

Law Society of Ireland Compensation Fund

Report and Financial Statements  
for the financial year ended  
31 December 2019

**LAW SOCIETY OF IRELAND COMPENSATION FUND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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## **LAW SOCIETY OF IRELAND COMPENSATION FUND**

### **RESPONSIBILITIES OF THE REGULATION OF PRACTICE COMMITTEE**

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The Regulation of Practice Committee is required to prepare financial statements for each financial year. The Regulation of Practice Committee have elected to prepare the financial statements in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). The Regulation of Practice 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 Compensation Fund as at the financial year end date and of the Compensation Fund's surplus or deficit for the financial year. In preparing those financial statements The Regulation of Practice Committee is required to:

- select suitable accounting policies for the Compensation Fund financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis.

The Regulation of Practice Committee is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Compensation Fund. The Regulation of Practice Committee is also responsible for safeguarding the assets of the Compensation Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LAW SOCIETY OF IRELAND COMPENSATION FUND**

**Opinion on the financial statements of the Law Society of Ireland Compensation Fund (the 'Compensation Fund')**

In our opinion the Compensation Fund's financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at 31 December 2019 and of the surplus of the Compensation Fund for the year then ended; and
- have been prepared in accordance with the applicable financial reporting framework.

The financial statements we have audited comprise:

- Statement of Income and Retained Earnings;
- the Balance Sheet;
- the Statement of Cash Flows and
- the related notes 1 to 18, 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 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 Compensation Fund 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**

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Regulation of Practice Committee's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Regulation of Practice Committee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Compensation Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The Regulation of Practice Committee are responsible for the other information. The other information comprises the information included in the Reports and 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.

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.

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAW SOCIETY OF IRELAND COMPENSATION FUND**

### **Responsibilities of the Regulation of Practice Committee**

As explained more fully in the Statement of Responsibilities of the Regulation of Practice Committee, the Regulation of Practice Committee are responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Regulation of Practice 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 Regulation of Practice Committee are responsible for assessing the Compensation Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Regulation of Practice Committee either intend to liquidate the Compensation Fund or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 Compensation Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Regulation of Practice Committee.
- Conclude on the appropriateness of the Regulation of Practice Committee's 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 Compensation Fund'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 Compensation Fund 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.

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.

This report is made solely to the Compensation Fund's members, as a body. Our audit work has been undertaken so that we might state to the Compensation Fund'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 Compensation Fund and the Compensation Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Sheehan  
For and on behalf of Deloitte Ireland LLP  
Chartered Accountants and Statutory Audit Firm  
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 22 May 2020

**LAW SOCIETY OF IRELAND COMPENSATION FUND****STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<i>Notes</i>	<b>2019</b> €	2018 €
<b>INCOME</b>			
Contributions receivable		<b>8,252,967</b>	7,987,058
Income and returns on investments	5	<b>845,837</b>	438,719
Recoveries from defaulting solicitors	6	<b>1,212,395</b>	1,859,317
Disciplinary fines and investigation levies		<b>49,710</b>	101,939
Other Income		<b>2,622</b>	-
		<b>10,363,531</b>	10,387,033
<b>EXPENDITURE</b>			
Provision for claims	6	<b>4,969,818</b>	2,362,300
Insurance		<b>721,352</b>	657,162
Overheads allocated from the Law Society of Ireland		<b>1,483,068</b>	1,334,393
Financial regulation direct administration costs		<b>2,549,302</b>	2,452,015
Practice closure direct administration costs		<b>759,666</b>	723,322
Legal and other professional fees		<b>180,455</b>	189,643
Other expenditure		-	116
		<b>10,663,661</b>	7,718,951
(Deficit)/surplus for financial year before revaluations		<b>(300,130)</b>	2,668,082
Fair value movements arising on revaluation of investments	13	<b>1,450,245</b>	(1,756,339)
<b>SURPLUS BEFORE TAXATION</b>	7	<b>1,150,115</b>	911,743
Taxation	8	<b>(200,000)</b>	(80,807)
<b>SURPLUS AFTER TAXATION</b>		<b>950,115</b>	830,936
<b>Retained earnings at beginning of financial year</b>		<b>22,346,224</b>	21,515,288
<b>RETAINED EARNINGS AT END OF FINANCIAL YEAR</b>		<b>23,296,339</b>	22,346,224

All recognised gains and losses arose from continuing activities.

## LAW SOCIETY OF IRELAND COMPENSATION FUND

### BALANCE SHEET AS AT 31 DECEMBER 2019

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	<i>Notes</i>	<b>2019</b> €	2018 €
<b>Fixed Assets</b>			
Financial assets	9	<b>20,969,819</b>	22,197,050
		<hr/>	<hr/>
<b>Current Assets</b>			
Debtors	10	<b>7,879,615</b>	4,458,221
Cash at bank and in hand		<b>1,663,153</b>	506,919
		<hr/>	<hr/>
		<b>9,542,768</b>	4,965,140
<b>Creditors: Amounts falling due within one year</b>	11	<b>(1,943,766)</b>	(1,896,396)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>7,599,002</b>	3,068,744
<b>Total assets less current liabilities</b>		<b>28,568,821</b>	25,265,794
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	12	<b>(5,272,482)</b>	(2,919,570)
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>23,296,339</b>	22,346,224
		<hr/>	<hr/>
<b>Revenue reserves</b>		<b>20,554,629</b>	21,054,759
<b>Revaluation reserve</b>	13	<b>2,741,710</b>	1,291,465
		<hr/>	<hr/>
		<b>23,296,339</b>	22,346,224
		<hr/>	<hr/>

The financial statements were approved by the Regulation of Practice Committee on 21 May 2020.

Imelda Reynolds  
Chair of the Regulation of Practice Committee

Michele O'Boyle  
President of Law Society of Ireland

**LAW SOCIETY OF IRELAND COMPENSATION FUND****STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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	<i>Notes</i>	<b>2019</b> €	2018 €
<b>Net cash flows from operating activities</b>	15	<b>(2,367,079)</b>	(357,074)
<b>Cash flows from investing activities</b>			
Dividends received	5	<b>64,328</b>	64,328
Purchase of investments	9	<b>(2,870,000)</b>	(2,121,000)
Disposal of investments	9	<b>6,328,985</b>	2,167,795
<b>Net cash flows from investing activities</b>		<b>3,523,313</b>	111,123
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,156,234</b>	(245,951)
<b>Cash and cash equivalents at beginning of financial year</b>		<b>506,919</b>	752,870
<b>Cash and cash equivalents at end of financial year</b>		<b>1,663,153</b>	506,919

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## LAW SOCIETY OF IRELAND COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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#### 1. ACCOUNTING POLICIES

##### **Basis of Preparation**

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and 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 functional currency of the Law Society of Ireland Compensation Fund is considered to be euro because that is the currency of the primary economic environment in which the Fund operates.

The financial statements cover the activities of the Law Society of Ireland Compensation Fund. Separate financial statements are prepared in respect of the other activities of the Law Society of Ireland.

##### **Financial instruments**

Financial assets and financial liabilities are recognised when the Compensation Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance 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 debt instrument.

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 entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the entity, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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 Income and Retained Earnings. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

##### **(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.

**1. ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Recoveries from defaulting solicitors, disciplinary fines and levies imposed on solicitors are recognised when received. Contribution income and all miscellaneous income is recognised on a receivable basis.

Recoveries from stop loss insurance policies are recognised when notification of payment has been received.

**Claims**

Provisions are made in respect of notified claims and related expenses, where the Regulation of Practice Committee considers it likely that the Compensation Fund is liable for such claims and expenses.

**Taxation**

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

Deferred tax is accounted for, on a full provision basis, on all timing differences that have originated but have 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.

Deferred tax is recognised on timing differences arising on revaluation of investments to the extent that the Compensation Fund has, at the balance sheet date, entered into a binding agreement to sell the revalued investments.

**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.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Law Society of Ireland Compensation Fund's accounting policies, which are described in note 1, the 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.

**Critical judgements in applying the Law Society of Ireland Compensation Fund's accounting policies**

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the accounting policies and the notes to the financial statements.

## LAW SOCIETY OF IRELAND COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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#### 3. GOING CONCERN

The Compensation Fund earned a surplus before taxation for the financial year of €1,150,115 (2018: €911,743) and had net current assets of €7,599,002 (2018: €3,068,744) at the balance sheet date.

The Compensation Fund has €20,969,819 (2018: €22,197,050) of financial assets at its disposal that are readily convertible to cash. Therefore, the Regulation of Practice Committee have formed the view that, taking appropriate actions, the Compensation Fund's reserves are sufficient to absorb the financial impact of the current Covid 19 pandemic public health emergency and any subsequent recession and considers it appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Compensation Fund was unable to continue as a going concern.

<b>4. STAFF COSTS</b>	<b>2019</b>	2018
	€	€
Salaries and wages	<b>2,514,553</b>	2,374,455
PRSI	<b>268,142</b>	250,877
Pension (Note 17)	<b>270,006</b>	284,647
Total	<b>3,052,701</b>	2,909,979

<b>5. INCOME AND RETURNS ON INVESTMENTS</b>	<b>2019</b>	2018
	€	€
Surplus on sale of investments (Note 9)	<b>781,509</b>	297,273
Dividends receivable	<b>64,328</b>	64,328
Other investment income	-	77,118
	<b>845,837</b>	438,719

<b>6. NET COST OF CLAIMS AFTER RECOVERIES</b>	<b>2019</b>	2018
	€	€
Provision for claims (Note 12)	<b>4,969,818</b>	2,362,300
Recoveries from defaulting solicitors	<b>(1,212,395)</b>	(1,859,317)
Net cost of claims	<b>3,757,423</b>	502,983

The Compensation Fund has stop loss insurance policies in place which are subject to an excess of €5,000,000 in any financial year. No insurance recoveries apply in respect of the 2019 or 2018 claim years.

**LAW SOCIETY OF IRELAND COMPENSATION FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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<b>7. SURPLUS BEFORE TAXATION</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
The surplus before taxation is stated after charging:		
Auditor's remuneration	<b>5,000</b>	4,800
Increase/(decrease) in fair value movement in investments	<b>1,450,245</b>	(1,756,339)
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**8. TAXATION**

The Compensation Fund is liable to income tax on investment income and gains.

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Income tax	<b>200,000</b>	80,807
	<hr/>	<hr/>

The effective tax rate for the financial year is different to the standard rate of income tax, which is 20%. The differences are explained as follows:

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Surplus before taxation	<b>1,150,115</b>	911,743
Surplus multiplied by standard rate of income tax of 20%	<b>230,023</b>	182,349
<b>Effects of:</b>		
Income not subject to taxation	<b>(2,162,755)</b>	(1,645,332)
Expenses not deductible for tax purposes	<b>2,132,732</b>	1,543,790
Current tax charge for the financial year	<b>200,000</b>	80,807
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## LAW SOCIETY OF IRELAND COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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#### 9. FINANCIAL ASSETS

##### Listed investments – at fair value

€

Balance at 1 January 2019	22,197,050
Additions at cost	2,870,000
Disposals at cost	(6,328,985)
Unrealised movement arising on revaluation of investments	1,450,245
Realised movement arising on the disposal of investments	781,509
<b>Balance at 31 December 2019</b>	<b>20,969,819</b>

*The investments are comprised of the following:*

- (a) SSgA EMU Government Bond Index
- (b) SSgA Global Value Equity Investment Fund
- (c) SSgA Diversified Alternatives Fund
- (d) Standard Life Enhanced Diversified Fund
- (e) Standard Life Global Bond Strategy

All the investments noted above have a low risk profile.

At 31 December 2019, the fair value of investments exceeded cost by €2,741,710 (2018: €1,291,465)

##### In respect of prior financial year:

##### Listed investments – at fair value

€

Balance at 1 January 2018	23,702,911
Additions at cost	2,121,000
Disposals at cost	(2,167,795)
Unrealised movement arising on revaluation of investments	(1,756,339)
Realised movement arising on the disposal of investments	297,273
<b>Balance at 31 December 2018</b>	<b>22,197,050</b>

*The investments are comprised of the following:*

- (f) SSgA EMU Government Bond Index
- (g) SSgA Global Value Equity Investment Fund
- (h) SSgA Diversified Alternatives Fund
- (i) Standard Life Global Absolute Return Strategy Fund ("GARS");
- (j) Irish Government Fixed Bond
- (k) Standard Life Enhanced Diversified Fund
- (l) Standard Life Global Bond Strategy

All the investments noted above have a low risk profile.

At 31 December 2018, the fair value of investments exceeded cost by €1,291,465 (2017: €3,047,804).

**LAW SOCIETY OF IRELAND COMPENSATION FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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<b>10. DEBTORS:</b> Amounts falling due within one year	<b>2019</b> €	2018 €
Other debtors	<b>55,548</b>	52,900
Income tax	-	195,608
Amounts due from the Law Society of Ireland	<b>7,824,067</b>	4,209,713
	<b>7,879,615</b>	4,458,221

  

<b>11. CREDITORS:</b> Amounts falling due within one year	<b>2019</b> €	2018 €
Accruals and other creditors	<b>116,249</b>	117,709
Solicitors funds held	<b>1,694,632</b>	1,778,687
Income tax	<b>132,885</b>	-
	<b>1,943,766</b>	1,896,396

  

<b>12. PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>2019</b> €	2018 €
<b>Provision for claims:</b>		
At beginning of financial year	<b>2,919,570</b>	3,654,296
Provision made (Note 6)	<b>4,969,818</b>	2,362,300
Claims paid	<b>(2,616,906)</b>	(3,097,026)
At end of financial year	<b>5,272,482</b>	2,919,570

**LAW SOCIETY OF IRELAND COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

<b>13. REVALUATION RESERVE</b>	<b>2019</b>	2018
	<b>€</b>	€
<b>Unrealised movement on investments:</b>		
At beginning of financial year	<b>1,291,465</b>	3,047,804
Movement during financial year	<b>1,450,245</b>	(1,756,339)
	<u><b>2,741,710</b></u>	<u>1,291,465</u>
<b>14. FINANCIAL INSTRUMENTS</b>		
The carrying value of the Fund, financial assets and liabilities are summarised by the category below:		
	<b>2019</b>	2018
	<b>€</b>	€
<b>Financial assets</b>		
<i>Measured at fair value through the income statement</i>		
Listed investments (see Note 9)	<b>20,969,819</b>	22,197,050
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (see Note 10)	<b>55,548</b>	52,900
Amounts due from related undertakings (see Note 10)	<b>7,824,067</b>	4,209,713
	<u><b>28,849,434</b></u>	<u>26,459,663</u>
<b>Financial Liabilities</b>		
Measured at undiscounted amounts payable		
Creditors (see Note 11)	<b>1,810,881</b>	1,896,396
	<u><b>1,810,881</b></u>	<u>1,896,396</u>
<b>15. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>2019</b>	2018
	<b>€</b>	€
Surplus before taxation	<b>1,150,115</b>	911,743
Dividends received	<b>(64,328)</b>	(64,328)
Surplus on disposal of investments	<b>(781,509)</b>	(297,273)
Fair value movement on investments	<b>(1,450,245)</b>	1,756,339
Increase in debtors	<b>(3,617,002)</b>	(1,061,214)
Increase/(decrease) in creditors	<b>2,267,397</b>	(1,047,376)
Income tax refunded/(paid)	<b>128,493</b>	(554,965)
	<u><b>(2,367,079)</b></u>	<u>(357,074)</u>

**16. RELATED PARTY TRANSACTIONS**

During the financial year the expenditure of the Compensation Fund included expenses and payroll costs totalling €4,816,827 (2018: €4,450,057), which were recharged to it by the Law Society of Ireland. The amount due from the Law Society of Ireland at the financial year end is shown at note 10.

The total remuneration for key management personnel which consists of the 2 Directors and 4 Section Heads/Managers (2.25 fulltime equivalents) for the financial year totalled €423,034 (2018: €543,248; 6 Section Heads/Managers – 3.25 full time equivalents).

**17. 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. Under FRS 102, the Society as sponsoring employer of the schemes 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.

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.

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 2019 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%. 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 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 2019. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2021.

The pension charge for the Compensation Fund for the financial year was €270,006 (2018: €284,647).

**LAW SOCIETY OF IRELAND COMPENSATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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**18. SUBSEQUENT EVENTS**

The Regulation of Practice 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.