

The Law Society of Ireland

Reports and Consolidated
Financial Statements
for the year ended
31 December 2009

THE LAW SOCIETY OF IRELAND

**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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THE LAW SOCIETY OF IRELAND

STATEMENT OF RESPONSIBILITIES OF THE FINANCE COMMITTEE

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 surplus 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 2009 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 2009 and of the surplus 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 2009 and of the surplus of the group for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

20 May 2010

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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 Ireland 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 22 and its interest in a related undertaking, Law Club of Ireland, which it controls, all of which make up financial statements to 31 December 2009.

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.

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.

THE LAW SOCIETY OF IRELAND

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

PENSION COSTS

Contributions to a multi-employer defined benefit pension scheme 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 2009**

	<i>Notes</i>	2009 €	2008 €
INCOME			
Fees and subscriptions	4	12,727,402	11,691,756
Education activities	5	11,037,044	13,040,022
Publications	4	446,703	946,324
Four Courts rooms	4	751,385	681,802
Company formations	4	98,360	200,996
Interest and investment income	7	211,120	201,910
Other income	8	546,276	741,514
Sundry income		2,165	43,760
		25,820,455	27,548,084
EXPENDITURE			
Operating charges:			
- General activities	4	(10,661,620)	(10,374,063)
- Education activities	5	(9,467,598)	(10,806,040)
Loss on investments	7	(828,365)	(627,388)
Financing costs	6	(287,528)	(291,238)
Other expenditure	8	(1,352,633)	(1,619,385)
Redundancy costs	3	(115,998)	-
		(22,713,742)	(23,718,114)
SURPLUS FOR YEAR BEFORE EXCEPTIONAL ITEM AND TAXATION		3,106,713	3,829,970
Exceptional item	9	(480,063)	(14,718,981)
SURPLUS/(DEFICIT) BEFORE TAXATION		2,626,650	(10,889,011)
Taxation charge	10	(146,394)	(257,156)
SURPLUS/(DEFICIT) AFTER TAXATION		2,480,256	(11,146,167)
Allocated as follows:			
General activities		(216,348)	(14,663,524)
Education activities		433,225	1,034,144
Education centre fund		(768,364)	487,350
Property fund		2,505,259	1,734,271
Capital expenditure fund		(2)	101
Litigation fund		526,486	261,491
Total		2,480,256	(11,146,167)

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 20 May 2010 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

Gerard Doherty
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009**

	<i>Notes</i>	2009 €	2008 €
FIXED ASSETS			
Tangible fixed assets	11	21,101,390	22,579,155
CURRENT ASSETS			
Investments	13	3,386,269	5,873,110
Stocks	14	30,701	21,894
Debtors	15	2,406,261	1,841,063
Cash at bank and in hand		4,436,614	459,998
		10,259,845	8,196,065
CURRENT LIABILITIES			
CREDITORS: (Amounts falling due within one year)	16	(4,941,985)	(6,740,170)
NET CURRENT ASSETS		5,317,860	1,455,895
TOTAL ASSETS LESS CURRENT LIABILITIES		26,419,250	24,035,050
CREDITORS: (Amounts falling due after more than one year)	16	(7,582,797)	(7,678,853)
NET ASSETS		18,836,453	16,356,197
RESERVES			
Accumulated reserves	17	18,836,453	16,356,197

The financial statements were approved by the Finance Committee on 20 May 2010 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

Gerard Doherty
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND**SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2009**

	<i>Notes</i>	2009 €	2008 €
FIXED ASSETS			
Tangible fixed assets	11	14,038,220	15,481,638
CURRENT ASSETS			
Investments	13	3,386,269	5,873,110
Stocks	14	10,166	-
Debtors	15	9,824,008	9,484,384
Cash at bank and in hand		4,375,709	-
		17,596,152	15,357,494
CURRENT LIABILITIES			
CREDITORS: (Amounts falling due within one year)	16	(5,030,977)	(6,614,846)
NET CURRENT ASSETS		12,565,175	8,742,648
TOTAL ASSETS LESS CURRENT LIABILITIES		26,603,395	24,224,286
CREDITORS: (Amounts falling due after more than one year)	16	(7,582,797)	(7,678,853)
NET ASSETS		19,020,598	16,545,433
RESERVES			
Accumulated reserves	17	19,020,598	16,545,433

The financial statements were approved by the Finance Committee on 20 May 2010 and signed on its behalf by:

Patrick Dorgan
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THE LAW SOCIETY OF IRELAND

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Notes</i>	2009 €	2008 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>18</i>	3,615,993	5,792,133
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		211,120	201,910
TAXATION			
Corporation tax paid		(128,711)	(257,492)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(748,820)	(2,380,253)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(36,909)	(372,612)
Disposal of investments		1,695,385	372,612
		1,658,476	-
FINANCING			
Decrease in debt		(4,953)	(3,120,606)
INCREASE IN NET CASH	<i>19</i>	4,603,105	235,692

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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 22. 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/(DEFICIT) BEFORE TAXATION	2009	2008
	€	€
The surplus/(deficit) before taxation is stated after charging:		
- Depreciation	1,718,388	1,503,771
- Auditor's remuneration	28,584	34,000
- Finance costs	287,528	287,528
- Finance lease interest	22,775	22,775
	<u> </u>	<u> </u>
and after crediting:		
- Deposit interest	211,120	201,910
	<u> </u>	<u> </u>

3. STAFF COSTS	2009	2009	2009	2009	2008
	General	Education	Other	Total	Total
	Activities	Activities			
	€	€	€	€	€
Salaries and wages	4,650,751	3,469,871	474,118	8,594,740	8,896,680
PRSI	462,097	349,643	47,786	859,525	880,673
Pension costs	694,611	350,546	23,620	1,068,778	1,137,187
Redundancy costs	-	100,190	15,808	115,998	-
Total	<u>5,807,459</u>	<u>4,270,250</u>	<u>561,332</u>	<u>10,639,041</u>	<u>10,914,540</u>

The average aggregate number of employees during 2009 was 137 (2008: 150).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

4. GENERAL ACTIVITIES (including funds)	2009 €	2008 €
INCOME		
Fees and subscriptions		
Practising certificates	8,802,878	7,753,234
Members' subscriptions	685,034	689,412
Admission fees	207,900	240,946
Fund Contributions:		
- Capital expenditure fund	-	101
- Education centre fund	-	1,008,591
- Property fund	2,505,259	1,737,981
- Litigation fund	526,331	261,491
	<u>12,727,402</u>	<u>11,691,756</u>
Services and interest		
Publications	446,703	946,324
Four Courts rooms	751,385	681,802
Company formations	98,360	200,996
Interest and investment income (Note 7)	211,120	201,910
Total income	<u>14,234,970</u>	<u>13,722,788</u>
OPERATING CHARGES		
General activities		
Pay and related expenditure	3,155,093	3,586,371
Administration expenditure	1,164,642	1,329,307
Premises expenditure	633,314	649,275
Members' services expenditure	1,553,420	1,329,796
Regulation expenditure	3,075,762	2,073,743
Admission expenditure	36,104	52,121
Services		
Company formations	93,150	195,618
Publications	733,116	935,877
Four Courts rooms	217,019	221,955
Total operating charges	<u>10,661,620</u>	<u>10,374,063</u>
Financing costs (Note 6)	-	3,710
Loss on investments (Note 7)	<u>828,365</u>	<u>627,388</u>
Surplus	<u>2,744,985</u>	<u>2,717,627</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

5. EDUCATION ACTIVITIES	2009	2008
	€	€
INCOME		
Professional practice course 1 fees	4,258,514	5,145,995
Professional practice course 2 fees	3,204,646	3,084,733
Indentures and registration	411,968	495,772
Examination fees	1,043,594	1,468,294
Diploma courses	1,214,531	1,260,859
Continuing professional development	611,120	1,410,332
Miscellaneous income	292,671	174,037
Total income	<u>11,037,044</u>	<u>13,040,022</u>
OPERATING CHARGES		
Pay and related expenditure	4,250,219	4,669,764
Administration expenditure	1,994,036	2,295,432
Direct expenditure	2,449,765	2,967,708
Premises expenditure	773,578	873,136
Total operating charges	<u>9,467,598</u>	<u>10,806,040</u>
Financing costs (Note 6)	<u>287,528</u>	<u>287,528</u>
Surplus	<u><u>1,281,918</u></u>	<u><u>1,946,454</u></u>
6. FINANCING COSTS		
	2009	2008
	€	€
Financing costs (Note 12) – education	287,528	287,528
Interest payable on loans – general	-	3,710
	<u>287,528</u>	<u>291,238</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

7. INTEREST AND INVESTMENT (LOSSES)/GAINS	2009 €	2008 €
Interest – Accumulated reserves	151,120	95,763
Interest – Education Centre Fund	60,000	106,147
Interest on investment income	211,120	201,910
Loss on disposal of investments	(964,634)	(127,388)
Reversal of/(provision) for impairment of investments	136,269	(500,000)
Loss on investments	(828,365)	(627,388)
8. OTHER INCOME/EXPENDITURE	2009 €	2008 €
Income		
Catering income	365,532	496,236
Bar income	101,568	147,880
Bed and breakfast income	35,045	44,581
Functions and consultation room income	11,187	13,330
Rental income	2,521	17,056
Sundry income	30,423	22,431
	546,276	741,514
Expenditure		
Catering cost of sales	189,561	292,013
Catering expenditure	470,815	520,944
Bar cost of sales	57,651	72,577
Bar expenditure	134,986	148,763
Rental expenditure	410,932	422,833
Premises expenditure	8,118	7,926
Professional fees	29,859	96,846
Other administration expenditure	50,711	57,483
	1,352,633	1,619,385
Deficit	806,357	877,871

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

9. EXCEPTIONAL ITEM	2009	2008
	€	€
Impairment of development land (Note 11)	480,063	14,718,981

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

10. TAXATION CHARGE	2009	2008
	€	€
Based on the surplus/(deficit) for the year:		
Taxation charge	146,394	257,156

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:

	2009	2008
	€	€
Surplus/(Deficit) for year before taxation	2,626,650	(10,889,011)
Surplus/(Deficit) for year multiplied by standard rate of corporation tax of 12.5% (2008: 12.5%)	328,331	(1,361,126)
Effects of:		
Income not subject to taxation	(260,307)	(271,673)
Expenses not deductible for tax purposes	67,815	1,839,872
Other timing differences - pension	(31,250)	(2,326)
Depreciation for year in excess of capital allowances	62,069	61,818
Higher tax rates on interest and rental income	53,801	27,296
Retention tax paid	(74,065)	(36,705)
	146,394	257,156

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 2009 or 31 December 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

11. TANGIBLE FIXED ASSETS

Group	Premises	Development Land	Leasehold Improvements	Furniture Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
	€	€	€	€	€	€	€
Cost:							
At 1/1/2009	14,950,244	7,000,000	1,355,277	8,369,581	4,779,375	127,875	36,582,352
Additions	(1,163)	480,063	18,762	64,756	186,402	-	748,820
Impairment	-	(480,063)	-	-	-	-	(480,063)
Disposals	-	-	-	(29,615)	-	-	(29,615)
At 31/12/2009	14,949,081	7,000,000	1,374,039	8,404,722	4,965,777	127,875	36,821,494
Depreciation:							
At 1/1/2009	3,425,688	-	199,255	6,719,751	3,591,420	67,083	14,003,197
Charge for year	328,068	-	234,957	636,876	486,518	31,969	1,718,388
Disposals	-	-	-	(1,481)	-	-	(1,481)
At 31/12/2009	3,753,756	-	434,212	7,355,146	4,077,938	99,052	15,720,104
Net book value:							
At 31/12/2009	11,195,325	7,000,000	939,827	1,049,576	887,839	28,823	21,101,390
At 31/12/2008	11,524,556	7,000,000	1,156,022	1,649,830	1,187,955	60,792	22,579,155

The development land was valued by qualified external valuers, Mason Owen & Lyons, on a market value basis at 22 April 2010.

Society	Premises	Leasehold Improvements	Furniture, Fittings & Equipment	Computer Equipment	Motor Vehicles	Total
	€	€	€	€	€	€
Cost:						
At 1/1/2009	14,805,958	1,156,022	8,061,860	4,779,375	127,875	28,931,090
Additions	(1,163)	18,762	62,454	186,401	-	266,454
Disposals	-	-	(29,615)	-	-	(29,615)
At 31/12/2009	14,804,795	1,174,784	8,094,699	4,965,776	127,875	29,167,929
Depreciation:						
At 1/1/2009	3,365,089	-	6,430,565	3,586,715	67,083	13,449,452
Charge for year	296,312	234,957	631,982	486,518	31,969	1,681,738
Disposals	-	-	(1,481)	-	-	(1,481)
At 31/12/2009	3,661,401	234,957	7,061,066	4,073,233	99,052	15,129,709
Net book value:						
At 31/12/2009	11,143,394	939,827	1,033,633	892,543	28,823	14,038,220
At 31/12/2008	11,440,869	1,156,022	1,631,295	1,192,660	60,792	15,481,638

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

Leasehold improvements : €346,190 (2008: €432,738)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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	5,876,183	1,098,355	4,777,828
Furniture, fittings and equipment	3,090,167	2,541,526	548,641
Computer equipment	2,287,779	1,816,422	471,357
	<u>11,254,129</u>	<u>5,456,303</u>	<u>5,797,826</u>

12. 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	5,827,485	1,080,874	4,746,611
Education furniture, fittings and equipment	53,767	53,767	-
	<u>5,881,252</u>	<u>1,134,641</u>	<u>4,746,611</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.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

13. INVESTMENTS €

Group and Society

Balance at 1 January 2009	5,873,110
Disposals at cost	(2,660,019)
Additions at cost	36,909
Reversal of provision for impairment	136,269
 Balance at 31 December 2009	 <u><u>3,386,269</u></u>

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

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 and Fund do not carry capital protection. The Managed Fund has 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, at 31 December 2009, to be €363,371 (31 December 2008: €500,000).

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2008: €Nil).

14. STOCKS	2009	2008
	€	€
Group		
Stocks in trade	30,701	21,894
	<u> </u>	<u> </u>
Society		
Stocks in trade	10,166	-
	<u> </u>	<u> </u>

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 2009 (CONTINUED)

15. DEBTORS	2009	2008
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	1,363,825	1,446,839
Amounts due by Law Society Compensation Fund	867,426	182,975
Deferred finance costs	51,356	51,356
Corporation tax	-	4,326
VAT	20,943	1,500
	<u>2,303,550</u>	<u>1,686,996</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	102,711	154,067
	<u>2,406,261</u>	<u>1,841,063</u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	1,295,892	1,371,921
Amounts due from Law Society Compensation Fund	867,426	182,975
Amounts due from subsidiary undertakings:		
- The Law Club of Ireland	15,959	99,038
- Friary Property Services Limited	77,399	77,373
- Benburb Street Property Company Limited	7,350,956	7,381,019
- Ellis Quay Property Services Limited	62,309	162,309
Deferred finance costs	51,356	51,356
Corporation taxation	-	4,326
	<u>9,721,297</u>	<u>9,330,317</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	102,711	154,067
	<u>9,824,008</u>	<u>9,484,384</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

16. CREDITORS	2009	2008
	€	€
Group		
Amounts falling due within one year		
Bank overdrafts	22,416	648,905
Creditors and accruals	2,430,593	3,037,233
Deferred income*	1,897,135	2,525,739
PAYE / PRSI	538,794	450,023
VAT	39,690	78,270
Corporation taxation	13,357	-
	<u>4,941,985</u>	<u>6,740,170</u>
Society		
Amounts falling due within one year		
Bank overdrafts	-	472,276
Creditors and accruals	2,384,978	2,982,909
Deferred income*	1,897,135	2,525,739
Amounts due to subsidiary undertakings:		
- The Law Club of Ireland	122,847	175,990
- Ellis Quay Property Services Limited	54,675	-
PAYE / PRSI	525,537	435,265
VAT	29,845	22,667
Corporation taxation	15,960	-
	<u>5,030,977</u>	<u>6,614,846</u>

*Deferred income represents fees for the 2010 financial year received in the year to 31 December 2009.

Group and Society	2009	2008
	€	€
Amounts falling due after more than one year:		
- Due within 2 to 5 years – Finance Leases	250,532	341,635
- Due within 2 to 5 years – Bond Funding Scheme	116,178	121,131
- Due after more than 5 years - Education Centre	7,216,087	7,216,087
	<u>7,582,797</u>	<u>7,678,853</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 12).

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

17. ACCUMULATED RESERVES

Group	Society		Capital	Education	Litigation	Property	Law School
	Total	Accumulated	Expenditure	Centre			
	€	Reserves	Fund	Fund	€	€	Reserves
		€	€	€			€
Balance at 1/1/2009	16,356,197	(2,933,471)	2,215,425	7,705,101	1,748,161	4,755,191	2,865,790
Surplus/(deficit) for year	2,480,256	(216,348)	(2)	(768,364)	526,486	2,505,259	433,225
Transfers	-	289,643	1,163	-	(290,806)	-	-
Balance at 31/12/2009	18,836,453	(2,860,176)	2,216,586	6,936,737	1,983,841	7,260,450	3,299,015

Society	Society		Capital	Education	Litigation	Property	Law School
	Total	Accumulated	Expenditure	Centre			
	€	Reserves	Fund	Fund	€	€	Reserves
		€	€	€			€
Balance at 1/1/2009	16,545,433	(2,744,235)	2,215,425	7,705,101	1,748,161	4,755,191	2,865,790
Surplus/(deficit) for year	2,475,165	(221,439)	(2)	(768,364)	526,486	2,505,259	433,225
Transfers	-	289,643	1,163	-	(290,806)	-	-
Balance at 31/12/2009	19,020,598	(2,676,031)	2,216,586	6,936,737	1,983,841	7,260,450	3,299,015

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	Property	Other
	€	Activities	Activities	Expenditure	Centre Fund	Fund	Fund	€
		€	€	€	€	€	€	
Surplus before tax (Note 4 & 5)	4,026,903	2,744,985	1,281,918	-	-	-	-	-
Deficit before tax (Note 8)	(822,165)	-	-	-	-	-	-	(822,165)
Sundry income	2,165	2,165	-	-	-	-	-	-
Restructuring Expenditure (Note 3)	(100,190)	-	(100,190)	-	-	-	-	-
Exceptional item (Note 9)	(480,063)	-	-	-	-	-	-	(480,063)
Taxation (Note 10)	(146,394)	(7,943)	(130,316)	-	-	-	-	(8,135)
Surplus/(deficit) after tax	2,480,256	2,739,207	1,051,412	-	-	-	-	(1,310,363)
Income allocated to specific fund	-	(2,263,379)	-	(2)	(768,364)	526,486	2,505,259	-
Exceptional item	-	(480,063)	-	-	-	-	-	480,063
Inter group trading	-	(212,113)	(618,187)	-	-	-	-	830,300
Surplus/(deficit) per group accumulated reserves	2,480,256	(216,348)	433,225	(2)	(768,364)	526,486	2,505,259	-

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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

	2009 €	2008 €
Surplus/(deficit) before taxation	2,626,650	(10,889,011)
Depreciation charge	1,718,388	1,503,771
Interest received	(211,120)	(201,910)
Exceptional item	480,063	14,718,981
Loss on investments	828,365	627,388
Loss on disposal of fixed assets	28,134	-
Increase in stock	(8,807)	(2,675)
Increase in debtors	(569,524)	(71,303)
(Decrease)/increase in creditors including finance leases	(1,276,156)	106,892
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,615,993	5,792,133

19. (a) ANALYSIS OF CHANGES IN NET DEBT

	2009 €	2008 €
Increase in cash during the year	3,976,616	387,976
Decrease/(increase) in bank overdrafts during the year	626,489	(152,284)
Decrease in debt during the year	4,953	3,120,606
Net debt at 1 January	(7,526,125)	(10,882,423)
NET DEBT AT 31 DECEMBER	(2,918,067)	(7,526,125)

(b) ANALYSIS OF NET DEBT

	At 1/1/2009 €	Cashflow €	At 31/12/2009 €
Cash and bank balances	459,998	3,976,616	4,436,614
Bank overdrafts	(648,905)	626,489	(22,416)
	(188,907)	4,603,105	4,414,198
Debt due after one year	(7,337,218)	4,953	(7,332,265)
	(7,526,125)	4,608,058	(2,918,067)

20. RELATED PARTY TRANSACTIONS

During the year, the society incurred expenditure on behalf of, and recharged it to, the Compensation Fund in the amount of €4,084,451 (2008: €3,397,545). The amount due from the Compensation Fund at the year end is detailed in note 15.

21. 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 1 January 2007. 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.

The last actuarial valuation was at 1 January 2007 and it indicated that the market value of the assets of the scheme was €10,590,000 and that the assets were sufficient to cover 89% 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 18% of pensionable salaries. The actuary carries out an annual update of the minimum funding standard position of the Scheme. At 31 December 2008, the Scheme failed to meet the Minimum Funding Standard and the Society made special contributions of €400,000 in 2008 and €300,000 in 2009 to eliminate the deficit. The Scheme met the Minimum Funding Standard at 31 December 2009.

The next formal review of the financing of the Scheme will take place at 31 December 2009, the date of the next actuarial valuation, and this is in progress.

The pension charge for the year was €1,068,778 (2008: €1,137,187).

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

22. SUBSIDIARY AND RELATED UNDERTAKINGS

The society holds investments in subsidiary and 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

23. CAPITAL COMMITMENTS

	2009	2008
	€	€

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

Contracted for	15,750	547,465
Not contracted for	287,449	112,431
	<u>303,199</u>	<u>659,896</u>

24. 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 2009. Legal costs incurred by the society to 31 December 2009, in connection with these matters, have been charged in the Income and Expenditure Account.

In October 2009, the Law Society of Ireland agreed to guarantee a future bank borrowing by the Solicitors Mutual Defence Fund Limited up to a maximum amount of €8.4m. The arrangement has not yet been finalised.

**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 2009**

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

A. PAY AND RELATED EXPENDITURE	2009	2008
	€	€
Payroll and related costs	3,165,804	3,609,209
Elimination of related party trading	(10,711)	(22,838)
	<u>3,155,093</u>	<u>3,586,371</u>
	<u><u>3,155,093</u></u>	<u><u>3,586,371</u></u>
B. ADMINISTRATION EXPENDITURE	2009	2008
	€	€
Postage and telephone	133,132	200,607
Printing, stationary and photocopying	61,010	134,642
Insurance and miscellaneous items	115,950	161,208
Depreciation – furniture and equipment	159,819	264,030
Depreciation – motor vehicle	13,444	13,444
Staff travel and subsistence	57,055	72,823
Legal and professional fees	513,538	383,492
Prize Bond draws	4,750	4,250
Office equipment maintenance and lease charges	11,189	15,296
Audit fees	14,292	16,313
Tax fees	3,181	6,567
Depreciation – IT	158,064	160,317
IT costs	121,296	132,918
Less: Management charge to related undertakings	(222,078)	(255,480)
Elimination of related party trading	20,000	18,880
	<u>1,164,642</u>	<u>1,329,307</u>
	<u><u>1,164,642</u></u>	<u><u>1,329,307</u></u>
C. PREMISES EXPENDITURE	2009	2008
	€	€
Maintenance, security and other service costs	384,883	441,415
Insurance, electricity, heating and rates	171,642	219,670
Depreciation – premises	176,515	176,539
Less: Management charge to related undertakings	(119,726)	(208,349)
Elimination of related party trading	20,000	20,000
	<u>633,314</u>	<u>649,275</u>
	<u><u>633,314</u></u>	<u><u>649,275</u></u>

THE LAW SOCIETY OF IRELAND

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

D. MEMBERS' SERVICES EXPENDITURE	2009	2008
	€	€
President, council and committee services	421,058	685,441
Library services	420,831	372,760
Public relations	260,640	220,446
President's subvention	120,000	119,700
Members services	190,361	116,521
Conferences	57,700	33,244
Special events	19,966	7,538
Regulatory and policy consultancy	238,956	23,514
Less: Management charge to related undertakings	(25,328)	(37,301)
Elimination of related party trading	(150,764)	(212,067)
	<u>1,553,420</u>	<u>1,329,796</u>
	<u><u>1,553,420</u></u>	<u><u>1,329,796</u></u>
E. REGULATION EXPENDITURE	2009	2008
	€	€
Solicitors' disciplinary tribunal	910,249	1,070,148
Independent adjudicator	180,927	183,512
Complaints handling	939,493	888,032
Regulation department	1,226,130	92,051
Elimination of related party trading	(181,037)	(160,000)
	<u>3,075,762</u>	<u>2,073,743</u>
	<u><u>3,075,762</u></u>	<u><u>2,073,743</u></u>
F. ADMISSIONS	2009	2008
	€	€
Admissions	58,745	78,692
Elimination of related party trading	(22,641)	(26,571)
	<u>36,104</u>	<u>52,121</u>
	<u><u>36,104</u></u>	<u><u>52,121</u></u>

THE LAW SOCIETY OF IRELAND

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

SCHEDULE 2 : OPERATING CHARGES – EDUCATION ACTIVITIES

	2009 €	2008 €
A. PAY AND RELATED EXPENDITURE		
Pay and related costs	4,250,219	4,669,764
	<u>4,250,219</u>	<u>4,669,764</u>
	2009 €	2008 €
B. ADMINISTRATION EXPENDITURE		
Depreciation - furniture and equipment	420,185	417,528
Depreciation - IT	300,656	301,915
Postage, telephone and photocopying	235,219	279,766
IT expenses	311,485	354,632
Office equipment maintenance	734	1,687
Student bursaries, grants, prizes and welfare costs	230,625	245,882
Bank interest and charges	10,797	19,516
Printing and stationery	78,505	141,762
Audit fees	14,292	17,469
Insurance	28,832	26,736
Legal and professional fees	152,224	88,141
Advertising, newspapers and periodicals	51,307	80,284
Subscriptions and donations	14,612	16,044
Catering costs	65,401	153,945
Miscellaneous items	9,103	20,323
Speaker fees and expenses	175,414	277,409
Elimination of related party trading	(105,355)	(147,607)
	<u>1,994,036</u>	<u>2,295,432</u>

THE LAW SOCIETY OF IRELAND

SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

SCHEDULE 2 : OPERATING CHARGES – EDUCATION ACTIVITIES

	2009 €	2008 €
C. DIRECT EXPENDITURE		
Tutors' and consultants' fees and expenses	1,271,466	1,508,424
Lecture materials	317,259	346,107
Examiners' and supervisors' fees and expenses	697,508	887,362
Cost of books for resale	7,906	12,938
Travel and subsistence	58,250	90,237
Miscellaneous items	103,620	132,297
Elimination of related party trading	(6,244)	(9,657)
	<u>2,449,765</u>	<u>2,967,708</u>
	<u><u>2,449,765</u></u>	<u><u>2,967,708</u></u>
	2009 €	2008 €
D. PREMISES EXPENDITURE		
Maintenance, security and other service costs	238,261	346,867
Insurance, rent, rates, light and heat	695,143	721,095
Depreciation – education centre	117,174	117,174
Elimination of related party trading	(277,000)	(312,000)
	<u>773,578</u>	<u>873,136</u>
	<u><u>773,578</u></u>	<u><u>873,136</u></u>