

The Law Society of Ireland

Reports and Consolidated
Financial Statements
for the financial year ended
31 December 2020

THE LAW SOCIETY OF IRELAND

**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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THE LAW SOCIETY OF IRELAND

STATEMENT OF RESPONSIBILITIES OF THE FINANCE COMMITTEE

The Finance Committee is required to prepare financial statements for each financial year. The Finance Committee have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("relevant financial reporting framework"). The Finance Committee must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and the Society as at the financial year end date and of the Group's surplus or deficit for the financial year.

In preparing these financial statements, the Finance Committee is required to:

- select suitable accounting policies for the Group and the Society's financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in operation.

The Finance Committee is responsible for ensuring that the Group and the Society keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Group and the Society, enable at any time the assets, liabilities, financial position and surplus of the Society to be determined with reasonable accuracy, and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Finance Committee is responsible for the maintenance and integrity of the financial information included on the Society's website.



Independent auditor's report to the members of The Law Society of Ireland

Opinion on the financial statements of the Law Society of Ireland

In our opinion the Group and Society's financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Society as at 31 December 2020 and of the surplus of the Group and the Society for the year then ended; and
- have been prepared in accordance with the applicable financial reporting framework.

The financial statements we have audited comprise:

the Group financial statements:

- the Consolidated Statement of Comprehensive Income and Retained Earnings;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 26, including a summary of significant accounting policies as set out in note 1.

the Society financial statements:

- the Society Balance Sheet; and
- the related notes 1 to 26, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group and Society financial statements is FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)). Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Finance Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Finance Committee with respect to going concern are described in the relevant sections of this report.

Other information

The Finance Committee are responsible for the other information. The other information comprises the information included in the Reports and Consolidated Financial Statements, 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.

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Independent auditor's report to the members of The Law Society of Ireland

Other information (continued)

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Responsibilities of the Finance Committee

As explained more fully in the Statement of Responsibilities of the Finance Committee, the Finance Committee are responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Finance Committee 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 Finance Committee are responsible for assessing the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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 (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Finance Committee.
- Conclude on the appropriateness of the Finance Committees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Society (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.



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Independent auditor's report to the members of The Law Society of Ireland

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Our report is made solely to the Society's members, as a body. 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 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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

John O'Callaghan
For and on behalf of
BDO
Dublin
Statutory Audit Firm
AI223876

Date:

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	2020 €	2019 €
INCOME			
Fees and subscriptions	4	19,465,915	19,816,544
Education activities	5	11,184,119	10,899,327
Publications	4	168,606	289,824
Four Courts rooms	4	252,829	1,041,156
Interest income	6	6,760	35,582
Other income	7	31,240	119,195
Sundry income		84,693	36,790
		31,194,162	32,238,418
EXPENDITURE			
Operating charges:			
- General activities	4	(18,195,098)	(16,746,205)
- Education activities	5	(10,881,938)	(10,923,548)
Other expenditure	7	(249,076)	(436,528)
		(29,326,112)	(28,106,281)
SURPLUS FOR FINANCIAL YEAR BEFORE REVALUATIONS, EXCEPTIONAL ITEMS AND TAXATION			
		1,868,050	4,132,137
Fair value gain arising on revaluation of investments	6	127,851	1,210,333
(Deficit)/Surplus on revaluation of development land	8	(350,000)	2,600,000
Exceptional item – deferred income re sale of SMDF	24	(21,773)	391,338
SURPLUS BEFORE TAXATION	9	1,624,128	8,333,808
Taxation	10	(109,102)	(60,703)
SURPLUS AFTER TAXATION	17	1,515,026	8,273,105
OTHER COMPREHENSIVE INCOME			
Re-measurement of net defined pension benefit liability	20	(592,000)	(1,048,000)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		923,026	7,225,105
Retained earnings at the beginning of the financial year		47,726,791	40,501,686
Retained earnings at the end of the financial year		48,649,817	47,726,791

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020**

	<i>Notes</i>	2020 €	2019 €
Fixed Assets			
Tangible fixed assets	<i>11</i>	37,553,924	38,403,101
Current Assets			
Investments	<i>12</i>	12,066,555	11,938,704
Stocks	<i>13</i>	52,413	44,378
Debtors	<i>14</i>	2,054,351	2,704,290
Cash at bank and in hand		27,484,569	21,528,958
		41,657,888	36,216,330
Creditors: Amounts falling due within one year	<i>15</i>	(19,984,995)	(17,815,640)
Net Current Assets		21,672,893	18,400,690
PROVISIONS FOR LIABILITIES AND CHARGES	<i>16</i>	(1,801,000)	(1,801,000)
NET ASSETS EXCLUDING PENSION LIABILITY		57,425,817	55,002,791
Pension liability	<i>20</i>	(8,776,000)	(7,276,000)
NET ASSETS INCLUDING PENSION LIABILITY		48,649,817	47,726,791
ACCUMULATED RESERVES			
Society reserves		37,560,804	37,341,344
Law school reserves		12,100,667	11,505,178
Litigation fund		1,192,913	1,417,783
Capital expenditure fund		2,002,663	1,849,030
Capital reserve fund		1,740,676	664,700
LSRA levy fund		2,828,094	2,224,756
Pension reserve fund		(8,776,000)	(7,276,000)
TOTAL	<i>17</i>	48,649,817	47,726,791

The financial statements were approved and authorised for issue by the Finance Committee on 6 May 2021 and signed on its behalf by:

Chris Callan
Chairman of the Finance Committee

James Cahill
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

**SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2020**

	<i>Notes</i>	2020 €	2019 €
Fixed Assets			
Tangible fixed assets	<i>11</i>	17,545,746	18,042,137
Current Assets			
Investments	<i>12</i>	12,066,555	11,938,704
Stocks	<i>13</i>	39,766	29,591
Debtors	<i>14</i>	22,186,571	23,040,093
Cash at bank and in hand		27,136,525	21,316,974
		61,429,417	56,325,362
Creditors: Amounts falling due within one year	<i>15</i>	(19,980,989)	(17,790,760)
Net Current Assets		41,448,428	38,534,602
PROVISIONS FOR LIABILITIES AND CHARGES	<i>16</i>	(1,801,000)	(1,801,000)
NET ASSETS EXCLUDING PENSION LIABILITY		39,647,428	54,775,739
Pension liability	<i>20</i>	(8,776,000)	(7,276,000)
NET ASSETS INCLUDING PENSION LIABILITY		48,417,174	47,499,739
ACCUMULATED RESERVES			
Society reserves		37,313,048	37,099,179
Law school reserves		12,115,780	11,520,291
Litigation fund		1,192,913	1,417,783
Capital expenditure fund		2,002,663	1,849,030
Capital reserve fund		1,740,676	664,700
LSRA levy fund		2,828,094	2,224,756
Pension reserve fund		(8,776,000)	(7,276,000)
TOTAL	<i>17</i>	48,417,174	47,499,739

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THE LAW SOCIETY OF IRELAND

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 €	2019 €
Net cash flows from operating activities	<i>19</i>	6,978,257	9,574,505
Cash flows from investing activities			
Interest receivable	<i>6</i>	6,760	35,582
Purchase of tangible fixed assets	<i>11</i>	(1,029,406)	(3,609,847)
Net cash flows from investing activities		(1,022,646)	(3,574,265)
Net increase in cash and cash equivalents		5,955,611	6,000,240
Cash and cash equivalents at beginning of financial year		21,528,958	15,528,718
Cash and cash equivalents at end of financial year		27,484,569	21,528,958

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with the accounting policies set out below.

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

General Information and Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Law Society of Ireland is incorporated by Charter and its principal place of business is Blackhall Place, Dublin 7. The Law Society of Ireland's primary business functions are representation, education and regulation of solicitors in the Republic of Ireland.

The functional currency of the Law Society of Ireland is considered to be euro because that is the currency of the primary economic environment in which the Society operates.

The consolidated financial statements include the financial statements of the Law Society of Ireland and the financial statements of its subsidiary undertakings as detailed in note 22.

Basis of Consolidation

The Society consolidates its interests in subsidiary undertakings as detailed in note 22 which make up the financial statements to 31 December 2020.

Going concern

The Society's forecasts and projections, taking account of reasonable possible changes in performance, show that the Society will be able to operate within the level of its current cash and investment resources. The Finance Committee of the Society have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In particular, the Finance Committee have formed the view that, taking appropriate actions, the Society's reserves are sufficient to absorb the financial impact of the current Covid 19 pandemic public health emergency and any consequent recession.

Income

Income is recognised in the statement of comprehensive income in the year to which it relates. Course fee income received in advance of course participation is deferred and disclosed as deferred income in the balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

Tangible Fixed Assets and Depreciation

Development land, which is included in Group tangible fixed assets, is measured at the lower of cost and net realisable value annually with any change recognised in the Statement of Comprehensive Income and Retained Earnings.

All other fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis at the rates shown below which are estimated to reduce the assets to their residual values of nil by the end of their expected useful lives. Land is not depreciated.

Premises	:	2% per annum
Furniture, fittings and equipment	:	20% per annum
Leasehold improvements	:	20% per annum
I.T. equipment	:	20% per annum
Motor vehicles	:	25% per annum

Financial Instruments

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through the Statement of Comprehensive Income and Retained Earnings, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Society intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Society transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Society, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Investments

Investments are measured at fair value with changes in fair value recognised through the Statement of Comprehensive Income and Retained Earnings. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Publications

Costs relating to the purchase or creation of publications, including books, electronic information and library additions are written off in the year in which they are incurred.

Retirement Benefits

For defined benefit schemes the amounts charged to the Consolidated Statement of Comprehensive Income and Retained Earnings are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined liability is charged to the Consolidated Statement of Comprehensive Income and Retained Earnings. Re-measurement comprising actuarial gains and losses and the return on scheme (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

A defined benefit scheme is funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the prospective benefits method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For the defined contribution scheme the amount charged to the Consolidated Statement of Comprehensive Income and Retained Earnings in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Exceptional items

Income and expenditure received or incurred in the normal course of the Society's business are charged to the Consolidated Statement of Comprehensive Income and Retained Earnings as exceptional items. Non-operational liabilities assumed by the Society during the year are also charged as exceptional items. Where there is an asset to match such a liability, in whole or in part, the net amount is charged to the Consolidated Statement of Comprehensive Income and Retained Earnings.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Society is chargeable to taxation on bank and other interest, investment gains, and on net surpluses arising from certain activities, such as publishing and courses, to the extent that they relate to transactions with non-members.

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences arising between the Society's taxable profits and its results as stated in the financial statements and the gains and losses calculated in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, which is equivalent to the net realisable value. Cost includes all expenditure that has been incurred in the normal course of business in bringing them to their present location and condition.

Grants

Revenue based grants are credited to the Consolidated Statement of Comprehensive Income and Retained Earnings in the period in which the grant is receivable to match income and expenditure.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Law Society of Ireland's accounting policies, which are described in note 1, the Finance Committee members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the Finance Committee have made in the process of applying the Society's accounting policies, including consideration of the impact of the current Covid 19 pandemic public health emergency and any consequent recession on valuations, and that have the most significant effect on the amounts recognised in the financial statements:

Defined Benefit Pension Scheme

The Society has a defined benefit pension scheme in operation for staff who joined the scheme prior to 30 September 2009. There are estimates with respect to certain key assumptions made in calculating the actuarial liability relating to the scheme including the discount rate, inflation and mortality rates, as disclosed in note 20 to the financial statements.

Development Land

The valuation of development land is based on the outcome of the related calculations of the land's net realisable value. These calculations are based on assumptions relating to future market developments, interest rates and future cost and price increases. The Group uses external valuations to determine the net realisable value.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

3. STAFF COSTS	2020 General activities €	2020 Education activities €	2020 Other €	2020 Total €	2019 Total €
Salaries and wages	6,946,664	4,390,980	22,540	11,360,184	10,925,887
PRSI	730,068	474,762	2,491	1,207,321	1,178,326
Pension costs	1,221,118	671,417	1,742	1,894,277	1,745,855
Total	<u>8,897,850</u>	<u>5,537,159</u>	<u>26,773</u>	<u>14,461,782</u>	<u>13,850,068</u>

General Activities (note 4) above includes pay and related costs allocated to premises expenditure, representation expenditure and regulation expenditure.

The average aggregate number of employees during 2020 was 146 (2019: 151).

KEY MANAGEMENT REMUNERATION

The total remuneration for key management personnel which consists of the 8 Directors and 9 Section Heads/Managers for the financial year totalled €2,868,819 (2019: €2,759,968). This amount includes the President's Subvention, as approved by Council, of €124,500 (2019: €122,500). Remuneration includes salary, social security costs and pension costs.

4. GENERAL ACTIVITIES (including funds)	2020 €	2019 €
INCOME		
Fees and subscriptions		
Practising certificates	13,157,965	13,245,464
Members' subscriptions	1,047,554	977,311
Admission fees	283,863	715,704
Fund Contributions:		
- LSRA fund	3,345,942	3,298,882
- Litigation fund	331,152	754,567
- Capital expenditure fund	223,463	159,916
- Capital reserve fund	1,075,976	664,700
	<u>19,465,915</u>	<u>19,816,544</u>
Services and interest		
Publications	168,606	289,824
Four Courts rooms	252,829	1,041,156
Interest (note 6)	6,760	35,582
Total income	<u>19,894,110</u>	<u>21,183,106</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. GENERAL ACTIVITIES (including funds) (Continued)

OPERATING CHARGES

General activities

Pay and related expenditure	3,640,824	3,418,930
Administration expenditure	1,348,461	1,259,305
Premises expenditure	738,678	904,442
Representation expenditure	4,391,996	3,957,266
Regulation expenditure	6,947,717	5,950,258
Admission expenditure	11,143	20,351

Services

Publications	926,591	871,967
Four Courts rooms	189,688	363,686

Total operating charges	18,195,098	16,746,205
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Surplus	1,699,012	4,436,901
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5. EDUCATION ACTIVITIES

2020

2019

€

€

INCOME

Professional Practice Course 1 fees	4,068,234	3,671,349
Professional Practice Course 2 fees	2,085,524	1,934,383
Indentures and registration	375,555	415,410
Examination fees	1,004,452	975,091
Diploma courses	2,565,059	2,247,136
Professional training	348,694	1,492,615
Miscellaneous income	736,601	163,343

Total income	11,184,119	10,899,327
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OPERATING CHARGES

Pay and related expenditure	5,765,976	5,532,263
Administration expenditure	1,950,621	1,738,181
Direct expenditure	2,627,011	2,959,545
Premises expenditure	538,330	693,559

Total operating charges	10,881,938	10,923,548
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Surplus/(Deficit)	302,181	(24,221)
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THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

6. INTEREST AND INVESTMENT GAINS	2020	2019
	€	€
Interest – society (note 4)	6,760	35,582
Fair Value gain arising on revaluation of investment	127,851	1,210,333
	134,611	1,245,915

7. OTHER INCOME/EXPENDITURE	2020	2019
	€	€
Income		
Bar and catering income	1,388	19,828
Bed and breakfast income	11,431	53,258
Functions and consultation room income	18,421	46,109
	31,240	119,195
Expenditure		
Bar and catering cost of sales	112,988	332,605
Bed and breakfast cost of sales	1,337	10,972
Premises expenditure	3,525	(149,384)
Professional fees	97,059	121,394
Other administration expenditure	34,167	120,941
	249,076	436,528
Deficit	(217,836)	(317,333)

8. SURPLUS ON REVALUATION OF DEVELOPMENT LAND

The development land, included in tangible fixed assets, was valued at €20,000,000 by qualified external valuers Mason Owen & Lyons on a fair value basis at 31 December 2020. There was a decrease in valuation of €350,000 from the prior year based on valuations achieved on other properties in Dublin 7. There was an upward revaluation of €2,600,000 in 2019.

9. SURPLUS BEFORE TAXATION	2020	2019
	€	€
The surplus before taxation is stated after charging:		
- Depreciation	1,528,583	1,373,467
- Auditors' remuneration	28,500	35,000
and after crediting:		
- Deposit interest	6,760	35,582

All income recognised arose in the Republic of Ireland.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

10. TAXATION	2020	2019
	€	€
Based on the surplus for the financial year:		
Taxation charge	91,284	60,703
Prior financial year under provision	17,818	-
	<u>109,102</u>	<u>60,703</u>

The effective tax rate for the financial year is lower than the standard rate of corporation tax in Ireland, which is 12.5%. The differences are explained below:

	2020	2019
	€	€
Surplus before taxation	1,624,128	8,333,808
Surplus for financial year multiplied by standard rate of corporation tax of 12.5% (2019: 12.5%)	203,016	1,041,726
Effects of:		
Net income and expenditure not subject to taxation	(563,315)	(1,045,712)
Depreciation in excess capital allowances	437,587	52,691
Higher tax rates on interest and rental income	16,642	19,239
Retention tax paid	(2,646)	(7,241)
Prior year under provision	17,818	-
Total tax charge for period	<u>109,102</u>	<u>60,703</u>

The Society is chargeable to taxation on bank and other interest, gains, and on net surpluses arising from certain activities, such as publishing, courses and property rental, to the extent that they relate to transactions with non-members.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11. TANGIBLE FIXED ASSETS

Group

	Premises €	Development Land €	Leasehold Improvements €	Furniture Fittings & Equipment €	I.T. Equipment €	Motor Vehicles €	Total €
Cost/Valuation:							
At 1 January 2020	22,165,263	20,350,000	2,044,890	6,056,534	7,155,784	126,200	57,898,671
Additions	190,864	-	-	169,277	669,265	-	1,029,406
Impairment		(350,000)	-	-	-	-	(350,000)
At 31 December 2020	22,356,127	20,000,000	2,044,890	6,225,811	7,825,049	126,200	58,578,077
Depreciation:							
At 1 January 2020	6,966,045	-	2,032,015	5,550,797	4,837,689	109,024	19,495,570
Charge for financial year	443,066	-	3,336	194,201	871,396	16,584	1,528,583
At 31 December 2020	7,409,111	-	2,035,351	5,744,998	5,709,085	125,608	21,024,153
Net book value:							
At 31 December 2020	14,947,016	20,000,000	9,539	480,813	2,115,964	592	37,553,924
At 31 December 2019	15,199,218	20,350,000	12,875	505,737	2,318,095	17,176	38,403,101

The development land was valued at €20,000,000 by qualified external valuers Mason Owen & Lyons on a fair value basis at 31 December 2020. The original cost of the development land when purchased in 2005 was €21,718,981.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11. TANGIBLE FIXED ASSETS (CONTINUED)

Society

	Premises €	Leasehold Improvements €	Furniture, Fittings & Equipment €	I.T. Equipment €	Motor Vehicles €	Total €
Cost:						
At 1 January 2020	22,165,263	2,044,890	5,744,499	7,155,784	126,200	37,236,636
Additions	190,864	-	169,277	669,265	-	1,029,406
At 31 December 2020	22,356,127	2,044,890	5,913,776	7,825,049	126,200	38,266,042
Depreciation:						
At 1 January 2020	6,966,045	2,032,015	5,249,726	4,837,689	109,024	19,194,499
Charge for financial year	443,066	3,336	191,415	871,396	16,584	1,525,797
At 31 December 2020	7,409,111	2,035,351	5,441,141	5,709,085	125,608	20,720,296
Net book value:						
At 31 December 2020	14,947,016	9,539	472,635	2,115,964	592	17,545,746
At 31 December 2019	15,199,218	12,875	494,773	2,318,095	17,176	18,042,137

Group and Society

Total assets under construction which have not been depreciated in the financial year:
Premises: €25,312 (2019: €40,550) and I.T. equipment: €Nil. (2019: €Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11. TANGIBLE FIXED ASSETS (CONTINUED)

Group and Society

Included in the above are assets relating to education activities:

	Cost €	Accumulated Depreciation €	Net Book Value €
Premises	10,297,623	2,762,343	7,535,280
Furniture, fittings and equipment	3,187,749	3,035,819	151,930
I.T. equipment	3,234,257	2,565,965	668,292
	<u>16,719,629</u>	<u>8,364,127</u>	<u>8,355,502</u>

12. INVESTMENTS

Group and Society

	2020 €	2019 €
Balance at 1 January	11,938,704	10,728,371
Fair value gain/(loss)	127,851	1,210,333
Balance at 31 December	<u>12,066,555</u>	<u>11,938,704</u>

At 31 December 2020, the fair value of investments exceeded cost by €1,566,555 (2019: €1,438,704)

The investments are comprised of the following:

- (a) Multi-Asset Conservative Growth Fund ("MACGF")
- (b) Davy Defensive Growth Fund ("DDGF")
- (c) Davy Passive Growth Fund ("DPGF")

The Policy MACFG, DDGF & DPGF have a low risk profile.

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2019 €Nil).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

13. STOCKS	2020	2019
	€	€
Group		
Stock in trade	52,413	44,378
	<u>52,413</u>	<u>44,378</u>
Society		
Stock in trade	39,766	29,591
	<u>39,766</u>	<u>29,591</u>

The replacement cost of stock is not significantly different from the above stated cost.

14. DEBTORS	2020	2019
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	2,033,020	2,628,801
Corporation tax	-	27,577
Amounts due from Law Society of Ireland Scholarship Fund	21,331	20,701
Value added tax	-	27,211
	<u>2,054,351</u>	<u>2,704,290</u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	2,033,020	2,616,792
Income tax	-	27,577
Amounts due from Law Society of Ireland Scholarship Fund	21,331	20,701
Amounts due from subsidiary undertakings:		
- Benburb Street Property Company Limited	20,132,220	20,375,023
	<u>22,186,571</u>	<u>23,040,093</u>

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

15. CREDITORS	2020	2019
	€	€
Group		
Amounts falling due within one year		
Creditors and accruals	8,263,236	6,894,923
Amounts due to Law Society Compensation Fund	8,688,435	7,824,067
Deferred income*	2,370,698	2,415,821
PAYE / PRSI	634,653	633,502
VAT	25,430	47,327
Income Tax	2,543	-
	<u>19,984,995</u>	<u>17,815,640</u>
Society		
Amounts falling due within one year		
Creditors and accruals	8,232,767	6,867,696
Amounts due to Law Society Compensation Fund	8,688,435	7,824,067
Amounts due to subsidiary undertakings:		
- The Law Club of Ireland	12,598	2,347
Deferred income*	2,370,698	2,415,821
PAYE / PRSI	634,653	633,502
VAT	39,295	47,327
Income tax	2,543	-
	<u>19,980,989</u>	<u>17,790,760</u>

* Deferred income represents fees for the 2021 financial year received in the financial year to 31 December 2020.

16. PROVISIONS FOR LIABILITIES AND CHARGES	2020	2019
	€	€
Group and Society		
Provision for settlement of SMDF liability		
Opening balance	1,801,000	3,201,000
Paid	-	(1,400,000)
Closing balance	<u>1,801,000</u>	<u>1,801,000</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17. ACCUMULATED RESERVES

Group

	Total €	Society Accumulated Reserves €	Law School Accumulated Reserves €	Litigation Fund €	Capital Expenditure Fund €	Capital Reserve Fund €	Pension Reserve Fund €	LSRA Levy Fund €
Balance at 1/1/2020	47,726,791	37,341,344	11,505,178	1,417,783	1,849,030	664,700	(7,276,000)	2,224,756
Surplus for year	923,026	(406,395)	595,489	331,155	223,463	1,075,976	(1,500,000)	603,338
Transfers	-	625,855	-	(556,025)	(69,830)	-	-	-
Balance at 31/12/2020	48,649,817	37,560,804	12,100,667	1,192,913	2,002,663	1,740,676	(8,776,000)	2,828,094

Society

	Total €	Society Accumulated Reserves €	Law School Accumulated Reserves €	Litigation Fund €	Capital Expenditure Fund €	Capital Reserve Fund €	Pension Reserve Fund €	LSRA Levy Fund €
Balance at 1/1/2020	47,499,739	37,099,179	11,520,291	1,417,783	1,849,030	664,700	(7,276,000)	2,224,756
Surplus for year	917,435	(411,986)	595,489	331,155	223,463	1,075,976	(1,500,000)	603,338
Transfers	-	625,855	-	(556,025)	(69,830)	-	-	-
Balance at 31/12/2020	48,417,174	37,313,048	12,115,780	1,192,913	2,002,663	1,740,676	(8,776,000)	2,828,094

Group and Society

The Finance Committee established the above funds to make prudent allocation of reserves for anticipated expenditure in these areas. On an annual basis, monies from fees and subscriptions income and interest income are allocated to these funds. Transfers between the funds represent internal transfers for projects and other income and expenditure identified by the Finance Committee as being more appropriate to particular funds or reserves.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17. ACCUMULATED RESERVES (CONTINUED)

Reconciliation of surplus per consolidated statement of comprehensive income to surplus for the year per accumulated reserves:

	Total €	General Activities €	Education Activities €	Litigation Fund €	Capital Expenditure Fund €	Capital Reserve Fund €	Pension Reserve Fund €	LSRA Levy Fund €	Other €
Surplus before tax & exceptional items (Note 4 & 5)	2,001,193	1,699,012	302,181	-	-	-	-	-	-
Deficit before tax (Note 7)	(217,836)	-	-	-	-	-	-	-	(217,836)
Sundry income	84,693	84,693	-	-	-	-	-	-	-
Impairment on development Land (Note 8)	(350,000)	-	-	-	-	-	-	-	(350,000)
SMDF sale (Note 24)	(21,773)	(21,773)	-	-	-	-	-	-	-
Taxation (Note 10)	(109,102)	(20,179)	(88,923)	-	-	-	-	-	-
Investment gain (Note 6)	127,851	127,851	-	-	-	-	-	-	-
	1,515,026	1,869,604	213,258	-	-	-	-	-	(567,836)
Surplus after tax	-	-	-	-	-	-	-	-	-
Remeasurement of pension	(592,000)	-	-	-	-	-	(592,000)	-	-
Income allocated to specific fund	-	(4,976,536)	-	331,155	223,463	1,075,976	-	3,345,942	-
Expense allocated to specific fund	-	2,742,604	-	-	-	-	-	(2,742,604)	-
Inter group trading	-	(327,667)	109,831	-	-	-	-	-	217,836
Reallocation of pension costs	-	635,600	272,400	-	-	-	(908,000)	-	-
Impairment on development Land	-	(350,000)	-	-	-	-	-	-	350,000
Total comprehensive income	923,026	(406,395)	595,489	331,155	223,463	1,075,976	(1,500,000)	603,338	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

18. FINANCIAL INSTRUMENTS

Group

The carrying value of the financial assets and liabilities are summarised by the categories below:

	2020 €	2019 €
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 12)	12,066,555	11,938,704
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (Note 14)	2,136,603	2,628,801
Amounts owed from related undertakings (Note 14)	21,331	20,701
	14,224,489	14,588,206
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other payables (Note 15)	8,366,819	6,894,923
Amounts owed from related undertakings (Note 14)	8,688,435	7,824,067
Amount due on sale of SMDF Limited (Note 16)	1,801,000	1,801,000
	18,856,254	16,519,990

Society

The carrying value of the financial assets and liabilities are summarised by the categories below:

	2020 €	2019 €
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 12)	12,066,555	11,938,704
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (Note 14)	2,033,020	2,616,792
Amounts owed from subsidiaries (Note 14)	20,132,220	20,375,023
Amounts owed from related undertakings (Note 14)	21,331	20,701
	34,253,126	34,951,220
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other payables (Note 15)	8,232,767	6,867,696
Amounts owed to related undertakings (Note 15)	8,668,435	7,824,067
Amounts owed to subsidiaries (Note 15)	12,598	2,347
Amount due on sale of SMDF Limited (Note 16)	1,801,000	1,801,000
	18,714,800	16,495,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**19. RECONCILIATION OF SURPLUS
TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	2020 €	2019 €
Surplus before taxation	1,624,128	8,333,808
Depreciation charge	1,528,583	1,373,467
Interest received	(6,760)	(35,582)
(Loss)/gain on development land	350,000	(2,600,000)
Fair value (gain) on investments	(127,851)	(1,210,333)
(Increase)/decrease in stock	(8,035)	4,707
Decrease/(increase) in debtors	622,362	(538,692)
Increase in creditors and provisions	2,166,812	3,637,761
Income tax paid	(78,982)	(141,631)
Net impact of pension	908,000	751,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	6,978,257	9,574,505

20. PENSION COMMITMENTS

The Society operates two pension schemes. A defined benefit scheme was available to all eligible employees who chose to join before 30 September 2009, at which date the scheme was closed to new entrants. Thereafter eligible employees could opt to join a hybrid arrangement with the defined benefit element capped at a salary of €45,500 (2019: €45,500) and the balance being in a defined contribution scheme.

Defined contribution scheme

The Society operates a defined contribution pension scheme for all eligible employees. The total expense charged to the Statement of Comprehensive Income and Retained Earnings in the financial year ended 31 December 2020 was €100,253 (2019: €72,439).

Defined benefit scheme

The Society operates a defined benefit pension scheme which has been closed to new entrants since 2009. The information set out in this note relates to the defined benefit pension scheme. The scheme is funded by the payment of contributions to a separately administered trust.

Determination of contributions and funding

The contributions are determined by a qualified actuary on the basis of valuations every three years, using the prospective benefits method. The most recent valuation was completed as at 31 December 2018. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate, the rates of increase in salaries and the rate of increase in pensions in payment. In preparing that valuation, it was assumed that the discount rate would be 3.75% per annum pre retirement and 1.75% per annum post retirement, that future salary increases would average 2.00% per annum, and that pensions in payment will increase at 0.90% per annum on average, *60% of inflation). In effect, this means that the investment return pre retirement would be 1.75% higher per annum than future salary increases and the investment return post retirement would be 0.85% higher per annum than pension increases.

20. PENSION COMMITMENTS (CONTINUED)

The actuarial valuation at 31 December 2018 indicated that the market value of the assets of the scheme was €36,856,000 and that the assets were sufficient to cover 97% of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries and increases to pensions in payment which are discretionary. It was recommended that the Society's annual contribution continue at 20% of pensionable salaries in 2020 and this has been paid by the Society. The defined benefit section has been closed to new entrants since 30 September 2009 and was replaced by a hybrid arrangement with the defined benefit element capped at a salary of €45,000 (now €45,500).

The Trustees obtain the consent of the Society to, on a discretionary basis, index pensions in payment on an annual basis. Increases are the lesser of the CPI increase or 3%. No increases were awarded in 2017 as inflation was marginally positive for the relevant period. As mentioned above, the Society decided to fund for increases equal to 60% of inflation at the most recent valuation and will review this decision at the next actuarial valuation. Members of the Scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

The actuary carries out an annual update of the Funding Standard position of the scheme. The scheme met the Funding Standard at 31 December 2020. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2021.

Requirements

The Society is the sponsoring employer of the scheme and has the legal responsibility for the scheme. The Law Society of Ireland's Compensation Fund also participates in the scheme.

There is no stated policy for charging the net defined benefit cost of the scheme to either entity as both entities availed of an exemption under the previous accounting standard, Financial Reporting Standard 17. Under Financial Reporting Standard 102, the Society has decided that it will recognise the entire net defined benefit cost and the relevant net defined benefit liability in its financial statements. Pension costs for the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Below are the relevant disclosures together with the comparative figures for the previous year.

Changes in the present value of the defined benefit obligation in the year were as follows:

	2020	2019
	€'000	€'000
Opening defined benefit obligation	(49,653)	(42,281)
Service cost (including employee contributions)	(2,532)	(2,383)
Interest cost	(741)	(920)
Benefits paid	671	998
Actuarial (gains)/losses	(2,475)	(5,067)
Closing defined benefit obligation	(54,730)	(49,653)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

20. PENSION COMMITMENTS (CONTINUED)

Changes in the fair value of plan assets in the year were as follows:

	2020	2019
	€'000	€'000
Opening fair value of plan assets	42,377	36,804
Contributions (including employee contributions)	1,721	1,734
Benefits paid	(671)	(998)
Interest income	644	818
Actuarial (gains)/losses	1,883	4,019
Closing fair value of plan assets	45,954	42,377

The principal actuarial assumptions at the balance sheet date:

	2020	2019
	%	%
Rate of general increase in salaries	1.8	1.8
Discount rate of scheme liabilities	1.2	1.5
Rate of pension increase	1.3	1.3
Inflation	1.3	1.3
Post retirement mortality		
Current pensioners at 65 - male	22.5	22.5
Current pensioners at 65 - female	24.4	24.3
Future pensioners at 65 - male married	24.3	24.2
Future pensioners at 65 - female married	26.3	26.2
% of pension commuted for cash at retirement	12.5	12.5

The post retirement mortality assumptions allow for expected increases in longevity. The 'current' disclosures above relate to the assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2040.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. PENSION COMMITMENTS (CONTINUED)

The market value of the scheme's assets at the year end were as follows:

	At Year End 31 December	
	2020	2019
	€'000	€'000
Equities	15,285	16,156
Bonds	27,358	22,839
Cash	10	14
Other	3,301	3,368
	45,954	42,377
	2020	2019
	€'000	€'000
The actual return on plan assets	2,527	4,837
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	45,954	42,377
Present value of funded obligations	(54,730)	(49,653)
Deficit in the scheme	(8,776)	(7,276)
The amounts included in the performance statements are as follows:		
	2020	2019
	€'000	€'000
Current service cost	(2,076)	(1,921)
Past service cost	-	-
Interest income on pension scheme assets	644	818
Interest expense on pension scheme liabilities	(741)	(920)
Net interest charge	(97)	(102)
Actual return less expected return on pension scheme's assets	1883	4,019
Experience losses arising on the scheme's liabilities	888	19
Changes in assumptions underlying the present value of the scheme's liabilities	(3,363)	(5,086)
Actuarial (loss)/gain included in Statement of Comprehensive Income	(592)	(1,048)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. PENSION COMMITMENTS (CONTINUED)

The movements in the deficit in the scheme during the year arose as follows:

	2020 €'000	2019 €'000
Deficit at beginning of year	(7,276)	(5,477)
Current service cost	(2,076)	(1,921)
Net interest cost	(97)	(102)
Contributions (excluding employees)	1,265	1,272
Actuarial gain	(592)	(1,048)
Deficit at end of year	(8,776)	(7,276)

History of defined benefit obligations, assets and experience gains/losses:

	2020 €'000	2019 €'000
Defined benefit obligation	(54,730)	(49,653)
Fair value of plan assets	45,954	42,377
Deficit	(8,776)	(7,276)

	2020 €'000	2019 €'000
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Difference between the expected and actual return on plan assets:

Amount €'000	(1,883)	(4,019)
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Experience losses on plan liabilities:

Amount €'000	888	19
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Future contributions:

The Society expects to contribute €1,265,000 to the defined benefit pension scheme in 2021.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. RELATED PARTY TRANSACTIONS

Law Society Compensation Fund	2020 €
Opening balance at 1 January	(7,824,067)
Charges	7,578,661
Receipts	(8,443,029)
Closing balance at 31 December	(8,668,435)

Law Society of Ireland Scholarship Fund	2020 €
Opening balance at 1 January	20,701
Charges	15,730
Receipts	(15,100)
Closing balance at 31 December	21,331

Irish Rule of Law International	2020 €
Opening balance at 1 January	-
Charges	42,000
Receipts	(42,000)
Closing balance at 31 December	-

The related undertakings are controlled by the Law Society of Ireland.

Transactions with Council Members during 2020 totalled €211,468 (2019: €334,588) which includes the President's Subvention, as approved by Council, of €124,500 (2019: €122,500).

22. SUBSIDIARY AND RELATED UNDERTAKINGS

The Society holds investments in subsidiaries and controls related undertakings as follows:

Subsidiary undertakings:

- Benburb Street Property Company Limited
- Law Club of Ireland*.

*The Law Club of Ireland is considered a subsidiary, as it is controlled by the Law Society of Ireland.

Related undertakings:

- Law Society of Ireland Compensation Fund
- Law Society of Ireland Scholarship Fund
- Irish Rule of Law International.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

23. CAPITAL COMMITMENTS	2020	2019
	€	€
At the end of the year, the following expenditure had been authorised by the Finance Committee:		
Contracted for	364,115	320,904
Not contracted for	1,286,747	1,771,110
	1,650,862	2,092,014

24. SOLICITORS' MUTUAL DEFENCE FUND LIMITED

In 2011, the members of the Law Society approved the provision of financial support to Solicitors' Mutual Defence Fund Limited (SMDF), which was insolvent, to a maximum of €16m.

In 2016, the Law Society entered into an agreement with R&Q Ireland Limited (R&QI) for the sale of SMDF. The agreement included deferring part of the agreed payment to R&Q Ireland Claims Services Limited (a subsidiary of R&QI). At 31 December 2016 a liability of €5 million was recognised in the financial statements. At that date there was €0.82m in the SMDF Levy Fund, resulting in a net deferred cost of sale of €4.18 million. This was recognised in the financial statements as an Exceptional Item. At 31 December 2017 the provision in the financial statements for liabilities under the agreement was €5 million. At that date there was a balance of €2.79million in the SMDF Levy Fund available for use under the financial support commitment. At 31 December 2018 the provision in the financial statements for liabilities under the agreement was €3.2 million. At that date there was a balance of €3 million in the SMDF Levy Fund available for use under the financial support commitment. At 31 December 2019, the provision in the financial statements for liabilities under the agreement was €1.8 million. At that date there was a balance of €1.9 million in the SMDF Levy Fund available for use under the financial support commitment. The practising certificate SMDF levy ceased in 2019.

In 2020, there was a charge to the SMDF Levy Fund of €21,773 (2019: €391,338 of practising certificate fee income was allocated to the SMDF Levy Fund). At 31 December 2020 the provision in the financial statements for liabilities under the agreement was €1.8 million. At that date there was a balance of €1.86m million in the SMDF Levy Fund available for use under the financial support commitment.

Given the current trend in claims development and other elements in the run-down of the SMDF, the Society is optimistic that the liability of €1.8m may not materialise on termination of the agreement with R&QI in 2021. In that event the overall cost to Law Society members to cover the rundown of operations and the sale to R&QI would be approximately €11.5m.

25. CONTINGENT LIABILITIES

The Society is from time to time, a party to legal proceedings and claims, which arise in the ordinary course of its activities. The Finance Committee is satisfied that there are no additional claims that require provision by the Society at 31 December 2020. Legal costs incurred by the Society to 31 December 2020, in connection with these matters, have been charged to the Statement of Comprehensive Income and Retained Earnings.

26. SUBSEQUENT EVENTS

The Finance Committee has assessed the financial impact of the current Covid 19 pandemic public health emergency and any subsequent recession on these accounts and does not consider any adjustments necessary.