

The Law Society of Ireland

Reports and Consolidated
Financial Statements
for the year ended
31 December 2010

THE LAW SOCIETY OF IRELAND

**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

CONTENTS

	PAGE
STATEMENT OF RESPONSIBILITIES OF THE FINANCE COMMITTEE	2
INDEPENDENT AUDITOR'S REPORT	3
STATEMENT OF ACCOUNTING POLICIES	4 - 5
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	6
CONSOLIDATED BALANCE SHEET	7
SOCIETY BALANCE SHEET	8
CONSOLIDATED CASH FLOW STATEMENT	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 24
SUPPLEMENTARY INFORMATION	25 - 29

The Finance Committee is responsible for ensuring that financial statements are prepared each year which give a true and fair view of the state of affairs of the group and the society and of the group's result for that period. In preparing those financial statements the Finance Committee:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The Finance Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society. The Finance Committee is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LAW SOCIETY OF IRELAND

We have audited the financial statements of The Law Society of Ireland for the year ended 31 December 2010 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Society Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This 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 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 the Finance Committee and the auditors

As set out in the Statement of Responsibilities of the Finance Committee, the Finance Committee is responsible for the preparation of financial statements in accordance with accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). Our responsibility, as independent auditor, is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs of the group and the society as at 31 December 2010 and of the result of the group for the year then ended.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement within it. The other information comprises the Report of the Director General, the Report of the President and the Reports of the Committees.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Finance Committee in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and the society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the society as at 31 December 2010 and of the result of the group for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

19 May 2011

THE LAW SOCIETY OF IRELAND

STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland. Accounting standards generally accepted in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The society consolidates its interests in subsidiary undertakings as detailed in note 21 and its interest in a related undertaking, Law Club of Ireland, which it controls, all of which make up financial statements to 31 December 2010.

INCOME

Income is recognised in the income and expenditure account 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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Development land, which is included in tangible fixed assets, is stated at the lower of cost and net realisable value based on annual revaluations. Where the valuation indicates a permanent diminution in the value of the development land, to a value below cost, the permanent diminution is charged to the profit and loss account. All other fluctuations are transferred to a revaluation reserve.

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 by the end of their expected useful lives.

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

FINANCING TRANSACTIONS

Assets acquired under financing arrangements, are accounted for as assets in the financial statements of the society, in accordance with the substance of the transactions, where the society is exposed to the risks and entitled to the benefits associated with the asset, in accordance with Financial Reporting Standard 5. The financing costs are taken to the income and expenditure account over the term of the transaction.

CURRENT ASSET INVESTMENTS

Current asset investments are stated at cost less any provision for permanent diminution in value.

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.

PENSION COSTS

The society operates a multi-employer defined benefit pension scheme and a hybrid scheme. Contributions are charged in the income and expenditure account over the anticipated working lives of employee members currently in service.

TAXATION

Taxation is provided on taxable profits at current rates.

Deferred tax is accounted for on a full provision basis on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recoverable.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure which has been incurred in the normal course of business in bringing them to their present location and condition.

Net realisable value is the actual or estimated selling price net of trade discounts, less further costs to completion and all costs to be incurred in marketing, selling and distribution.

THE LAW SOCIETY OF IRELAND

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €	2009 €
INCOME			
Fees and subscriptions	4	11,934,666	12,727,402
Education activities	5	9,697,644	11,037,044
Publications	4	356,407	446,703
Four Courts rooms	4	778,137	751,385
Company formations	4	-	98,360
Interest and investment income	6	260,845	211,120
Other income	7	428,479	546,276
Sundry income		2,900	2,165
		23,459,078	25,820,455
EXPENDITURE			
Operating charges:			
- General activities	4	(10,235,799)	(10,661,620)
- Education activities	5	(8,410,585)	(9,467,598)
Gain/(loss) on investments	6	197,325	(828,365)
Financing costs		(287,528)	(287,528)
Other expenditure	7	(1,253,905)	(1,352,633)
Redundancy costs	3	(233,483)	(115,998)
		(20,223,975)	(22,713,742)
SURPLUS FOR YEAR BEFORE EXCEPTIONAL ITEM AND TAXATION		3,235,103	3,106,713
Exceptional item	8	-	(480,063)
SURPLUS BEFORE TAXATION		3,235,103	2,626,650
Taxation charge	9	(119,165)	(146,394)
SURPLUS AFTER TAXATION		3,115,938	2,480,256
Allocated as follows:			
General activities		(1,858)	(216,348)
Education activities		239,980	433,225
Education centre fund		264,722	(768,364)
Capital reserve fund		2,347,501	2,505,259
Capital expenditure fund		4	(2)
Litigation fund		265,589	526,486
Total		3,115,938	2,480,256

All income arose from continuing operations and all recognised gains and losses are included in the income and expenditure account.

The financial statements were approved by the Finance Committee on 19 May 2011 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

John Costello
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	2010 €	2009 €
FIXED ASSETS			
Tangible fixed assets	10	<u>20,130,299</u>	<u>21,101,390</u>
CURRENT ASSETS			
Investments	12	4,634,262	3,386,269
Stocks	13	10,376	30,701
Debtors	14	2,075,560	2,406,261
Cash at bank and in hand		7,334,216	4,436,614
		<u>14,054,414</u>	<u>10,259,845</u>
CREDITORS: (Amounts falling due within one year)	15	(4,740,627)	(4,941,985)
NET CURRENT ASSETS		<u>9,313,787</u>	<u>5,317,860</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,444,086</u>	<u>26,419,250</u>
CREDITORS: (Amounts falling due after more than one year)	15	(7,491,695)	(7,582,797)
NET ASSETS		<u>21,952,391</u>	<u>18,836,453</u>
RESERVES			
Accumulated reserves	16	<u>21,952,391</u>	<u>18,836,453</u>

The financial statements were approved by the Finance Committee on 19 May 2011 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

John Costello
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND

SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
FIXED ASSETS			
Tangible fixed assets	10	13,101,954	14,038,220
CURRENT ASSETS			
Investments	12	4,634,262	3,386,269
Stocks	13	6,649	10,166
Debtors	14	9,119,686	9,824,008
Cash at bank and in hand		7,174,450	4,375,709
		20,935,047	17,596,152
CREDITORS: (Amounts falling due within one year)	15	(4,718,488)	(5,030,977)
NET CURRENT ASSETS		16,216,559	12,565,175
TOTAL ASSETS LESS CURRENT LIABILITIES		29,318,513	26,603,395
CREDITORS: (Amounts falling due after more than one year)	15	(7,491,695)	(7,582,797)
NET ASSETS		21,826,818	19,020,598
RESERVES			
Accumulated reserves	16	21,826,818	19,020,598

The financial statements were approved by the Finance Committee on 19 May 2011 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

John Costello
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	4,448,303	3,615,993
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		260,845	211,120
TAXATION			
Corporation tax paid		(137,275)	(128,711)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(614,005)	(748,820)
Disposal of tangible fixed assets		10,000	-
		(604,005)	(748,820)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(1,137,437)	(36,909)
Disposal of investments		86,769	1,695,385
		(1,050,668)	1,658,476
FINANCING			
Decrease in debt		-	(4,953)
INCREASE IN NET CASH	18	2,917,200	4,603,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. PRESENTATION OF FINANCIAL STATEMENTS

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 21. The results of the Law Club of Ireland are also included as it is controlled by the Law Society of Ireland.

The financial statements of the Law Society of Ireland include the General and Education activities of the Society.

Separate financial statements are prepared for the Law Society of Ireland Compensation Fund, and the Law Society of Ireland Scholarship Funds.

2. SURPLUS BEFORE TAXATION	2010	2009
	€	€
The surplus before taxation is stated after charging:		
- Depreciation	1,570,929	1,718,388
- Auditor's remuneration	29,000	28,584
- Finance costs	287,528	287,528
- Finance lease interest	22,775	22,775
	<u> </u>	<u> </u>
and after crediting:		
- Deposit interest	260,845	211,120
	<u> </u>	<u> </u>

3. STAFF COSTS	2010	2010	2010	2010	2009
	General	Education	Other	Total	Total
	Activities	Activities			
	€	€	€	€	€
Salaries and wages	4,555,147	3,092,415	405,482	8,053,044	8,594,740
PRSI	456,000	299,909	40,971	796,880	859,525
Pension costs	678,230	336,699	23,735	1,038,664	1,068,778
Redundancy costs	-	106,098	127,385	233,483	115,998
Total	<u>5,689,377</u>	<u>3,835,121</u>	<u>597,573</u>	<u>10,122,071</u>	<u>10,639,041</u>

The average aggregate number of employees during 2010 was 131 (2009: 137).

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

4. GENERAL ACTIVITIES (including funds)	2010	2009
	€	€
INCOME		
Fees and subscriptions		
Practising certificates	8,401,624	8,802,878
Members' subscriptions	703,838	685,034
Admission fees	215,802	207,900
Fund Contributions:		
- Property fund	2,347,501	2,505,259
- Litigation fund	265,901	526,331
	<u>11,934,666</u>	<u>12,727,402</u>
Services and interest		
Publications	356,407	446,703
Four Courts rooms	778,137	751,385
Company formations	-	98,360
Interest and investment income (Note 6)	260,845	211,120
	<u>13,330,055</u>	<u>14,234,970</u>
OPERATING CHARGES		
General activities		
Pay and related expenditure	3,188,851	3,155,093
Administration expenditure	927,294	1,164,642
Premises expenditure	619,735	633,314
Members' services expenditure	1,314,012	1,553,420
Regulation expenditure	3,399,061	3,075,762
Admission expenditure	31,167	36,104
Services		
Company formations	-	93,150
Publications	632,629	733,116
Four Courts rooms	123,050	217,019
	<u>10,235,799</u>	<u>10,661,620</u>
Gain/(loss) on investments (Note 6)	<u>197,325</u>	<u>(828,365)</u>
Surplus	<u><u>3,291,581</u></u>	<u><u>2,744,985</u></u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

5. EDUCATION ACTIVITIES	2010 €	2009 €
INCOME		
Professional practice course 1 fees	3,790,472	4,258,514
Professional practice course 2 fees	2,844,745	3,204,646
Indentures and registration	370,060	411,968
Examination fees	840,384	1,043,594
Diploma courses	997,841	1,214,531
Continuing professional development	506,401	611,120
Miscellaneous income	347,741	292,671
Total income	9,697,644	11,037,044
OPERATING CHARGES		
Pay and related expenditure	3,841,038	4,250,219
Administration expenditure	1,884,773	1,994,036
Direct expenditure	1,968,768	2,449,765
Premises expenditure	716,006	773,578
Total operating charges	8,410,585	9,467,598
Financing costs	287,528	287,528
Surplus	999,531	1,281,918
6. INTEREST AND INVESTMENT GAINS/(LOSSES)		
Interest – Accumulated reserves	193,345	151,120
Interest – Education Centre Fund	67,500	60,000
Interest on investment income	260,845	211,120
Gain/(loss) on disposal of investments	5,043	(964,634)
Reversal of provision for impairment of investments	192,282	136,269
Gain/(loss) on investments	197,325	(828,365)

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

7. OTHER INCOME/EXPENDITURE	2010	2009
	€	€
Income		
Catering income	302,601	365,532
Bar income	72,079	101,568
Bed and breakfast income	30,649	35,045
Functions and consultation room income	16,918	11,187
Rental income	2,763	2,521
Sundry income	3,469	30,423
	<u>428,479</u>	<u>546,276</u>
Expenditure		
Catering cost of sales	141,649	189,561
Catering expenditure	416,474	470,815
Bar cost of sales	50,436	57,651
Bar expenditure	121,079	134,986
Rental expenditure	391,367	410,932
Premises expenditure	6,719	8,118
Professional fees	25,750	29,859
Other administration expenditure	100,431	50,711
	<u>1,253,905</u>	<u>1,352,633</u>
Deficit	<u>825,426</u>	<u>806,357</u>
8. EXCEPTIONAL ITEM	2010	2009
	€	€
Impairment of development land	-	480,063
	<u>-</u>	<u>480,063</u>

The unrealised loss arises on the revaluation of development land in Dublin 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

9. TAXATION CHARGE	2010 €	2009 €
Based on the surplus for the year:		
Taxation charge	<u>119,165</u>	<u>146,394</u>

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

	2010 €	2009 €
Surplus for year before taxation	<u>3,235,103</u>	<u>2,626,650</u>
Surplus for year multiplied by standard rate of corporation tax of 12.5% (2009: 12.5%)	404,388	328,331
Effects of:		
Income not subject to taxation	(302,576)	(260,307)
Expenses not deductible for tax purposes	8,971	67,815
Other timing differences - pension	-	(31,250)
Depreciation for year in excess of capital allowances	37,739	62,069
Higher tax rates on interest and rental income	53,439	53,801
Retention tax paid	(82,796)	(74,065)
	<u>119,165</u>	<u>146,394</u>

The society is chargeable to taxation on bank and other interest, 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.

There were no material deferred tax timing differences which required to be recognised at 31 December 2010 or 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

10. TANGIBLE FIXED ASSETS

Group	Premises	Development Land	Leasehold Improvements	Furniture Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
	€	€	€	€	€	€	€
Cost:							
At 1/1/2010	14,949,081	7,000,000	1,374,039	8,404,722	4,965,777	127,875	36,821,494
Additions	-	-	-	297,615	316,390	-	614,005
Disposals	-	-	-	-	-	(68,000)	(68,000)
At 31/12/2010	14,949,081	7,000,000	1,374,039	8,702,337	5,282,167	59,875	37,367,499
Depreciation:							
At 1/1/2010	3,753,756	-	434,212	7,355,146	4,077,938	99,052	15,720,104
Charge for year	325,447	-	234,957	544,626	454,272	11,627	1,570,929
Disposals	-	-	-	-	-	(53,833)	(53,833)
At 31/12/2010	4,079,203	-	669,169	7,899,772	4,532,210	56,846	17,237,200
Net book value:							
At 31/12/2010	10,869,878	7,000,000	704,870	802,565	749,957	3,029	20,130,299
At 31/12/2009	11,195,325	7,000,000	939,827	1,049,576	887,839	28,823	21,101,390

The development land was valued at net realisable value based on directors' valuation at 31 December 2010. No valuation has been prepared since 31 December 2010.

Society	Premises	Leasehold Improvements	Furniture, Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
	€	€	€	€	€	€
Cost:						
At 1/1/2010	14,804,795	1,174,784	8,094,699	4,965,776	127,875	29,167,929
Additions	-	-	295,615	316,390	-	612,005
Disposals	-	-	-	-	(68,000)	(68,000)
At 31/12/2010	14,804,795	1,174,784	8,390,314	5,282,166	59,875	29,711,934
Depreciation:						
At 1/1/2010	3,661,401	234,957	7,061,066	4,073,233	99,052	15,129,709
Charge for year	293,689	234,957	539,559	454,272	11,627	1,534,104
Disposals	-	-	-	-	(53,833)	(53,833)
At 31/12/2010	3,955,090	469,914	7,600,625	4,527,505	56,846	16,609,980
Net book value:						
At 31/12/2010	10,849,705	704,870	789,689	754,661	3,029	13,101,954
At 31/12/2009	11,143,394	939,827	1,033,633	892,543	28,823	14,038,220

Group and Society

The net book amount includes the following amount relating to assets held under finance leases:

Leasehold improvements: €250,532 (2009: €346,190)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

10. TANGIBLE FIXED ASSETS (CONTINUED)

Group and Society

Included in the above are assets relating to education activities:

	Cost €	Accumulated Depreciation €	Net Book Value €
Premises	5,876,183	1,215,529	4,660,654
Furniture, fittings and equipment	3,162,117	2,850,491	311,626
Computer equipment	2,328,853	2,075,753	253,100
	<u>11,367,153</u>	<u>6,141,773</u>	<u>5,225,380</u>

11. ASSETS FINANCED BY FINANCING ARRANGEMENT

Group and Society

Included in tangible fixed assets are the following assets which are the subject of a financing arrangement:

	Cost €	Accumulated Depreciation €	Net Book Value €
Education Centre premises	5,858,702	1,198,048	4,660,654
Education furniture, fittings and equipment	53,767	53,767	-
	<u>5,912,469</u>	<u>1,251,815</u>	<u>4,660,654</u>

The society financed the development of the Education Centre by means of a sale and leaseback arrangement with a consortium of investors. The substance of this transaction is that the risk and rewards associated with the Education Centre remain with the society. Accordingly, the Education Centre is carried within tangible fixed assets, with a liability, which is included in creditors falling due after more than one year, established as being the liability to repurchase the assets from the consortium of investors.

The principal features of the arrangement are that the society sold the assets to the consortium for €6.6 million and has the option to repurchase the assets in 2014, being the conclusion of the arrangement, for a fixed price of €7.21 million. The cost of the transaction has been treated as a financing cost and spread over the term of the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

12. INVESTMENTS €

Group and Society

Balance at 1 January 2010	3,386,269
Disposals at cost	(81,726)
Additions at cost	1,137,437
Reversal of provision for impairment	192,282
Balance at 31 December 2010	4,634,262

The investments are comprised of the following:

- (a) With-Profits Bond Policy ("Policy");
- (b) TAM equity and Bond Investments ("TAM");
- (c) Managed Fund ("Managed Fund");
- (d) High Yield Fund ("Fund"); and
- (e) Global Absolute Return Strategy Fund ("GARS")

The Policy is linked to a unitised managed fund. The terms provide for a minimum redemption of 100% of the sum invested upon maturity. TAM, Managed Fund, GARS and Fund do not carry capital protection. The Policy Managed Fund and GARS have a low risk profile while TAM and Fund are fully exposed to the volatility in equity markets. The Society has provided for a permanent diminution in the value of its investments of €171,089 (31 December 2009: €363,371).

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2009: €Nil).

	2010	2009
	€	€
Group		
Stocks in trade	10,376	30,701
Society		
Stocks in trade	6,649	10,166

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

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

14. DEBTORS	2010	2009
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	1,114,326	1,309,628
Amounts due by Law Society Compensation Fund	768,647	867,426
Amounts due by Law Society of Ireland Scholarship Fund	69,155	54,197
Deferred finance costs	51,356	51,356
Corporation tax	4,753	-
VAT	18,137	20,943
	<u>2,026,374</u>	<u>2,303,550</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	49,186	102,711
	<u>2,075,560</u>	<u>2,406,261</u>
	<u><u>2,075,560</u></u>	<u><u>2,406,261</u></u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	1,010,011	1,241,695
Amounts due from Law Society Compensation Fund	768,647	867,426
Amounts due by Law Society of Ireland Scholarship Fund	69,155	54,197
Amounts due from subsidiary undertakings:		
- The Law Club of Ireland	2,571	15,959
- Friary Property Services Limited	77,399	77,399
- Benburb Street Property Company Limited	7,000,000	7,350,956
- Ellis Quay Property Services Limited	89,409	62,309
Deferred finance costs	51,356	51,356
Corporation taxation	1,952	-
	<u>9,070,500</u>	<u>9,721,297</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	49,186	102,711
	<u>9,119,686</u>	<u>9,824,008</u>
	<u><u>9,119,686</u></u>	<u><u>9,824,008</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

15. CREDITORS	2010	2009
	€	€
Group		
Amounts falling due within one year		
Bank overdrafts	2,818	22,416
Creditors and accruals	2,259,983	2,227,663
Deferred income*	1,781,454	1,897,135
Amount due to Pamodzi	88,462	111,827
PAYE / PRSI	496,561	538,794
VAT	20,246	39,690
Corporation taxation	-	13,357
Finance lease	91,103	91,103
	<u>4,740,627</u>	<u>4,941,985</u>
Society		
Amounts falling due within one year		
Creditors and accruals	2,253,142	2,293,875
Deferred income*	1,692,991	1,785,308
Amount due to Pamodzi	88,462	111,827
Amounts due to subsidiary undertakings:		
- The Law Club of Ireland	82,306	122,847
- Ellis Quay Property Services Limited	-	54,675
PAYE / PRSI	490,238	525,537
VAT	20,246	29,845
Corporation taxation	-	15,960
Finance lease	91,103	91,103
	<u>4,718,488</u>	<u>5,030,977</u>

*Deferred income represents fees for the 2011 financial year received in the year to 31 December 2010.

Group and Society	2010	2009
	€	€
Amounts falling due after more than one year:		
- Due within 2 to 5 years – Finance Lease	159,430	250,532
- Due within 2 to 5 years – Bond Funding Scheme	116,178	116,178
- Due within 2 to 5 years – Education Centre	7,216,087	-
- Due after more than 5 years - Education Centre	-	7,216,087
	<u>7,491,695</u>	<u>7,582,797</u>

The Bonds of €116,178, which are interest free, are redeemable at the request of the bond holders and are subject to a prize fund draw.

The amount due in respect of the Education Centre represents the liability under the financing arrangement (Note 11).

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

16. ACCUMULATED RESERVES

Group	Society		Capital	Education	Litigation	Capital	Law School
	Total	Accumulated	Expenditure	Centre		Reserve	Accumulated
	€	Reserves	Fund	Fund	Fund	Fund	Reserves
	€	€	€	€	€	€	€
Balance at 1/1/2010	18,836,453	(2,860,176)	2,216,586	6,936,737	1,983,841	7,260,450	3,299,015
Surplus/(deficit) for year	3,115,938	(1,858)	4	264,722	265,589	2,347,501	239,980
Transfers	-	365,910	-	-	(365,910)	-	-
Balance at 31/12/2010	21,952,391	(2,496,124)	2,216,590	7,201,459	1,883,520	9,607,951	3,538,995

Society	Society		Capital	Education	Litigation	Capital	Law School
	Total	Accumulated	Expenditure	Centre		Reserve	Accumulated
	€	Reserves	Fund	Fund	Fund	Fund	Reserves
	€	€	€	€	€	€	€
Balance at 1/1/2010	19,020,598	(2,676,031)	2,216,586	6,936,737	1,983,841	7,260,450	3,299,015
Surplus/(deficit) for year	2,806,220	(326,697)	4	264,722	265,589	2,347,501	255,101
Transfers	-	365,910	-	-	(365,910)	-	-
Balance at 31/12/2010	21,826,818	(2,636,818)	2,216,590	7,201,459	1,883,520	9,607,951	3,554,116

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.

Reconciliation of surplus per consolidated income and expenditure account to surplus for the year per accumulated reserves:

	Total	General	Education	Capital	Education	Litigation	Capital Reserve	Other
	€	Activities	Activities	Expenditure	Centre Fund	Fund	Fund	€
	€	€	€	€	€	€	€	€
Surplus before tax (Note 4 & 5)	4,291,112	3,291,581	999,531	-	-	-	-	-
Deficit before tax (Note 7)	(825,426)	-	-	-	-	-	-	(825,426)
Sundry income	2,900	2,900	-	-	-	-	-	-
Restructuring Expenditure (Note 3)	(233,483)	-	(106,098)	-	-	-	-	(127,385)
Taxation (Note 9)	(119,165)	(3,384)	(115,066)	-	-	-	-	(715)
Surplus/(deficit) after tax	3,115,938	3,291,097	778,367	-	-	-	-	(953,526)
Income allocated to specific fund	-	(2,877,816)	-	4	264,722	265,589	2,347,501	-
Inter group trading	-	(415,139)	(538,387)	-	-	-	-	953,526
Surplus/(deficit) per group accumulated reserves 3,115,938	(1,858)	239,980	4	264,722	265,589	2,347,501	-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

17. RECONCILIATION OF SURPLUS BEFORE TAXATION
TO NET CASH INFLOW FROM
OPERATING ACTIVITIES

	2010 €	2009 €
Surplus before taxation	3,235,103	2,626,650
Depreciation charge	1,570,929	1,718,388
Interest received	(260,845)	(211,120)
Exceptional item	-	480,063
(Gain)/loss on investments	(197,325)	828,365
Loss on disposal of fixed assets	4,167	28,134
Decrease/(increase) in stock	20,325	(8,807)
Decrease/(increase) in debtors	335,454	(569,524)
Decrease in creditors including finance leases	(259,505)	(1,276,156)
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,448,303	3,615,993

18. (a) ANALYSIS OF CHANGES IN NET DEBT

	2010 €	2009 €
Increase in cash during the year	2,897,602	3,976,616
Decrease in bank overdrafts during the year	19,598	626,489
Decrease in debt during the year	-	4,953
Net debt at 1 January	(2,918,067)	(7,526,125)
NET DEBT AT 31 DECEMBER	(867)	(2,918,067)

(b) ANALYSIS OF NET DEBT

	At 1/1/2010 €	Cashflow €	At 31/12/2010 €
Cash and bank balances	4,436,614	2,897,602	7,334,216
Bank overdrafts	(22,416)	19,598	(2,818)
	<u>4,414,198</u>	<u>2,917,200</u>	<u>7,331,398</u>
Debt due after one year	(7,332,265)	-	(7,332,265)
	<u>(2,918,067)</u>	<u>2,917,200</u>	<u>(867)</u>

19. RELATED PARTY TRANSACTIONS**Law Society Compensation Fund**

	€
Opening balance	867,426
Charges	4,157,217
Receipts	(4,225,996)
Closing balance	798,647

Law Society of Ireland Scholarship Fund

	€
Opening balance	54,175
Additional payments	14,980
Closing balance	69,155

Pamodzi

	€
Opening balance	111,827
Payments	(23,365)
Closing balance	88,462

20. PENSIONS

The society and The Law Society of Ireland Compensation Fund are the participants in a multi-employer defined benefit pension scheme, operated by the society. It is not practicable to separate the assets and liabilities of the scheme, and accordingly, the society has availed of an exemption under Financial Reporting Standard 17 from making the disclosures required under the standard.

The scheme provides benefits based on final pensionable pay. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives. 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 2009. 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 6% per annum pre retirement and 5% per annum post retirement, that future salary increases would average 4.5% per annum, and that pensions in payment will increase at 2.5% per annum on average. In effect, this means that the investment return pre retirement would be 1.5% higher per annum than future salary increases and the investment return post retirement would be 2.5% higher per annum than pension increases.

The Trustees obtained the consent of the Law Society to, on a discretionary basis, index pensions in payment on an annual basis. Increases are the lesser of the CPI increase or 3%. Members of the Scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

20. PENSIONS (CONTINUED)

The last actuarial valuation was at 31 December 2009 and it indicated that the market value of the assets of the scheme was €12,700,000 and that the assets were sufficient to cover 73% 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 increased to 25% of pensionable salaries. This recommendation was implemented in 2010. The society's defined benefit Scheme has been closed to new entrants since 30 September 2009 and has been replaced by a hybrid scheme with the defined benefit element capped at €45,000.

The actuary carries out an annual update of the minimum funding standard position of the Scheme. The Scheme met the Minimum Funding Standard at 31 December 2010.

The next actuarial valuation of the Scheme will take place at 31 December 2012.

The pension charge for the year was €1,038,664 (2009: €1,068,778).

21. SUBSIDIARY AND RELATED UNDERTAKINGS

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

Subsidiary undertakings:

- Friary Property Services Limited
- Benburb Street Property Company Limited
- Ellis Quay Property Services 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
- Pamodzi

22. CAPITAL COMMITMENTS

	2010	2009
	€	€

At the end of the year, the following expenditure had been authorised by the Finance Committee:

Contracted for	-	15,750
Not contracted for	91,971	287,449
	91,971	303,199
	91,971	303,199

23. 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 claims which require provision by the society at 31 December 2010. Legal costs incurred by the society to 31 December 2010, in connection with these matters, have been charged in the Income and Expenditure Account.

In October 2009, the Council of the Law Society resolved to provide a Guarantee of up to €8.4m to Solicitors Mutual Defence Fund Limited. In May 2010, the Law Society executed a Guarantee for €5m plus costs on overdraft facilities being provided by Bank of Ireland to Solicitors Mutual Defence Fund Limited. There was no drawdown by Solicitors Mutual Defence Fund Limited of this facility as at the balance sheet date, and consequently no contingent liability is recognised as at that date.

The Guarantee was withdrawn by the Law Society in April 2011, and there were no liabilities against the Guarantee at that time.

24. POST BALANCE SHEET EVENTS

The society is currently seeking approval from its members to commit €16m in financial support to the Solicitors Mutual Defence Fund Limited. No liability has been recognised in relation to this financial commitment in the financial statements.

**SUPPLEMENTARY INFORMATION
ANALYSIS OF OPERATING CHARGES**

**SCHEDULE 1: GENERAL ACTIVITIES (including funds)
SCHEDULE 2: EDUCATION ACTIVITIES**

(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)

THE LAW SOCIETY OF IRELAND

SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

SCHEDULE 1: OPERATING CHARGES – GENERAL ACTIVITIES (including funds)

A. PAY AND RELATED EXPENDITURE	2010	2009
	€	€
Payroll and related costs	3,200,444	3,165,804
Elimination of related party trading	(11,593)	(10,711)
	<u>3,188,851</u>	<u>3,155,093</u>
	<u><u>3,188,851</u></u>	<u><u>3,155,093</u></u>
B. ADMINISTRATION EXPENDITURE	2010	2009
	€	€
Postage and telephone	99,258	133,132
Printing, stationary and photocopying	55,524	61,010
Insurance and miscellaneous items	126,858	115,950
Depreciation – furniture and equipment	173,862	159,819
Depreciation – motor vehicle	10,083	13,444
Staff travel and subsistence	54,383	57,055
Legal and professional fees	243,182	513,538
Prize Bond draws	3,900	4,750
Office equipment maintenance and lease charges	17,037	11,189
Audit fees	12,433	14,292
Tax fees	-	3,181
Depreciation – IT	148,242	158,064
IT costs	138,935	121,296
Less: Management charge to related undertakings	(174,758)	(222,078)
Elimination of related party trading	18,355	20,000
	<u>927,294</u>	<u>1,164,642</u>
	<u><u>927,294</u></u>	<u><u>1,164,642</u></u>
C. PREMISES EXPENDITURE	2010	2009
	€	€
Maintenance, security and other service costs	370,590	384,883
Insurance, electricity, heating and rates	167,356	171,642
Depreciation – premises	176,515	176,515
Less: Management charge to related undertakings	(114,726)	(119,726)
Elimination of related party trading	20,000	20,000
	<u>619,735</u>	<u>633,314</u>
	<u><u>619,735</u></u>	<u><u>633,314</u></u>

THE LAW SOCIETY OF IRELAND

SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

SCHEDULE 1: OPERATING CHARGES – GENERAL ACTIVITIES (including funds) (CONTINUED)

D. MEMBERS' SERVICES EXPENDITURE	2010	2009
	€	€
President, council and committee services	282,751	421,058
Library services	408,112	420,831
Public relations	272,864	260,640
President's subvention	110,000	120,000
Members services	149,322	190,361
Conferences	41,195	57,700
Special events	-	19,966
Regulatory and policy consultancy	186,702	238,956
Less: Management charge to related undertakings	(23,010)	(25,328)
Elimination of related party trading	(113,924)	(150,764)
	<u>1,314,012</u>	<u>1,553,420</u>
	<u><u>1,314,012</u></u>	<u><u>1,553,420</u></u>
E. REGULATION EXPENDITURE	2010	2009
	€	€
Solicitors' disciplinary tribunal	693,452	910,249
Independent adjudicator	174,742	180,927
Complaints handling	1,061,471	939,493
Regulation department	1,627,877	1,226,130
Elimination of related party trading	(158,481)	(181,037)
	<u>3,399,061</u>	<u>3,075,762</u>
	<u><u>3,399,061</u></u>	<u><u>3,075,762</u></u>
F. ADMISSIONS	2010	2009
	€	€
Admissions	52,326	58,745
Elimination of related party trading	(21,159)	(22,641)
	<u>31,167</u>	<u>36,104</u>
	<u><u>31,167</u></u>	<u><u>36,104</u></u>

THE LAW SOCIETY OF IRELAND

SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

SCHEDULE 2: OPERATING CHARGES – EDUCATION ACTIVITIES

	2010 €	2009 €
A. PAY AND RELATED EXPENDITURE		
Pay and related costs	3,841,038	4,250,219
	<u>3,841,038</u>	<u>4,250,219</u>
	2010 €	2009 €
B. ADMINISTRATION EXPENDITURE		
Depreciation - furniture and equipment	308,966	420,185
Depreciation - IT	259,331	300,656
Postage, telephone and photocopying	199,677	235,219
IT expenses	309,531	311,485
Office equipment maintenance	2,189	734
Student bursaries, grants, prizes and welfare costs	254,582	230,625
Bank interest and charges	12,906	10,797
Printing and stationery	69,842	78,505
Audit fees	14,631	14,292
Insurance	20,388	28,832
Legal and professional fees	216,521	152,224
Advertising, newspapers and periodicals	21,212	51,307
Subscriptions and donations	4,859	14,612
Catering costs	57,562	65,401
Miscellaneous items	35,306	9,103
Speaker fees and expenses	190,172	175,414
Elimination of related party trading	(92,902)	(105,355)
	<u>1,884,773</u>	<u>1,994,036</u>

THE LAW SOCIETY OF IRELAND

SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

SCHEDULE 2: OPERATING CHARGES – EDUCATION ACTIVITIES

	2010 €	2009 €
C. DIRECT EXPENDITURE		
Tutors' and consultants' fees and expenses	944,039	1,271,466
Lecture materials	338,700	317,259
Examiners' and supervisors' fees and expenses	621,525	697,508
Cost of books for resale	17,488	7,906
Travel and subsistence	50,036	58,250
Miscellaneous items	-	103,620
Elimination of related party trading	(3,020)	(6,244)
	<u>1,968,768</u>	<u>2,449,765</u>

	2010 €	2009 €
D. PREMISES EXPENDITURE		
Maintenance, security and other service costs	214,361	238,261
Insurance, rent, rates, light and heat	621,971	695,143
Depreciation – education centre	117,174	117,174
Elimination of related party trading	(237,500)	(277,000)
	<u>716,006</u>	<u>773,578</u>