee does not set annual objectives.

#### Grants policy

With consideration to the aim of the fund, potential beneficiaries are invited to complete the grant application form and submit to the trustees. This document is then considered in detail, so as to determine the suitability of the individual circumstance. A decision is then made on whether the grant application has been successful, and where appropriate, subsequent level of award.

During the year 20 grants were made to 11 individuals (2015 - 18 grants to 10 individuals) from general funds, and 7 grants were made to 7 individuals (2015 - 7 grants to 7 individuals) from the Tod Endowment restricted fund.

#### Financial review

The Trust's total incoming resources in the year were £17,603 (2015- £28,907). Two years' contributions totalling £20,000 from the Tod Endowment Fund had been received in 2015.

There was a net increase in funds of £15,970 in the year (2015 – net increase £7,317). Total funds at 31<sup>st</sup> October 2016 stood at £306,871 (2015 - £290,901), of which unrestricted funds were £235,477 (2015 - £222,348).

#### Reserves policy

The Trustees consider the level of free reserves required by the Fund to be the equivalent of 12 months' unrestricted expenditure. On this basis at 31<sup>st</sup> October 2016 there were free reserves of £3,615. However the Trustees are able to increase free reserves immediately by withdrawing sums from the investment portfolio if required; consequently the Fund's reserves are considered adequate. The situation is monitored at each meeting.

#### Risk policy

The trustees examine the operational and business risks that the charity faces and have established systems to mitigate the significant risks.

#### Investment policy

The investments are operated under delegated powers by investment brokers appointed by the trustees. Income is re-invested and the portfolio is considered low risk.

#### Plans for future periods

The trustees intend to continue to provide support to solicitors qualified in Scotland, or their dependants, who are in need of financial assistance, in accordance with the objectives of the charity.

#### Disclosure of information to auditors

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

#### Auditors

A resolution for the re-appointment of Henderson Loggie as auditors is to be proposed at the forthcoming annual general meeting.

By order of the Trustees

Philip Yelland  
Trustee

Date 8 March 2017

## Statement of trustees' responsibilities in respect of the trustees' report and the financial statements

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Under charity law, the trustees are responsible for preparing the trustees' report and the financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether the recommendations of the statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities

The trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under section 44 of the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

## Independent auditors' report to the trustees of the Scottish Solicitors' Benevolent Fund

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We have audited the financial statements of the Scottish Solicitors' Benevolent Fund for the year ended 31 October 2016, which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees, as a body, those matters we are required to state to them in an auditors' 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of trustees and auditors

As explained more fully in the trustees' responsibilities statement set out on page 5, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ethical standards for auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes assessment of whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 October 2016 and of its incoming resources and application of resources, for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)



### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the trustees' annual report is inconsistent in any material respect with the financial statements
- proper accounting records have not been kept
- the financial statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit

Henderson Loggie  
Chartered Accountants and Statutory Auditors  
Edinburgh  
(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

Date 8 March 2017

## Statement of financial activities

for the year ended 31 October 2016

	Note	Unrestricted funds	Restricted fund	Permanent endowment fund	Total	Total
					2016	2015
		£	£	£	£	£
<b>Income from:</b>						
Investments		6,473	-	-	6,473	5,324
Donations		2,130	9,000	-	11,130	23,583
<b>Total income</b>		<u>8,603</u>	<u>9,000</u>	<u>-</u>	<u>17,603</u>	<u>28,907</u>
<b>Expenditure on:</b>						
Raising funds		(2,274)	-	-	(2,274)	(3,048)
Charitable activities	2	(14,373)	(6,159)	-	(20,532)	(17,317)
<b>Total expenditure</b>		<u>(16,647)</u>	<u>(6,159)</u>	<u>-</u>	<u>(22,806)</u>	<u>(20,365)</u>
Net gains/(losses) on investments		<u>21,173</u>	<u>-</u>	<u>-</u>	<u>21,173</u>	<u>(1,225)</u>
<b>Net movement in funds</b>		13,129	2,841	-	15,970	7,317
Balance brought forward at 1 November		222,348	53,553	15,000	290,901	283,584
Balance carried forward at 31 October		<u>235,477</u>	<u>56,394</u>	<u>15,000</u>	<u>306,871</u>	<u>290,901</u>

All of the charity's activities are continuing.

## Balance sheet

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as at 31 October 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Investments	5	<u>246,862</u>	<u>242,611</u>
<b>Current assets</b>			
Cash at bank and on deposit		72,376	57,694
Sundry debtor		-	520
		<u>72,376</u>	<u>58,214</u>
<b>Current liabilities</b>			
Sundry creditors		<u>(12,367)</u>	<u>(9,924)</u>
<b>Net current assets</b>		60,009	48,290
<b>Net assets</b>		<u>306,871</u>	<u>290,901</u>
<b>Represented by:</b>			
Unrestricted funds		235,477	222,348
Restricted funds		56,394	53,553
Permanent endowment fund		15,000	15,000
<b>Total funds</b>		<u>306,871</u>	<u>290,901</u>

The financial statements were approved by the trustees on 8 March 2017 and were signed on its behalf by:

Philip Yelland  
Trustee

## Statement of cash flows

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for the year ended 31 October 2016

	<b>2016</b>	2015
	<b>£</b>	£
Net movement in funds	15,970	7,317
(Gains)/losses on investments	(21,173)	1,225
(Outgoing)/incoming resources for the year	(5,203)	8,542
Investment income	(6,473)	(5,324)
Change in debtors	520	(520)
Change in creditors	2,443	(23,092)
Net cash generated from operating activities	(8,713)	(20,394)
<b>Cash flows from investing activities</b>		
Interest and dividends received	6,473	5,324
Payments to acquire investments	(239,551)	(53,604)
Receipts from sale of investments	256,473	54,915
	23,395	6,635
Increase in cash during the year	14,682	(13,759)
Net funds at the start of the year	57,694	71,453
Net funds at the end of the year	72,376	57,694

## Notes to the financial statements for the year ended 31 October 2016

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### 1. Accounting policies

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

#### Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention. The charity was founded by trust deed and is a Public Benefit Entity with the registered office as noted on page 2. The financial statements are compliant with the charity's constitution, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 "Accounting and Reporting by Charities" (revised 2015), and in accordance with Financial Reporting Standard 102 (FRS 102).

This is the first year the financial statements have been prepared under FRS 102 which has resulted in no changes to the figures.

#### Going Concern

To the trustees knowledge there are no material uncertainties which would prevent the charity from operating for 12 months from the date of signing this report.

#### Investments

Investments are held at market value obtained by reference to mid-market closing prices at the end of the year. Gains and losses on disposal and revaluations of investments are charged or credited in the statement of financial activities.

#### Interest and dividends

Interest and dividends are shown inclusive of the tax credit which is recoverable by the fund and are brought into account in the year in which they are receivable.

#### Permanent endowment fund

The principal sum of £15,000, described as the Alexander Stone Foundation Fund, is unavailable for distribution among beneficiaries of the Benevolent Fund. However, any income accrued on this fund is available for distribution.

#### Restricted fund

Donations which are received subject to conditions imposed by the donor are classified as restricted funds.

#### Unrestricted funds

These funds are expendable at the discretion of the trustees in furtherance of the objectives of the charity.

#### Income

The charity welcomes donations from all sources. The majority of income is derived from donations from members of the Law Society of Scotland and Scottish Law Agents Society. Income is recognised when there is entitlement, probability of receipt and the value can be measured reliably.

## Notes to the financial statements for the year ended 31 October 2016 (continued)

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### 1. Accounting policies (continued)

#### Expenditure and irrecoverable VAT

The trustees review all applications for grants payable in the furtherance of the charity's objects twice a year. The principal aim is to distribute a significant proportion of annual income to needy beneficiaries. Grants are recognised when approved. All other expenditure is minimal and is categorised as either support costs (advertising and administration costs) or governance costs (audit fees). All expenditure includes irrecoverable VAT.

#### Taxation

The fund is recognised by HM Revenue & Customs as a charity for the purposes of section 505 of the Income and Corporation Taxes Act 1988 and is exempt from taxation on its charitable activities.

#### 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 account.

#### Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid after taking account of any trade discounts due.

#### Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

#### Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

## Notes to the financial statements for the year ended 31 October 2016 (continued)

### 2. Charitable activities in the year

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Grants awarded	10,000	4,089	14,089	12,906
Governance costs	4,373	2,070	6,443	4,411
<b>Total</b>	<b>14,373</b>	<b>6,159</b>	<b>20,532</b>	<b>17,317</b>

#### Grants

##### Unrestricted

During the year, 20 grants were distributed to 11 individuals (2015 - 18 grants to 10 individuals totalling £9,000). The value of each payment was £500.

##### Restricted

During the year 7 grants were distributed to 7 individuals (2015 - 7 grants to 7 individuals totalling £3,906). The value of each payment ranged from £282 to £900.

In the prior there was a restricted donation received of £20,000 which was the only restricted income.

#### Governance costs

Governance costs include amounts paid to the Scottish Law Agents Society for administering the funds and advertising fees for appealing for donations and applicants. It also includes the audit fee of £1,859 (2015 - £1,805). The restricted governance costs in 2015 were £1,585.

### 3. Related party transactions

#### The Law Society of Scotland

Two trustees of the Scottish Solicitors' Benevolent Fund are also employees of the Law Society of Scotland and two trustees are members of the Council of the Law Society of Scotland. At the year-end, £10,015 was due from the Scottish Solicitors' Benevolent Fund to the Law Society of Scotland (2015 - £6,619) and nil (2015 - £520) due from the Law Society of Scotland to the Scottish Solicitors' Benevolent Fund.

#### Scottish Law Agents Society

Four trustees of the Scottish Solicitors' Benevolent Fund are also office bearers of the Scottish Law Agents Society. During the year, payments for services amounting to £2,155 (2015 - £2,850) were made to the Scottish Law Agents Society.

The charity is administered by the Law Society of Scotland and the Scottish Law Agents Society. The costs for administration including the external audit of the charity are charged to the Scottish Solicitors' Benevolent Fund. Governance costs include amounts paid to the Scottish Law Agents Society for administering the funds and advertising fees for appealing for donations and applicants. Law Society of Scotland provides administration services to the charity for no consideration.

## Notes to the financial statements for the year ended 31 October 2016 (continued)

### 4. Staff costs

The charity has no employees in either the current or previous year. The trustees (who are considered to be key management) received neither emoluments nor reimbursement of expenses in either the current or previous year.

### 5. Investments

	<b>2016</b>	2015
	£	£
Market value at the beginning of the year	242,611	245,147
Additions during the year	239,551	53,604
Proceeds on disposals during the year	(256,473)	(54,915)
Realised (loss)/gain	(487)	7,009
Unrealised gain/(loss)	21,660	(8,234)
Market value at the end of the year	<u>246,862</u>	<u>242,611</u>

### 6. Total assets

Total assets are held as follows:

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Permanent endowment fund</b>	<b>2016 Total</b>	<b>2015 Total</b>
	£	£	£	£	£
Investments	231,862	-	15,000	246,862	242,611
Cash at bank and in hand	15,982	56,394	-	72,376	57,694
Sundry debtors	-	-	-	-	520
Sundry creditors	(12,367)	-	-	(12,367)	(9,924)
	<u>235,477</u>	<u>56,394</u>	<u>15,000</u>	<u>306,871</u>	<u>290,901</u>

Restricted funds comprise funds received from the Tod Endowment Fund, a charity registered in Scotland. The fund is available for distribution among necessitous Scottish solicitors for the provision of holiday relief to be taken within Scotland. Charges for advertisements and administrative costs can be applied to the fund.

The permanent endowment fund represents the Alexander Sloan Foundation Fund. The income derived from this endowment is recognised in unrestricted funds.



# Law Society of Scotland Educational Foundation

Report and Financial Statements for the period 11 May 2016 to 31 May 2017

SCIO Charity registration number SCO46547

## Trustees' Report

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The trustees have pleasure in submitting the first annual report and financial statements for the Foundation covering the period from inception of the charity on 11 May 2016 until 31 May 2017.

### Charity name

Law Society of Scotland Educational Foundation

### Charity registration number

SCO46547

### Registered office

Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

### Trustees

Christine McLintock  
John Dye  
Yvonne Evans  
Lord Ericht  
Gordon Jackson QC  
Gavin McEwan  
Graham Robertson  
Kevin Timlin  
The Rt Hon James Wolffe QC

### Governing document

The Foundation is a charitable trust and is governed by its constitution.

### Bankers

The Royal Bank of Scotland,  
36 St Andrew Square, Edinburgh, EH2 2YB

### Independent Examiner

Ian Messer CA  
144 Morrison Street, Edinburgh, EH3 8EX

### Structure, governance and management

The charity is governed by its constitution. It has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a charity registered in Scotland.

The Trustees meet periodically and make all of the significant decisions in relation to the charity; day-to-day administration is delegated to staff at the Law Society of Scotland

## Trustees' Report (ctd.)

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### Objectives, activities and achievements

The purposes of the Lawscot Foundation are:- (i) to provide bursaries to new law students studying for their Scots law degree and/or Diploma in Professional Legal Practice, or such other qualifications as may replace the same from time to time, who, by reason of financial hardship, would benefit from financial support to help fund student fees and associated costs; (ii) to further promote and develop the education of law students receiving bursaries from the SCIO by establishing and operating a mentoring scheme, linking bursary recipients with experienced Scottish solicitors in order to offer bursary recipients guidance, advice, support and encouragement; (iii) to support, promote, fund and/or undertake related research, in areas such as (but not limited to) widening access to students to study for their Scots law degree and/or Diploma in Professional Legal Practice and entering into the solicitor profession; and (iv) to promote similar charitable purposes, objects or institutions in such proportions and manner as the Trustees think fit.

### Grants policy

With consideration to the aim of the fund, potential beneficiaries are invited to complete an application form and submit it to the trustees for consideration. The first meeting of the trustees to consider applications took place after the year-end.

### Financial review

The Trust's total incoming resources in the year were £284,984.

### Reserves policy

The Trustees are satisfied with the level of reserves and will aim to exceed on year's operating costs in future.

### Risk policy

The trustees examine the operational and business risks that the charity faces and take steps to mitigate any significant risks.

### Investment policy

Investments will be operated under delegated powers by investment brokers appointed by the trustees and risks of fluctuations in capital values balanced with a long term outlook.

### Plans for future periods

The trustees intend to provide support to beneficiaries in accordance with the objectives of the charity.

Independent Examiner/ Auditors

Ian Messer C.A. was appointed as the Charity's Independent Examiner during the period under review. The Trustees intend to appoint auditors in the forthcoming year.

By order of the Trustees

Trustee

Date 10 August 2017

## Statement of trustees' responsibilities in respect of the trustees' report and the financial statements

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Under charity law, the trustees are responsible for preparing the trustees' report and the financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether the recommendations of the statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities

The trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under section 44 of the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

## Independent examiner's report to the trustees of the Law Society of Scotland Educational Foundation

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I have examined the financial statements of the Law Society of Scotland Educational Foundation for the period ended 31 May 2017, which comprise the statement of financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

### Respective responsibilities of trustees and independent examiner

The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) 2005 Act and the Charities Accounts (Scotland) Regulations 2006. The charity trustees consider that the audit requirement of Regulation 10(1) (d) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.

### Basis of independent examiner's statement

My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and, consequently, I do not express an audit opinion on the accounts.

### Independent examiner's statement

In the course of my examination, no matter has come to my attention which gives me reasonable cause to believe that in any material respect the requirements:

- 1 • to keep accounting records in accordance with section 44(1) (a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations, and
  - to prepare accounts which accord with the accounting records and comply with Regulation 9 of the 2006 Accounts Regulations
- have not been met, or
2. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signed

Date: 10 August 2017

Ian Messer, Chartered Accountant  
144 Morrison Street, Edinburgh EH3 8EX

## Statement of financial activities

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for the period ended 31 May 2017

	Note	Unrestricted £	Restricted £	Total £
<b>Incoming Resources</b>				
<i>Incoming resources from generated funds:</i>				
Investment income - Interest and Dividends		-	-	-
<i>Voluntary Income:</i>				
Donations		282,269		282,269
Sponsorship		10,000		10,000
Total Incoming Resources		292,269	-	292,269
<b>Resources Expended</b>				
Cost of Generating Funds	2	(574)	-	(574)
Charitable activities	2	(6,111)	-	(6,111)
Governance Costs	2	(600)	-	(600)
Total Resources Expended		(7,285)	-	(7,285)
Net movement in funds		284,984	-	284,984
Balance brought forward		-	-	-
<b>Balance carried forward</b>		<b>284,984</b>	<b>-</b>	<b>284,984</b>

All of the charity's activities are continuing.

## Balance sheet

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as at 31 May 2017

	Note	£
<b>Current Assets</b>		
Cash at bank		292,154
<b>Current Liabilities</b>		
Sundry creditors	3	<u>(7,170)</u>
<b>Net Assets</b>	4	<u><b>284,984</b></u>
 <b>Represented by:</b>		
Unrestricted Funds		284,984
Restricted funds		-
Total funds		<u><b>284,984</b></u>

The financial statements were approved by the trustees on 10 August 2017 and are signed on their behalf by:

Christine McLintock  
Trustee



## Notes to the financial statements for the period ended 31 May 2017

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### 1. Accounting policies

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

#### Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention. The financial statements are compliant with the charity's constitution, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 "Accounting and Reporting by Charities" (revised 2015), and in accordance with Financial Reporting Standard 102 (FRS 102).

#### Going Concern

To the trustees' knowledge there are no material uncertainties which would prevent the charity from operating for 12 months from the date of signing this report.

#### Restricted fund

Donations which are received subject to conditions imposed by the donor are classified as restricted funds.

#### Unrestricted funds

These funds are expendable at the discretion of the trustees in furtherance of the objectives of the charity.

#### Income

Income is recognised when there is entitlement, probability of receipt and the value can be measured reliably.

#### Expenditure and irrecoverable VAT

Grants to beneficiaries are recognised when approved. All other expenditure is categorised as either those for generating funds, charitable activities and governance. All expenditure includes irrecoverable VAT.

#### Taxation

The fund is recognised by HM Revenue & Customs as a charity for the purposes of section 505 of the Income and Corporation Taxes Act 1988 and is exempt from taxation on its charitable activities.

#### 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 account.

#### Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

#### Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

## Notes to the financial statements for the period ended 31 May 2017 (ctd.)

### 2. Charitable activities in the year

	Unrestricted £	Restricted £	Total £
Costs of generating funds	574	-	574
Charitable activities	6,111	-	6,111
Governance costs	600	-	600
<b>Total</b>	<b>7,285</b>	<b>-</b>	<b>7,285</b>

### 3. Creditors

	£
Due to the Law Society of Scotland (note 5)	7,170

### 4. Total assets

Total assets are held as follows:

	Unrestricted funds £	Restricted funds £	2017 Total £
Cash at bank and in hand	292,154	-	292,154
Sundry creditors	(7,170)	-	(7,170)
	<b>284,984</b>	<b>-</b>	<b>284,984</b>

### 5. Related party transactions

The charity is administered by the Law Society of Scotland. No fees are paid to the Law Society of Scotland but where costs are incurred on the Foundation's behalf they are recorded as owing by the Foundation to the Society. At the year-end, £7,170 was due from the Foundation to the Law Society of Scotland. During the year the Law Society of Scotland donated £261,585 to the Foundation.