

The Law Society of Ireland

Reports and Consolidated
Financial Statements
for the financial year ended
31 December 2018

THE LAW SOCIETY OF IRELAND

**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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THE LAW SOCIETY OF IRELAND

STATEMENT OF RESPONSIBILITIES OF THE FINANCE COMMITTEE

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

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

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

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

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

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

Opinion on the financial statements of the Law Society of Ireland

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

- give a true and fair view of the assets, liabilities and financial position of the Group and Society as at 31 December 2018 and of the surplus of the Group and the Society for the year then ended; and
- have been prepared in accordance with the applicable financial reporting framework.

The financial statements we have audited comprise:

the Group financial statements:

- the Consolidated Statement of Comprehensive Income and Retained Earnings;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 25, including a summary of significant accounting policies as set out in note 1.

the Society financial statements:

- the Society Balance Sheet; and
- the related notes 1 to 25, including a summary of significant accounting policies as set out in note 1.

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

Basis for opinion

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

We are independent of the Society and Group 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 Finance Committee's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Finance Committee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Society'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 Finance Committee are responsible for the other information. The other information comprises the information included in the Reports and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Other information (continued)

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

We have nothing to report in this regard.

Responsibilities of the Finance Committee

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

In preparing the financial statements, the Finance Committee are responsible for assessing the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Finance Committee either intend to liquidate the Group and Society 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 Group and Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Finance Committee.
- Conclude on the appropriateness of the Finance Committees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Society (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

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

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

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

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

22 May 2019

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
INCOME			
Fees and subscriptions	4	15,205,705	14,666,278
Education activities	5	10,645,406	9,597,355
Publications	4	286,576	353,057
Four Courts rooms	4	903,994	903,941
Interest income	6	21,368	14,324
Other income	7	131,639	112,376
Sundry income		9,777	10,412
		27,204,465	25,657,743
EXPENDITURE			
Operating charges:			
- General activities	4	(16,136,957)	(15,135,807)
- Education activities	5	(10,518,917)	(9,478,657)
Other expenditure	7	(814,830)	(541,508)
		(27,470,704)	(25,155,972)
(DEFICIT)/SURPLUS FOR FINANCIAL YEAR BEFORE REVALUATIONS, EXCEPTIONAL ITEMS AND TAXATION			
		(266,239)	501,771
Fair value (loss)/gain arising on revaluation of investments	6	(538,921)	335,124
Surplus on revaluation of development land	8	7,750,000	2,500,000
Exceptional item - deferred income from sale of SMDF	24	2,027,888	1,979,394
SURPLUS BEFORE TAXATION	9	8,972,728	5,316,289
Taxation	10	(365,999)	(177,372)
SURPLUS AFTER TAXATION	17	8,606,729	5,138,917
OTHER COMPREHENSIVE INCOME			
Re-measurement of net defined pension benefit liability	20	1,350,000	1,489,000
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR			
		9,956,729	6,627,917
Retained earnings at the beginning of the financial year		30,544,957	23,917,040
Retained earnings at the end of the financial year		40,501,686	30,544,957

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
Fixed Assets			
Tangible fixed assets	<i>11</i>	33,566,721	25,638,523
Current Assets			
Investments	<i>12</i>	10,728,371	11,243,407
Stocks	<i>13</i>	49,085	61,558
Debtors	<i>14</i>	2,138,021	2,904,771
Cash at bank and in hand		15,528,718	10,743,062
		28,444,195	24,952,798
Creditors: Amounts falling due within one year	<i>15</i>	(12,831,230)	(9,380,364)
Net Current Assets		15,612,965	15,572,434
PROVISIONS FOR LIABILITIES AND CHARGES	<i>16</i>	(3,201,000)	(5,001,000)
NET ASSETS EXCLUDING PENSION LIABILITY		45,978,686	36,209,957
Pension liability	<i>20</i>	(5,477,000)	(5,665,000)
NET ASSETS INCLUDING PENSION LIABILITY		40,501,686	30,544,957
ACCUMULATED RESERVES			
Society reserves		30,984,598	20,732,932
Law school reserves		11,486,798	11,351,338
Litigation fund		963,234	1,277,150
Capital expenditure fund		2,247,829	2,148,537
LSRA levy fund		296,227	700,000
Pension reserve fund		(5,477,000)	(5,665,000)
TOTAL	<i>17</i>	40,501,686	30,544,957

The financial statements were approved and authorised for issue by the Finance Committee on 9 May 2019 and signed on its behalf by:

Chris Callan
Chairman of the Finance Committee

Patrick Dorgan
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

**SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
Fixed Assets			
Tangible fixed assets	<i>11</i>	15,802,019	15,619,775
Current Assets			
Investments	<i>12</i>	10,728,371	11,243,407
Stocks	<i>13</i>	34,657	46,533
Debtors	<i>14</i>	19,785,740	13,145,935
Cash at bank and in hand		15,157,478	10,497,878
		45,706,246	34,933,753
Creditors: Amounts falling due within one year	<i>15</i>	(12,501,739)	(9,368,387)
Net Current Assets		33,204,507	25,565,366
PROVISIONS FOR LIABILITIES AND CHARGES	<i>16</i>	(3,201,000)	(5,001,000)
NET ASSETS EXCLUDING PENSION LIABILITY		45,805,527	36,184,141
Pension liability	<i>20</i>	(5,477,000)	(5,665,000)
NET ASSETS INCLUDING PENSION LIABILITY		40,328,526	30,519,141
ACCUMULATED RESERVES			
Society reserves		30,796,325	20,692,003
Law school reserves		11,501,911	11,366,451
Litigation fund		963,234	1,277,150
Capital expenditure fund		2,247,829	2,148,537
LSRA levy fund		296,227	700,000
Pension reserve fund		(5,477,000)	(5,665,000)
TOTAL	<i>17</i>	40,328,526	30,519,141

The financial statements were approved and authorised for issue by the Finance Committee on 9 May 2019 and signed on its behalf by:

Chris Callan
Chairman of the Finance Committee

Patrick Dorgan
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
Net cash flows from operating activities	<i>19</i>	6,296,454	5,142,840
Cash flows from investing activities			
Net interest receivable		21,368	14,324
Purchase of tangible fixed assets	<i>11</i>	(1,508,281)	(1,922,621)
Purchase of investments	<i>12</i>	(2,000,000)	(4,000,000)
Disposal of investments	<i>12</i>	1,976,115	1,003,168
Net cash flows from investing activities		(1,510,798)	(4,905,129)
Net increase in cash and cash equivalents		4,785,656	237,711
Cash and cash equivalents at beginning of financial year		10,743,062	10,505,351
Cash and cash equivalents at end of financial year		15,528,718	10,743,062

1. ACCOUNTING POLICIES

Basis of Preparation

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

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

General Information and Basis of Accounting

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

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

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

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

Basis of Consolidation

The Society consolidates its interests in subsidiary undertakings as detailed in note 22 which make up financial statements to 31 December 2018.

Going concern

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

Income

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

Tangible Fixed Assets and Depreciation

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

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

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

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

Financial Instruments

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

Financial assets and liabilities

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

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

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

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

(i) Investments

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

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

(ii) Fair value measurement

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

Publications

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

Retirement Benefits

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

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

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

Exceptional items

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

Taxation

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

Stocks

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

Grants

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The following are the critical judgements and estimates that the Finance Committee have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Defined Benefit Pension Scheme

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

Development Land

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

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

3. STAFF COSTS	2018 General activities €	2018 Education activities €	2018 Other €	2018 Total €	2017 Total €
Salaries and wages	6,386,214	3,817,263	89,936	10,293,413	9,483,680
PRSI	679,861	405,274	9,758	1,094,893	1,017,480
Pension costs	1,463,241	722,588	6,745	2,192,574	1,997,264
Total	8,529,316	4,945,125	106,439	13,580,880	12,498,424

The above includes pay and related costs, as well as incidental human resource costs allocated to general activities (note 4) under premises expenditure, representation expenditure and regulation expenditure.

The average aggregate number of employees during 2018 was 141 (2017: 141).

KEY MANAGEMENT REMUNERATION

The total remuneration for key management personnel which consists of the 8 Directors and 11 Section Heads/Managers for the financial year totalled €2,790,442 (2017: €2,693,434). This amount includes the President's Subvention, as approved by Council, of €120,000 (2017: €119,000). Remuneration includes salary, social security costs and pension costs.

4. GENERAL ACTIVITIES (including funds)	2018 €	2017 €
INCOME		
Fees and subscriptions		
Practising certificates	12,764,533	12,315,221
Members' subscriptions	926,122	887,018
Admission fees	366,973	327,126
Fund Contributions:		
- LSRA fund	696,227	700,000
- Litigation fund	302,373	292,371
- Capital expenditure fund	149,477	144,542
	15,205,705	14,666,278
Services and interest		
Publications	286,576	353,057
Four Courts rooms	903,994	903,941
Interest (note 6)	21,368	14,324
Total income	16,417,643	15,937,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. GENERAL ACTIVITIES (including funds) (Continued)

OPERATING CHARGES

General activities

Pay and related expenditure	3,383,082	2,965,028
Administration expenditure	1,194,666	999,557
Premises expenditure	807,591	767,290
Representation expenditure	3,791,514	3,540,015
Regulation expenditure	5,749,784	5,596,357
Admission expenditure	20,710	28,129

Services

Publications	844,788	785,314
Four Courts rooms	344,822	454,117

Total operating charges

16,136,957	15,135,807
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Surplus

280,686	801,793
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5. EDUCATION ACTIVITIES

2018

2017

€

€

INCOME

Professional Practice Course 1 fees	3,781,947	3,358,319
Professional Practice Course 2 fees	1,858,136	1,874,417
Indentures and registration	377,435	343,510
Examination fees	868,976	822,736
Diploma courses	2,479,564	1,957,887
Professional training	1,133,192	1,162,413
Miscellaneous income	146,156	78,073

Total income

10,645,406	9,597,355
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OPERATING CHARGES

Pay and related expenditure	5,078,266	4,672,162
Administration expenditure	1,926,777	1,555,853
Direct expenditure	2,871,178	2,638,021
Premises expenditure	642,696	612,621

Total operating charges

10,518,917	9,478,657
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Surplus

126,489	118,698
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THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

6. INTEREST AND INVESTMENT (LOSSES)/GAINS	2018	2017
	€	€
Interest – society	21,368	14,324
Fair Value (loss)/gain arising on revaluation of investment	(538,921)	335,124
	(517,553)	349,448

7. OTHER INCOME/EXPENDITURE	2018	2017
	€	€
Income		
Bar and catering income	34,166	32,323
Bed and breakfast income	54,075	52,518
Functions and consultation room income	43,398	27,535
	131,639	112,376
Expenditure		
Bar and catering cost of sales	338,625	363,826
Bed and breakfast cost of sales	9,158	10,705
Premises expenditure	308,698	46,752
Professional fees	41,881	6,857
Other administration expenditure	116,468	113,368
	814,830	541,508
Deficit	(683,191)	(429,132)

8. SURPLUS ON REVALUATION OF DEVELOPMENT LAND

The development land, included in tangible fixed assets, was valued at €17,750,000 by qualified external valuers Mason Owen & Lyons on a fair value basis at 31 December 2018. There was an upward valuation of €7,750,000 from the prior year based on valuations achieved on other properties in Dublin 7. There was an upward revaluation of €2,500,000 in 2017.

9. SURPLUS BEFORE TAXATION	2018	2017
	€	€
The surplus before taxation is stated after charging:		
- Depreciation	1,330,083	1,296,148
- Auditors' remuneration	34,000	34,000
and after crediting:		
- Deposit interest	21,368	14,324

All income recognised arose in the Republic of Ireland.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

10. TAXATION	2018	2017
	€	€
Based on the surplus for the financial year:		
Taxation charge	308,347	177,372
Prior financial year under provision	57,652	-
	<u>365,999</u>	<u>177,372</u>

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

	2018	2017
	€	€
Surplus before taxation	8,972,728	5,316,289
Surplus for financial year multiplied by standard rate of corporation tax of 12.5% (2017: 12.5%)	1,121,591	664,536
Effects of:		
Net income and expenditure not subject to taxation	(865,860)	(519,063)
Depreciation in excess capital allowances	60,349	32,793
Higher tax rates on interest and rental income	6,365	9,233
Retention tax paid	(14,098)	(10,127)
Prior year under provision	57,652	-
Total tax charge for period	<u>365,999</u>	<u>177,372</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.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. TANGIBLE FIXED ASSETS

Group

	Premises €	Development Land €	Leasehold Improvements €	Furniture Fittings & Equipment €	I.T. Equipment €	Motor Vehicles €	Total €
Cost/Valuation:							
At 1 January 2018	19,177,556	10,000,000	2,028,658	5,442,274	5,655,855	126,200	42,430,543
Additions	652,092	-	4,150	344,019	508,020	-	1,508,281
Reversal of prior impairment	-	7,750,000	-	-	-	-	7,750,000
At 31 December 2018	19,829,648	17,750,000	2,032,808	5,786,293	6,163,875	126,200	51,688,824
Depreciation:							
At 1 January 2018	6,159,847	-	2,015,641	5,093,467	3,447,204	75,861	16,792,020
Charge for financial year	389,625	-	12,992	258,916	651,966	16,584	1,330,083
At 31 December 2018	6,549,472	-	2,028,633	5,352,383	4,099,170	92,445	18,122,103
Net book value:							
At 31 December 2018	13,280,176	17,750,000	4,175	433,910	2,064,705	33,755	33,566,721
At 31 December 2017	13,017,709	10,000,000	13,017	348,807	2,208,651	50,339	25,638,523

The development land was valued at €17,750,000 by qualified external valuers Mason Owen & Lyons on a fair value basis at 31 December 2018. The original cost of the development land when purchased in 2005 was €21,718,981.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. TANGIBLE FIXED ASSETS (CONTINUED)

Society

	Premises €	Leasehold Improvements €	Furniture, Fittings & Equipment €	I.T. Equipment €	Motor Vehicles €	Total €
Cost:						
At 1 January 2018	19,177,556	2,028,658	5,130,239	5,655,855	126,200	32,118,508
Additions	652,092	4,150	344,019	508,020	-	1,508,281
At 31 December 2018	19,829,648	2,032,808	5,474,258	6,163,875	126,200	33,626,789
Depreciation:						
At 1 January 2018	6,159,847	2,015,641	4,800,180	3,447,204	75,861	16,498,733
Charge for financial year	389,625	12,992	254,870	651,966	16,584	1,326,037
At 31 December 2018	6,549,472	2,028,633	5,055,050	4,099,170	92,445	17,824,770
Net book value:						
At 31 December 2018	13,280,176	4,175	419,208	2,064,705	33,755	15,802,019
At 31 December 2017	13,017,709	13,017	330,059	2,208,651	50,339	15,619,775

Group and Society

Total assets under construction which have not been depreciated in the financial year:
Premises: €64,560 (2017: €Nil) and I.T. equipment: €Nil (2017: €Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	9,315,768	2,361,543	6,954,225
Furniture, fittings and equipment	3,063,884	2,918,014	145,870
I.T. equipment	2,744,430	2,019,169	725,261
	<u>15,124,082</u>	<u>7,298,726</u>	<u>7,825,356</u>

12. INVESTMENTS

Group and Society

	2018 €	2017 €
Balance at 1 January	11,243,407	7,911,451
Additions	2,000,000	4,000,000
Disposals	(1,976,115)	(1,003,168)
Fair value (loss)/gain	(538,921)	335,124
Balance at 31 December	<u>10,728,371</u>	<u>11,243,407</u>

At 31 December 2018, the fair value of investments exceeded cost by €228,371 (2017: €1,163,357)

The investments are comprised of the following:

- (a) Diversified Absolute Return Fund ("DARF")
- (b) Global Equity Fund ("GEF")
- (c) Davy Cautious Growth Fund ("DCGF")
- (d) Davy Moderate Growth Fund ("DMGF")
- (e) Davy Passive Growth Fund ("DPGF")

The Policy DARF, DCGF, DMGF & DPGF have a low risk profile while GEF is fully exposed to volatility in equity markets.

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2017 €Nil).

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

13. STOCKS	2018	2017
	€	€
Group		
Stock in trade	49,085	61,558
	<u><u> </u></u>	<u><u> </u></u>
Society		
Stock in trade	34,657	46,533
	<u><u> </u></u>	<u><u> </u></u>

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

14. DEBTORS	2018	2017
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	2,056,808	2,676,684
Income tax	-	4,429
Deferred tax asset on investments	-	188,824
Amounts due from Law Society of Ireland Scholarship Fund	43,501	5,307
VAT	37,712	29,527
	<u><u>2,138,021</u></u>	<u><u>2,904,771</u></u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	2,056,643	2,674,754
Income tax	-	4,429
Deferred tax asset on investments	-	188,824
Amounts due from Law Society of Ireland Scholarship Fund	43,501	5,307
Amounts due from subsidiary undertakings:		
- The Law Club of Ireland	215,233	216,996
- Benburb Street Property Company Limited	17,470,363	10,055,625
	<u><u>19,785,740</u></u>	<u><u>13,145,935</u></u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. CREDITORS	2018 €	2017 €
Group		
Amounts falling due within one year		
Creditors and accruals	5,972,456	3,530,897
Amounts due to Law Society Compensation Fund	4,209,713	3,143,250
Deferred income*	1,833,610	2,002,670
PAYE / PRSI	678,709	622,141
VAT	83,391	81,406
Income Tax	53,351	-
	<u>12,831,230</u>	<u>9,380,364</u>
Society		
Amounts falling due within one year		
Creditors and accruals	5,642,965	3,518,920
Amounts due to Law Society Compensation Fund	4,209,713	3,143,250
Deferred income*	1,833,610	2,002,670
PAYE / PRSI	678,709	622,141
VAT	83,391	81,406
Income tax	53,351	-
	<u>12,501,739</u>	<u>9,368,387</u>

* Deferred income represents fees for the 2019 financial year received in the financial year to 31 December 2018.

16. PROVISIONS FOR LIABILITIES AND CHARGES	2018 €	2017 €
Group and Society		
Provision for settlement of SMDF liability		
Opening balance	5,001,000	5,000,000
Transfer from accruals	-	1,000
Paid	(1,800,000)	-
Closing balance	<u>3,201,000</u>	<u>5,001,000</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. ACCUMULATED RESERVES

Group

	Total €	Society Accumulated Reserves €	Law School Accumulated Reserves €	Litigation Fund €	Capital Expenditure Fund €	Pension Reserve Fund €	LSRA Levy Fund €
Balance at 1/1/2018	30,544,957	20,732,932	11,351,338	1,277,150	2,148,537	(5,665,000)	700,000
Surplus for year	9,956,729	9,585,191	135,460	302,373	149,478	188,000	(403,773)
Transfers	-	666,475	-	(616,289)	(50,186)	-	-
Balance at 31/12/2018	40,501,686	30,984,598	11,486,798	963,234	2,247,829	(5,477,000)	296,227

Society

	Total €	Society Accumulated Reserves €	Law School Accumulated Reserves €	Litigation Fund €	Capital Expenditure Fund €	Pension Reserve Fund €	LSRA Levy Fund €
Balance at 1/1/2018	30,519,141	20,692,003	11,366,451	1,277,150	2,148,537	(5,665,000)	700,000
Surplus for year	9,809,385	9,437,847	135,460	302,373	149,478	188,000	(403,773)
Transfers	-	666,475	-	(616,289)	(50,186)	-	-
Balance at 31/12/2018	40,328,526	30,796,325	11,501,911	963,234	2,247,829	(5,477,000)	296,227

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.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. ACCUMULATED RESERVES (CONTINUED)

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

	Total €	General Activities €	Education Activities €	Litigation Fund €	Capital Expenditure Fund €	Pension Reserve Fund €	LSRA Levy Fund €	Other €
Surplus before tax & exceptional items (Note 4 & 5)	407,175	280,686	126,489	-	-	-	-	-
Deficit before tax (Note 7)	(683,191)	-	-	-	-	-	-	(683,191)
Sundry income	9,777	9,777	-	-	-	-	-	-
Reversal of prior year impairment on development Land (Note 8)	7,750,000	-	-	-	-	-	-	7,750,000
S MDF sale (Note 24)	2,027,888	2,027,888	-	-	-	-	-	-
Taxation (Note 10)	(365,999)	(209,273)	(156,726)	-	-	-	-	-
Investment loss (Note 6)	(538,921)	(538,921)	-	-	-	-	-	-
Surplus after tax	8,606,729	1,570,157	(30,237)	-	-	-	-	7,066,809
Remeasurement of pension	1,350,000	-	-	-	-	1,350,000	-	-
Income allocated to specific fund	-	(1,148,078)	-	302,373	149,478	-	696,227	-
Expense allocated to specific fund	-	1,100,000	-	-	-	-	(1,100,000)	-
Inter group trading	-	(500,288)	(182,903)	-	-	-	-	683,191
Reallocation of pension costs	-	813,400	348,600	-	-	(1,162,000)	-	-
Reversal of prior year impairment on development Land	-	7,750,000	-	-	-	-	-	(7,750,000)
Total comprehensive income	9,956,729	9,585,191	135,460	302,373	149,478	188,000	(403,773)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. FINANCIAL INSTRUMENTS

Group

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

	2018	2017
Financial assets	€	€
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 12)	10,728,371	11,243,407
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (Note 14)	2,056,808	2,676,684
Amounts owed from related undertakings (Note 14)	43,501	5,307
	12,828,680	13,925,398
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other payables (Note 15)	5,972,456	3,530,897
Amounts owed to related undertakings (Note 15)	4,209,713	3,143,250
Amount due on sale of SMDF Limited (Note 16)	3,201,000	5,001,000
	13,383,169	11,675,147

Society

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

	2018	2017
Financial assets	€	€
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 12)	10,728,371	11,243,407
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (Note 14)	2,056,643	2,674,754
Amounts owed from subsidiaries (Note 14)	18,120,233	10,272,621
Amounts owed from related undertakings (Note 14)	43,501	5,307
	30,948,748	24,196,089
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other payables (Note 15)	5,642,965	3,518,920
Amounts owed to related undertakings (Note 15)	4,209,713	3,143,250
Amount due on sale of SMDF Limited (Note 16)	3,201,000	5,001,000
	13,053,678	11,633,170

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

	2018	2017
	€	€
Surplus before taxation	8,972,728	5,316,289
Depreciation charge	1,330,083	1,296,148
Interest received	(21,368)	(14,324)
Gain on development land	(7,750,000)	(2,500,000)
Fair value loss/(gain) on investments	538,921	(335,124)
Decrease in stock	12,473	4,916
Decrease/(increase) in debtors	573,497	(353,721)
Increase in creditors and provisions	1,597,515	802,147
Income tax paid	(119,395)	(43,491)
Net impact of pension	1,162,000	970,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	6,296,454	5,142,840

20. PENSION COMMITMENTS

The Society operates two pension schemes. A defined benefit scheme was available to all eligible employee who chose to join before 30 September 2009, at which date the scheme was closed to new entrants. Thereafter eligible employees could opt to join a hybrid arrangement with the defined benefit element capped at a salary of €45,500 (2017 €45,500) and the balance being in a defined contribution scheme.

Defined contribution scheme

The Society operates a defined contribution pension scheme for all eligible employees. The total expense charged to the Statement of Comprehensive Income and Retained Earnings in the financial year ended 31 December 2018 was €54,642 (2017: €50,318).

Defined benefit schemes

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

Determination of contributions and funding

The contributions are determined by a qualified actuary on the basis of valuations every three years, using the prospective benefits method. The most recent valuation was completed as at 31 December 2015. 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 4.25% per annum pre retirement and 2.45% per annum post retirement, that future salary increases would average 2.00% per annum, and that pensions in payment will increase at 1.50% per annum on average. In effect, this means that the investment return pre retirement would be 2.25% higher per annum than future salary increases and the investment return post retirement would be 0.95% higher per annum than pension increases.

20. PENSION COMMITMENTS (CONTINUED)

The actuarial valuation at 31 December 2015 indicated that the market value of the assets of the scheme was €30,216,000 and that the assets were sufficient to cover 103% 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 2017 and this has been paid by the Society. The defined benefit section has been closed to new entrants since 30 September 2009 and was replaced by a hybrid arrangement with the defined benefit element capped at a salary of €45,000 (now €45,500).

The Trustees obtain the consent of the Society to, on a discretionary basis, index pensions in payment on an annual basis. Increases are the lesser of the CPI increase or 3%. No increases were awarded in 2017 as inflation was marginally positive for the relevant period. Members of the Scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

The actuary carries out an annual update of the Funding Standard position of the scheme. The scheme met the Funding Standard at 31 December 2018. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2018 and be available from June 2019.

Requirements

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

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

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

	2018	2017
	€'000	€'000
Opening defined benefit obligation	(42,673)	(39,827)
Service cost (including employee contributions)	(2,802)	(2,603)
Interest cost	(934)	(793)
Benefits paid	546	458
Actuarial gains	3,582	92
Closing defined benefit obligation	(42,281)	(42,673)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. PENSION COMMITMENTS (CONTINUED)

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

	2018 €'000	2017 €'000
Opening fair value of plan assets	37,008	33,643
Contributions (including employee contributions)	1,747	1,740
Benefits paid	(546)	(458)
Interest income	827	686
Actuarial (losses)/gains	(2,232)	1,397
Closing fair value of plan assets	<u>36,804</u>	<u>37,008</u>

The principal actuarial assumptions at the balance sheet date:

	2018 %	2017 %
Rate of general increase in salaries	2.00	2.20
Discount rate of scheme liabilities	2.20	2.20
Rate of pension increase	1.50	1.70
Inflation	1.50	1.70
Post retirement mortality		
Current pensioners at 65 - male	22.4	22.2
Current pensioners at 65 - female	24.3	24.9
Future pensioners at 65 - male married	24.1	25.0
Future pensioners at 65 - female married	26.1	28.1
% of pension commuted for cash at retirement	12.5	12.5

The post retirement mortality assumptions allow for expected increases in longevity. The 'current' disclosures above relate to the assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2037.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. PENSION COMMITMENTS (CONTINUED)

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

	At Year End 31 December	
	2018	2017
	€'000	€'000
Equities	14,522	14,795
Bonds	18,980	18,877
Cash	18	24
Other	3,284	3,312
	36,804	37,008
	2018	2017
	€'000	€'000
The actual return on plan assets	(1,405)	2,083
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	36,804	37,008
Present value of funded obligations	(42,281)	(42,673)
Deficit in the scheme	(5,477)	(5,665)
The amounts included in the performance statements are as follows:		
	2018	2017
	€'000	€'000
Current service cost	(2,335)	(2,136)
Past service cost	-	-
Interest income on pension scheme assets	827	686
Interest expense on pension scheme liabilities	(934)	(793)
Net interest charge	(107)	(107)
Actual return less expected return on pension scheme's assets	(2,232)	1,397
Experience losses arising on the scheme's liabilities	(375)	(76)
Changes in assumptions underlying the present value of the scheme's liabilities	3,957	168
Actuarial gain included in Statement of Comprehensive Income	1,350	1,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. PENSION COMMITMENTS (CONTINUED)

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

	2018 €'000	2017 €'000
Deficit at beginning of year	(5,665)	(6,184)
Current service cost	(2,335)	(2,136)
Net interest cost	(107)	(107)
Contributions (excluding employees)	1,280	1,273
Actuarial gain	1,350	1,489
Deficit at end of year	(5,477)	(5,665)

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

	2018 €'000	2017 €'000
Defined benefit obligation	(42,281)	(42,673)
Fair value of plan assets	36,804	37,008
Deficit	(5,477)	(5,665)

	2018 €'000	2017 €'000
--	-----------------------------	---------------

Difference between the expected and actual return on plan assets:

Amount €'000	2,232	(1,397)
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Experience losses on plan liabilities:

Amount €'000	(375)	(76)
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Future contributions:

The Society expects to contribute €1,280,000 to the defined benefit pension scheme in 2019.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. RELATED PARTY TRANSACTIONS

Law Society Compensation Fund	2018 €
Opening balance at 1 January	(3,143,250)
Charges	6,954,994
Receipts	(8,021,457)
Closing balance at 31 December	(4,209,713)
<hr/>	
Law Society of Ireland Scholarship Fund	2018 €
Opening balance at 1 January	5,307
Charges	41,303
Receipts	(3,109)
Closing balance at 31 December	43,501
<hr/>	
Irish Rule of Law International	2018 €
Opening balance at 1 January	-
Charges	26,016
Receipts	(26,016)
Closing balance at 31 December	-
<hr/>	

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

Transactions with Council Members during 2018 totalled €277,404 (2017: €299,281) which includes the President's Subvention, as approved by Council, of €120,000 (2017: €119,000).

22. SUBSIDIARY AND RELATED UNDERTAKINGS

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

Subsidiary undertakings:

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

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

Related undertakings:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. CAPITAL COMMITMENTS

2018
€

2017
€

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

Contracted for	518,503	625,134
Not contracted for	2,668,092	2,415,881
	3,186,595	3,041,015

24. SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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

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

In 2018, €2.03 million (2017: €1.98 million) of practising certificate fee income was allocated to the SMDF Levy Fund. There was a capital contribution of €1.8 million made to R&QI Claims Services Limited in 2018. At 31 December 2018 the provision in the financial statements for liabilities under the agreement was €3.2 million. At that date there was a balance of €3.0 million in the SMDF Levy Fund available for use under the financial support commitment.

The overall cost to Law Society members to cover the rundown of operations and the sale to R&QI is likely to be approximately €13.5m.

25. CONTINGENT LIABILITIES

The Society is from time to time, a party to legal proceedings and claims, which arise in the ordinary course of its activities. The Finance Committee is satisfied that there are no additional claims that require provision by the Society at 31 December 2018. Legal costs incurred by the Society to 31 December 2018, in connection with these matters, have been charged to the Statement of Comprehensive Income and Retained Earnings.

**SUPPLEMENTARY INFORMATION
ANALYSIS OF OPERATING CHARGES**

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

(NOT COVERED BY THE INDEPENDENT AUDITORS' REPORT)

THE LAW SOCIETY OF IRELAND

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

A. PAY AND RELATED EXPENDITURE	2018	2017
	€	€
Payroll and related costs	3,404,072	2,976,699
Elimination of related party trading	(20,990)	(11,671)
	3,383,082	2,965,028
	<hr/> <hr/>	<hr/> <hr/>
B. ADMINISTRATION EXPENDITURE	2018	2017
	€	€
Postage and telephone	121,518	124,797
Printing, stationary and photocopying	67,928	65,634
Insurance and miscellaneous items	189,166	148,602
Staff travel and subsistence	72,792	86,570
Legal and professional fees	115,215	52,965
Office equipment maintenance and lease charges	9,786	7,310
Audit fees	15,761	16,121
Depreciation – furniture and equipment	91,685	74,815
Depreciation – IT	390,743	296,624
Depreciation – Motor Vehicles	14,208	14,205
IT costs	310,439	311,135
Less: Management charge to related undertakings	(211,937)	(211,631)
Elimination of related party trading	7,362	12,410
	1,194,666	999,557
	<hr/> <hr/>	<hr/> <hr/>
C. PREMISES EXPENDITURE	2018	2017
	€	€
Maintenance, security and other service costs	517,566	492,675
Insurance, electricity, heating, rates and rent	219,976	214,055
Depreciation – premises	205,462	195,473
Less: Management charge to related undertakings	(145,413)	(144,913)
Elimination of related party trading	10,000	10,000
	807,591	767,290
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THE LAW SOCIETY OF IRELAND

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

D. REPRESENTATION EXPENDITURE	2018	2017
	€	€
President, council and committee services	400,951	338,020
Library services	537,287	474,332
Public relations, annual dinner, SBA contribution	478,904	410,712
President's subvention	120,000	119,000
Members and support services	851,648	696,058
Conferences	58,715	53,657
Policy development and consultancy	1,287,731	1,334,546
Legal fees	50,478	83,890
Web, social media and internet	169,438	203,630
Less: Management charge to related undertakings	(30,027)	(24,973)
Elimination of related party trading	(133,611)	(148,857)
	3,791,514	3,540,015
	<hr/> <hr/>	<hr/> <hr/>
E. REGULATION EXPENDITURE	2018	2017
	€	€
Regulation department	2,370,620	2,813,610
Complaints handling	1,244,551	1,604,283
Solicitors' disciplinary tribunal	856,127	1,008,076
Independent adjudicator	187,232	178,595
LSRA set up costs	1,100,000	-
Elimination of related party trading	(8,746)	(8,207)
	5,749,784	5,596,357
	<hr/> <hr/>	<hr/> <hr/>
F. ADMISSIONS	2018	2017
	€	€
Admissions	47,629	52,221
Elimination of related party trading	(26,919)	(24,092)
	20,710	28,129
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THE LAW SOCIETY OF IRELAND

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

SCHEDULE 2: OPERATING CHARGES – EDUCATION ACTIVITIES

	2018	2017
	€	€
A. PAY AND RELATED EXPENDITURE		
Pay and related costs	5,078,821	4,678,942
Elimination of related party trading	(555)	(6,780)
	<u>5,078,266</u>	<u>4,672,162</u>
	2018	2017
	€	€
B. ADMINISTRATION EXPENDITURE		
Depreciation - furniture and equipment	157,449	163,150
Depreciation - IT	230,534	183,752
Postage and telephone	91,613	74,567
IT expenses	396,830	408,446
Office equipment maintenance	15,677	2,285
Student bursaries, grants, prizes and welfare costs	499,569	453,390
Bank interest and charges	39,812	27,593
Stationery	38,217	31,292
Audit fees	8,526	17,599
PC Fees	46,039	47,824
Insurance	19,858	26,801
Legal and professional fees	415,623	170,583
Subscriptions and donations	46,301	40,048
Miscellaneous items	28,024	16,347
Elimination of related party trading	(107,295)	(107,824)
	<u>1,926,777</u>	<u>1,555,853</u>

THE LAW SOCIETY OF IRELAND

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

SCHEDULE 2: OPERATING CHARGES – EDUCATION ACTIVITIES (CONTINUED)

	2018	2017
	€	€
C. DIRECT EXPENDITURE		
Tutors' and consultants' fees and expenses	1,033,102	1,061,971
Speaker fees and expenses	285,325	292,466
Lecture materials	281,400	233,455
Examiners' and supervisors' fees and expenses	580,053	537,922
Cost of books for resale	42,673	12,690
Travel and subsistence	132,873	94,770
Photocopying	47,514	51,569
Ipads	242,297	159,330
Printing	34,908	23,010
Advertising, newspapers and periodicals	108,356	55,111
Catering costs	157,665	187,479
Elimination of related party trading	(74,988)	(71,752)
	2,871,178	2,638,021
	2018	2017
	€	€
D. PREMISES EXPENDITURE		
Maintenance, security and other service costs	275,776	284,233
Insurance, rent, rates, light and heat	412,757	386,708
Depreciation – education centre	184,163	171,680
Elimination of related party trading	(230,000)	(230,000)
	642,696	612,621