

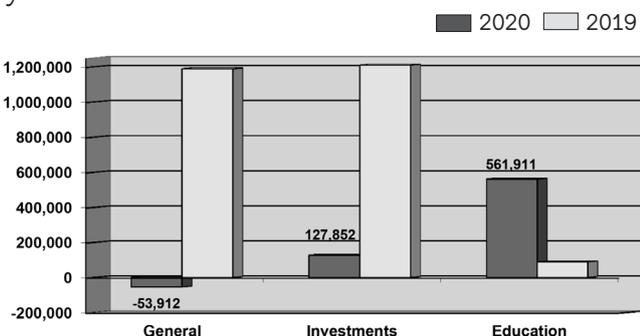


OVERVIEW

This time last year I reported we were moving into very uncertain times from both a social and economic perspective and so it turned out, albeit for a duration none of us expected in May 2020. As with every other business and organisation in the country the last year has been turbulent for the Society.

The 2020 budget was based on maintaining the Practising Certificate (PC) fee at its 2019 level and achieving a break even position despite cost pressures. Despite anticipated increases, there was no SMDF levy and the LSRA levy was maintained at the 2019 level. Despite suffering significant income losses from both subscriptions and trading activities, as well as at one point suffering significant investment losses, I am pleased to say the Society’s general activities ended the year very close to its original break even budget. The Law School performed much better than budget despite a significant fall in income. This was achieved through notable reductions in budgeted expenditure both on the Society’s side and on the Law School’s side. The Finance Committee moved very swiftly to implement measures to curtail expenditure, which included unfortunately 30 staff being put on lay-off or part-time, a recruitment freeze on new positions, a pay freeze, and a significant curtailment in capital and operational projects. At the same time, the Committee made resources available to fund initiatives that would ease the impact of the pandemic on practitioners.

The general activities surplus (including investment gains) was €73k (2019: €2.4m). This was effectively a break-even position and almost in line with the budgeted surplus of €18k. Education activities made a surplus of €562k against a budgeted deficit of €165k. Reserve Funds which includes amounts allocated to the Capital Expenditure, Litigation, Capital Reserve and LSRA Levy Funds (after provision of €2.8m for the LSRA levy for 2020) increased by €2.2m (2019: €3.5m). €600k of this increase arose from an over provision for the LSRA levy and will be used to reduce the cost of the levy in future years.



Operating Surplus 2020

In the Audited Financial Statements operational surpluses for the Society are incorporated in “Group” accounts which include all the Society’s subsidiaries. The Group accounts give a full picture of the financial performance and financial position of all Society operations, but they can distort the view of the performance of the different elements of our operation, given that inter-entity trading must be eliminated. The overall pre-tax operational surplus from general activities, education activities and the Funds was €2.9m, but this is shown in the audited accounts as €2m.

In the Audited Financial Statements there are a number of revaluations and exceptional items which must be included, albeit they are outside normal operations. A revaluation of the Benburb Street site resulted in a small write down of €350k (2019: increase €2.6m) and there was a cost of €22k allocated to the SMDF Levy Fund, income to the Fund having ceased in 2019.

In accordance with the accounting standard FRS102, the financial performance of the staff pension scheme must also be shown in both the income statement and the balance sheet. This has introduced significant variances in our audited accounts over the last six years, since we applied the standard. Over that period, adjustments in the pension liability have ranged from a positive €2.5m adjustment to a negative €4.8m adjustment. These adjustments are primarily driven by the bond rate used in the calculation of the scheme liabilities. This rate decreased by 0.3% in 2020, resulting in liabilities increasing by €1.5m more than investment returns. However, the Finance Committee and Trustees do not manage the scheme on the basis of the FRS102 valuation as the variables that impact on the valuation are different to those used in our triennial actuarial valuations which are used to manage the scheme. Measured through actuarial valuations conducted by Mercer our pension scheme is in reasonable health.

Overall in the audited accounts the Society’s Group made a surplus of €923k (2019: €7.2m) after tax and exceptional items. The “Overall Results” table shows the management accounts results which are the actual operating outcomes of the various elements of the Society’s operations and also how they are presented in the Audited Financial Statements.

## Overall Results

ENTITY	MANAGEMENT ACCOUNTS	GROUP STATEMENTS
General Activities	73,940	-534,917
Funds	2,233,929	2,233,929
<b>General Activities (Incl Funds)</b>	<b>2,307,869</b>	<b>1,699,012</b>
Education Activities	561,911	302,181
<b>Operating surplus pre tax</b>	<b>2,869,780</b>	<b>2,001,193</b>
Group Taxation	-107,399	-109,102
<b>Operating surplus after tax</b>	<b>2,762,381</b>	<b>1,892,091</b>
Sundry income	122,500	84,693
Unrealised Invest. Gains		127,852
SMDF Levy Fund Income	-21,773	-21,773
FRS 102 Pension Charge	-1,500,000	-592,000
Law Club of Ireland	5,593	-122,162
Benburb St Prop. Co. Ltd	-445,675	-445,675
<b>Overall Surplus</b>	<b>923,026</b>	<b>923,026</b>

### OUR INCOME

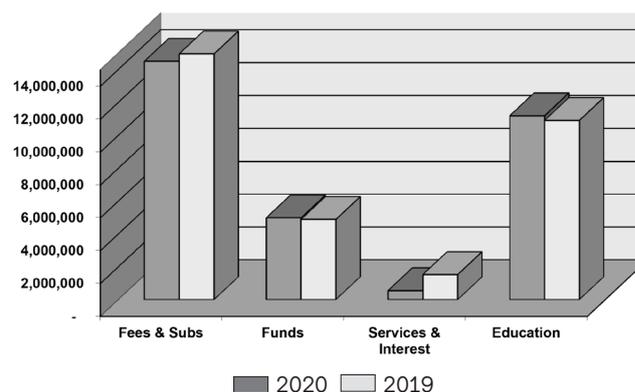
Total income, excluding investment gains, for the year was €31.2m which was €1m or 3% lower than 2019. On the general activities side the income was €20.0m (2019: €21.2m). PC, membership and admission fees were €19.5m (2019: €19.8m) with most of the decrease being attributable to the fall off in Brexit PCs and admission fees. An area of concern when budgeting for 2020 was the extent to which "Brexit" PCs would fall off. While these fell by 30% this was well below the anticipated 50%. Education income at €11.2m had a marginal increase of 3% from €10.9m. Income from other sources, such as advertising, publications and the Four Courts at €544k, was almost €1m (-64%) below 2019, reflecting the impact of the public health emergency on our trading income.

In 2020, there were 11,854 (2019:11,879) PC holders which was a decrease of 25 on 2019. While normally there would be an increase of about 400 PCs this decrease was anticipated due to the expected fall off in Brexit PCs. The reduced numbers only had a minor impact on income of €83k. Membership numbers at 13,196 (2019: 12,906) increased by 290. Membership numbers include 177 solicitors who avail of free membership on the basis of being over 50 years admitted or being unemployed. Admissions to the Roll during the year at 906 were as expected well below the 2,387 record set in 2019 due to Brexit admissions. Between 2016 and 2020 there were 4,300 Brexit admissions. PC fee income totalling €1.6m (2019: €1.6m) was allocated to the Capital Expenditure, Litigation and Capital Reserve Funds. Income to the LSRA Levy Fund was €3.4m in anticipation of a LSRA levy of that amount. However, this only materialised as a levy of €2.8m leaving a net increase in the LSRA Levy Fund of €600k.

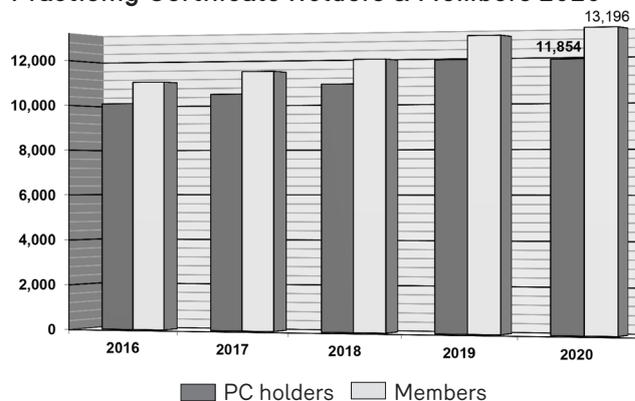
Education activities income was €11.2m (2019: €10.9m). While year on year income was very similar, the mix across the Law School's income sources was very different. Professional Practice Courses, exams, etc. accounted for €7.5m (2019: €7.0m) and professional training (LSPT)

seminars, diploma courses and grants accounted for €3.6m (2019: €3.9m). There were 418 PPC1 students in September 2020 (2019: 455) and 55 students enrolled for the new Hybrid PPC which commenced in late 2020. PPC2 numbers were at 448 (2019: 412). FE1 sittings at 3,869 (2019: 2,496) was a result of three sittings in 2020, two of them on-line. Diploma course income at €2.6m was ahead of 2019 (€2.2m) due to increased demand driven by the pandemic. LSPT with its Skillnet and Finuas programmes had overall income, including grants, of €1.1m (2019: €1.7m). This decrease is mainly attributable to the 30 free seminars delivered with their courses reaching over 30,000 participants as against 8,900 in 2019.

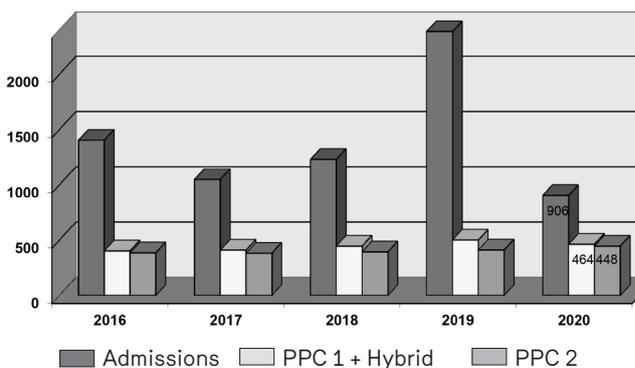
### Income Sources 2020



### Practising Certificate Holders & Members 2020



### Admissions and Courses 2016 - 2020



### OUR EXPENDITURE

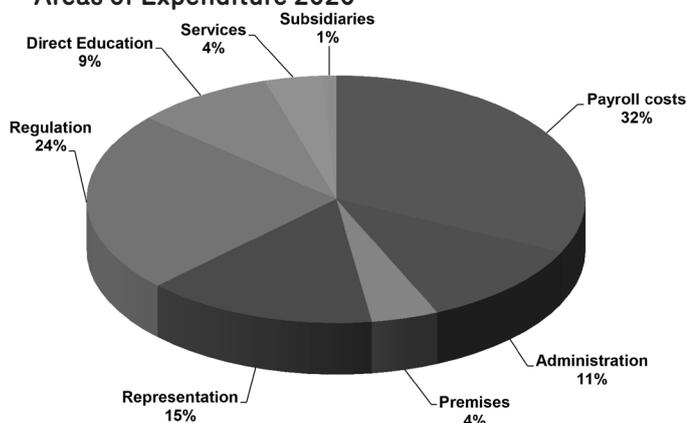
Despite falls and variations across income sources these were made up for, or exceeded, by very significant reductions in budgeted expenditure. Overall expenditure was €29.3m which was an increase of 4% or €1.2m on

2019. On the general activities side an increase of €1.4m (9%) was fully accounted for by an equivalent increase of €1.4m in the provision for LSRA costs. Significant savings across a number of areas were off-set by additional costs in relation to member supports.

Education activities' operational charges at €10.9m were on par with 2019 despite the increase in activity levels and student numbers. "Other expenditure" noted in the accounts are the costs associated with our subsidiaries and were €249k (2019: €437k), mainly reflecting reduced activity in the Law Club of Ireland's bed & breakfast, premises hire, catering and bar operations.

The graph below shows the categories of expenditure for 2020. The LSRA cost of €2.8m significantly inflates the regulation cost and if this is excluded the spend on representation exceeds the spend on regulation which was an objective set by the Society in 2014.

### Areas of Expenditure 2020



### OUR BALANCE SHEET

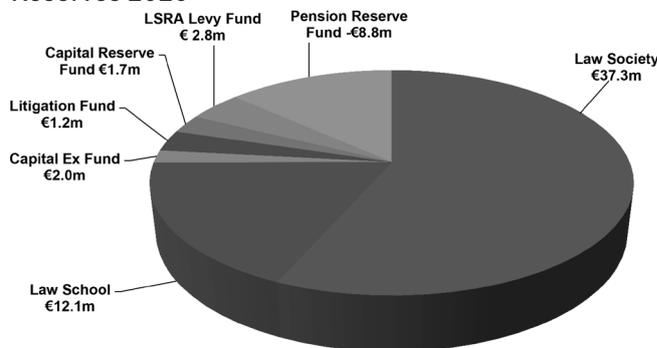
The position shown by our balance sheet is very distorted by FRS102 accounting standard requirements. These require three significant adjustments. The first is a negative one, a decrease in the valuation of the Benburb Street site from €20.35m to €20m. The second is the inclusion of a €1.8m provision for the remaining deferred cost of the sale of the SMDF, albeit this is fully off-set by €1.86m in the SMDF Levy Fund. The estimated overall cost to members of the SMDF financial support is approximately €11.5m compared to the original approval by members of €16m.

The third adjustment is for the increase in the deficit on the staff pension scheme (closed to new entrants since 2009) from €7.3m to €8.8m. This deficit arises from the value of the liabilities based on FRS102 assumptions. Our actuaries have determined, based on their actuarial model, that the current contribution rate will eliminate any real deficit over the long term. As a consequence of our financial performance in 2020, and these three adjustments, our net asset position now stands at €48.6m (2019: €47.7m). Of our reserves €37.5m are accounted for by fixed assets (2019: €38.4m).

The reserves also include two contingency funds, Capital Expenditure Fund €2.0m and Litigation Fund €1.2m. Both funds are designed to meet costs in these areas as they arise and avoid fluctuations in the PC fee. The Capital Reserve Fund amount of €1.7m is to meet future development costs. Additionally, there is a balance of €2.8m in the LSRA Levy Fund, being the balance of funds raised over the last three years since the imposition of the levy and the amounts ultimately levied by the LSRA. This will be used to keep this levy at its current level over the coming years despite anticipated LSRA cost increases.

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### Reserves 2020



### SUBSIDIARIES

The Group structure includes a number of subsidiary entities that are effectively run on a break-even basis. The Law Club of Ireland operates the commercial elements of Blackhall Place premises and after subsidies, net of management fees of €25k, made an operational surplus of €6k (2019: surplus €54k) despite only trading for Q1 of 2020. Benburb Street Property Company Limited, which owns and manages the Benburb Street site, made an operational deficit of €96k (2019: surplus €33k) before allowing for the revaluation of the site which brought the deficit to €446k (2019: surplus €2.6m). Full Audited Financial Statements for 2020 of the Society are available on the Society's website – [www.lawsociety.ie](http://www.lawsociety.ie).

### 2021

At an early stage in 2020 the Finance Committee committed to, if possible, giving a significant reduction in the 2021 PC fee. Ultimately, the Committee recommended to Council a €350 (13%) reduction which had a net impact on income of €2.9m for the Society and €1.1m for the Compensation Fund. This highlights how sensitive the Society's finances are to any reduction in the PC fee. This was done in the context of having no 'Brexit' PCs in 2021 (a fall of 50) and was considered by the Finance Committee as the maximum prudent reduction possible. The Finance Committee had to balance the impact of a reduction in the fee with its obligation to ensure prudent management of the Society's finances over the medium term.

As part of the process of determining the PC fee reduction, the Finance Committee committed to an expenditure review programme which will take place throughout 2021. We are unlikely to be able to maintain the PC fee at the same level of reduction, but there are a number of contingencies that might enable us to ease back to the full fee over 2022 and 2023.

The Society's budget for 2021 is based on six months of disruption and six months of normality. Hopefully, we have got that nearly right!

CHRIS CALLAN, Chair, Finance Committee

## THE LAW SOCIETY OF IRELAND

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

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

**BALANCE SHEET AS AT 31 DECEMBER 2020**

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

# THE LAW SOCIETY OF IRELAND COMPENSATION FUND

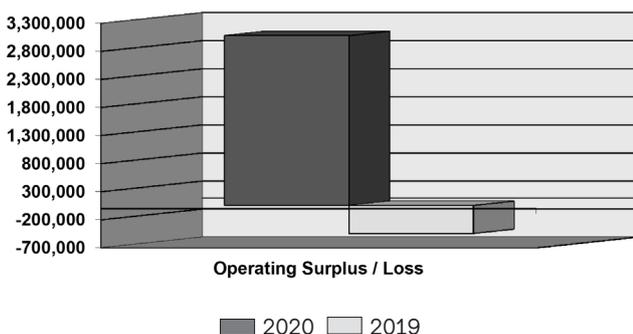
REPORT ON FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2020



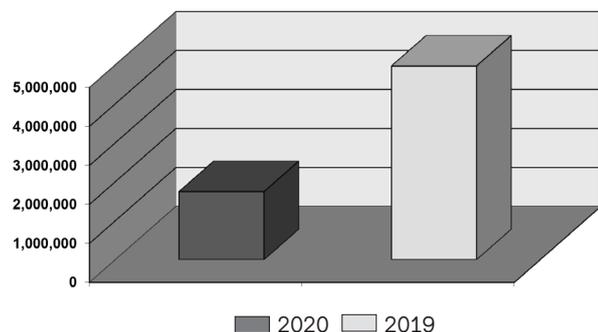
## OUR OVERALL FINANCIAL PERFORMANCE

The income and expenditure account of the Compensation Fund reflects a surplus (representing an excess of income over expenditure after taxation) of €1,997k for the year ended 31 December 2020 as compared with a surplus of €950k for the year ended 31 December 2019. The increase of €1,047k in the surplus for 2020 as compared to 2019 is attributable to an increase in 2020 of €310k in income, a decrease of €3,215k in expenditure, as compared with 2019, an increased adjustment of €2,478k in the fair value movements arising on revaluation of investments.

### Financial Performance 2020-2019



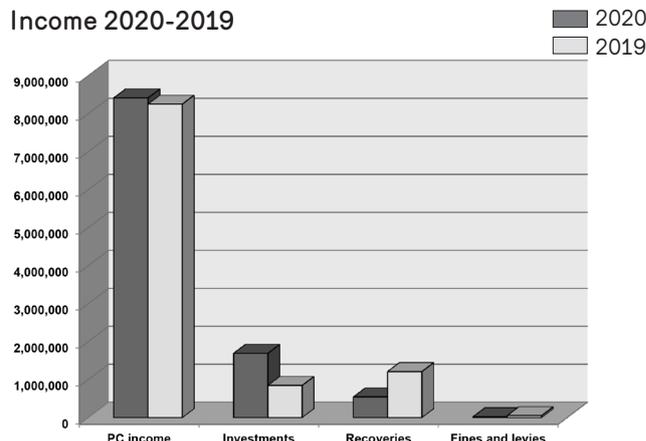
### Claims 2020-2019



## OUR INCOME STREAMS

The increase of €310k in income in 2020 is attributed mainly to an increase of €846k in income and return on investments together with an increase of contributions receivable of €163k offset by a decrease of €669k in recoveries from defaulting solicitors.

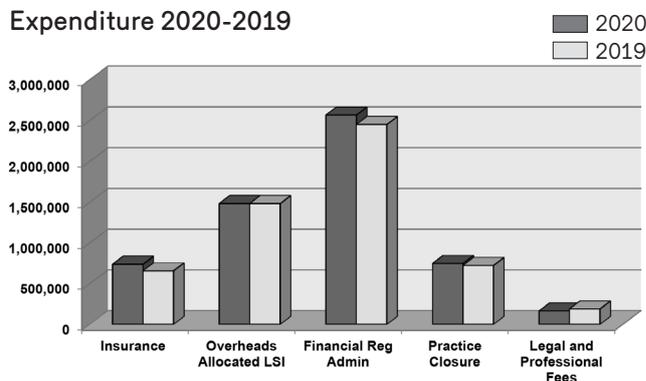
### Income 2020-2019



## OUR EXPENDITURE

The decrease of €3,215k in expenditure as between the two years is attributable to a decrease in the provision for claims of €3,224k.

### Expenditure 2020-2019



## OUR BALANCE SHEET

The net assets of the fund as at 31 December 2020 stood at €25,293k as compared with €23,296k at 31 December 2019. The increase of €1,997k in the net asset position of the fund as between the two years' end, is reflected in a increase of €3,025k in revenue reserves together with an decrease of €1,028k in the unrealised profit on the investment portfolio.

## 2021

The annual contribution per member to the Compensation Fund was reduced from €720 to €620 in 2021. Since 31 December 2020 one new practice situation has come to light where claims on the fund have been received. The Regulation of Practice Committee is satisfied that the fund is in a position to discharge the claims notified, in so far as they are likely to be admitted, as at 21 May 2021.

IMELDA REYNOLDS,  
Chair, Regulation of Practice Committee

LAW SOCIETY OF IRELAND COMPENSATION FUND  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	€	€
<b>INCOME</b>		
Contributions receivable	8,416,290	8,252,967
Income and returns on investments	1,692,238	845,837
Recoveries from defaulting solicitors	543,340	1,212,395
Disciplinary fines and investigation levies	21,950	49,710
Other Income	-	2,622
	<u>10,673,818</u>	<u>10,363,531</u>
<b>EXPENDITURE</b>		
Provision for claims	1,745,636	4,969,818
Insurance	738,519	721,352
Overheads allocated from the Law Society of Ireland	1,483,672	1,483,068
Financial regulation direct administration costs	2,567,068	2,549,302
Practice closure direct administration costs	748,483	759,666
Legal and other professional fees	165,359	180,455
Other expenditure	54	-
	<u>7,448,791</u>	<u>10,663,661</u>
Surplus/(deficit) for financial year before revaluations	3,225,027	(300,130)
Fair value movements arising on revaluation of investments	(1,028,113)	1,450,245
	<u>2,196,914</u>	<u>1,150,115</u>
<b>SURPLUS BEFORE TAXATION</b>		
Taxation	(200,000)	(200,000)
	<u>1,996,914</u>	<u>950,115</u>
<b>SURPLUS AFTER TAXATION</b>		
Retained earnings at beginning of financial year	23,296,339	22,346,224
<b>RETAINED EARNINGS AT END OF FINANCIAL YEAR</b>	<u>25,293,253</u>	<u>23,296,339</u>

**BALANCE SHEET AS AT 31 DECEMBER 2020**

	2020	2019
	€	€
<b>Fixed Assets</b>		
Financial assets	<u>21,633,944</u>	<u>20,969,819</u>
<b>Current Assets</b>		
Debtors	8,747,261	7,879,615
Cash at bank and in hand	1,511,418	1,663,153
	<u>10,258,679</u>	<u>9,542,768</u>
<b>Creditors:</b> Amounts falling due within one year	(2,497,041)	(1,943,766)
<b>Net current assets</b>	<u>7,761,638</u>	<u>7,599,002</u>
<b>Total assets less current liabilities</b>	<u>29,395,582</u>	<u>28,568,821</u>
<b>Provisions for liabilities and charges</b>	(4,102,329)	(5,272,482)
<b>NET ASSETS</b>	<u>25,293,253</u>	<u>23,296,339</u>
Revenue reserves	23,579,656	20,554,629
Unrealised profit/(loss) on the investment portfolio	1,713,597	2,741,710
	<u>25,293,253</u>	<u>23,296,339</u>