

# **Solicitors Indemnity Fund Limited annual report and financial statement for the year ended 31 October 2023**

June 2024

## **Directors report for the year ended 31 October 2023**

The Directors present their report and the audited financial statements for the year ended 31 October 2023. This report has been prepared in accordance with special provisions relating to small companies within Part 15 of the Companies Act 2006.

In line with special provisions relating to small companies within Part 15 of the Companies Act 2006, the Company has chosen not to prepare a strategic report.

### **Principal activities and review of the business**

Up until 30 September 2023, the sole activity of the Company was to manage and administer the Solicitors Indemnity Fund (the 'Fund'), which was established in 1987 and is governed by the Solicitors' Indemnity Rules 1987 as amended from time to time. Until this date, the Company continued to act as administrator of the Fund, managing all expenses and revenues in relation to the Fund, and all expenses incurred by the Company continued, as in previous years, to be reimbursed by the Fund and therefore the Company has no retained reserves. The company's activities ceased on 30 September 2023, and as a result of this the financial statements have not been prepared on the going concern basis.

The SRA announced in September 2022 that it had decided that the existing SIF arrangements, as operated by SIFL, would be replaced by its own indemnity arrangements with effect from September 2023. The SRA subsequently launched a public consultation on the arrangements and rules for an SRA-run indemnity scheme. This consultation closed in January 2023. In February 2023 the SRA announced that its board had agreed new rules that would bring SIF under the SRA's own direct control. Consequently, SIF has continued in existence after September 2023 but under direct SRA management. All expenses incurred by SIFL after September 2023 (including any relating to the eventual dissolution of the Company) will continue to be reimbursed in full by the Fund.

### **Post Balance Sheet Events**

There are no post balance sheet events.

## **Independent Auditors**

BDO LLP have expressed their willingness to continue in office, and this has been confirmed by the Directors.

## **Directors**

Up until 30 September 2023, the non-executive Directors of the Company were appointed by the SRA under delegated authority from The Council of The Law Society of England and Wales ('TLS'). TLS and SRA each nominated a non-executive Director to represent its interest on the Board. The appointment of the Chair was made following a joint selection process involving TLS and SRA. The remaining non-executive Director was drawn from the legal profession or with relevant insurance expertise. The following were Directors during the financial year under review and up to 30 September 2023 when all resigned except for Liz Rosser:

- John Young – Chairman
- David Neave (Independent non-executive director) Liz Rosser (SRA nominated non-executive director)
- Tom Fothergill (TLS nominated non-executive director)

The SRA appointed the following Directors from 1 October 2023, and all were in role up to the date of signing the accounts:

- Rob McWilliam
- Juliet Oliver

## **Directors and Officers Liability insurance**

The Company maintained liability insurance for its Directors and Officers until 30 September 2023. The SRA maintained liability insurance for the Company's Directors and Officers after this date.

## **Statement of Directors' responsibilities**

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 year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 of the profit or loss of

the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 that 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Statement of Disclosure of Information to Auditors**

In the case of each Director in office at the date the Directors report is approved, the following applies:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Rob McWilliam

Director

23 May 2024

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## **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2023 and of its result 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.

We have audited the financial statements of Solicitors Indemnity Fund Limited ('the Company') for the year ended 31 October 2023 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Emphasis of matter - financial statements prepared on a basis other than going concern**

We draw attention to Note 3.b to the financial statements which explains the Solicitors Regulation Authority took control of Solicitors Indemnity Fund from 1 October 2023, and the Directors planning to dissolve the Company in due course and therefore do not consider the Company to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 3.b. Our opinion is not modified in this respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information



and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

### **Responsibilities of Directors**



As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Extent to which the audit was capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### **Non-compliance with laws and regulations**

Based on:

- Our understanding of the Company;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company policies and procedures regarding compliance with laws and regulations; and
- Inspecting board minutes.

We identified such laws and regulations to be the Financial Reporting Standards 102 applicable in the UK and Republic of Ireland.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

### **Fraud**

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Considering the results of testing of financial line items for indicators of fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

[<https://www.frc.org.uk/auditorsresponsibilities>] This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the 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.

Alexander Barnes (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

55 Baker Street

London

W1U 7EU

23 May 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## **Statement of income and retained earnings for the year ended 31 October 2023**

	<b>Note</b>	<b>31 Oct 2023</b>	<b>31 Oct 2022</b>
		<b>£'000</b>	<b>£'000</b>
Turnover	4	1,248	,898
Administrative expenses		(1248)	(898)



Result on ordinary activities before taxation	6	-	-
Tax on result on ordinary activities	8	-	-
Result for the financial year		-	-
Retained earnings as at 1 November		-	-
Retained earnings as at 31 October		-	-

The Company had no other comprehensive income therefore the above represents the total comprehensive result for the year.

### **Balance sheet as at 31 October 2023**

	<b>Note</b>	<b>31 Oct 2023 £'000</b>	<b>31 Oct 2022 £'000</b>
Current assets			
Debtors	-	-	-
Creditors: amounts falling due within one year	-	-	-
Net assets	-	-	-
Profit and loss account	-	-	-

The financial statements on pages 7 to 13 were approved by the Board of Directors on 30 April 2024 and signed on its behalf by:

Rob McWilliam

Director

Registered Company Number: 2143641

### **Notes to the financial statements for the year ended 31 October 2023**

#### **1. General information**

The company is a private company limited by guarantee without share capital and it is incorporated in the United Kingdom. The address of its registered office is The Cube, 199 Wharfside Street, Birmingham, B1 1RN United Kingdom.

Up until 30 September 2023, the company's sole activity was to manage and administer the Solicitors Indemnity Fund, which was established in 1987 and is governed by the Solicitors' Indemnity Rules 1987 as amended from time. As disclosed in the Directors' Report, the SRA took

control of SIF from 1 October 2023 and the Directors are planning to dissolve the Company in due course.

## **2. Statement of compliance**

The financial statements of Solicitors Indemnity Fund Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

## **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **(a) Basis of preparation**

The financial statements have not been prepared under the going concern basis as the Directors are planning to dissolve the Company in due course, however, they are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. These financial statements have been prepared under FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key sources of estimation uncertainty' section of this note.

The company acted as agent to the Fund and held legal title to some of the assets which are beneficially held for the Fund. In accordance with the initial set up guidelines for the Fund, all of the assets and liabilities are recorded in the financial statements of the Fund as if they belong to the Fund and were not recognised in the Company's financial statements. As part of the transfer of control of SIF from SIFL to SRA, it was agreed that these assets would transfer to SRA to be beneficially held for the Fund. The timing of the transfer of assets spanned the financial year end and therefore at 31 October some of the assets remained in the name of SIFL. These assets continue to be recognised in the financial statements of the Fund and not the Company.

Expenses are recognised in the period to which they relate. Any accrued or prepaid expenses are recognised in the Fund and in the company via

the amounts due to or from the Fund. All costs incurred in administering the Fund are recharged to the Fund with no profit or loss arising.

### **(b) Going concern**

As disclosed in the Directors' Report, the SRA took control of SIF from 1 October 2023, and the Directors are planning to dissolve the Company in due course. The financial statements have therefore not been prepared on the going concern basis. The Directors have assessed the value of the Company on a break-up basis and have concluded that there is no change in value compared to the value reported under the historical cost convention. Furthermore, no provision for the wind up of the company has been provided as all future expenses incurred by the Company will be reimbursed by the Fund or another third party.

### **(c) Pension Costs**

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

### **(d) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of the use of exemptions to the company's shareholders, and an absence of objection from them. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of The SRA which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i. from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii. from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102; and
- iii. from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

### **(e) Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### i. Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows, discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Income and Retained Earnings.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Income and Retained Earnings.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### ii. Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and

subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company does not hold or issue derivative financial instruments.

### iii. Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **(f) Related parties**

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

## **(g) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, turnover and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the Directors, no critical judgements have been made and there are no critical sources of estimation uncertainty in these financial statements.

## **4. Turnover**

Turnover represents the reimbursement of expenses incurred on behalf of the Solicitors Indemnity Fund. This comes from one source of business all of which is within in the UK.

## **5. Employees**

**The Company employed an average of 3 (2022: 3) staff members, excluding directors, in the year.**

	<b>31 Oct 2023 £'000</b>	<b>31 Oct 2022 £'000</b>
Wages and salaries	256	233
Social security costs	47	37
Pension and other costs	147	110
Total staff costs	450	380

The Company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amounted to £31k (2022: £35k).

## **6. Result on ordinary activities before taxation**

**Result on ordinary activities before taxation is stated after charging:**

	<b>31 Oct 2023 £'000</b>	<b>31 Oct 2022 £'000</b>
Services provided by the company's auditors:		
Audit of the financial statements	4	4
Audit of Solicitors Indemnity Fund	115	71
Total audit fees	119	75

## **7. Directors' remuneration**

	<b>31 Oct 2023 £'000</b>	<b>31 Oct 2022 £'000</b>
Aggregate remuneration	53	56

At the balance sheet date there were no retirement benefits (2022: £nil) being accrued for any of the directors.

## **8. Tax on result on ordinary activities**

The tax charge for the company is £nil (2022: £nil) based on no profit or loss occurring in the Company. Taxation relating to the activity of the Fund is accounted for in the Solicitors Indemnity Fund financial statements based on its surplus or deficit for the year.

## **9. Liability of members**

The Company is limited by guarantee and has no share capital. Under the terms of clause 5 of the company's Memorandum of Association,

every member is liable to contribute a sum not exceeding £100 in the event of the Company being wound up while he or she is a member or within one year after he or she ceases to be a member.

At 31 October 2023 the Company had one member (2022: two).

## **10. Related parties**

The company has taken advantage of the exemption under paragraph 33.1A of FRS 102, 'Related party disclosures' from disclosing transactions with other group companies, on the grounds that it is a wholly owned subsidiary of a group headed by The Law Society, whose financial statements may be obtained from Law Society Hall, 113 Chancery Lane, London, WC2A 1PL.

Up until 30 September 2023, the company held, managed and administered the Fund. Details of transactions with the Fund are disclosed in note 4. There were no other material related party transactions.

## **11. Post balance sheet events**

There are no post balance sheet events.

## **12. Ultimate controlling party**

The company is limited by guarantee as explained in note 9. The SRA Limited is considered to be the company's parent entity. In the opinion of the directors the ultimate controlling party is the Council of The Law Society by virtue of it being the sole member of the SRA Limited.

Copies of The Law Society's financial statements can be obtained from The Law Society, Law Society Hall, 113 Chancery Lane, London, WC2A 1PL. Consolidated financial statements including this company are prepared by The Law Society.

## **Downloads**

[Download: Solicitors Indemnity Fund Limited annual report and financial statement \(PDF 15 pages, 431KB\)](https://qltt.sra.org.uk/globalassets/documents/sra/research/sif-limited-oct-2023.pdf)

[<https://qltt.sra.org.uk/globalassets/documents/sra/research/sif-limited-oct-2023.pdf>]