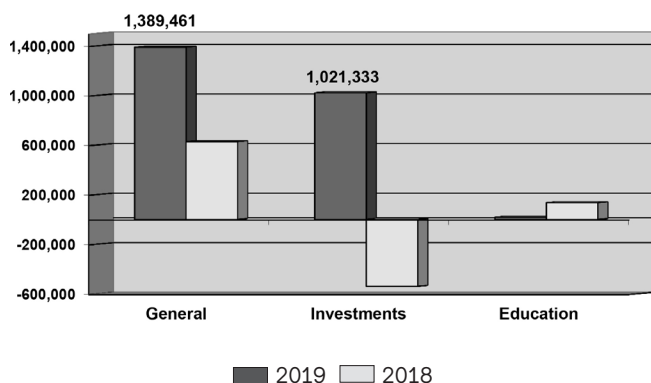


OVERVIEW

As we move into very uncertain times from both a social and economic perspective it is reassuring to know that the Society’s finances performed well in 2019, thus giving us some additional leverage to absorb income losses in 2020 and 2021. 2019 saw the imposition, for the first time, of a LSRA levy and the reduction and completion of the SMDF levy. In order to lessen the impact of the LSRA levy, the Registration Fee and Compensation Fund elements of the Practising Certificate were reduced, resulting in a modest operating surplus of 4% being budgeted. However, a number of tail winds helped us perform significantly better than this; including record number of Practising Certificates, very significant investment gains, asset revaluation and the LSRA levy being much less than anticipated as the roll out of operations was much slower than expected.

The after tax surplus (excluding investment gains) from general operations was €1.2m (2018: €764k). This equates to 7% of operational income after tax. This was better than budget by €779k. When the exceptional performance of our investments in 2019 is factored in the the before tax general activity surplus totalled €2.4m and was better than budget by €1.8m. Education activities made a surplus of €90k against a budgeted surplus of €84k. Reserve Funds, which includes amounts allocated to the Capital Expenditure, Litigation, Capital Reserve and LSRA Levy Funds (after provision of €1.4m for the LSRA levy for 2019), increased by €3.5m (2018: €48k). Almost €2m of this increase arose from over provision for the LSRA levy and will be used to reduce the cost of that levy in future years.

After Tax Operating Surplus 2019



In the audited financial statements there are a number of revaluations and exceptional items which must be included, albeit that they are outside normal operations. The primary adjustments were an additional €2.6m on a revaluation of the Benburb Street site and inclusion of a €391k income raised through the Practising Certificate Fee to fund the remaining deferred cost of the sale of the SMDF. 2019 was the last year of the SMDF levy.

Also, 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 the accounts over the last five years, since the application of the standard. Over that period, adjustments in the pension liability have ranged from a positive €2.5m adjustment to a negative €4.8m adjustment. In 2019 the adjustment was a deficit of €1.8m. These adjustments are primarily driven by the bond rate used in the calculation of the scheme liabilities. The Finance Committee is not concerned about such variances as the variables that impact on these valuations are different to those used in our actuarial valuations. Measured through actuarial valuations conducted by Mercer, our pension scheme is in good health. It is unfortunate that the accounting standard creates artificial surpluses and deficits.

Overall, these adjustments and the allocations to the Funds result in showing the Law Society, which had an after-tax operational surplus of €2.4m, as having an overall accounting surplus of €7.1m.

Unfortunately, the accounts are made even more complex by the incorporation of the operational surpluses for the Law Society in “Group” accounts which include all of the Law Society’s subsidiaries. Overall, the Law Society’s Group made a surplus of €7.2m (2018: €9.96m) after tax and exceptional items. The Group accounts give a full picture of the financial performance and financial position of all the Law 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 Results” table shows the management accounts results which are the actual operating outcomes of the various elements of the Law Society’s operations.

Overall Results

ENTITY	MANAGEMENT ACCOUNTS	GROUP STATEMENTS
General Activities	2,399,698	-441,164
Funds	3,507,712	4,878,065
Education Activities	90,180	-24,221
Operating surplus pre tax	5,997,590	4,412,680
Group Taxation	-51,808	-60,703
Operating surplus after tax	5,945,782	4,351,977
Sundry income		36,791
Unrealised Invest. Gains		1,210,333
S MDF Levy Fund Income	391,338	391,338
FRS 102 Pension Charge	-1,799,000	-1,048,000
Law Club of Ireland	53,905	-305,414
Benburb St Prop. Co. Ltd	2,633,080	2,633,080
Overall Surplus	7,225,105	7,225,105

OUR INCOME

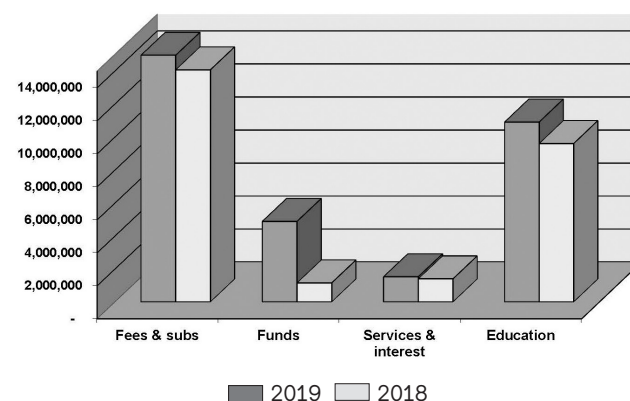
Total income, excluding investment gains, for the year was €32.2m, which was €5m or 19% ahead of 2018. On the general activities side, the income was €21.2m (2018: €16.4m). Practising Certificate, membership and admission fees were €19.8m (2018: €15.2m), with most of the increase being attributable to the advent of the LSRA Levy Fund contribution. Despite a reduced Registration Fee a greater than expected increase in the number of Practising Certificates (mainly from the UK), increased allocations to the Funds, as well as increased admissions fees, all contributed to the income increase. Education income at €10.9m increased by 2% from €10.6m and income from other sources, such as advertising, publications and the Four Courts at €1.5m was 13% ahead of 2018.

In 2019, there were 11,879 (2018:10,863) Practising Certificate holders which was an increase of 1,016 (9%) on 2018. There was an unanticipated significant increase in Brexit Practising Certificate holders from 248 to 859. The additional Practising Certificates accounted for €480k of the income increase. Membership numbers at 12,906 (2018: 11,941) increased by 965. Membership numbers include 157 solicitors who avail of free membership on the basis of being over 50 years admitted or being unemployed. There were a record 2,387 admissions to the Roll during the year (2018: 1,231) of which 1,836 were Brexit admissions. Practising Certificate Fee income totalling €1.7m (2018: €1.15m) was allocated to the Capital Expenditure, Litigation and Capital Reserve Funds. Income to the LSRA Levy Fund was €3.3m in anticipation of a LSRA levy of that amount. However, this only materialised as a levy of €1.4m, leaving a net increase in the LSRA Levy Fund of €1.9m.

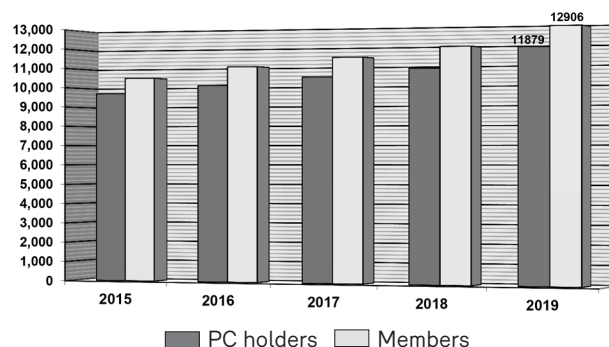
Education activities income was €10.9m (2018: €10.6m). While income levels increased for all Law School operations the bulk of the increase came from increased revenue from our diplomas and professional training (LSPT) areas. Professional Practice Courses, exams, etc.

accounted for €7.2m and professional training (LSPT) seminars, diploma courses and grants accounted for €3.7m. There were 455 PPC1 students in September 2019 (2018: 448). 46 students enrolled for the new Hybrid PPC which commenced in late 2019. FE1 sittings at 2,496 (2018: 2,376), while growing slightly, are still very far off their high of 3,328 in 2007. Diploma course income at €2.2m was slightly behind 2018 income of €2.5m. LSPT, with its Skillnet and Finuas programmes had overall income, including grants, of €1.5m (2018: €1.1m).

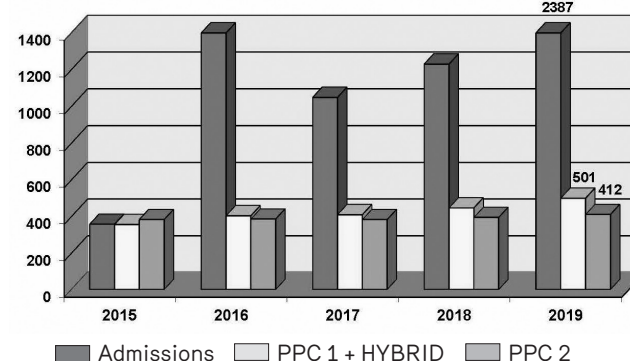
Income Sources 2019



Practising Certificate Holders & Members 2019



Admissions and Courses 2015 - 2019



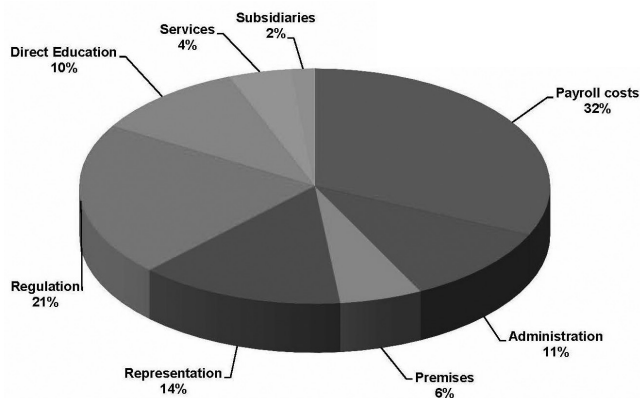
OUR EXPENDITURE

Overall expenditure was €28.1m which was an increase of 2.3% or €636k on 2018. On the general activities side an increase of €609k (3.8%) was mainly accounted for by an increase of €270k in the provision for LSRA costs and by an increase of €168k in representation expenditure.

Education activities' operational charges increased by €405k (3.8%) in line with increased activity and student numbers.

"Other expenditure", noted in the accounts, are the costs associated with our subsidiaries and were €437k (2018: €815k). The reduction was mainly due to the reversal of a charge in 2018 of €260k for the Vacant Site Levy which was successfully appealed in 2019.

Areas of Expenditure 2019



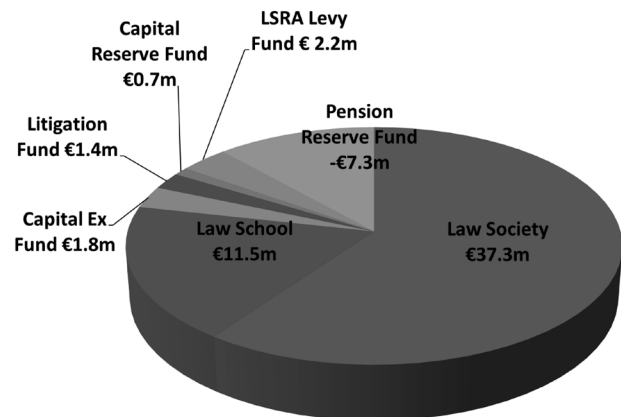
OUR BALANCE SHEET

The position shown by our balance sheet is significantly distorted by the FRS102 accounting standard requirements. This required three significant adjustments. The first is a positive one and increased the valuation of the Benburb Street site from €17.75m to €20.35m. The second is the inclusion of €391k income to the SMDF Levy Fund, bringing it to a total of €1.9m, slightly ahead of the remaining €1.8m deferred payment for the sale of the SMDF. The estimated overall cost to members of the SMDF financial support is €13.5m compared to an original approval of €16m.

The third adjustment is the increase in the deficit on the staff pension scheme (closed to new entrants since 2009) from €5.5m to €7.3m. 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 these three adjustments our net asset position now stands at €47.8m (2018: €40.5m). Of our reserves, €38.4m are accounted for by fixed assets (2018: €33.6m).

The reserves also include two contingency funds, capital expenditure of €1.8m and litigation of €1.4m. Both funds are designed to meet costs in these areas as they arise. The Capital Reserve Fund amount of €665k is to meet future development costs. Additionally, there is a balance of €2.2m in the LSRA Levy Fund, being the balance of funds raised over the last two years and the provision of €1.4m for the 2019 levy.

Reserves 2019



SUBSIDIARIES

The Group structure includes a number of subsidiary entities that are effectively run on a breakeven basis. The Law Club of Ireland operates the commercial elements of the Blackhall Place premises and after subsidies, net of management fees of €25k, made an operational surplus of €54k (2018: surplus €58k). Benburb Street Property Company Limited, which owns and manages the Benburb Street site, made an operational surplus of €33k (2018: loss €345k) before allowing for the revaluation of the site.

Full audited financial statements for 2019 of the Society are available on the Law Society's website – www.lawsociety.ie.

CHRIS CALLAN
Chairman
Finance Committee

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	2019 €	2018 €
INCOME		
Fees and subscriptions	19,816,544	15,205,705
Education activities	10,899,327	10,645,406
Publications	289,824	286,576
Four Courts rooms	1,041,156	903,994
Interest income	35,582	21,368
Other income	119,195	131,639
Sundry income	36,790	9,777
	<u>32,238,418</u>	<u>27,204,465</u>
EXPENDITURE		
Operating charges:		
- General activities	(16,746,205)	(16,136,957)
- Education activities	(10,923,548)	(10,518,917)
Other expenditure	(436,528)	(814,830)
	<u>(28,106,281)</u>	<u>(27,470,704)</u>
SURPLUS/(DEFICIT) FOR FINANCIAL YEAR BEFORE REVALUATIONS, EXCEPTIONAL ITEMS AND TAXATION	4,132,137	(266,239)
Fair value gain/(loss) arising on revaluation of investments	1,210,333	(538,921)
Surplus on revaluation of development land	2,600,000	7,750,000
Exceptional item - deferred income from sale of SMDF	391,338	2,027,888
	<u>8,333,808</u>	<u>8,972,728</u>
SURPLUS BEFORE TAXATION	8,333,808	8,972,728
Taxation	(60,703)	(365,999)
SURPLUS AFTER TAXATION	8,273,105	8,606,729
OTHER COMPREHENSIVE INCOME		
Re-measurement of net defined pension benefit liability	(1,048,000)	1,350,000
	<u>7,225,105</u>	<u>9,956,729</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	7,225,105	9,956,729
Retained earnings at the beginning of the financial year	40,501,686	30,544,957
Retained earnings at the end of the financial year	47,726,791	40,501,686

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

	2019 €	2018 €
Fixed assets		
Tangible fixed assets	38,403,101	33,566,721
Current assets		
Investments	11,938,704	10,728,371
Stocks	44,378	49,085
Debtors	2,704,290	2,138,021
Cash at bank and in hand	21,528,958	15,528,718
	<u>36,216,330</u>	<u>28,444,195</u>
Creditors: Amounts falling due within one year	(17,815,640)	(12,831,230)
Net Current Assets	18,400,690	15,612,965
PROVISIONS FOR LIABILITIES AND CHARGES	(1,801,000)	(3,201,000)
NET ASSETS EXCLUDING PENSION LIABILITY	55,002,791	45,978,686
Pension liability	(7,276,000)	(5,477,000)
NET ASSETS INCLUDING PENSION LIABILITY	47,726,791	40,501,686
ACCUMULATED RESERVES		
Society reserves	37,341,344	30,984,598
Law school reserves	11,505,178	11,486,798
Litigation fund	1,417,783	963,234
Capital expenditure fund	1,849,030	2,247,829
Capital reserve fund	664,700	-
LSRA levy fund	2,224,756	296,227
Pension reserve fund	(7,276,000)	(5,477,000)
	<u>47,726,791</u>	<u>40,501,686</u>
TOTAL	47,726,791	40,501,686

THE LAW SOCIETY OF IRELAND COMPENSATION FUND

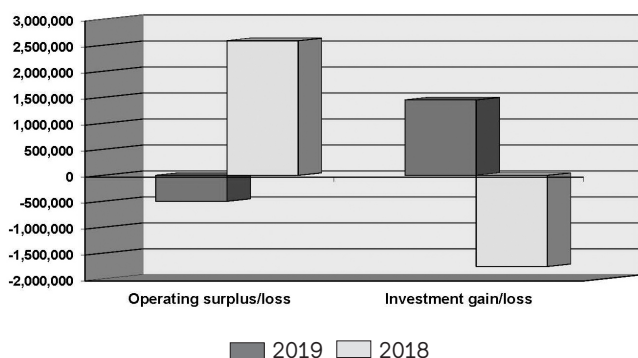


REPORT ON FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

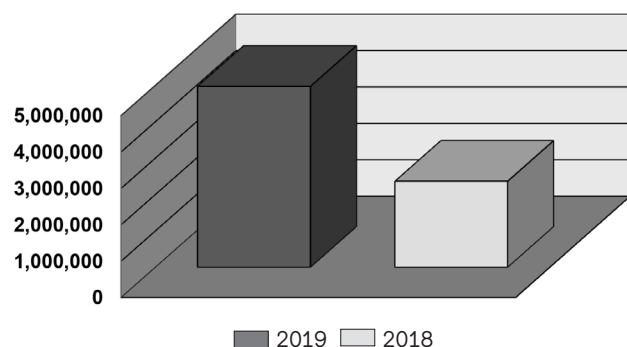
OUR OVERALL FINANCIAL PERFORMANCE

The income and expenditure account of the Compensation Fund reflects a surplus (representing an excess of income over expenditure after taxation) of €950k for the year ended 31 December 2019 as compared with a surplus of €831k for the year ended 31 December 2018. The increase of €119k in the surplus for 2019 as compared to 2018 is attributable to a decrease in 2019 of €23k in income, an increase of €2.9m in expenditure, as compared with 2018, an increased adjustment of €3.2m in the fair value movements arising on revaluation of investments together with an increase in taxation amounting to €119k.

Financial Performance 2019-2018



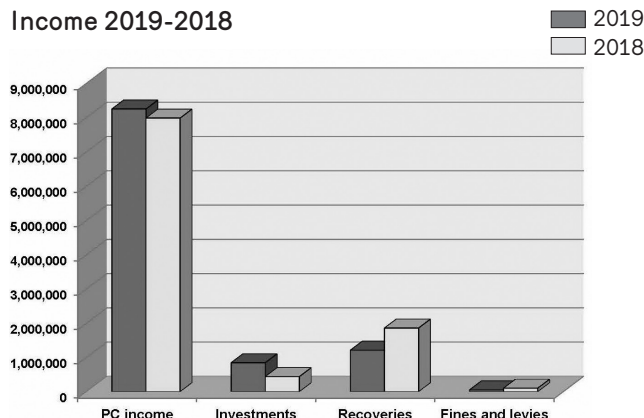
Claims 2019-2018



OUR INCOME STREAMS

The decrease of €23k in income in 2019 is attributed mainly to a decrease of €647k in recoveries from defaulting solicitors offset by an increase of €407k in income and return on investments together with an increase of contributions receivable of €266k.

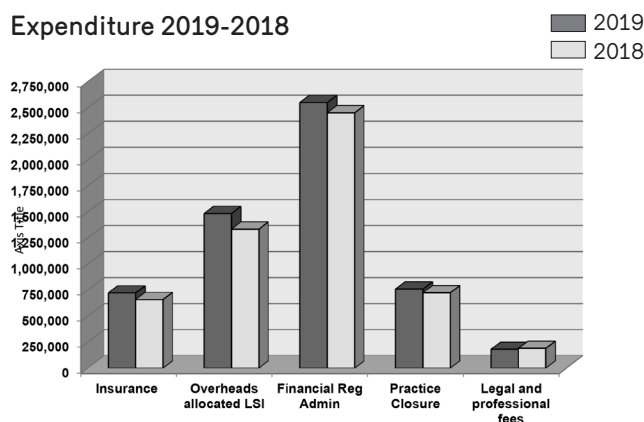
Income 2019-2018



OUR EXPENDITURE

The increase of €2.9m in expenditure as between the two years is attributable to an increase in the provision for claims of €2.6m.

Expenditure 2019-2018



OUR BALANCE SHEET

The net assets of the fund as at 31 December 2019 stood at €23.3m as compared with €22.3m at 31 December 2018. The increase of €950k in the net asset position of the fund as between the two years' end, is reflected in a decrease of €500k in revenue reserves together with an increase of €1,450k in the revaluation reserve on the fund's investments.

2020

The annual contribution per member to the Compensation Fund remained at €720 in 2020. Since 31 December 2019 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 2020.

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 2019

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

BALANCE SHEET AS AT 31 DECEMBER 2019

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