



LAW SOCIETY
OF IRELAND

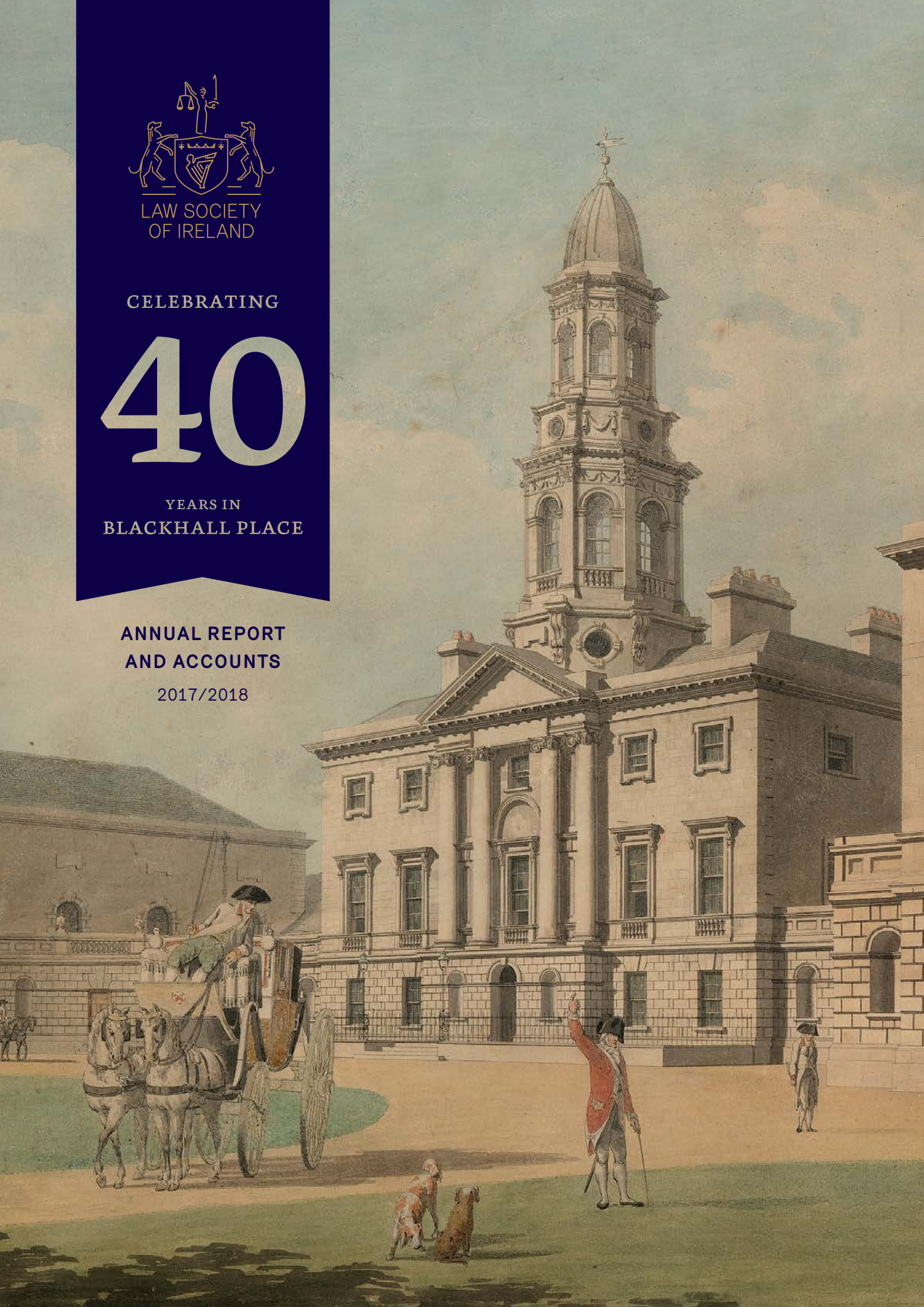
CELEBRATING

40

YEARS IN
BLACKHALL PLACE

ANNUAL REPORT
AND ACCOUNTS

2017/2018

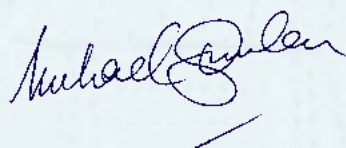


Members of the Law Society of Ireland
C/o Blackhall Place
Dublin 7

25 October 2018

Dear Members,

In accordance with Bye-law 4 of the Society's Bye-laws, we have pleasure in presenting the Annual Report for 2017/18 of the Law Society of Ireland.



Michael Quinlan
President,
Law Society of Ireland



Ken Murphy
Director General,
Law Society of Ireland



LAW SOCIETY
OF IRELAND

CELEBRATING

40

**YEARS IN
BLACKHALL PLACE**

**ANNUAL REPORT
AND ACCOUNTS**

2017/2018





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ABOUT THE LAW SOCIETY OF IRELAND

The Law Society exercises statutory functions under the *Solicitors Acts 1954 to 2015* in relation to the education, admission, enrolment, discipline and regulation of the solicitors' profession. These statutory functions are exercised by the Council or by committees to which the Council delegates those statutory functions. It is the professional body for its solicitor members, to whom it also provides services and support.

GOVERNANCE STRUCTURE

The Law Society is governed by a Council, comprising elected and nominated members of the solicitors' profession. The director general is the chief executive of the Law Society, with all of the powers and responsibilities usually vested in a chief executive.

A new Council is elected every year in November. It delegates statutory functions to a range of committees. A president and two vice-presidents are elected each year from among the elected Council members.

MEMBERSHIP

As at 30 June 2018, there were:



10,446

practising certificates
issued in Ireland



18,076

names on the Roll of
Solicitors in Ireland





REPORT OF THE PRESIDENT

In some ways, the key milestones of the past year have been the extreme weather events we have experienced: hurricane-force winds, snow-storms, and blistering heat-waves. Happily, my term in office, while busy, has not been quite as eventful as the Met Office's!

As I noted at the Law Society's annual dinner in June, our professional persona requires us to be learned, competent, in control and unflappable; but, without the appropriate psychological and emotional support scaffolding, the very things that attracted us to professional life can lead to our undoing. We must internalise and prioritise the benefits of switching off and disconnecting from our work.

One of the key messages of my presidency has been that, as employers and employees, we owe ourselves a duty of care to look after ourselves. My hope is that we, as solicitors, will not forget the things that make life better, such as friendships, pastimes, family time, regular working hours and weekends, and even picking up the phone to each other.

Weathering the storms

The Law Society also has an important role in helping solicitors weather the storms of professional life. We recently brought consultants from Psychology at Work on-board to assess the mental health and well-being framework already in place for solicitors and to advise on options for the future strengthening of those supports. I'm proud that the Society has taken on this thoughtful, important project in such a positive and proactive way.

Undoubtedly, one of the highlights of my term in office has been the opportunity to meet colleagues across Ireland through bar association meetings and the excellent cluster events that bring solicitors together to share knowledge, solve client problems, and socialise. I have always known that it is important for the president and director general to meet colleagues directly, listen to their particular issues and ideas, and get a sense of emerging trends or concerns. I now consider this aspect of the role of president to be vital and remarkably rewarding in many different ways.

Sector focus

I think it's fair to say that the cluster events have been of particular benefit to the smaller firms and sole practitioners. Throughout my presidency, I have had this sector firmly in focus. A comprehensive review of the challenges and opportunities, operating environments, and paths to sustainability and growth is nearing completion by our partners Crowe Horwath.

I want to take this opportunity to sincerely thank all of the colleagues who took the time to engage with this process over the past number of months for the benefit of the profession as a whole. We look forward to delivering a number of meaningful, practical recommendations to the smaller firm and sole practitioner sector in the near future.

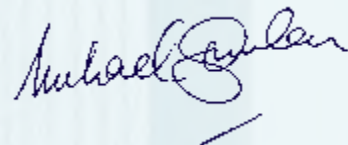
Later in this annual report, you will find a wonderful snapshot of the brilliant occasions that are Law Society parchment ceremonies. It is somewhat difficult to capture in a

few words how uplifting it is to be a part of such an important marker in a solicitor's career. Solicitor training and ongoing professional education truly are at the heart of the Society.

This annual report also has a feature on the excellent, comprehensive education review and recommendations that will keep the Law Society at the highest international standard of professional legal education.

Finally, as the 147th president of the Law Society of Ireland, I am exceptionally proud to have followed in the footsteps of my mother, Moya Quinlan. Serving as president in 1980/81, she was the first woman to lead the profession, and we are the first mother/son duo to have held this office.

She played a major role in the procurement and development of Blackhall Place as the Society's headquarters. This is surely one of the highlights of the Society's rich history, and I am honoured to have been in office to mark the 40th anniversary of the Society moving into this wonderful and important building.



Michael Quinlan
President,
Law Society of Ireland



DIRECTOR GENERAL'S REPORT



The review actually represents the start of a significant, positive and proactive programme of change, improvement and innovation in the Society's already excellent education and training offering

In June of this year, the Council held its most important debate for many years on the topic of solicitor education and training. The end result was the approval of the Society's substantial submission to the Legal Services Regulatory Authority (LSRA), produced by the Future of Solicitor Education Review Group chaired by Mr Justice Michael Peart.

The culmination of over a year's work, the review actually represents the start of a significant, positive and proactive programme of change, improvement and innovation in the Society's already excellent education and training offering. Among its 30 proposals, the review group recommends the establishment of a

Centre for Teaching, Development and Innovation, accelerated access to sitting the FEIs for law students, and the development of a variety of models of training contracts. Substantial changes to the current 'sandwich' model of the Professional Practice Course are also planned. You can read more about this exciting, future-proof programme of change on page 18 of this annual report, and in the July 2018 of the *Gazette*.

New regulatory landscape

The education review was one key focal point within the wider body of work carried out over the past 12 months in preparation for the new regulatory landscape. The *Legal Services Regulation Act* continues to



At the meeting of the West Cork Bar Association (WCBA) at Dunmore House Hotel, Clonakilty, on 26 June 2018, were: Conrad Murphy, Florence Murphy, Frank Purcell (PRO, WCBA), John Collins, Tony Greenway, Florence McCarthy, Lorna Brooks, Kate Hallissey, Catherine O'Brien, Diarmuid O'Shea, Jim Brooks, Maev O'Driscoll, Elizabeth Murphy, Mary Jo Crowley, Paul O'Sullivan (CPD officer, WCBA), Karen Crowley, Rhoda Hendy, Eileen Hayes, Roisin Cahill, Jim Long, Laetitia Baker, Denis O'Sullivan, Michelle Corcoran, Malachy Boohig, Phil O'Regan, Kevin O'Donovan (president, WCBA), Michael Quinlan (president, Law Society of Ireland), Donna Wilson, Siun Hurley (WCBA secretary), Roni Collins, Ken Murphy (director general), Vivienne Ring, Veronica Neville and Helen Collins (pic: George Maguire Photography)

be commenced in stages, and the Society maintains a strong level of positive engagement with the new authority.

One specific and much sought-after aspect of the new legal services environment has been the introduction of limited liability partnerships. The Society has lobbied hard for this modernising measure since its first submission to Government on the topic, as long ago as 2001. Minister Flanagan's commitment to commence sections 122 to 132 of the act as soon as the necessary regulations have been drafted by the authority is extremely gratifying, and the Society's expert submission to the LSRA in August 2018 should be of considerable assistance in this regard.

Pragmatic approach

Brexit continues to dominate public discussion, broadcast airtime and newspaper column inches but, as the clock ticks rapidly down to March 2019, the unsettling lack of clarity that remains would be shocking if it hadn't been so predictable. Nevertheless, the Society has continued to take a pragmatic approach, maintaining regular communication with the relevant Government departments and other bodies.

With our members and the Irish legal landscape as the firm focus, the Society has endorsed and supported an initiative to promote legal services in Ireland. We have also proposed to the Department of Justice and Equality a number of reforms to attract increased litigation, arbitration and advisory work to our shores. Government investment to improve the efficiency of the justice system will be needed to bring this to fruition. However, such investment should be made in the interests of justice in Ireland, regardless of Brexit.

Transfers to the Roll

Meanwhile, the number of solicitors from across the Irish Sea joining the Roll of Solicitors has continued to swell in anticipation of Brexit. At the time of publication, solicitors from England and Wales made up approximately 10% of the total Roll. It is important to note, however, that the numbers taking out practising certificates remain low, and only some two or three England and Wales-based firms have opened offices in this jurisdiction to date.

International media outlets, including the *Financial Times*, have maintained a close watch on solicitor transfers to the Irish Roll since the 2016 Brexit referendum,

and regularly seek the Society's insights into the phenomenon – an interesting footnote to the ongoing saga.

I want to take this opportunity to thank the extremely able and hard-working staff of the Law Society for their dedication over the past year. Nothing for them is too much trouble, and I am proud to have them as colleagues.

Finally, without the enormous voluntary effort of the hundreds of colleagues who come together and share their expertise through committee and Council membership, the Society would not be what it is today. I want to thank those members who work so hard on behalf of the whole profession and in the interests of justice.

Ken Murphy,
Director General,
Law Society of Ireland

“

The vision of the Law Society
is to be “**the trusted voice
of a respected solicitors’
profession**”.

”



STRATEGY STATEMENT 2014-2018

The Law Society of Ireland's Strategy Statement 2014-2018 sets out the strategic objectives that the Society will follow

Strategic Objectives 2014-2018

Six broad objectives have been set for the period 2014-2018. Each year, the Society will develop an annual operational plan. This sets out the key activities the Society will pursue in any one year, in order to further its strategic objectives:

1

We will use our voice, our experience and our relationships to represent the solicitors' profession and to champion its contribution to the Irish economy, the vindication of citizens' rights and the rule of law.

4

We will fulfil our statutory regulation functions to ensure fair and effective regulation of solicitors in the interests of the profession and the public.

2

We will provide a strong voice in policy debate in order to inform decision-making on matters pertaining to the justice system and law reform.

5

We will fulfil our statutory educational functions by delivering premier qualifications and high-quality ongoing education and training.

3

We will enable our members to achieve their potential as respected and trusted advisors and successful businesses.

6

We will be a valued resource for our members as a high-performance professional body.

1

FUTURE OF EDUCATION

At its meeting in June 2018, the Law Society's Council debated the topic of solicitor education and training – approving the Society's substantial submission to the Legal Services Regulatory Authority (LSRA), which was produced by the Future of Solicitor Education Review Group. The review represents the beginning of a significant programme of improvement and innovation for the Society's already highly regarded education and training offering.

2

GET READY FOR LIMITED LIABILITY PARTNERSHIPS

During the year, the Law Society made a detailed submission, accompanied by a comprehensive set of draft regulations, to the Legal Services Regulatory Authority on limited liability partnerships. The purpose was to assist the authority in its preparation of draft regulations, which will enable solicitor firms to practise with limitation of liability, as envisaged by sections 122 to 132 of the *Legal Services Regulation Act 2015*. The Law Society made its first submission to the Government on this topic as far back as 2001.

3

25 FORMAL SUBMISSIONS MADE TO GOVERNMENT

In the 12 months to July 2018, a total of 25 formal submissions were made to Government, containing practical recommendations for policy and law reform across a range of disciplines including, but not limited to: company law, childcare reform, human rights, and criminal law. During 2018, a dedicated web portal was created to enable easy access to information on the Society's policy and law reform activities, and other resources – see www.lawsociety.ie/policyandlawreform.

4

PRACTISING CERTIFICATE NUMBERS BOOST

The number of practising certificates issued by the Law Society at the end of 2017 was 10,461 – up 363 (or plus 3.5%). In the 26 counties, 63% of all practising solicitors in the State are based in Dublin city and county. A total of 19% of practitioners work in-house (excluding those working in the 'full time service of the State'). Significantly, women comprise 68% of in-house practitioners. This compares with just 48% of female practitioners in private practice. Since the Brexit referendum, over 1,600 England and Wales solicitors have transferred to the Roll in Ireland.

5

SURVEY OF SOLE PRACTITIONERS AND SMALLER PRACTICES

In April, the Society appointed Crowe Horwath Management Consultants to conduct a review of the challenges and opportunities facing sole practitioners and smaller practices. During June and July, a total of 1,724 firms (92% of the population of solicitors' firms) were contacted to participate in the survey, with a 20% response rate. Their recommendations will assist in ensuring the growth and development of the profession by empowering practice leaders to make the changes required to optimise their business and attract new clients.

COMPLAINTS AGAINST SOLICITORS HIT HISTORIC LOW

At the end of 2017, the proportion of solicitors against whom an admissible complaint was made hit a 20-year low – just 0.09% of solicitor instructions resulted in complaints. This compares with a high of 14.7% (or 727 of 4,950 solicitors) in 1998. In 2017, 94% of solicitors had no complaints made against them. The number of solicitors against whom complaints have been made has been decreasing steadily at an average rate of 0.4% per year.

6

IMRO DUETS WITH LAW SOCIETY ON IP AND COPYRIGHT LAW

In response to a fast-changing digital environment, the Irish Music Rights Organisation (IMRO) has teamed up with the Law Society's Education Department to create an IMRO adjunct professorship of intellectual property (IP) law. This new role will be a key resource to the Law Society's Education Centre, enticing a new generation of lawyers into the music industry in the expanding area of IP and copyright law.

7

A TALE OF FOUR CITIES

The Calcutta Run celebrated its 20th anniversary with seven events across four cities – Dublin, Cork, Kolkata (India), and New York (USA). On 26 May, 1,500 participants in Dublin ran the 5k or 10k routes via the Phoenix Park, while others opted for a 50k or 100k non-competitive cycle. A day later, 190 runners took part in a 5k in Cork, with similar events organised in Kolkata and New York. The €300k proceeds were shared between the Peter McVerry Trust and The Hope Foundation.

8

GAZETTE LAUNCHES DAILY NEWS SERVICE

In a fast-moving media environment, this year marked a major turning point for the *Law Society Gazette* with the launch of *Gazette.ie* – the daily legal news service aimed at legal practitioners and the general public. This exciting new venture is set to prove popular with commuters, thanks to daily news updates and a breaking news service. Longer analysis articles are available as premium content to members of the Law Society and subscribers.

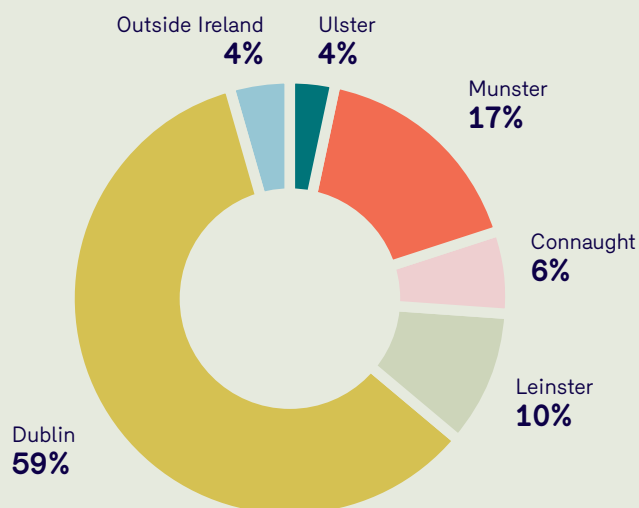
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CLOSURE OF FOUR COURTS PUBLIC RESTAURANT

Practitioners and members of the public reacted with shock when they were given just one week's notice of the closure of the public restaurant in the Four Courts. Despite the Law Society's best efforts to halt plans to close the facility – which included letters to the Minister for Justice, the Minister of State Kevin 'Boxer' Moran, and to Chief Justice Frank Clarke in his capacity as chair of the Courts Service Board – the restaurant closed permanently on 31 July.

10

FACTS ABOUT THE PROFESSION

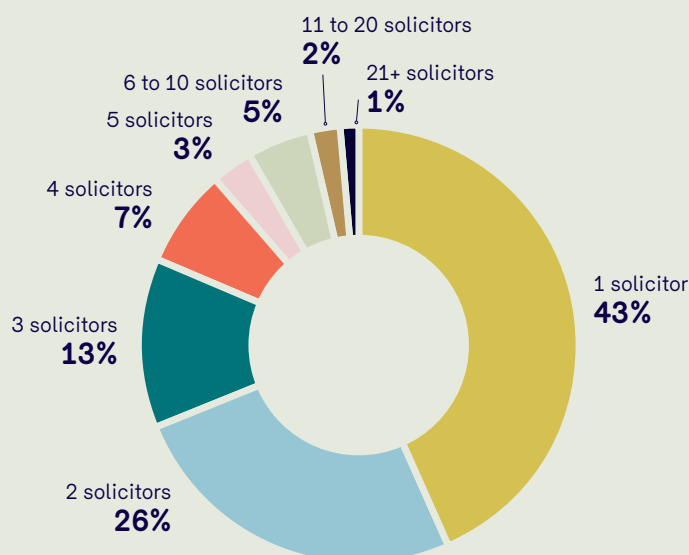


WHERE ARE WE IN PRACTICE?

| | |
|-----------------|---------------|
| Dublin | 6,408 |
| Munster | 1,788 |
| Leinster | 1,082 |
| Connaught | 686 |
| Outside Ireland | 463 |
| Ulster | 372 |
| Total | 10,799 |

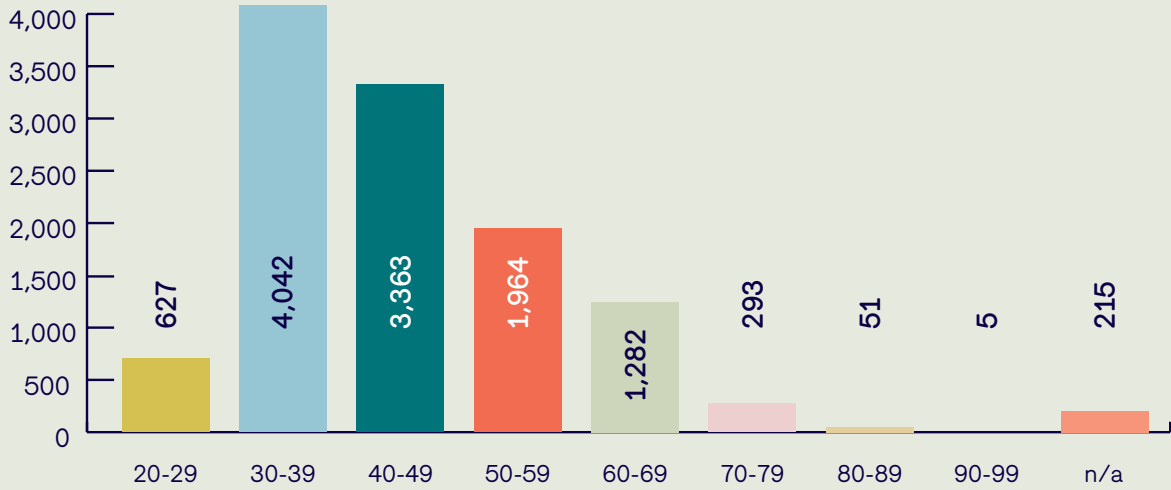
FIRMS BY NUMBER OF SOLICITORS

| Solicitors | Firms | % |
|---------------------|--------------|-------------|
| 1 solicitor | 1015 | 43% |
| 2 solicitors | 597 | 26% |
| 3 solicitors | 294 | 13% |
| 4 solicitors | 165 | 7% |
| 5 solicitors | 73 | 3% |
| 6 to 10 solicitors | 112 | 5% |
| 11 to 20 solicitors | 53 | 2% |
| 21+ solicitors | 28 | 1% |
| Total | 2,337 | 100% |

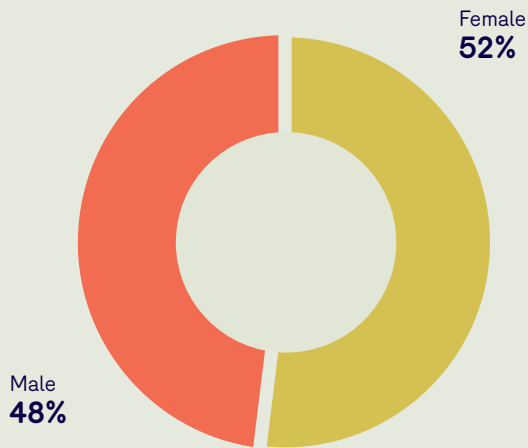


FACTS ABOUT THE PROFESSION

AGE PROFILE OF MEMBERS

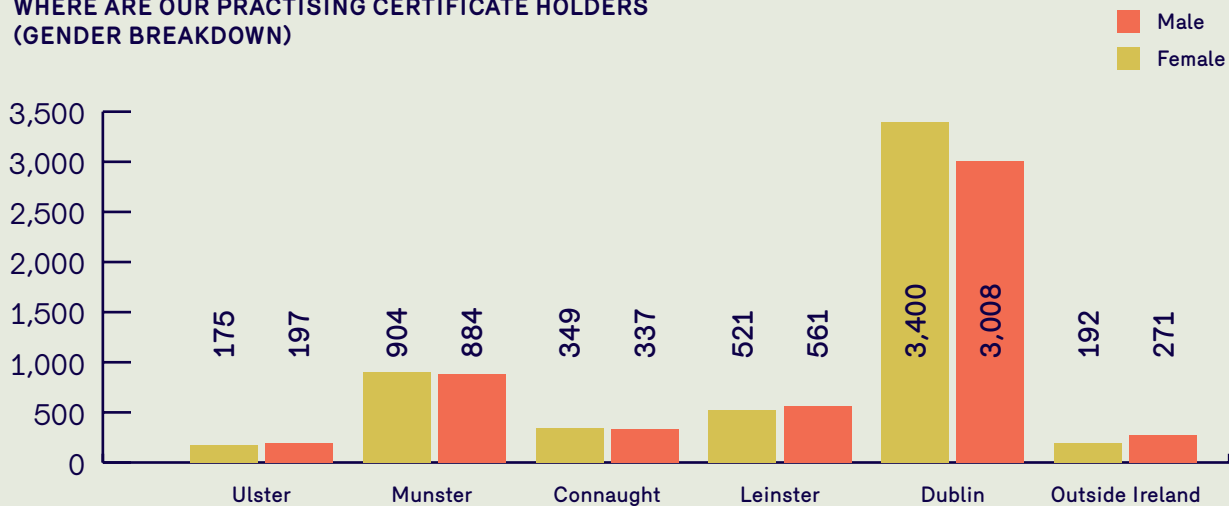


GENDER BALANCE (MEMBERS)



| | | |
|--------------|---------------|-----|
| Male | 5,774 | 48% |
| Female | 6,068 | 52% |
| Total | 11,842 | |

WHERE ARE OUR PRACTISING CERTIFICATE HOLDERS (GENDER BREAKDOWN)



The Society’s long stewardship of the building has been **celebrated for preserving a valuable part** of Ireland’s architectural heritage.

CELEBRATING 40 YEARS AT BLACKHALL PLACE



The Law Society’s decision to purchase Blackhall Place in 1968 was a radical and far-seeing one, at a time when Georgian architectural treasures were undervalued in Ireland.

Originally the site of the King’s Hospital School, whose charter dates from 1671, the building is acknowledged as one of the finest in Dublin. In 1952, the late architectural historian Maurice Craig described Blackhall Place as “one of the most beautiful and, in its way, original” of Dublin’s major buildings.

Designed by Thomas Ivory in 1772, Blackhall Place was modelled on the Royal Hospital in Kilmainham, as well as City Hall on Dame Street. On completion, it immediately became one of the most celebrated buildings in Dublin. “It is almost certain that James Hoban, the architect of the White House, who was a student of Thomas Ivory, worked on Blackhall Place under Ivory,” says architect Brian O’Connell.

The Law Society’s timely occupation of the building has been lauded for its preservation of a valuable part of Ireland’s architectural heritage. The Solicitors’ Building at the Four Courts was bursting at the seams from the 1960s onwards, and there was a suggestion that professional bodies should, as an act of good citizenship, interest themselves in some of Dublin’s old buildings then languishing on the market.

The Society’s long stewardship of the building has been celebrated for preserving a valuable part of Ireland’s architectural heritage. In 1988, on the tenth anniversary of the Law Society finally moving its operations there, the Irish Architectural Archive praised the “responsible care” of the Society’s guardianship of Blackhall Place, which it said “assures its future”.

Radical decision

James Howley (of Howley Hayes in Blackrock, Co Dublin, the Society’s conservation architects) describes Blackhall Place as “a building of the first order and one of the jewels of Dublin”.

The decision to buy Blackhall in 1968 was a radical one, says James, since the fashion of the day was for new rather than old buildings. “This project set a healthy precedent for the repair and reuse of old buildings at a time when the value of our Georgian architectural heritage was not widely appreciated in Ireland.”

Howley describes the Law Society’s use of its building as appropriate and sympathetic, adding layers of significance that now position Blackhall Place as a source of national – and even international – cultural importance.



A Society committee appointed to examine the matter recommended the purchase of the King's Hospital for the sum of IR£105,000. The contract was completed on 9 July 1968. The existing King's Hospital school relocated to Palmerstown in west county Dublin in 1970.

But the move to Blackhall was not a simple matter. A Society premises committee, established in 1969, estimated that the cost of both the purchase and refurbishment of the building eventually would run to £325,000. The escalating costs caused concern and, by 1971, there were mutterings that the project should be abandoned.

But when former Law Society President Moya Quinlan, together with Council member Peter Prentice, took on the project, matters progressed immediately. The pair pushed for a gradual occupation of the new premises, with redevelopment on a phased basis. A fund-raising programme was initiated to deal with the spiralling costs.

A living building

Finally, on 14 June 1978, the Law Society occupied the beautiful, historic building that had been entrusted to its care. Blackhall Place would function as the administrative headquarters for the solicitors' profession, a law school, and a meeting place for all occasions.

The old and beautiful parts of the premises were both preserved and improved, then pressed into modern use.

Given its importance in historical and architectural terms, the Law Society tries to give as much public access as possible. Blackhall Place is one of hundreds of buildings around the country that are opened to the public on Culture Night in September each year. Tours are organised for hundreds of visitors from all over the city, while significant numbers of locals take the opportunity to pay their first visit to the building.

Public access is also granted during the Open House event, Heritage Week, and the Smithfield and Stoneybatter Festival. The grounds are also made available to local schools for sports days, and to charities for various events.

One of the most gratifying aspects is that it is very much a living building, with activity from 7am until 10pm, Monday through Friday, while the site is in full business tilt most Saturday mornings.

In conservation terms, there is an inevitable slight tension between that and the Society's functional needs. A comprehensive conservation plan was developed in 2016. However, as James Howley concludes: "It's hard to think of a more suitable occupant and guardian of this important historic place than the current owners, the Law Society of Ireland."

PLANNING THE FUTURE OF SOLICITOR EDUCATION

The independent review group was of the opinion that the use of some digital technologies by the Education Centre was **ahead of the field** in legal services education. In addition, continuing professional development in the form of diplomas and MOOCs led the field.

The Law Society Council, at its meeting on 8 June 2018, approved the Society's submission to the Legal Services Regulatory Authority on the subject of solicitor education and training in Ireland.

This was the Council's most important debate for a great many years on the issue of solicitor education. The Society had been working, directly and indirectly, on the review for over a year.

It began by commissioning a report on the current state of legal education and training. The review was carried out by a group of independent, international experts, led by Toronto-based Prof Paul Maharg, Prof Jane Chang, and Jenny Crewe Consulting. Their comprehensive report was submitted to the Law Society in January 2018.

This report was examined by the Law Society's Future of Solicitor Education Review Group – a ten-person group chaired by Mr Justice Michael Peart (Court of Appeal). Its terms were to review the content and structure of the legal education of solicitors in Ireland in the context of section 34(1) of the *Legal Services Regulation Act 2015*, and the recommendations of the Maharg report. It considered the education and training of solicitors for the future, with a view to ensuring that the educational model in Ireland is on a par with best practice internationally.

Findings

The Society's review group produced a draft report for adoption by the Council. Its detailed examination developed 30 specific changes and improvements, including the establishment within the Law School of a Centre for Teaching, Development and Innovation. These were adopted by the Council.

Commenting on the Professional Practice Course (PPC), the Maharg Review Group found that the structures of teaching were "well organised and designed,

and current teaching is aligned to assessment practices. Some aspects of initial professional education provision for solicitors are ahead of the field in legal services education."

The independent review group was of the opinion that the use of some digital technologies by the Education Centre was ahead of the field in legal services education. In addition, continuing professional development in the form of diplomas and MOOCs led the field.

The Law School is committed to building on its successes and to expanding its focus on innovation into all aspects of legal education and practice – and not simply in the use of technology.

Access

The solicitors' profession in Ireland is proud of the diversity of its members. Since 2015, women have outnumbered men in the profession. The profession has also been attractive to mature entrants. Over the last ten years, between 10% and 15% of each new PPC has consisted of those over the age of 30. Qualifying as a solicitor is seen as an attractive 'second chance' career.

The Law School has been engaged in a number of initiatives to open up professional training to applicants from a background of socio-economic disadvantage. It introduced an access scheme in 2000, which waives fees and provides maintenance payments and ongoing assistance to suitably qualified candidates. One of the new recommendations is that the access programme is further developed and that additional funding be provided.

The FE1s will remain in place as the entrance assessment for those wishing to train as solicitors. This is to ensure a common knowledge of core academic legal subjects among applicants drawn from the 19 law degree providers in Ireland – and from non-law graduates and others. The alternative to the FE1s is a system



of standard setting and assessment of undergraduate law provision that would prove to be expensive and controversial.

Training contracts

A variety of models of training contracts will be developed to improve the diversity of the training contracts provided. This may include a number of firms sharing a trainee where such firms would have difficulty funding a trainee themselves. These new models will be promoted by the Law School.

The prescription of discrete blocks of practice experience will be removed. Over the two years of the training contract, trainees will be required to gain reasonable and appropriate experience in three out of seven broad areas of legal practice.

Changes to the PPC

The current 'sandwich' model of the PPC will end. All current compulsory content from PPC 1 and 2 will be covered in the initial compulsory element of the PPC. In addition to current course subjects, this course will comprise 21st century skills, such as leadership, project management and ADR. Current subjects will not be taught in as much detail as they are now. Criminal litigation and employment law will no longer form part of this course. The PPC will make greater use of skills workshops, as well as problem-based and transactional learning.

Part-time model

The Future of Solicitor Education Review Group recommended that the Law School make urgent arrangements for designing and implementing a part-time, block-attendance, or blended-learning PPC programme, similar to those available in England and Wales, Scotland, and the King's Inns. This should improve access for mature and regional students.

Physical resources

The review group also recommended increasing the physical resources available for education. The review

group was aware of the current restrictions on space available for educational activities. This is hindering the Law School in innovating and expanding its educational offerings, and in delivering smaller group, 'break-out', and active-learning activities.

At a minimum, it is estimated that 10-15 new tutorial rooms are required in the short-term. An assessment of future needs should be undertaken to identify what additional space is necessary to future-proof facilities.

Centre of Excellence

Among the most exciting recommendations of the review group is that the Law School should create a dedicated Centre for Teaching, Development and Innovation. This centre will bring together learning and development, technology, psychological services, and innovation.

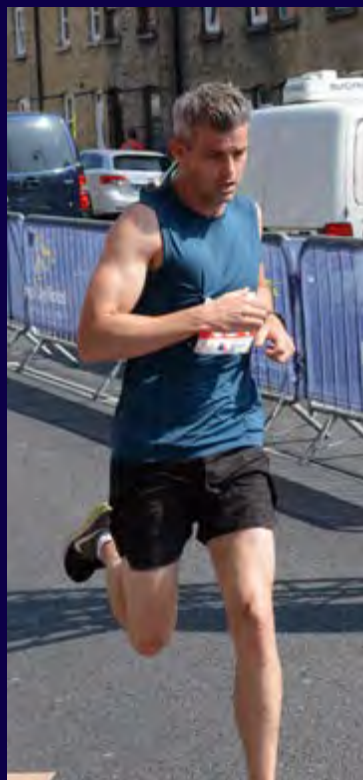
Other recommendations in the report relate to the Preliminary Exam and the QLTT.

The public's growing general level of education, coupled with easier access to specialist knowledge afforded by technology, has meant that clients no longer rely solely on specialists to access and interpret knowledge. The solicitor who traditionally held an expertise in a particular area of practice will become less valuable, the review group states.

The Law School will need to ensure that it trains and supports the learning and development of solicitors, who, in addition to the vertical scope of their legal knowledge, possess another horizontal range of 21st century skills and competencies (that is, creativity and innovation, critical thinking and problem solving, communication and collaboration).

The report concludes that additional capacities such as leadership, technology and entrepreneurship, as well as a breadth of knowledge of other industries and disciplines outside of the legal profession and law, will equip solicitors to compete successfully with other professions.

A TALE OF FOUR CITIES



The Calcutta Run celebrated its 20th anniversary this year with two separate events in Dublin and Cork – while also raising the standard in Kolkata, India, and the Big Apple in the USA.

On 26 May, 1,500 participants hit Dublin’s streets, opting for either the 5k or longer 10k route – both via the Phoenix Park. A day later, 190 practitioners, family, and friends traversed a 5k route in the Blackrock area of Cork city.

First held in 1999, the run has been raising funds every year since to combat homelessness in Ireland and Kolkata. It raised an astonishing €3.7 million during those first 19 years, and this year pushed the total to the highly ambitious 20th anniversary target of €4 million.

All proceeds from the profession’s annual fundraiser go to the Peter McVerry Trust and The Hope Foundation. Both organisations work tirelessly to reduce homelessness in Ireland and India. Half of the proceeds from the Cork run went to SHARE (a local charity helping elderly homeless).







SPRING GALA 2018



The second annual Spring Gala saw 350 solicitors from every section of the profession come together for dinner and a night of entertainment at the Shelbourne Hotel, while raising much-needed funds for the Solicitors' Benevolent Association (SBA).

Last year's inaugural gala raised over €22,000 to help colleagues and their families who are experiencing difficult times. Each month, the SBA pays out almost €50,000 to assist current and former members, their families, and immediate dependents in need.

Law Society President Michael Quinlan said: "This black-tie gala dinner brings together members of the profession from across Ireland, providing an opportunity to enjoy the company of colleagues, while supporting a worthy cause."



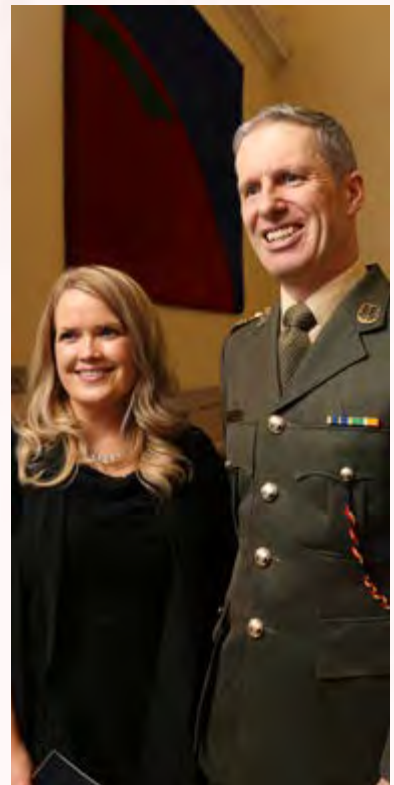


PARCHMENT CEREMONIES

The Law Society's parchment ceremonies are the culmination of many years of study, where recipients finally become proud members of the solicitors' profession.

(All photos: Jason Clarke Photography)



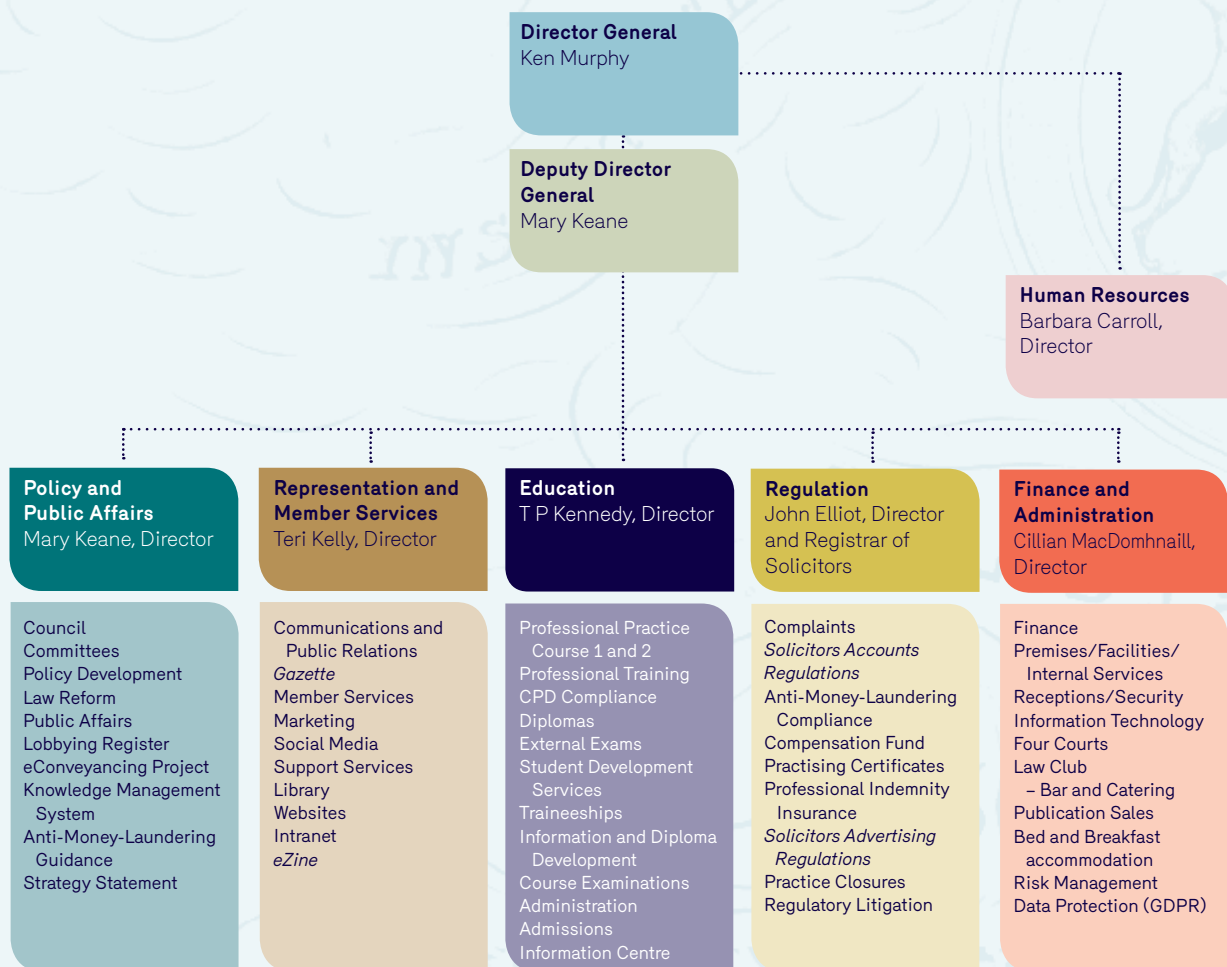


ORGANISATIONAL STRUCTURE

The Law Society is led on a day-to-day basis by the director general, Ken Murphy, who leads a team of six departmental heads as part of his management team.

The management team meets weekly, overseeing the implementation of the strategic plan, and providing the main conduit between the Council and its staff.

The following functional organisational chart provides an overview of the management team and information on the responsibilities of each department.



The Society was pleased to welcome **Barbara Carroll** (left) to the role of Human Resources Director of the Law Society of Ireland, in August 2018

COUNCIL OF THE LAW SOCIETY

Year ending 8 November 2018

The Law Society of Ireland is governed by a Council, comprising elected and nominated members of the solicitors' profession. It also delegates statutory functions to a range of committees.

The purpose of the Council is identified in the charter of 1852 to act "for the better rule and government of the Society, and for the better direction and management of the concerns thereof". The statutory functions of the Society, as set out in the *Solicitors Acts 1954-2015*, are exercised by the Council or by committees to which the Council delegates those statutory functions. The Council represents the Society and its members, both in the interests of the public and of the solicitors' profession generally.

The functions performed by the Council can be divided into:

- Representation of the members,
- Education and admission,
- Regulation and discipline, and
- Protection of clients.



President: Michael Quinlan
Senior vice-president: Patrick Dorgan
Junior vice-president: Michelle Ní Longáin

Council members:

James Cahill, Christopher Callan, Justine Carty, Brendan Cunningham, Maura Derivan, Paul Egan, Stuart Gilhooly, John Glynn, Richard Hammond, Eamon Harrington, Paul Keane, Liam A Kennedy, Morette Kinsella, Martin Lawlor, Rosemarie Loftus, Barry MacCarthy, Flor McCarthy, Sonia McEntee, Michele O'Boyle, Daniel O'Connor, Deirdre O'Sullivan, Valerie Peart, Liam Quirke, Thomas Reilly, Imelda Reynolds, Catherine Tarrant, Brendan J Twomey, Keith Walsh

Past-presidents: Kevin O'Higgins, James McCourt, Simon Murphy

Provincial delegates: Leinster: Martin Crotty;
Munster: Shane McCarthy; Ulster: Garry Clarke;
Connaught: David Higgins

Dublin Solicitors Bar Association representatives:
Áine Hynes, Joe O'Malley, Tony O'Sullivan

Southern Law Association representatives: Robert Baker, Joan Byrne, Siún Hurley, Terence O'Sullivan, Anne-Marie Sheridan

Law Society of Northern Ireland representatives:
Eileen Ewing, Ian Huddleston, Suzanne Rice, John Guerin, Arleen Elliott



DIRECTORS'
REPORTS

POLICY AND PUBLIC AFFAIRS DEPARTMENT

MARY KEANE,
DEPUTY DIRECTOR GENERAL



The Society's Policy and Public Affairs Department continues to engage with decision-makers and contribute to discourse about developments affecting law, legal policy and legal practice.

Brexit

As the issue of Brexit continues to dominate public discussion – but with little clarity as to the final outcome – the Society has adopted a pragmatic approach, maintaining regular communications with stakeholders such as the Department of Justice and the Department of Business, Enterprise and Innovation. The Society's membership of the IBA, the CCBE and the Four Jurisdictions Forum all serve to maintain Brexit as an important agenda item for the Society and its committees in assessing the impact of Britain's departure on legal practice.

The Society has endorsed and supported an initiative to promote legal services in Ireland as a facilitator of commerce and has also proposed a number of reforms to the Department of Justice and Equality in order to attract increased litigation, arbitration, and advisory work to Ireland.

Government interaction

In the 12 months to July 2018, 25 formal submissions were made to Government, containing practical recommendations for policy and law reform across a range of disciplines including, but not limited to, company law, childcare reform, human rights, and criminal law. The volunteerism and expertise of the 433 members working across 28 committees, working groups and task forces enables the production of high-quality commentary on proposals, based on practitioners' experience and expertise.

Sole practitioners and smaller practices review

The department is excited to be executing one of the president's key objectives for the year: a review of the challenges and opportunities facing sole practitioners and smaller practices. The resurgent economy, alongside the increased impact of new technology and changed consumer behaviour, has implications for the manner in which legal services are delivered. In April, the Society appointed Crowe Horwath Management Consultants to conduct a review of this sector. During June and July, 1,724 firms (92% of the population of solicitors' firms) were contacted to participate in the survey, with a 20% response rate. It is intended that their recommendations will assist in ensuring the growth and development of the profession by empowering practice leaders to make the changes required to optimise their business and attract new clients.

Mental health and well-being

The department is also supporting the president with his initiative to

focus on mental health and well-being supports for practitioners. In July, the Society appointed a firm of consultants, Psychology at Work, to review the existing mental health and well-being supports provided by the Society for its members and to advise on the best options for strengthening these supports. Psychology at Work will conduct focus groups, a survey and telephone interviews, as well as a literature review and discussions with other stakeholders, and will report before year-end.

AML Helpline

The department provides the Anti-Money-Laundering Helpline to assist members to navigate their AML obligations. Usage has tripled in the past ten years, and the increase in volume is often matched by an increase in complexity. Legislation implementing the fourth and fifth EU AML Directives will introduce additional obligations and a requirement for continued support.

Communicating our work

The policy and law reform function of the Society communicates widely with Government, the media, and the public through our regular *Policy and Law Reform Agenda* newsletter – distributed in hard copy to 250 Oireachtas members, Government officials and civil society organisations. In addition, during 2018, a dedicated web portal was created to enable easy access to information on our activities and other resources – see www.lawsociety.ie/policyandlawreform.


25

formal submissions were made to Government with recommendations for policy and law reform across a range of disciplines

REPRESENTATION AND MEMBER SERVICES DEPARTMENT



TERI KELLY,
DIRECTOR OF REPRESENTATION AND MEMBER SERVICES

Talk to your solicitor. Your solicitor is your trusted advisor. The Law Society is the trusted voice of a respected solicitors' profession.

These are the messages that are at the core of every public communication the Law Society makes. In the national and local media, in our radio ads, on our website, on social media, and with any of the other tools we have to reach the public, we work to underscore the value and strengths of the solicitors' profession.

This year, we continued to proactively promote and, where necessary, defend the solicitors' profession in the media. Stories have included the solicitors' role in seeking justice for victims of medical negligence, investment in the family law courts system, legal costs, the changing demographics of the solicitors' profession, the solicitor's role in GDPR compliance, complaints against solicitors being at historic lows, and many more.

Our online communications continue to increase in importance and to reach the profession and the public. We have augmented our public communications on our website with the launch of a series of legal guides and multilingual **information leaflets** for use by members to communicate with their clients. We are also promoting the 'Find a Solicitor' search function through Google and the optimisation of lawsociety.ie content for higher organic results.

Income from 'Legal Vacancies', our website for solicitor job advertising, has quadrupled since its launch in 2015 and is expected to top €225,000 in 2018.

Followers and interactions on Law Society social media channels have outpaced expectations, with over 7,800 followers on Twitter, 10,200 likes on the Law School's Facebook, and 10,800 followers on our LinkedIn company page.

The Law Society entered a new era of communication with the launch of Gazette.ie. This daily legal news service, which is aimed at legal practitioners and the general public, delivers fresh news from Monday to Friday and 'long reads' on weekends.

Yet again, the *Gazette* magazine was one of the big winners at the Irish Magazine awards, securing the top prizes for 'Designer of the Year' and 'Cover of the Year' in the business magazines category.

The Law Society Library dealt with 5,435 queries and lent 4,382 books in the 12 months ending 30 June 2018. An analysis of enquiries for the six-month period from January to June 2018 indicates that over 75% of enquiries come

from sole practitioners and small firms. We also updated a range of subject resource lists on the library catalogue, including topics such as artificial intelligence, Brexit, data protection (including GDPR), in-house lawyers, cybercrime, and more.

The information and personal assistance provided to members by Support Services has changed in response to requirements. We have expanded the 'Returners' programme, which supports solicitors who want to return to work after time looking after family responsibilities. The '55+ Options' programme was started this year to assist solicitors with succession, retirement and financial planning. A dedicated small practice support service was also established during the year.

The second annual Spring Gala saw 350 solicitors from every segment of the profession get to know one another better over dinner at the Shelbourne Hotel, while raising much-needed funds for the Solicitors' Benevolent Association.

By the numbers

For the year ended 30 June 2018, the Law Society website received 4.8 million views (a 10% increase on last year) by over 720,000 visitors.

Legalvacancies.ie had 2.5 million views by over 200,000 visitors.

The judgments database (1952 to date) contains almost 15,000 reserved written judgments. We added over 1,300 full-text court judgments to the database in the period.



4.8m

views of the Law Society website for the year ended 30 June 2018 (up 10%)

EDUCATION DEPARTMENT



TP KENNEDY,
DIRECTOR OF EDUCATION

Much of the year was spent in an analysis of solicitor education in Ireland – looking at the strengths and weaknesses of the current system and putting plans in place for the future. An external review was initially conducted by Prof Paul Maharg, Prof Jane Ching and Jenney Crewe. This multinational team found much that was strong in our system, but also made detailed recommendations on changes they thought necessary to improve the process. This informed the deliberations of a Law Society working group that prepared a submission for the Legal Services Regulatory Authority. This submission contains 30 recommendations to reshape and improve the education system. This forms a detailed road map for change over the next few years.

The year 2017 was the second-highest on record for admissions to the Roll of Solicitors, with 1,050 admissions. This was only surpassed in 2016. As with 2016, the main driver for this is admissions from Britain: 675 solicitors from England and Wales and from Northern Ireland were admitted. This Brexit surge is continuing unabated and, as of 11 September 2018, a further 411 solicitors have been admitted.

In September 2018, 448 trainees commenced the PPC1. This is a significant increase on the 412 trainees in 2017. This is the largest course in ten years and is based on an increase in training contracts offered by a variety of practices, as well as solicitors working in-house.

Trainee solicitors continue to match and defeat their peers in international advocacy. Sorcha Cusack (McCann FitzGerald), Sinead Gleeson (A&L Goodbody) and Niamh

Diskin (Eversheds Sutherland) came third in the International Environmental Court Competition. Their written arguments also ranked third, and Sorcha received an individual speaker award. Our Telders International Moot Court team of Kevin Flood (William Fry), Sinead McDonagh, Lauren Dooley and Sam O'Connell (Arthur Cox) won the award for best respondent arguments, and Kevin was recognised as the best advocate in the competition.

At post-qualification level, the Diploma Centre continues to thrive. In excess of 1,000 attendees attended over 30 diploma and certificate courses during the last 12 months. A free MOOC (massive open online course) was provided on sports law. Over 2,500 participants from around the world took part. We were delighted that, for the third year running, the Diploma Centre won the Irish Law Award for service provider to the legal profession. This year, a second LLM course in employment law was added to our roster of courses, and work is ongoing on a professional doctorate.

A number of public law projects were offered this year. Forty trainee solicitors taught courses in law at schools in areas of socio-economic disadvantage and in prisons. Several solicitors undertook a course in public legal education and went on to use these skills in various ways. A programme was offered for transition-year students, focusing on practising as a solicitor and the legal system.

Large numbers have been attending Law Society Professional Training's mix of seminars, conferences and master classes. Regional cluster conferences are being held all over Ireland in association with local bar associations, and these are going from strength to strength.



448

trainees started the PPC1
in September 2018 – the
largest course in ten years

REGULATION DEPARTMENT

JOHN ELLIOT,
REGISTRAR OF SOLICITORS AND
DIRECTOR OF REGULATION



The Regulation Department continues to engage with the Legal Services Regulatory Authority. We have provided very significant input into the Society's submissions to the authority on the *Legal Services Regulation Act* and the *Solicitors Acts* and on legal partnerships, which are available on the Society's website at www.lawsociety.ie/LSRA. The department is a key participant in the Society's Legal Services Regulation Act Task Force.

We continue to prepare for the impact of Brexit. In the most recent completed practice year (2017), 245 Irish practising certificates were issued to British solicitors, and 12 British law firms have established a branch office in Ireland since the Brexit referendum.

The propensity of clients to make a complaint against their solicitor has now reduced to one-third of what it was 20 years ago, and the overall likelihood of a complaint being made against a solicitor – by either a client or a non-client – is two-fifths of what it was 20 years ago. This is attributable to a number of factors, including increased effectiveness of the Society's regulatory system and increased focus, through PII, on firm risk-management procedures.

There are now 10,799 practising certificate holders, of which 52% are female and 48% male.

From July 2017 to June 2018, six solicitors were struck off the Roll of Solicitors and nine solicitors were suspended.

The investigation of solicitors' practices is increasingly resulting in hard-fought litigation, with some solicitors going to extraordinary

lengths to conceal dishonesty. It continues to be necessary to bring some solicitors to the High Court to ensure cooperation with the regulatory process.

The department has been heavily engaged in conducting substantial litigation taken against the Society, with some 23 days of evidence in the High Court. Judgment has been reserved.

An expanded Regulatory Legal Services Section has reduced the department's dependence on external legal representation, resulting in significant cost saving.

We have engaged in extensive work in connection with anti-money-laundering, cybersecurity and advertising regulations, which is covered in the Regulation of Practice Committee report. A new AML compliance executive working group was established to review the Society's systems for enforcing compliance by the solicitors' profession with AML obligations. We regularly give talks on regulatory

requirements at cluster events and bar association seminars. In September 2017, the department published a regulatory guide for in-house solicitors employed in the corporate and public sectors, which is on the Society's website at www.lawsociety.ie/inhouse-public-committee.

The Regulation Department continues to improve the common proposal form and professional indemnity insurance (PII) guidelines. Extensive PII information can be found on the Society's website at www.lawsociety.ie/PII, including regulations, minimum terms and conditions, the common proposal form, guidance notes, and insurer and broker details.

From July 2017 to June 2018, the Society received 26 queries from the Office of the Ombudsman relating to complaints about solicitors not upheld and refusal of grants from the compensation fund. The Society assists the ombudsman by providing copy files and explanations about the Society's procedures.

The department continues to progress its part of the 'System 360' project, which will fundamentally improve information technology used to achieve a more user-friendly electronic environment for our members. In addition, the department was intensively involved in preparations for GDPR this year.



10,799

practising certificate holders:
52% female and 48% male

FINANCE AND ADMINISTRATION DEPARTMENT



CILLIAN MAC DOMHNAILL
DIRECTOR OF FINANCE AND ADMINISTRATION

The Finance and Administration Department's job is to provide internal services, infrastructure, and support to the Society's core functions of representation, education and regulation. We like to regard ourselves as the 'oil in the system'.

One of our core responsibilities is finance. That doesn't mean simply taking in money and spending it, but involves prudent financial management, ensuring value for money for all expenditure, having appropriate financial processes and control environments, and protecting the Society's financial and physical assets. In 2017, the Society's income was €25.6m, an increase of 3%. Expenditure was €25.1m, an increase of 8%. Broadly, 63% of this was on representation and regulation, with the balance of 37% being spent on education activities. We work to ensure that members and students get value for money, and we do this through a deep, detailed budgeting process, close monitoring of the finances throughout the year, and longer term planning through a five-year planning process. The finance function also oversees the ongoing financial elements of the sale of the SMDF and, to date, all is going according to plan. The department is also liaising with the LSRA in relation to the financial dimensions of the authority and planning how best to minimise the impact of this on the practising certificate fee.

At the end of 2017, the department once again put in place two important member schemes. The Finance Scheme for preliminary tax, pension contributions, professional indemnity insurance costs, and practising certificate fees proved as attractive as ever. Over 140 loans were taken out, with an aggregate value of over €4m.

The other scheme was the Group Life Scheme, and this provided a benefit of €47,500k to the families of 12 solicitors over the past year.

The facilities function, which has responsibility for maintaining and protecting the historic building of Blackhall Place and the operation of the overall site, continued its work in implementing the conservation plan developed in 2014. A number of major building projects were finished in the last 12 months, including the 'Academic Street', the rendering of the library wall, improvements to drainage works, realignment of 'Oxmanstown Green', acoustics work in the Presidents' Hall, clearance of the Benburb Street site, significant upgrade to some public areas within Blackhall Place, and the provision of storage areas. We opened Blackhall Place to the public on Culture Night, Heritage Week, Open House, and for the Smithfield/Stoneybatter Festival. The premises and grounds were also made available to numerous local schools and charities throughout the year.

The IT section has also had a very busy 12 months, the primary driver of this being the continued implemen-

tation of 'System 360', which is a very significant investment in a member-management system approved by the AGM in 2015 with a budget of €3.5m. This Society-wide project will ensure that all the Society's systems adequately support its various roles into the future, will integrate the membership and education systems, and will include member-friendly interfaces to ensure efficient online interaction between members and the Society. Phase 1 successfully went live in June 2017, with both the PII renewal process 2017 and the practising certificate renewal process 2018 being managed on the system. There will be further developments in both of these areas for the upcoming renewals, with the facility for more efficient online renewals. Like every organisation, cyber-security exercised the minds and resources of the IT section throughout the year, with the development of a cyber-strategy, continued external review of the robustness of our IT security, and an educational/awareness programme rolled out to all staff with the objective of protecting our information assets.

The department was the main driver for the Society's involvement in the Calcutta Run 2018. There were 1,000 runners/walkers and almost 120 cyclists, and the money raised was close to the 20th anniversary target of €300k, giving each of the Peter McVerry Trust and the Hope Foundation €150k each and bringing the 20 year total to €4m.

In providing these various infrastructures to the other departments in the Society, the Finance and Administration Department played a key role in the achievements of the strategic objectives set out for 2014-2018.



€300k

was raised by members of the profession in the 2018 Calcutta Run



COMMITTEE REPORTS

The Law Society's committees are appointed by the Council. Their term of office runs from the November Council meeting each year until the November Council meeting the following year. The incoming president selects the chairman and members of each committee and places their names before the Council for approval. The Council regulations divide the committees into two categories: 'standing committees' and 'non-standing committees'. In addition, various subcommittees, task forces, and working groups are established to deal with different legislative and operational matters, as they arise.

STANDING COMMITTEES

The *Solicitors Acts* state that the Council exercises the statutory functions of the Society, which are set out in the acts. The Council may delegate the exercise of any of its functions to a committee established for that purpose. This allows the Council to appoint standing committees that exercise statutory functions on its behalf.

NON-STANDING COMMITTEES

The Council appoints non-standing committees where it believes that these can better assist the Society in carrying out its work. These committees do not perform statutory functions.



STANDING
COMMITTEES



COMPLAINTS AND CLIENT RELATIONS COMMITTEE

Paul Egan,
chairperson



COORDINATION COMMITTEE

Michael Quinlan,
chairperson

The Complaints and Client Relations Committee considers complaints about the adequacy of professional service, standards of professional conduct, and the level of fees. It operates in three separate divisions, each consisting of three solicitor members and four lay members. The committee met in plenary session or in divisions 23 times during the year and dealt with 167 new matters. The committee referred 23 matters to the disciplinary tribunal.

A total of 1,113 complaints were made during the year under review, 253 of which were deemed to be inadmissible. This represents a drop of 294 complaints over the preceding year and is a continuation of the ongoing reduction in complaint numbers (see www.lawsociety.ie/ccrc). Once again, the fall is attributable to the fall in complaints about solicitors' undertakings.

The proportion of solicitors against whom an admissible complaint has been made is at a 20-year low. It is estimated that the likelihood of a complaint against a solicitor is half of what it was ten years ago and two-fifths of what it was 20 years ago.

The investigation of complaints is subject to review by the Independent Adjudicator of the Law Society and by the Office of the Ombudsman. In the past 18 months, the committee has noted a significant increase in the number of reviews carried out by the latter.

A subdivision of the committee has been tasked with drafting rules of procedure relating to complaints made under sections 8 and 9 of the *Solicitors (Amendment) Act 1994* (complaints of inadequate services and excessive fees). A consultation process is underway.

It is expected that the Legal Services Regulatory Authority will take over the committee's role in complaints handling in mid-2019.

I would like to thank the committee members for the time, care, and attention that they devote to the committee's work.

The Coordination Committee operates as a link between the Society's committees and the Council, with an oversight role for the projects undertaken by each of the Society's committees. In this capacity, it reviews the benefits of committee projects in terms of resources and timelines and allocates finances within an overall budget determined by the Finance Committee. It considers requests to pursue specific proposals or seek expert advice during the course of the year, and ensures that the direction and priority of projects are appropriate to the Society's overall objectives.

At the commencement of each Council year, the Coordination Committee meets with the chairs of the Society's standing committees to consider ongoing issues and to plan for the year ahead. It also coordinates the annual training workshop for committee members, which this year focused on strategic leadership, successful project delivery, and thriving through connections with others.

A further function of the committee is the consideration of matters falling outside the remit of any of the other committees. During the past year, the committee addressed a number of issues, including:

- Correspondence with the HSE, HIQA and Nursing Homes Ireland expressing concerns about interference by patient advocates with the solicitor/client relationship,
- Correspondence with the Ministers for Health and Justice regarding aspects of the *Assisted Decision-Making (Capacity) Act*,
- Correspondence with the Nursing and Midwifery Board regarding the exclusion of solicitors from their tender for legal assessors,
- A matrix to monitor Society/committee actions in response to Brexit,
- Approval of 15 recommendations to improve the supports provided by the Society for sole practitioners, and
- The nomination of representatives to a number of external bodies.



FINANCE COMMITTEE

Eamon Harrington,
chairperson

Financially, 2017 mirrored 2016. General activities were budgeted at a surplus of 1% of income, and Law School activities were budgeted at break-even. Both performed better than this. The general activities performance, aided by a €50 increase in the practising certificate fee for 2017, enabled the ring-fencing of €700k to an LSRA Levy Fund, which will be used to lessen the impact of the first LSRA levy expected in 2019.

The after-tax surplus from operations was €529k (2016: €1.2m). This equates to 2% of operational income. The before-tax general activities surplus was €466k, which was better than budget by €263k. Education activities made a surplus of €240k against a budgeted surplus of €13k. Reserves, including amounts allocated to the Capital Expenditure, Litigation, and LSRA Levy Funds increased, before adjustments, by €1.7m (2016: €1.8m).

In the audited financial statements, there are a number of revaluations and exceptional items that must be included, albeit that they are outside normal operations. The primary one is the inclusion of income of €2m raised through the practising certificate fee to fund the remaining deferred cost of the sale of the SMDF. The second major adjustment provides an additional €2.5m based on a revaluation of the Benburb Street site from €7.5m to €10m.

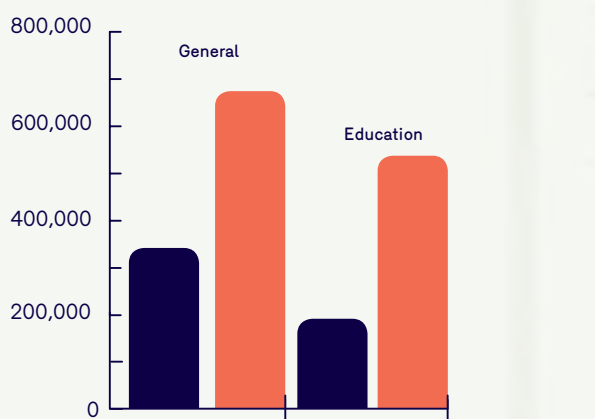
In accordance with current accounting standard FRS102, the financial performance of the staff pension scheme must also be shown in both the income statement

and the balance sheet. In 2015, there was a positive readjustment of €2.5m in the pension liability but, in 2016, there was a negative adjustment of €4.8m. In 2017, there was a positive adjustment of €1.5m. The Finance Committee is not concerned about this as, given good pension scheme investment returns in 2017, this movement is totally attributable to the movement in the bond rate used to calculate the FRS102 liability. Measured through actuarial valuations done by Mercer, our pension scheme is in good health. It is unfortunate that the accounting standard creates artificial surpluses and deficits.

Overall, these adjustments result in showing the Law Society, which had an operational surplus of €1.7m, as having an overall accounting surplus of €6.6m.

To further complicate matters, the operational surpluses for the Law Society are incorporated in 'group' accounts that include all Law Society subsidiaries. Overall, the Law Society's group made a surplus of €6.6m (2016: loss €6.3m) after tax and exceptional items). The group accounts give a full picture of the financial performance and financial position of all Law Society operations, but they can distort the view of the performance of the various elements of the operation, given that inter-entity trading must be eliminated. The 'Overall Results' table shows the management account results, which are the actual operating outcomes of the various elements of the Law Society's operations.

AFTER-TAX OPERATING SURPLUS 2017



| Surplus/deficit | After tax 2017 (€) | After tax 2016 (€) |
|-----------------|--------------------|--------------------|
| General | 336,288 | 679,942 |
| Education | 192,412 | 528,194 |

OVERALL RESULTS

| ENTITY | MANAGEMENT ACCOUNTS | GROUP STATEMENTS |
|------------------------------------|---------------------|------------------|
| General activities | 465,700 | -335,120 |
| Funds | 1,136,913 | 1,136,913 |
| Education activities | 240,372 | 118,698 |
| Operating surplus pre-tax | 1,842,985 | 920,491 |
| Group taxation | -173,790 | -177,372 |
| Operating surplus after tax | 1,669,195 | 743,119 |
| Sundry income | — | 10,412 |
| Unrealised investment gains | — | 335,124 |
| Law Club of Ireland | 9,412 | -380,048 |
| Benburb St Property Co Ltd | 2,450,916 | 2,450,916 |
| SMDF Levy Fund Income | 1,979,394 | 1,979,394 |
| FRS 102 pension charge '17 | -970,000 | — |
| FRS 102 pension charge pre-'17 | 1,489,000 | 1,489,000 |
| Surplus | 6,627,917 | 6,627,917 |

Income

Total income was €25.7m, which was €814k ahead of 2016 (€24.8m). Practising certificate, membership, and admission fees were €14.7m (2016: €13.7m), an increase of 7%. This increase was driven by a 4% increase in practising certificate numbers, a €50 increase in the practising certificate fee, and significant admission fees as a result of Brexit admissions to the Roll. Education income, at €9.6m, was down by 1%, and income from other sources, such as advertising, publications and the Four Courts, at €1.4m, was €180k below 2016.

In 2017, there were 10,470 (2015: 10,080) practising certificate holders, which was an increase of 390 (4%) on 2016. Of this increase, 146 were attributable to Brexit admissions. The additional 390 practising certificates accounted for €589k of the income increase, and the fee increase accounted for approximately €400k. Membership numbers, at 11,454 (2016: 11,025), increased by 429. Membership numbers include 238 solicitors who avail of free membership on the basis of being over 50 years admitted or being unemployed. There were 1,050 admissions to the Roll in 2017 (2016: 1,406). There were 576 Brexit admissions during the year. Practising certificate fee income totalling €1.1m (2016: €557k) was allocated to the Capital Expenditure Fund (€145k), the Litigation Fund (€292k) and the SMDF Levy Fund (€700k). The year-on-year difference is accounted for by the reallocation of the €700k from general activities to the LSRA Levy Fund.

Education activities income was €9.6m (2016: €9.7m). Of this, income from Professional Practice Courses, exams, etc, accounted for €6.5m, and professional training (LSPT) seminars, diploma courses, and grants accounted for €3.1m. There were 411 PPC1 students in September 2017 (2016: 405). FE1 sittings – at 2,238 (2016: 2,058), while continuing to grow at about 8% – are still very far off their high of 3,328 in 2007. Diploma course income, at €2m, was €157k ahead of 2016. LSPT, with its Skillnet and Finuas programmes, had overall income, including grants, of €1.2m (2016: €1.2m).

Expenditure

Overall expenditure was €25.2m, which was an increase of 8% on 2016 (€23.4m). On the general activities side, the increase of €1.5m was caused by an increased FRS102 pension adjustment of €383k, increased operational and depreciation costs associated with the new member engagement system (System 360), and a significant increase in legal fees in both the general regulatory area and Complaints and Client Relations.

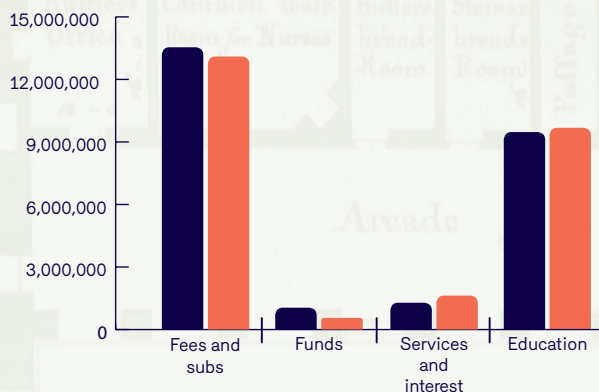
Education activities operational charges increased by 4% (€404k). Of this, €164k was also from an increased FRS102 pension adjustment, with the other notable increase being the Law School's allocation of System 360 costs.

'Other expenditure', noted in the accounts, are the costs associated with our subsidiaries and were €542k (2016: €631k).

Our balance sheet

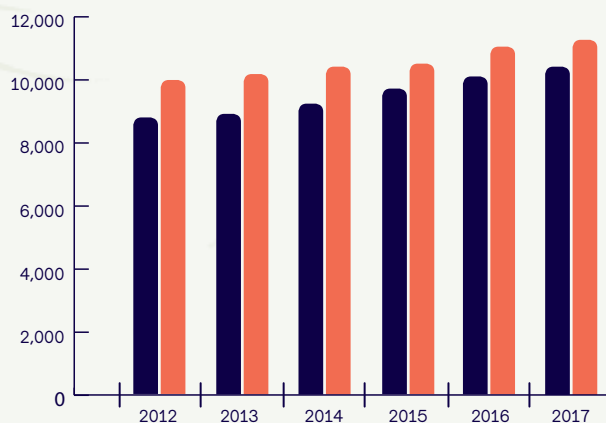
The position shown by our balance sheet is significantly distorted by the FRS102 accounting standard requirements. These required three significant adjustments. The first is a positive one and increased the valuation of the Benburb Street site from €7.5m to €10m. The second is the

INCOME SOURCES 2017



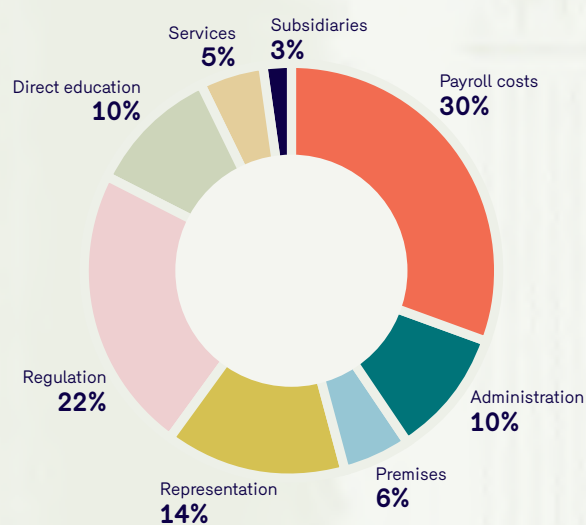
| | 2017 (€) | 2016 (€) |
|-----------------------|------------|------------|
| Fees and subs | 13,529,365 | 13,099,714 |
| Funds | 1,136,913 | 557,488 |
| Services and interest | 1,394,110 | 1,524,577 |
| Education | 9,597,355 | 9,662,394 |

PRACTISING CERTIFICATE HOLDERS AND MEMBERS 2012-2017

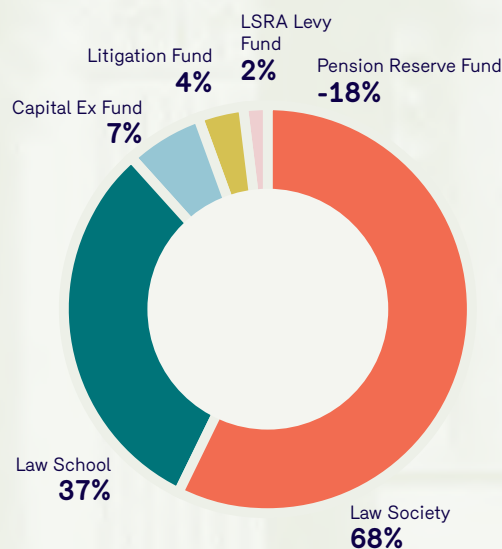


| | PC HOLDERS | MEMBERS |
|------|------------|---------|
| 2017 | 10,470 | 11,454 |
| 2016 | 10,080 | 11,025 |
| 2015 | 9,688 | 10,479 |
| 2014 | 9,224 | 10,397 |
| 2013 | 8,895 | 10,157 |
| 2012 | 8,768 | 9,962 |

GENERAL EXPENDITURE 2017



RESERVES 2017



inclusion of a provision for the deferred costs of €5m on the sale of the SMDF, which is offset by €2.8m in the SMDF Levy Fund. Our balance sheet reserves show a net increase of €2m, despite the fact that this income is earmarked to pay down the deferred cost of the SMDF sale over the next few years.

The third main adjustment is the decrease in the deficit on the staff pension scheme (closed to new entrants since 2009) from €6.2m to €5.7m. While this deficit represents 15% of the value of the liabilities, it is 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 adjustments, our net asset position now stands at €30.5m (2016: €23.9m). However, if you factor out the SMDF and pension adjustments, our reserves are actually €38.4m. Of our reserves, €25.6m are accounted for by fixed assets. The reserves also include two contingency funds for capital expenditure (€2.1m) and litigation (€1.3m). Both funds are designed to meet costs in these areas as they arise. Additionally, €700k has been allocated to an LSRA Levy Fund in anticipation of costs in this area in 2019.

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 the Blackhall Place premises and, after subsidies (net of management fees) of €110k, made an operational surplus of €9k (2016: surplus €19k). Benburb Street Property Company Limited, which owns and manages the Benburb Street site, made an operational loss of €48k (2016: loss €8k) before allowing for the revaluation of €2.5m on the site.

2018

Practising certificate numbers are expected to increase by 4%, approximately 400, which is the same as 2017. We expect Brexit admissions to be around 300 compared with

547 in 2017. The PPC1 student intake is very close to 450, up almost 10% on 2017.

It is likely, at best, that the LSRA will become operational in 2019. While it is almost impossible to estimate the extent of the charge that will come from the LSRA, the first levy being expected in early 2019, the Finance Committee has been prudently making provision for some of this cost and, at the end of 2018, there will be €1.4m in a fund to smooth the impact of the levy. The Society is working with the LSRA to ensure that costs are minimised in so far as is possible.

The SMDF levy will have raised just over €13m by the end of 2018, leaving a relatively small balance of approximately €500k to be raised in 2019. The run-off is proceeding according to plan and may even yield a small dividend to the Society in 2022.

System 360 (the new member management system) is proceeding apace, with Phase 1 well bedded down at this stage, and work commencing on Phase 2 (education).

A number of premises projects are also being undertaken in 2018, driven by the Society's business needs and by health and safety, conservation and disability access requirements. All of these will add significantly to members' and students' enjoyment of Blackhall Place.

As always, the committee continues to work to ensure that members get value for money for all operational and capital spending, while at the same time ensuring that the Society is sufficiently resourced to service members in an effective manner into the future, and that the Law Society remains an effective professional body.

Full audited financial statements for 2017 are included in this report.



EDUCATION COMMITTEE

Brendan Twomey,
chairperson

The committee received the report of Prof Paul Maharg, and the Council appointed the Future of Solicitor Education Review Group, whose report formed the Society's submission to the Legal Services Regulatory Authority under section 34 of the act.

The Council approved the report, and the committee will oversee the implementation of its 30 recommendations, among which will be new education regulations.

The committee will prepare for the Legal Services Regulatory Authority report on education and will continue work to improve the premises and facilities used for courses. We will monitor changes in our neighbouring jurisdictions of England and Wales, Scotland, and Northern Ireland.

A practice management standard is being prepared.

The committee will continue to implement the *Future of the Law Society Task Force Report*.

The Diploma Centre and Law Society Professional Training continue to operate successfully, providing postgraduate courses and collaborating with local bar associations in running CPD Cluster events. The Diploma Centre won 'Best Service Provider to the Legal Profession' at the Irish Law Awards 2018.

We introduced an LLM in Employment Law and Practice in collaboration with Northumbria University.

The Academic Street renewal project was successfully completed.

My thanks to the director of education, TP Kennedy, deputy director of education Dr Geoffrey Shannon, committee secretary Paula Sheedy, the CPD unit, and all the staff in the Education Department, Traineeship, Professional Training, and the Diploma Centre for their support.

Sincere thanks to all committee members and consultants and particularly to my vice-chair Keith Walsh for his support.



MONEY- LAUNDERING REPORTING COMMITTEE

Christopher Callan,
chairperson

The committee met on a regular basis throughout the year in order to fulfil the Society's obligations with regard to the mandatory statutory reporting requirements relating to the offences of money laundering, terrorist financing, and relevant offences by members of the profession and others.

The Society must report any suspicions that money laundering or an offence of financing terrorism has been committed by a practising solicitor (or any other person, who the Society, in the course of monitoring solicitors, suspects has been engaged in such activities) to the relevant authorities – that is, An Garda Síochána and the Revenue Commissioners – pursuant to the provisions of [section 63](#) of the *Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 and 2013*.

During the past year, the committee directed that five such reports be made to the relevant authorities.

The Society is also required, pursuant to the provisions of [section 19](#) of the *Criminal Justice Act 2011*, to report to the gardaí, as soon as practicable, information in its possession that it knows or believes might be of material assistance in preventing the commission of a relevant offence or securing the apprehension, prosecution or conviction of a person for a relevant offence. Relevant offences are listed in [schedule 1](#) of the act. During the past year, the committee directed that eight such reports be made.

I would like to thank my fellow committee members for their contributions at meetings during the year. I would also like to thank the committee secretary, Tina Beattie, and her colleagues in the Regulation Department for their assistance.



PROFESSIONAL INDEMNITY INSURANCE COMMITTEE

Richard Hammond,
chairperson

The function of the Professional Indemnity Insurance (PII) Committee is to deal with all matters pertaining to the regulation of solicitors' PII, including monitoring of the implementation of the PII regulations and associated documentation, maintenance of a stable PII market, provision of guidance to the profession, and attending to PII queries arising. The committee reviews drafts and publishes updated PII regulations and associated documentation on an annual basis.

The committee maintains a regular dialogue with insurers participating in the Irish market for solicitors' PII. The committee monitors the management and running of the Special Purpose Fund (the Assigned Risks Pool and the Run-off Fund) through the Special Purpose Fund Management Committee, which comprises representatives of the PII committee, the Special Purpose Fund manager, and the two participating insurers with the highest market share by premium.

The committee provides information and documentation to the public and the profession through the PII website at www.lawsociety.ie/PII, which contains current and historic information and documentation on PII matters, including news items, regulations, minimum terms and conditions, the common proposal form, participating insurers agreements, Special Purpose Fund documentation, lists of insurers and brokers, and guidance notes. Information on current insurance details of firms continues to be available through the Society's online firm insurance details search facility.

The committee has published guidance notes on the PII renewal, the common proposal form, risk management, and extensive guidance regarding coverage by CBL Insurance Europe DAC for solicitors' firms, which has found itself in difficulty in 2018. Practice notes have been issued on PII changes and the PII renewal.

The PII market remains stable, as evidenced by the fact that only one firm has availed of the Assigned Risks Pool as the insurer of last resort for the 2017/2018 indemnity period. The number of closed firms entering the Run-off Fund in the 2017/2018 indemnity has stayed low, at 24 firms. Only 18.6% of closed firms entered the 2017/2018 Run-off Fund, the lowest percentage since the commencement of the fund, which was due to 81.4% of closed firms having succeeding practices by way of takeover, merger, or new successor firms.

While much of the work of the committee relates to ongoing maintenance of the PII system, the committee has been particularly focused this year on improving the PII regulations, monitoring and responding to the difficulties encountered by CBL, the introduction of

minimum financial strength ratings for participating insurers, clarity on cover for cybercrime, amendments to run-off procedural rules, and the preparation of a submission to the Department of Business, Enterprise and Innovation consultation on mandatory requirement for patent and trademark agents to have professional indemnity insurance.

I would like to thank my fellow committee members and the committee secretary for their hard work, assistance, and valuable input.



REGULATION OF PRACTICE COMMITTEE

Martin Crotty,
chairperson

The Regulation of Practice Committee administers the Compensation Fund, which is maintained in order to compensate clients for losses due to dishonesty by solicitors or their employees. The committee also polices the profession's compliance with the *Solicitors Accounts Regulations*, anti-money-laundering regulations, the *Solicitors Advertising Regulations*, and regulatory requirements under the *Solicitors Acts 1954-2015* not assigned to other regulatory committees.

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 €1,911,479 for the year ended 31 December 2017, compared with a surplus of €1,891,568 for the year ended 31 December 2016. The increase of €19,911 in the surplus for 2017 compared with 2016 is attributable to an increase in 2017 of €682,638 in income, a decrease of €458,496 in expenditure (as compared with 2016), a decreased adjustment of €880,958 in the fair value movements arising on revaluation of investments, together with an increase in taxation amounting to €240,265.

Income streams

The increase of €682,638 in income in 2017 is attributed mainly to an increase of €418,886 in income and returns on investments, together with an increase of contributions receivable of €360,352.

Expenditure

The decrease of €458,496 in expenditure between the two years is attributable to a decrease in the provision for claims of €581,125.

Balance sheet

The net assets of the fund as at 31 December 2017 stood at €21,515,288, compared with €19,603,809 at 31 December 2016. The increase of €1,911,479 in the net asset position of the fund between the two years' end is reflected in an increase of €1,907,167 in revenue reserves, together with an increase of €4,312 in the revaluation reserve on the fund's investments.

The audited accounts can be [accessed here](#).

Developments since December 2017

In the six months to 30 June 2018, a total of 112 claims were received. Excluding invalid claims refused, these claims amounted to €1,839,712. Payments were made in the sum of €980,687 in respect of claims, and claims

amounting to €859,025 are still under consideration.

The net assets of the fund were valued at €22 million as at 30 June 2018. The annual contribution to the fund was €760 per solicitor for 2018. Insurance cover for €50 million in excess of €5 million is in place for the year ending 31 December 2018.

Committee activities during the year

The committee met 17 times during the year, for ten scheduled, three emergency, and four special meetings. The committee meets in four main divisions: a claims division, an advertising regulations division, an investment subcommittee, and plenary sessions.

Arising from these meetings, the committee decided to:

- Levy contributions amounting to €16,000 towards the cost of investigations,
- Refer eight solicitors to the Solicitors Disciplinary Tribunal,
- Apply to the High Court pursuant to the *Solicitors Acts* in seven cases (the High Court granted the reliefs applied for in all cases),
- Impose practising certificate conditions in 12 cases and remove conditions in six cases.

The team of investigating accountants conducted approximately 375 investigations throughout the year.

The Society continues to update and maintain the dedicated cybersecurity webpage at www.lawsociety.ie/cybersecurity. This contains cyber-alerts, articles, a list of useful websites, and easy-to-understand definitions of commonly used words and phrases in cyber-technology. The webpage invites members to report cybercrime on an anonymous online form, and information received is used to enhance the guidance provided. In the year under review, 26 cyber-alerts were published. Representatives of the Society have spoken on cybersecurity at CPD seminars. The Society is committed to continuing to raise awareness of cybersecurity with its members.

The year marks a full calendar year since the introduction of the *Solicitors (Money Laundering and Terrorist Financing) Regulations 2016*. As reported last year, these regulations were introduced to assist solicitors in understanding their existing AML obligations and how the Society monitors compliance with these obligations – 93% of firms investigated during the year were substantially compliant with the regulations. This represents an improving trend, which may be attributable to the profession becoming more familiar with the law in this area, particularly as a result of the

new regulations and the Society's investigation strategy.

The Society continues to robustly enforce the *Solicitors (Advertising) Regulations 2002*. As previously reported (Jan/Feb 2018 *Gazette*, p15), in November 2017 the Society secured High Court orders against a prominent 'claims harvesting' website, directing that the website be taken down, and that a list of all solicitors in receipt of referrals from the website be made available to the Society. Consequent on this case, 17 solicitor firms were investigated, with four solicitors being interviewed by the committee, and 14 firms providing undertakings. The Society identified five new 'claims harvesting' websites emerging from the CervicalCheck controversy. Resources are being allocated to the investigation of these websites by way of secret shoppers and forensic IT expertise. The profession is reminded that the regulations apply to online social media. All solicitor firm websites and social media accounts continue to be monitored. The vetting service for proposed advertisements was highlighted (March 2018 *Gazette*, p16).

A practice note (October 2017 *Gazette*, p58) made clear that the only context in which professional fees for completing a matter may be paid from the Compensation Fund is where a claimant paid fees to a first solicitor for work that was not completed due to that solicitor's dishonesty.

To improve its effectiveness, the committee approved protocols to (a) deal with highly exceptional situations where the committee considers it necessary to contact a solicitor's client in order to verify a transaction in the accounting records, (b) impose a charge on solicitors for late responses, and (c) manage attendance of investigating accountants at meetings.

Existing and newly established firms continue to avail of the Society's confidential Practice Advisory Service, provided through Outsource, and the committee recommends the service to assist in regulatory compliance and financial management.

I would like to thank the committee vice-chairs, the lay members, all other committee members, the committee secretary, and his team in Regulation for their highly valued participation in the work of the committee.





NON-STANDING
COMMITTEES



ALTERNATIVE DISPUTE RESOLUTION COMMITTEE

Anthony Hussey,
chairperson

The main work of the ADR Committee during the year ending 30 June 2018 has been, as follows.

2017

The Law Society hosted a seminar jointly with the Chartered Institute of Arbitrators on mediation. It was well attended.

We published a new set of rules for the use of members when appointing an independent expert to decide a dispute.

We appointed new members to the ICC National Committee and to the ICC Court of Arbitration Commission. We obtained commitments from these new members to attend meetings in Europe on a regular basis and to report back to the committee.

We reviewed and amended the guidelines for membership of the panel of arbitrators.

We submitted **articles** on the *Mediation Act* and on adjudication to the *Gazette* for publication.

We finally achieved agreement (in conjunction with the Conveyancing Committee) with the Construction Industry Federation on the wording of the changes to the building agreement dispute resolution clauses.

We liaised with the Law Society of England and Wales regarding the effect of Brexit, particularly on arbitrators' awards.

2018

We made short professional **videos** for the website in which members of the committee explain briefly to members of the public what is involved in mediation.

We are liaising with Arbitration Ireland to consider possible reform of the law in relation to third-party funding (it is unclear whether the law on champerty and maintenance applies to arbitration).

We **updated** the 2015 *Guide to Alternative Dispute Resolution* to take account of the *Mediation Act* and the implementation of the *Construction Contracts Act*.

The *Mediation Act 2017* was implemented in January 2018. We published appropriate template letters and declarations on the website to assist members in meeting their statutory obligations.

We arranged a seminar on the *Mediation Act* in October 2018.

We have published a three-tier **dispute resolution clause** for members to use in appropriate contracts.

We have actively participated in the European Working Group, which is preparing a guidance document for lawyers throughout the EU as to best practice in mediation.

I believe the above actions are consistent with the strategic objectives of the Law Society. Specifically with reference to education, the members of the committee take an active part in lecturing at the Law School and in assisting in the presentation of diploma courses. The committee is concerned that ADR, and particularly mediation, may not be given sufficient priority in the professional practice courses. This is a matter we are exploring.



BUSINESS LAW COMMITTEE

Joy Compton,
chairperson

The committee continues to be responsible for representing, informing, and assisting the profession on a broad range of business-law related topics and monitoring developments in business law and practice.

The committee has carried on its role of acting as a clearing house for issues/anomalies arising under the *Companies Act 2014* and has made submissions to the Department of Business, Enterprise and Innovation proposing further amendments to the act.

We are currently preparing guidance for the profession on the execution of commercial agreements via electronic means.

As part of its workload, the committee also finalised a precedent long-form constitution for a private company limited by shares. The precedent long-form constitution has been drafted so that no reliance is placed on the *Companies Act's* optional provisions, all of the company's supplemental regulations instead being set out in this constitution. In addition to the general disapplication of the act's optional provisions by regulation 5 of the precedent constitution, throughout the constitution there are signposts for the user to the disapplication of specified sections, subsections, or paragraphs that are optional provisions.

The committee continued throughout the year to monitor developments in relation to the *European Union (Anti-Money-Laundering: Beneficial Ownership of Corporate Entities) Regulations 2016*.

We also represent the profession on the Company Law Review Group, CRO Link and the CCBE Private Law and Company Law Committees.

I would like to thank our committee's vice-chair, Neil Keenan, and especially our secretary Joanne Cox, for their continued commitment to the work of the committee.



CRIMINAL LAW COMMITTEE

Robert Purcell,
chairperson

During another busy year for the committee, our significant projects and achievements have included:

- Advocating for legal aid rate restoration,
- Continuing our programme of quarterly liaison meetings with criminal justice system stakeholders to represent the experiences of solicitors when they attend garda stations or prisons,
- Continued representation of the interests of criminal law practitioners with various State bodies and further developing communications and relations with other stakeholders to consider solicitor and client interests,
- Continued contribution to law reform in the criminal justice sphere,
- Continued assistance to criminal law practitioners with practice guidance queries,
- Hosting a criminal law CPD programme in September 2017,
- The design and delivery, in conjunction with the Law School, of joint training for gardaí and solicitors for garda station interviews (this was a recommendation of the 22 June 2018 Judge Smyth roundtable – see below),
- Initiatives to normalise and embed the use of the 'Find a garda station solicitor' web search in garda stations,
- Developing a poster and how-to-use leaflet for garda stations to promote the use of the 'Find a garda station solicitor' web directory,
- Contributing the voice of solicitors to law reform consultations by making submissions throughout the year on topics such as policing reform and suspended sentences, as well as proposals to the Law Reform Commission's Fifth Programme of Law Reform.
- Providing solicitor feedback to the draft DMD practice direction for criminal proceedings,
- Hosting a criminal law update conference on 28 September 2017, covering topics such as the policing authority, vulnerable clients, and changes to parole, and
- Responding to criminal law practice queries from solicitors.

At the request of Judge Smyth, chair of the Department of Justice and Equality's Advisory Committee on the Garda Interviewing of Suspects, the Criminal Law Committee, in conjunction with An Garda Síochána, held a roundtable seminar on 22 June 2018 in Garda Headquarters. This was a key opportunity to contribute the perspectives of solicitors about their role in garda station interviews and identify friction points that arise in practice, as well as potential solutions. A broad range of topics was discussed, including facilities, selection of solicitors/choice of solicitor, disclosure, note-taking and delays.



CONVEYANCING COMMITTEE

Patrick Sweetman,
chairperson

The past year has been yet another busy one for the Conveyancing Committee, in guiding and helping solicitors in matters of conveyancing practice and procedure. The committee deals with practice queries from solicitors, issues practice notes to the profession, and represents solicitors' interests in its engagement with external bodies representing various stakeholders in the conveyancing process, including representative organisations, Government departments, and other State bodies.

The committee's telephone helpline dealt with 1,157 queries over the past year, and the committee considered 73 new queries at its monthly meetings, along with a rolling agenda of between 35 and 40 ongoing topics.

The main issues for practitioners during the year included:

- Problems with lending institutions, such as online and emailed loan packs, qualified redemption figures, qualified letters of release of undertaking, and delays in issuing vacates,
- Problems to do with property-related taxes – NPPR, household charge, LPT, and stamp duty, including difficulties surrounding Budget 2018 transition measures,
- Registration of easements,
- AML requirements of foreign entities,
- Problems with receiver contracts and electronic discharges in receiver sales,
- Building regulations, including 'opt-out' issues,
- Not acting for both vendor and purchaser, and the Help-to-buy scheme.

This year, the committee finalised and published new certificates of compliance with planning and building regulations, revised completion notices for vendors and purchasers, and a memorandum for clients on surveys (all of these are available at www.lawsociety.ie/precedents).

The committee published 29 practice notes and articles in the *Gazette* and *eZine* (all available at www.lawsociety.ie/practicenotes) on matters as diverse as registration of rights of way, issues with lenders under the certificate of title system, NPPR, water charges, omnibus letters, online auctions and deposits, LPT, and clauses in receiver contracts.

The committee's ongoing projects and activities for the coming year include:

- The heralded move to pre-contract investigation of title, scheduled for introduction on 1 January 2019, including a new 2019 edition of the Society's *Conditions of Sale*,
- A rolling review of requisitions on title and other relevant conveyancing precedents in preparation for the issue of new editions, as required to accompany the

- launch of pre-contract title investigation in January 2019,
- A comprehensive review of the practice position with regard to registration of easements,
- A major review of searches, to include insolvency searches, and
- A contribution to the annual Property Law Conference.

Work in progress by committee task forces for roll-out over the course of the coming year includes:

- Reviewing and updating pre-lease enquiries, rent-review clauses, and service charge clauses in commercial leases,
- Interacting with the Property Registration Authority on a wide range of practice matters concerning registered and unregistered title, and new issues,
- Agreeing procedures with Irish Water on 'in charge' letters, and
- Continuing to deal with the lenders on the certificate of title system.

The committee met, and has ongoing liaison with, several external bodies in relation to matters of conveyancing practice, including:

- The Property Registration Authority on Land Registry Form 3, data protection, and other registration matters,
- The Banking and Payments Federation Ireland in relation to issues arising from the residential certificate of title system,
- The Department of Justice on the protection of purchasers' deposits,
- Continued liaison with Revenue and the Taxes Administration Liaison Committee on electronic stamping and LPT, in conjunction with the Taxation and Technology Committees,
- A private equity firm on AML requirements,
- Revenue on the Help-to-Buy Scheme,
- HomeBond in relation to limitations on its deposit protection cover on new builds and other matters,
- The Department of Housing, Planning and Local Government on NPPR and water charges,
- The RIAI on certificates of compliance with building regulations in opt-out cases, and
- Irish Water on 'taking in charge' letters and other matters.

My thanks are due to all committee members and consultants, vice-chair Orla Coyne, and our indispensable secretary Catherine O'Flaherty for their time, hard work and support throughout the year.



CURRICULUM DEVELOPMENT UNIT

Carol Plunkett,
chairperson



EMPLOYMENT AND EQUALITY LAW COMMITTEE

Loughlin Deegan,
chairperson

The objective of the Society's Law School is to enable solicitors to provide excellent legal services to the public. The Curriculum Development Unit (CDU) contributes to that objective. We consult with the teams running the professional practice, continuing legal education, diploma and certificate courses. We review the curricula and materials furnished to students of the Law School to ensure that the courses offered at every level are cutting-edge. The CDU suggests improvements for existing courses and topics for new courses, for discussion and, if considered appropriate, adoption by the Law School through the Education Committee.

This year, we reviewed the PPC1 and the diploma courses, and we looked at continuing developments in the use of social media platforms and provision of education by digital communication in relation to Law School students and the profession generally. We continued to monitor the proposed sea change in the training of solicitors in England and Wales where, from 2020, there will be two centralised Solicitor Qualifying Examinations akin to the FE1 and PPC, but without a course provision, along with an intervening two-year period in a firm and a final ethics and suitability test. We also reviewed the report of the Future of Solicitor Education Review Group and the substantial changes proposed by that group, which have been approved by the Council and submitted to the LSRA.

In October, the CDU plans to visit Maastricht University to review the courses provided by the law school there to trainee lawyers and compare them with ours, so that we can be of assistance to the Society's Law School in the implementation of its plans in future.

Thanks to each CDU member, from a multiplicity of areas of practice throughout the island of Ireland, for contributing their views on the issues we consider, to Dr Geoffrey Shannon (deputy director of education) for his unfailing support as our secretary, and to all the dedicated and enthusiastic managers and tutors of the professional practice, CPD and diploma courses.

This past year has been a busy and engaging one for the Employment and Equality Law Committee. The committee has actively engaged with the relatively recently established Workplace Relations Commission (WRC) to ensure that the concerns of practitioners about the procedures of the WRC are addressed. Committee representatives, together with other stakeholder organisations, met with the WRC's executive officers to explain these concerns. These engagements have assisted the WRC in devising a number of amendments its procedures, and the committee has communicated these amendments to the profession through *eZine* articles. We continue to have concerns about some aspects of WRC procedures, and we will continue to make representations to the WRC to address these concerns.

The year has also seen a number of significant legislative developments, with committee members actively monitoring the progress of the draft legislation with a view to making submissions to Government if appropriate. Subcommittees have been established to review the *Employment (Miscellaneous Provisions) Bill 2017* and the *Irish Human Rights and Equality Commission (Gender Pay Gap Information) Bill 2017*. In July 2018, a subcommittee of members prepared a response to the Irish Human Rights and Equality Commission's call for consultation on its draft *Code on Equal Pay*. The committee has coordinated its activities with other Law Society committees (notably the Human Rights Committee) to help maximise the effectiveness of the Society's policy work.

Members completed a full review of the employment and equality law precedents available to the profession on the Society's website, updating template contracts and agreements, workplace policies, and guidelines so as to ensure that they fully comply with current legislation and case law.

The committee continues to provide updates to the profession on relevant legislative, case law, and practice and procedure developments via regular *eZine* and *Gazette* articles and CPD courses.

Many thanks to the committee members, vice-chair Catherine O'Flynn, and acting secretary Rory O'Boyle.



FAMILY AND CHILD LAW COMMITTEE

Keith Walsh,
chairperson

As chair of the Family and Child Law Committee, it is my good fortune to be blessed with an exceptional membership. In addition to every member of the committee, I would like to pay particular thanks to Helen Coughlan (vice-chair), secretary Jane Moffatt, and Dr Geoffrey Shannon, all of whom have made and continue to make extraordinary contributions to the committee.

Over the past two years, the committee has engaged in a number of significant projects, including:

- Being instrumental in changes to order 59 of the *Circuit Court Rules* following very serious difficulties with practice in the Dublin Circuit – resulting in the elimination of many of the delays in Dublin and a new system of case progression, as well as a streamlining of ruling consent terms,
- Publishing the new *Code of Practice for Family Law in Ireland* in September 2017,
- Agreeing a new protocol on section 47 reports with the judiciary and Courts Service,
- Lobbying in relation to the Hammond Lane Court facility to ensure planning permission was reinstated, further meetings with the judiciary and Courts Service to ensure that Hammond Lane was fit for purpose and suited the needs of users (resulting in improvements to the bar room and an increase in the number of planned consultation rooms),
- Creating an ad hoc working group with the Family Lawyers Association, DSBA, and the Bar of Ireland to adopt a common approach to family law issues, such as Hammond Lane, day-to-day practical issues in the Circuit Family Court (such as listing problems), issues with case progression, and ongoing issues in the High Court list,
- Working with the Courts Service in relation to the facilities at Chancery Street,
- Making submissions in relation to the *Mediation Bill*, *Domestic Violence Bill*, and the *Child Care Act*,
- Appearing before the joint Oireachtas committee to set out the Law Society's position on necessary reforms to the guardian *ad litem* system and continuing to engage with the Department of Children and Youth Affairs in this regard,
- Making submissions to the Department of Justice and Equality in relation to proposed regulations regarding section 32 assessors, which sought to cap their fees and would result in the flight of assessors from the Circuit Family Court,
- Participating in the annual Child and Family Law Conferences in November 2016 and 2017,
- Lobbying the minister and Department of Justice

about the modernisation of the physical and legal architecture of the family law justice system,

- Drafting a new cohabitants and separation agreement, to be published in late 2018,
- Carrying out significant work, in particular by Joan O'Mahony, in relation to the new *Domestic Violence Act* and liaising with the Legal Aid Board and various stakeholders.
- Considering the implications of the GDPR for family law and lobbying for a derogation for family law, and
- Continuing to make ongoing submissions to the Legal Aid Board about deficiencies in the private practitioners' scheme of legal aid in the District Court, including proposed increase in fees and the restructuring of terms and conditions of the scheme.

The committee also has a significant number of ongoing projects in hand, which include a revision of the 2013 submission 'Family law – the future'; making submissions on the new family law heads of bill in relation to restructuring of the family law courts, which is likely to be published in the next three months; and reporting on the reform of divorce, a special project led by Dr Geoffrey Shannon and Dr Carol Coulter.

On behalf of the committee, I would like to thank recent presidents Stuart Gilhooly and Michael Quinlan, as well as Ken Murphy, Mary Keane, Cormac Ó Cúláin, Mark McDermott, Attracta O'Regan, Michelle Nolan, Rachael Hession and many others in Blackhall Place for progressing all issues raised by the Family and Child Law Committee and for their support. It is appreciated.



EU AND INTERNATIONAL AFFAIRS COMMITTEE

Martin Cooney,
chairperson



GAZETTE EDITORIAL BOARD

Michael Kealey,
chairperson

The purpose of the EU and International Affairs Committee is to monitor and report on developments in the EU and internationally.

The committee maintains representation on the **Council of Bars and Law Societies in Europe (CCBE)**, **International Bar Association**, **American Bar Association**, **UINL (Union Internationale du Notariat Latin)** and the **German-Irish Lawyers and Business Association (GILBA)**. These relationships allow the Law Society to represent the solicitors' profession at an international level and to influence policy debate on legal services and regulation matters.

There was continued focus on Brexit this year. The committee hosted a roundtable event in April 2018 with representatives of bars and law societies from other European countries in attendance, with Brexit as one of the key topics. Committee members have been to the fore in raising Brexit issues with the CCBE.

We hosted a number of foreign delegations, including representatives from the Chinese Law Society in November 2017, and a Ukrainian delegation of Supreme Court judges and representatives of the National School of Judges in April 2018.

The committee has continued to provide updates and education on EU and international matters for the membership of the Law Society. Committee members submitted articles for publication in the *Gazette* on a range of issues, including on recent case law from the CJEU. On 2 November 2017, we arranged a talk focusing on the legal response to cyber-attacks. The committee facilitated a Council of Europe Human Rights Education for Legal Professionals (**HELP**) course on business and human rights in February 2018. The course was run by committee secretary Eva Massa.

The committee facilitated and sponsored the placement of an Irish student in Paris for the *Stage International* in late 2017. This placement offers a great opportunity to a solicitor to spend time working and learning in Paris.

I wish to thank all of the committee members for their ongoing commitment and hard work, and committee secretary Eva Massa, who is the lynchpin for the success of our programmes and events.

In a fast-moving media environment, this year marked a major turning point for the *Law Society Gazette* with the launch of *Gazette.ie* – the daily legal news service aimed at legal practitioners and the general public.

Gazette.ie is proving popular with commuters, thanks to daily news updates and its breaking news service. Analysis articles are reserved for more leisurely occasions. The site features unique video news clips, with 'one-on-one' interviews with conference keynote speakers, legislators, legal experts and practitioners – setting the *Gazette* apart in the legal news arena.

These developments are ensuring that the *Law Society Gazette*, in all its guises and through its social media channels, remains the preferred legal news channel for members of the profession.

The *Gazette* magazine was one of the big winners at the Irish Magazine Awards in November 2017, securing the 'Designer of the Year' and 'Cover of the Year' titles in the business magazines category. In an effort to preserve pole position, certain sections of the magazine were reorganised and redesigned to make content yet more accessible and relevant to readers.

The magazine continues to grow its readership figures due to an increase in the number of practitioners on the Roll – and the influx of British solicitors applying for membership in Ireland.

A total of 33,296 visitors clicked on the *Gazette* website in 2017 (of which 17,621 consisted of unique views). All the indicators are that this record will be broken in 2018, chiefly due to the introduction of the *Gazette.ie* daily news service.

I am extremely grateful to my editorial board colleagues for their commitment and valuable contributions throughout the year – and for their unstinting support for these exciting initiatives. The *Gazette* team deserves full credit for its constant drive to achieve publishing excellence and its untiring desire to innovate.



GUIDANCE AND ETHICS COMMITTEE

Valerie Peart,
chairperson



HUMAN RIGHTS COMMITTEE

Shane McCarty,
chairperson

It has been my great pleasure to act as chairperson to the Guidance and Ethics Committee this past year.

At the start of the year, we were tasked with carrying out a review of several guidance documents that are available to practitioners via the Law Society website relating to:

- Solicitors setting up in practice,
- Partnerships,
- Solicitors ceasing practice,
- Locums,
- Retention or destruction of files (practice note), and
- Transferring files between solicitors (practice note).

We also considered the impact of GDPR during this review.

I am delighted to confirm that the review is almost complete, and the full suite of revised guidance documents will shortly be available for all practitioners.

A review and update of the *Guide to Good Professional Conduct for Solicitors* will be undertaken in 2019.

Our 'Ten Steps Project' continued during the year, with regular articles appearing in the *Gazette* on a wide range of topics.

The committee continues to support the excellent work of the Panel to Assist Solicitors. We had a very successful seminar for volunteer panel members in November 2017. Another such event is planned for November 2018.

This year saw the continuance of the ever-popular bar association visits, where committee members can meet colleagues to give information and updates from the work of the committee.

We continue to monitor the progress of the Legal Services Regulation Authority. As chairperson, I sit on the LSRA Task Force and have provided updates regarding the LSRA as and when required.

We are preparing guidance for solicitors on having transition-year students in their offices. We are currently carrying out a review of the issues that arise.

We have had a busy agenda, and all committee members have shown the utmost commitment and enthusiasm for the various matters undertaken.

Finally, I would like to thank our committee secretary, Linda Kirwan, and also Pamela Connolly, who have given endless hours of assistance to the committee.

The Human Rights Committee this year continued with its programme of activities, promoting the law and practice of human rights, both among the profession and members of the public.

Through this committee, via committee member Alma Clissmann, the Law Society maintains representation at the Access to Justice Committee and the Human Rights Committee of the Council of Bars and Law Societies of Europe (CCBE).

On 12 October 2017, the 15th annual Human Rights Conference addressed the topic 'Inside out: the human rights implications of imprisonment'.

The committee prepared a number of submissions, including **one** on Ireland's Combined Fifth, Sixth and Seventh Periodic Report to the UN Committee on the Elimination of Racial Discrimination, and a comprehensive and detailed **second submission** on the Parole Bill 2016. The committee also contributed to the Law Society's response to the Law Reform Commission's request for proposals for its Fifth Programme of Law Reform, as well as its recommendations for policing reform.

In May 2018, the committee held the 15th Annual Human Rights Lecture with Prof Fiona de Londras, entitled 'The impact of Brexit on human rights,' with Minister Katherine Zappone as a distinguished guest.

We also participated in a roundtable discussion with rapporteurs from the European Commission against Racism and Intolerance.

We continue to contribute to education, offering advice and guidance on relevant course content, and as regular contributors to PPC and diploma courses.

Currently, the committee is busy preparing and planning for the 16th annual Human Rights Conference, which takes place in October 2018 at Blackhall Place.

The committee contributes regularly to the *Gazette* and the Law Society website. *Gazette* articles included:

- 'Lots done – more to do' (November 2017, p30),
- 'Inside out: the human rights implications of imprisonment' (December 2017, p30),
- 'Brexit, human rights and the Good Friday Agreement' (Jan/Feb 2018, p34),
- 'Top dogs' (April 2018, p36), and
- 'The impact of Brexit on human rights' (June 2018, p34).

My thanks go to vice-chair Hilkka Becker and all committee members for giving so generously of their time, interest and expertise. In particular, my sincere thanks go to Michelle Lynch for her hard work and assistance as secretary to the committee.



IN-HOUSE AND PUBLIC SECTOR COMMITTEE

Mark Cockerill,
chairperson



INTELLECTUAL PROPERTY AND DATA PROTECTION LAW COMMITTEE

Ann Henry,
chairperson

On 9 November 2017, the committee held its annual conference, entitled 'Beyond the law – adding value as an in-house solicitor' (see December 2017 Gazette, p26).

The committee continued to liaise with the Gazette to ensure content relevant to in-house solicitors was included. For instance, an article in the November 2017 (p14) issue discussed 'Why in-house solicitors need a practising certificate'.

On 17 January 2018, Student Development Services held a careers seminar. A number of committee members gave presentations.

On 24 May 2018, the committee held a panel discussion, 'The in-house solicitor – dealing with change and upheaval' (see July 2017 Gazette, p28). It will be held again, in Limerick, on 26 September.

The committee supported the Diploma Team with the design of the Certificate in Strategic Development for In-house Practice and the Diploma in In-house Practice.

The monthly in-house update continued to be published on the Society's website and in the members' eZine.

The committee produced the fifth edition of *A Guide for In-house Solicitors Employed in the Corporate and Public Sectors*. It provides prospective and existing in-house solicitors with key information, coupled with the Society's *Regulatory Guide for In-house Solicitors Employed in the Corporate and Public Sectors*. The committee continued to provide guidance on a variety of ad hoc queries.

Our 2018 annual conference will take place on 8 November and continues with the committee's theme for the year of dealing with change and upheaval.

I continued to represent the Society at general assemblies of the European Company Lawyers' Association.

Patrick Ambrose, committee member, was appointed as the Society's representative on the Council of Bars and Law Societies of Europe Working Group on the *European Convention on the Profession of Lawyer* (see July 2018 Gazette, p46).

I would like to thank all committee members for their contribution this year, with special thanks to vice-chair Anna-Marie Curry and secretary Louise Campbell.

The committee held a number of meetings throughout the year with a range of public stakeholders. In addition, we also met the American Chamber of Commerce to discuss the concerns of industry and the US Chamber's Global Innovation Policy Centre members to learn more about the International IP Index 2018 – and Ireland's excellent ranking in terms of its regulation and legal protection of intellectual property (IP) rights when benchmarked internationally.

As 2018 marked the introduction of the GDPR into law, the committee members took part in numerous preparatory talks and presentations at various meetings of local bar associations throughout the country.

In February 2018, the GDPR Working Group was established for a year's duration to assist practitioners in their preparation for the regulation. The group released a set of documents and precedents, consisting of a general introductory note, 'GDPR 12 Steps', a data map, record of activities, and privacy notices. These were followed by subject access request guidance and data processing service agreements. The GDPR Working Group also agreed a data protocol with the Bar Council.

Two of the highlights during the year were the e-learning complementary course created by the committee entitled 'GDPR – an introduction: a practical guide for legal practitioners'. To date, 1,311 people have accessed this resource, and two external professional bodies have sought access.

Second, we marked International Data Protection Day by hosting a seminar entitled 'Litigation in the data age'. Speakers included Chief Justice Frank Clarke, Helen Dixon (data protection commissioner), and Cian Ferriter SC.

We also flagged issues of concern to the profession within the Law Society, including raising with the Council the fact that the practice note on cybersecurity (dated 2015) indicates that only limited insurance cover (loss of client moneys from cybercrime) is available to solicitors under normal terms of professional indemnity insurance (PII) and that top-up cover is required for solicitor's own practices. We queried why more comprehensive insurance was not in place for solicitors as part of the normal terms of PII without resort to top-up cover.

As well as all of this, we assisted colleagues throughout the year with a range of queries in both IP law and data protection law.



LITIGATION COMMITTEE

Fiona Duffy,
chairperson

The last year has been a very exciting and busy year for the Litigation Committee, with great contributions from all members. Below is a brief synopsis of matters we dealt with over the last 12 months.

Order 99, Rules of the Superior Courts

In preparation for the new costs adjudication regime under the LSRA, a subcommittee was formed to provide input. The subcommittee consulted with the Law Society's legal costs working group and made a detailed submission to the Superior Court Rules Committee.

District Court scale costs

A review of District Court scale costs was instigated by the Courts Service. A subcommittee was formed. Work on a submission is ongoing.

Periodic payments

Observations were made to the Superior Courts Rules Committee on draft rules on periodic payments arising out of new provisions contained in the *Civil Liability (Amendment) Act 2017*.

Multi-party actions

In response to an invitation from the joint Oireachtas committee, the committee provided observations on a private member's *Multi-Party Actions Bill*.

Brexit

Last year, I reported that the Litigation Committee recognised that Brexit might present some opportunities for Ireland in the areas of litigation, arbitration, and mediation services. During the year, a subcommittee met on many occasions to consider the issues we might be faced with. A detailed submission on opportunities to increase the market for international legal services was made to the minister.

Mediation

The *Mediation Act 2017* was commenced on 1 January 2018. A template for a mediation letter in litigation matters and a draft section 14 declaration were prepared for the benefit of members of the Society.

GDPR

Issues with GDPR compliance have been on the committee's radar, and it is working with the Law Society's task force in the development of various protocols and template agreements for use in the context of litigation.

Repossession and the 'Abhaile' scheme

A comprehensive and informative précis has been prepared by two members of the committee. It is proposed that a full report will be compiled setting out issues and difficulties identified with the scheme and practice in this area.

Administration of civil justice

The civil justice system that has been in operation for in excess of 100 years is being reviewed by a committee headed by the President of the High Court. Our committee made a detailed submission to Mr Justice Peter Kelly's review group. Our submission identifies key reforms that, if implemented, could help to reform and improve the system both for practitioners and users.

Meetings with other bodies

A meeting took place in the Law Society with representatives from the Irish Medical Organisation. We were able to identify matters that have been a cause of concern between the respective groups.

The committee continues to engage with the PIAB Users' Group on an ongoing basis.

Court rules

Members of the various rules committees kept our committee up to date on rule changes. In tandem with this, the committee kept the profession informed on developments in this area through the *eZine* and the *Gazette*.

Annual seminar

Our annual seminar took place on 4 October 2018.

VHI undertaking

As in previous years, this topic has remained on our agenda. I am happy to report that a new wording has been agreed by the committee, which is in discussion with the VHI. I am hopeful that an acceptable solution will be reached.

As I finish my two years as chair, I would like to say a sincere thank you to all the committee members – some of whom travelled long distances to get to the meetings – for all their hard work and good humour. To our vice-chair, Liam Kennedy, a genuine thank you for the help and support over the last two years. I would also like to thank Cormac Ó Culáin, who worked with and guided us in the preparation of some of the submissions made by the committee. Finally, a very special thanks to our super-efficient secretary, Colette Reid, for her patience, dedication and hard work, without which the committee would not have been able to function as well as it did.



PROBATE, ADMINISTRATION AND TRUSTS COMMITTEE

Georgina Drum,
chairperson

The committee continued to protect the right of clients in nursing homes to have free access to their solicitor without third-party interference. In addition to other activities, this primarily took the form of ensuring that draft Law Society submissions did not in any way undermine this essential human right. This matter is ongoing.

The committee engaged with the Department of Justice and Equality in relation to the proposed *Civil Law (Costs in Probate Matters) Bill 2017* and suggested amendments to it in line with recent court rulings.

The committee also engaged with the Probate Office on a number of matters, but particularly in relation to the delays reported by members. Happily, these have finally been reduced, due in part to increased staffing in the Probate Office, new systems being introduced, and greater flexibility. The committee continues to monitor the situation and awaits the recommendations of the Probate Services Review Group report being implemented.

The committee continued its work in relation to the *Fourth AML Directive* and the potential unintended consequences of its transposition into Irish law in relation to simple will trusts for minor or incapacitated beneficiaries.

The committee continued to engage with the relevant departments in relation to the *Assisted Decision-Making (Capacity) Act 2015*, which has been signed into law but not yet enacted, and primarily in relation to a proposed part 13 to the act.

Committee members actively engaged with the Revenue Commissioners directly in relation to the changes to dwellinghouse exemption and at the TALC Direct/Capital Taxes Subcommittee in relation to trusts for individuals incapable of managing their affairs. The committee also contributed to the Law Society's *budget submission*. The committee raised issues in relation to the availability of relevant practice notes on the amended Revenue website.

The committee engaged with both the Regulation and the Representation and Member Services Departments in the production of new one-page *client-care leaflets* *Making a Will*, *Administering an Estate*, and *Capital Acquisitions Tax*, which were published this year. We are continuing to liaise with both departments in relation to drafting a similar leaflet for enduring powers of attorney.

In addition, the committee continues to:

- Engage with the CAT ROS Users Group, the Probate Office Users Group, and the Probate Office to deal with areas of mutual concern, some of which are outlined above,

- Engage with Computershare, Irish State Savings, and the Irish League of Credit Unions to outline best practice when dealing with the assets of deceased clients,
- Engage with the bar associations both on best practice for dealing with requests for information regarding wills and with the proposed Court Service review of District Probate Registries,
- Provide assistance to colleagues who contact the committee in relation to particular areas of the law and of practice as it relates to probate and trusts and the taxation of these.

Articles published by the committee and its members include:

- **October 2017:** *eZine* article on the updated Revenue website,
- **November 2017:** *eZine* article on CGT on sales by legal personal representatives,
- **May 2018:** *eZine* article on updates on CAT and the Probate Services Review Group report.

In conjunction with our colleagues on the Taxation Committee, the committee held the second Probate and Taxation Annual Conference on 26 October 2017, which was well attended and positively received.

In addition, committee members continue to speak at a number of Law Society and other seminars throughout the country, too numerous to mention, including CPD 'cluster' events and the Probate and Taxation Masterclass.

Challenges to be taken on in 2018/2019 include exploring the possibility of solicitors availing of the dormant accounts legislation for relatively small sums languishing in client accounts; continuing to lobby for an increase in Probate Office staff, continuation of the District Probate Registries, and greater technical support; and a review of the CAT ROS system in order to remove ongoing technical difficulties and to ensure solicitors have access to the relevant information they need to provide to their clients.

My thanks to committee secretary Padraic Courtney and all the committee members for their hard work over the year.



PUBLIC RELATIONS COMMITTEE

Michael Kealey,
chairperson



TAXATION COMMITTEE

Gavin McGuire,
chairperson

The committee continues to host the annual **Justice Media Awards**, while the annual Communications Day took place on 26 September 2018. The latter event provides media skills training to members to enable and encourage solicitors to build relationships with their local media outlets, promoting the solicitors' profession and driving business to their firms.

The Justice Media Awards are Ireland's longest continuously running media awards. In June, around 120 of the nation's leading journalists gathered for a ceremony in Blackhall Place, with 36 awards and merits handed out. There was a record-breaking number of 236 entries.

As President Michael Quinlan said: "The Justice Media Awards are the pride of the Law Society. We believe it is more important than ever to recognise and reward excellence in legal journalism."

The overall award went to *RTÉ Investigates* for a programme titled 'Law and disorder' by Paul Murphy and Doireann O'Hara. It examined the workings and shortcomings of the District Court system.

We continue to work closely with the Representation and Member Services Department, and with its director Teri Kelly, an important committee member. As previously set out, this means that the PR Committee has taken on a more strategic, rather than functional, role. This includes providing key practitioner feedback on the Society's major public relations projects, such as the new radio and digital advertising campaign planned to launch later this year.

The Taxation Committee has had another busy year representing the Society and its members in interaction with the Revenue Commissioners and other tax advisors through continued active participation in the Tax Administration Liaison Committee (TALC) and its relevant subcommittees dealing with direct taxes, indirect taxes, capital taxes, audit, technical tax issues, collection tax issues, base erosion and profit shifting (BEPS) and the *Companies Act* working group. The committee made numerous submissions to Revenue, both via the TALC forum and directly to Revenue in respect of issues concerning practitioners. It also continued to liaise with the Revenue Commissioners in relation to e-stamping, Local Property Tax, the new Revenue website and other practical issues. Changes to Revenue practice and procedures are regularly communicated to practitioners.

The committee is also represented on the CCBE Taxation Group.

As usual, the committee also prepared a detailed **pre-budget submission** that was submitted to the Minister for Finance and other relevant Government departments. This year the submission dealt with issues regarding the introduction of legislation and the *Finance Bill*, and outlined recommendations with regard to looking after those in need, keeping Ireland competitive, and growing 'Ireland Inc'. It also focused on administrative and technical issues that need to be dealt with in order to ensure the tax code keeps pace with ongoing changes. The committee was of the view that it was important to get the message of these changes and issues into the public domain, and worked closely with the Law Society's PR section to get media coverage of these issues, which are of real concern to the profession and our clients.

The committee also reviewed, to the extent appropriate, and commented on the provisions of the *Finance Act 2018* as it passed through the legislative process, and summarised its relevant consequences in the annual **Tax Guide**, published and distributed to members.

We continued to issue **practice notes** and respond to queries raised by members throughout the year.

I have been very ably assisted in my role by committee secretary Dr Rachael Hession, and I thank her for her support and assistance throughout the year.



TECHNOLOGY COMMITTEE

Joe Kane,
chairperson



YOUNGER MEMBERS COMMITTEE

Emer O'Connor,
chairperson

The Technology Committee continues to represent solicitors and the Society in its interactions with the Courts Service, Revenue Commissioners, Property Registration Authority, other Government bodies, and the Government Chief Information Officer. Committee members attend regular meetings with Revenue on electronic stamping and the PRAI. The committee also continues to monitor the use of technology in the profession and to advise best practice to members through guidance notes in the *Gazette* and *eZine*.

This year, the committee submitted a proposal for an IT module to be included as part of the PPC, with the intention of assisting the level of digital literacy among trainee solicitors; updated the *Retention or Destruction of Files* document published in 2005 (this was a joint publication by the Technology and the Guidance and Ethics Committees, and is currently being reviewed by the latter committee); and brought any email scams to the attention of the Regulation Department to ensure that the profession was made aware of these in a quick and timely manner.

The committee is also keeping a watching brief on the use of artificial intelligence by the legal profession and, following attendance at the Society of Computers and Law annual conference in London, a discussion document was drafted. It would be the view at this stage that it would be of great benefit for discovery, but would require much work for it to be used.

As well as this, we are preparing a discussion document on secure email communications and would propose that the Society recommend a consistent approach to e-government secure communications systems to the government and all agencies.

We have reviewed the new gov.ie portal template and have submitted the committee's observations on its deficiencies. These have been brought to the profession's attention via a recent *eZine*. The committee also continues to contribute to cluster events.

I wish to thank my vice-chair, Brian Horkan, for his support and valued input, our hard-working committee members, who ensure that we achieve our goals, and our diligent secretary Veronica Donnelly.

The Younger Members Committee represents members of our profession who are in their first seven years of legal practice (regardless of age). We aim to promote the development of the professional skills of younger members and provide advocacy for their interests and concerns.

In October 2017, we hosted a **conference** entitled 'The smart client – mastering the solicitor/client relationship in a new era'. The speakers provided guidance on topics such as managing and meeting the expectations of clients, the use of marketing and technology in servicing clients, and examining the 24/7 'always-on' culture in which solicitors are expected to stay in a permanent state of alert.

In November 2017, we published a ***Guide to Flexible Working***. The aim of the guide is to support solicitors and firms to develop flexible work practices. We also published an article in the **November 2017** issue of the *Gazette* (p26) introducing the guide and providing more information on this subject.

In October 2018, we hosted a **conference** entitled 'The inclusive lawyer – diversity and inclusion'. The conference focused on the need for solicitors to be conscious of diversity and inclusion as they enter leadership roles within their firms and in their interactions with clients. The event covered topics such as gender parity in the legal profession and LGBT inclusivity and diversity in the workplace.

I wish to thank our secretary, Judith Tedders, for her invaluable assistance, and Rachael Hession and Michelle Nolan of **Law Society Professional Training** for their support in hosting our conferences. I extend my sincere thanks to our vice-chair, Jennifer Dorgan, for her diligence and commitment throughout the past year. Finally, my gratitude goes to our committee members for their invaluable contribution to the work of the committee.

STANDING COMMITTEES

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Vice-chairs: William Aylmer
 Don Murphy
Solicitor members:
 Elaine Given
 Peter Groarke
 Catherine Lyons
 Flor McCarthy
 Emma Neville
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Lay members:
Chair: Dan Murphy
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 Ultan Courtney
 Frank Cunneen
 Vera Hogan
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 Paddy Keating
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 Tom O'Sullivan
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Ex officio:
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Consultants:
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Eugene McCague
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Ex officio:
 Michael Quinlan
 Patrick Dorgan
 Michelle Ní Longáin
Secretary: Cillian MacDomhnaill

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 Michelle Ní Longáin
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Secretary: Ken Murphy

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JP Gilmartin
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Justin McKenna
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Peter Byrne
Niall Colgan
Julie Doyle
Majella Egan
Deirdre Fox
Joyce Good Hammond
Kevin Hoy
Geraldine Kelly
Barry MacCarthy
Keith McConnell
Jason McGoey
Eleanor McKiernan
Leona McMahon
Sandra Murphy
Dermot O'Dwyer

Tony O'Sullivan
Joseph Thomas
Michael Walsh

Consultants:

William Devine
Rory O'Donnell
Secretary: Catherine O'Flaherty

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Eileen McCabe
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Joan O'Brien
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Mairéad Quigley
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Consultants:

Hugh Sheridan
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Ruth Craig
Emma Crowley
Freda Grealy
TP Kennedy
Andrew McGovern
Gemma Neylon
Fiona Ormond
Liam Quirke
Claire Ryan
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Alan Greene, Bar Manager
Graham Helps, Bar and Hospitality Assistant



REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 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 2017 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 directors.
- Conclude on the appropriateness of the directors' 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.

Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

10 May 2018

THE LAW SOCIETY OF IRELAND

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Notes | 2017 € | 2016 € |
|---|-------|---------------------|---------------------|
| INCOME | | | |
| Fees and subscriptions | 4 | 14,666,278 | 13,657,202 |
| Education activities | 5 | 9,597,355 | 9,662,394 |
| Publications | 4 | 353,057 | 401,047 |
| Four Courts rooms | 4 | 903,941 | 872,689 |
| Interest income | 6 | 14,324 | 34,419 |
| Other income | 7 | 112,376 | 207,019 |
| Sundry income | | 10,412 | 9,403 |
| | | 25,657,743 | 24,844,173 |
| EXPENDITURE | | | |
| Operating charges: | | | |
| - General activities | 4 | (15,135,807) | (13,666,923) |
| - Education activities | 5 | (9,478,657) | (9,074,262) |
| Other expenditure | 7 | (541,508) | (630,528) |
| | | (25,155,972) | (23,371,713) |
| SURPLUS FOR FINANCIAL YEAR BEFORE REVALUATIONS, EXCEPTIONAL ITEMS AND TAXATION | | | |
| | | 501,771 | 1,472,460 |
| Fair value gain/(loss) arising on revaluation of investments | 6 | 335,124 | (100,469) |
| Surplus on revaluation of development land | 8 | 2,500,000 | 1,000,000 |
| Exceptional item - deferred income / (cost) of sale of SMDF | 24 | 1,979,394 | (4,178,937) |
| SURPLUS/(DEFICIT) BEFORE TAXATION | 9 | 5,316,289 | (1,806,946) |
| Taxation | 10 | (177,372) | (57,085) |
| SURPLUS/(DEFICIT) AFTER TAXATION | 17 | 5,138,917 | (1,864,031) |
| OTHER COMPREHENSIVE INCOME | | | |
| Remeasurement of net defined pension benefit liability | 20 | 1,489,000 | (4,408,000) |
| TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE FINANCIAL YEAR | | 6,627,917 | (6,272,031) |
| Retained earnings at the beginning of the financial year | | 23,917,040 | 30,189,071 |
| Retained earnings at the end of the financial year | | 30,544,957 | 23,917,040 |

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017**

| | <i>Notes</i> | 2017 € | 2016 € |
|---|--------------|--------------------|-------------|
| Fixed Assets | | | |
| Tangible fixed assets | 11 | 25,638,523 | 22,512,050 |
| Current Assets | | | |
| Investments | 12 | 11,243,407 | 7,911,451 |
| Stocks | 13 | 61,558 | 66,474 |
| Debtors | 14 | 2,904,771 | 2,684,931 |
| Cash at bank and in hand | | 10,743,062 | 10,505,351 |
| | | 24,952,798 | 21,168,207 |
| Creditors: Amounts falling due within one year | 15 | (9,380,364) | (8,579,217) |
| Net Current Assets | | 15,572,434 | 12,588,990 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | (5,001,000) | (5,000,000) |
| NET ASSETS EXCLUDING PENSION LIABILITY | | 36,209,957 | 30,101,040 |
| Pension liability | 20 | (5,665,000) | (6,184,000) |
| NET ASSETS INCLUDING PENSION LIABILITY | | 30,544,957 | 23,917,040 |
| ACCUMULATED RESERVES | | | |
| Society reserves | | 20,732,932 | 15,018,825 |
| Law school reserves | | 11,351,338 | 11,158,926 |
| Litigation fund | | 1,277,150 | 1,673,599 |
| Capital expenditure fund | | 2,148,537 | 2,249,690 |
| LSRA levy fund | | 700,000 | - |
| Pension reserve fund | | (5,665,000) | (6,184,000) |
| TOTAL | 17 | 30,544,957 | 23,917,040 |

The financial statements were approved and authorised for issue by the Finance Committee on 10 May 2018 and signed on its behalf by:

Eamon Harrington
Chairman of the Finance Committee

Michael Quinlan
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

**SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2017**

| | <i>Notes</i> | 2017 € | 2016 € |
|---|--------------|--------------------|-------------|
| Fixed Assets | | | |
| Tangible fixed assets | 11 | 15,619,775 | 14,989,126 |
| Current Assets | | | |
| Investments | 12 | 11,243,407 | 7,911,451 |
| Stocks | 13 | 46,533 | 53,062 |
| Debtors | 14 | 13,145,935 | 10,374,037 |
| Cash at bank and in hand | | 10,497,878 | 10,292,926 |
| | | 34,933,753 | 28,631,476 |
| Creditors: Amounts falling due within one year | 15 | (9,368,387) | (8,585,049) |
| Net Current Assets | | 25,565,366 | 20,046,427 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | (5,001,000) | (5,000,000) |
| NET ASSETS EXCLUDING PENSION LIABILITY | | 36,184,141 | 30,035,553 |
| Pension liability | 20 | (5,665,000) | (6,184,000) |
| NET ASSETS INCLUDING PENSION LIABILITY | | 30,519,141 | 23,851,553 |
| ACCUMULATED RESERVES | | | |
| Society reserves | | 20,692,003 | 14,938,225 |
| Law school reserves | | 11,366,451 | 11,174,039 |
| Litigation fund | | 1,277,150 | 1,673,599 |
| Capital expenditure fund | | 2,148,537 | 2,249,690 |
| LSRA levy fund | | 700,000 | - |
| Pension reserve fund | | (5,665,000) | (6,184,000) |
| TOTAL | 17 | 30,519,141 | 23,851,553 |

The financial statements were approved and authorised for issue by the Finance Committee on 10 May 2018 and signed on its behalf by:

Eamon Harrington
Chairman of the Finance Committee

Michael Quinlan
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| | <i>Notes</i> | 2017 € | 2016 € |
|---|--------------|--------------------|------------|
| Net cash flows from operating activities | <i>19</i> | 5,142,840 | (517,844) |
| Cash flows from investing activities | | | |
| Net interest receivable | | 14,324 | 34,419 |
| Purchase of tangible fixed assets | <i>11</i> | (1,922,621) | (960,695) |
| Purchase of investments | <i>12</i> | (4,000,000) | - |
| Disposal of investments | <i>12</i> | 1,003,168 | 3,000,000 |
| Net cash flows from investing activities | | (4,905,129) | 2,073,724 |
| Net increase in cash and cash equivalents | | 237,711 | 1,555,880 |
| Cash and cash equivalents at beginning of financial year | | 10,505,351 | 8,949,471 |
| Cash and cash equivalents at end of financial year | | 10,743,062 | 10,505,351 |

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 2017.

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 2017**

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. Remeasurement 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| 3. | STAFF COSTS | 2017 General activities € | 2017 Education activities € | 2017 Other € | 2017 Total € | 2016 Total € |
|----|--------------------|--|--|-----------------------------|-----------------------------|--------------------|
| | Salaries and wages | 5,898,399 | 3,506,311 | 78,970 | 9,483,680 | 9,142,229 |
| | PRSI | 628,159 | 380,832 | 8,489 | 1,017,480 | 966,408 |
| | Pension costs | 1,340,469 | 650,233 | 6,562 | 1,997,264 | 1,389,443 |
| | Total | 7,867,027 | 4,537,376 | 94,021 | 12,498,424 | 11,498,080 |

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 2017 was 141 (2016: 140).

KEY MANAGEMENT REMUNERATION

The total remuneration for key management personnel which consists of the 7 Directors and 11 Section Heads/Managers for the financial year totalled €2,693,434 (2016: €2,539,992). This amount includes the President's Subvention, as approved by Council, of €119,000 (2016: €115,000). Remuneration includes salary, social security costs and pension costs.

| 4. | GENERAL ACTIVITIES (including funds) | 2017 € | 2016 € |
|----|---|-------------------|------------|
| | INCOME | | |
| | Fees and subscriptions | | |
| | Practising certificates | 12,315,221 | 11,828,863 |
| | Members' subscriptions | 887,018 | 847,228 |
| | Admission fees | 327,126 | 423,623 |
| | Fund Contributions: | | |
| | - LSRA fund | 700,000 | - |
| | - Litigation fund | 292,371 | 463,932 |
| | - Capital expenditure fund | 144,542 | 93,556 |
| | | 14,666,278 | 13,657,202 |
| | Services and interest | | |
| | Publications | 353,057 | 401,047 |
| | Four Courts rooms | 903,941 | 872,689 |
| | Interest (note 6) | 14,324 | 34,419 |
| | Total income | 15,937,600 | 14,965,357 |

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. GENERAL ACTIVITIES (including funds) (Continued)

OPERATING CHARGES

General activities

| | | |
|-----------------------------|------------------|-----------|
| Pay and related expenditure | 2,965,028 | 2,464,869 |
| Administration expenditure | 999,557 | 717,587 |
| Premises expenditure | 767,290 | 724,652 |
| Representation expenditure | 3,540,015 | 3,921,299 |
| Regulation expenditure | 5,596,357 | 4,609,479 |
| Admission expenditure | 28,129 | 17,879 |

Services

| | | |
|-------------------|----------------|---------|
| Publications | 785,314 | 683,027 |
| Four Courts rooms | 454,117 | 528,131 |

| | | |
|--------------------------------|-------------------|------------|
| Total operating charges | 15,135,807 | 13,666,923 |
|--------------------------------|-------------------|------------|

| | | |
|----------------|----------------|-----------|
| Surplus | 801,793 | 1,298,434 |
|----------------|----------------|-----------|

5. EDUCATION ACTIVITIES

2017
€

2016
€

INCOME

| | | |
|-------------------------------------|------------------|-----------|
| Professional Practice Course 1 fees | 3,358,319 | 3,667,593 |
| Professional Practice Course 2 fees | 1,874,417 | 1,873,563 |
| Indentures and registration | 343,510 | 340,860 |
| Examination fees | 822,736 | 743,030 |
| Diploma courses | 1,957,887 | 1,800,725 |
| Professional training | 1,162,413 | 1,114,253 |
| Miscellaneous income | 78,073 | 122,370 |

| | | |
|---------------------|------------------|-----------|
| Total income | 9,597,355 | 9,662,394 |
|---------------------|------------------|-----------|

OPERATING CHARGES

| | | |
|-----------------------------|------------------|-----------|
| Pay and related expenditure | 4,672,162 | 4,335,416 |
| Administration expenditure | 1,555,853 | 1,371,364 |
| Direct expenditure | 2,638,021 | 2,757,411 |
| Premises expenditure | 612,621 | 610,071 |

| | | |
|--------------------------------|------------------|-----------|
| Total operating charges | 9,478,657 | 9,074,262 |
|--------------------------------|------------------|-----------|

| | | |
|----------------|----------------|---------|
| Surplus | 118,698 | 588,132 |
|----------------|----------------|---------|

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| 6. INTEREST AND INVESTMENT GAINS/(LOSSES) | 2017 € | 2016 € |
|--|----------------|-----------------|
| Interest – Society | 14,324 | 34,419 |
| Fair value gain/(loss) arising on revaluation of investments | 335,124 | (100,469) |
| | <u>349,448</u> | <u>(66,050)</u> |

| 7. OTHER INCOME/EXPENDITURE | 2017 € | 2016 € |
|--|------------------|------------------|
| Income | | |
| Bar and catering income | 32,323 | 133,106 |
| Bed and breakfast income | 52,518 | 45,830 |
| Functions and consultation room income | 27,535 | 27,934 |
| Sundry income | - | 239 |
| | <u>112,376</u> | <u>207,019</u> |
| Expenditure | | |
| Bar and catering cost of sales | 363,826 | 467,159 |
| Bed and breakfast cost of sales | 10,705 | 8,930 |
| Premises expenditure | 6,013 | 4,496 |
| Professional fees | 6,857 | 10,540 |
| Other administration expenditure | 154,107 | 139,403 |
| | <u>541,508</u> | <u>630,528</u> |
| Deficit | <u>(429,132)</u> | <u>(423,509)</u> |

8. SURPLUS ON REVALUATION OF DEVELOPMENT LAND

The development land, included in tangible fixed assets, was valued at €10,000,000 by qualified external valuers Mason Owen & Lyons on a fair value basis at 31 December 2017. There was an upward valuation of €2,500,000 from the prior year based on valuations achieved on other properties in Dublin 7. There was an upward revaluation of €1,000,000 in 2016.

| 9. SURPLUS/(DEFICIT) BEFORE TAXATION | 2017 € | 2016 € |
|---|-----------|-----------|
| The surplus/(deficit) before taxation is stated after charging: | | |
| - Depreciation | 1,296,148 | 1,017,099 |
| - Auditors' remuneration | 34,000 | 32,000 |
| and after crediting: | | |
| - Deposit interest | 14,324 | 34,419 |

All income recognised arose in the Republic of Ireland.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| 10. TAXATION | 2017 | 2016 |
|--|----------------|--------|
| | € | € |
| Based on the surplus for the financial year: | | |
| Taxation charge | 177,372 | 57,085 |

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:

| | 2017 | 2016 |
|--|------------------|-------------|
| | € | € |
| Surplus/(deficit) before taxation | 5,316,289 | (1,806,946) |
| Surplus/(deficit) for financial year multiplied by standard rate of corporation tax of 12.5% (2015: 12.5%) | 664,536 | (225,868) |
| Effects of: | | |
| Net income and expenditure not subject to taxation | (519,063) | 236,811 |
| Depreciation in excess capital allowances | 32,793 | 30,483 |
| Higher tax rates on interest and rental income | 9,233 | 33,094 |
| Retention tax paid | (10,127) | - |
| Relief for losses on a value basis | - | (17,435) |
| Total tax charge for period | 177,372 | 57,085 |

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

11. TANGIBLE FIXED ASSETS

Group

| | Premises € | Development Land € | Leasehold Improvements € | Furniture Fittings & Equipment € | I.C.T. € | Motor Vehicles € | Total € |
|---------------------------------|-------------------|--------------------------|--------------------------------|---|------------------|------------------------|-------------------|
| Cost/Valuation: | | | | | | | |
| At 1 January 2017 | 18,231,223 | 7,500,000 | 2,028,658 | 5,331,369 | 4,856,797 | 59,875 | 38,007,922 |
| Additions | 946,333 | - | - | 110,905 | 799,058 | 66,325 | 1,922,621 |
| Reversal of prior impairment | - | 2,500,000 | - | - | - | - | 2,500,000 |
| At 31 December 2017 | 19,177,556 | 10,000,000 | 2,028,658 | 5,442,274 | 5,655,855 | 126,200 | 42,430,543 |
| Depreciation: | | | | | | | |
| At 1 January 2017 | 5,792,694 | - | 1,857,827 | 4,845,263 | 2,940,213 | 59,875 | 15,495,872 |
| Charge for financial year | 367,153 | - | 157,814 | 248,204 | 506,991 | 15,986 | 1,296,148 |
| At 31 December 2017 | 6,159,847 | - | 2,015,641 | 5,093,467 | 3,447,204 | 75,861 | 16,792,020 |
| Net book value: | | | | | | | |
| At 31 December 2017 | 13,017,709 | 10,000,000 | 13,017 | 348,807 | 2,208,651 | 50,339 | 25,638,523 |
| At 31 December 2016 | 12,438,529 | 7,500,000 | 170,831 | 486,106 | 1,916,584 | - | 22,512,050 |

The development land was valued at €10,000,000 by qualified external valuers Mason Owen & Lyons on a fair value basis at 31 December 2017. 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 2017**

11. TANGIBLE FIXED ASSETS (CONTINUED)

Society

| | Premises € | Leasehold Improvements € | Furniture, Fittings & Equipment € | I.C.T. € | Motor Vehicles € | Total € |
|----------------------------|--------------------------|--------------------------------|--|-------------------------|------------------------|--------------------------|
| Cost: | | | | | | |
| At 1 January 2017 | 18,231,223 | 2,028,658 | 5,019,332 | 4,856,797 | 59,875 | 30,195,885 |
| Additions | <u>946,333</u> | <u>-</u> | <u>110,907</u> | <u>799,058</u> | <u>66,325</u> | <u>1,922,623</u> |
| At 31 December 2017 | <u>19,177,556</u> | <u>2,028,658</u> | <u>5,130,239</u> | <u>5,655,855</u> | <u>126,200</u> | <u>32,118,508</u> |
| Depreciation: | | | | | | |
| At 1 January 2017 | 5,792,694 | 1,857,827 | 4,556,150 | 2,940,213 | 59,875 | 15,206,759 |
| Charge for financial year | <u>367,153</u> | <u>157,814</u> | <u>244,030</u> | <u>506,991</u> | <u>15,986</u> | <u>1,291,974</u> |
| At 31 December 2017 | <u>6,159,847</u> | <u>2,015,641</u> | <u>4,800,180</u> | <u>3,447,204</u> | <u>75,861</u> | <u>16,498,733</u> |
| Net book value: | | | | | | |
| At 31 December 2017 | <u>13,017,709</u> | <u>13,017</u> | <u>330,059</u> | <u>2,208,651</u> | <u>50,339</u> | <u>15,619,775</u> |
| At 31 December 2016 | <u>12,438,529</u> | <u>170,831</u> | <u>463,182</u> | <u>1,916,584</u> | <u>-</u> | <u>14,989,126</u> |

Group and Society

Total assets under construction which have not been depreciated in the financial year:
Premises: €117,919 (2016: €63,724) and I.T. equipment: €Nil (2016: €2,025,741).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 | 9,004,220 | 2,177,376 | 6,826,844 |
| Furniture, fittings and equipment | 2,972,656 | 2,760,564 | 212,092 |
| I.C.T. | 2,538,493 | 1,788,636 | 749,857 |
| | 14,515,369 | 6,726,576 | 7,788,793 |

12. INVESTMENTS

Group and Society

| | 2017 € | 2016 € |
|------------------------|--------------------|-------------|
| Balance at 1 January | 7,911,451 | 11,011,920 |
| Additions at cost | 4,000,000 | - |
| Disposals at cost | (1,003,168) | (3,000,000) |
| Fair value gain/(loss) | 335,124 | (100,469) |
| Balance at 31 December | 11,243,407 | 7,911,451 |

At 31 December 2017, the fair value of investments exceeded cost by €1,163,357 (2016: €900,549)

The investments are comprised of the following:

- (a) With-Profit Bond ("Policy");
- (b) Global Absolute Return Strategy Fund ("GARS");
- (c) Diversified Absolute Return Fund ("DARF")
- (d) Global Equity Fund ("GEF")
- (e) Davy Cautious Growth Fund ("DCGF")
- (f) Davy Moderate Growth Fund ("DMGF")

The Policy carries 100% capital protection on maturity. GARS, DARF and GEF do not carry capital protection. The Policy, GARS, DARF, DCGF and DMGF 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 (2016 €Nil).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| 13. STOCKS | 2017 | 2016 |
|-------------------|--------------------------|--------------------------|
| | € | € |
| Group | | |
| Stock in trade | 61,558 | 66,474 |
| | <u><u> </u></u> | <u><u> </u></u> |
| Society | | |
| Stock in trade | 46,533 | 53,062 |
| | <u><u> </u></u> | <u><u> </u></u> |

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

| 14. DEBTORS | 2017 | 2016 |
|--|--------------------------|--------------------------|
| | € | € |
| Group | | |
| Amounts falling due within one year: | | |
| Debtors and prepayments | 2,676,684 | 2,313,345 |
| Income tax | 4,429 | 21,546 |
| Deferred tax asset on investments | 188,824 | 305,588 |
| Amounts due from Law Society of Ireland Scholarship Fund | 5,307 | 4 |
| VAT | 29,527 | 44,448 |
| | <u><u>2,904,771</u></u> | <u><u>2,684,931</u></u> |
| Society | | |
| Amounts falling due within one year: | | |
| Debtors and prepayments | 2,674,754 | 2,312,268 |
| Income tax | 4,429 | 21,546 |
| Deferred tax asset on investments | 188,824 | 305,588 |
| Amounts due from Law Society of Ireland Scholarship Fund | 5,307 | 4 |
| Amounts due from subsidiary undertakings: | | |
| - The Law Club of Ireland | 216,996 | 194,631 |
| - Benburb Street Property Company Limited | 10,055,625 | 7,540,000 |
| | <u><u>13,145,935</u></u> | <u><u>10,374,037</u></u> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| 15. CREDITORS | 2017 | 2016 |
|--|-------------------------|------------------|
| | € | € |
| Group | | |
| Amounts falling due within one year | | |
| Creditors and accruals | 3,530,897 | 4,024,946 |
| Amounts due to Law Society Compensation Fund | 3,143,250 | 2,099,829 |
| Deferred income* | 2,002,670 | 1,800,547 |
| PAYE / PRSI | 622,141 | 580,150 |
| VAT | 81,406 | 73,745 |
| | <u>9,380,364</u> | <u>8,579,217</u> |
| Society | | |
| Amounts falling due within one year | | |
| Creditors and accruals | 3,518,920 | 3,936,193 |
| Amounts due to Law Society Compensation Fund | 3,143,250 | 2,099,829 |
| Deferred income* | 2,002,670 | 1,800,547 |
| PAYE / PRSI | 622,141 | 580,150 |
| VAT | 81,406 | 73,745 |
| Amounts due to subsidiary undertakings: | | |
| - The Law Club of Ireland | - | 94,585 |
| | <u>9,368,387</u> | <u>8,585,049</u> |

* Deferred income represents fees for the 2018 financial year received in the financial year to 31 December 2017.

| 16. PROVISIONS FOR LIABILITIES AND CHARGES | 2017 | 2016 |
|---|-------------------------|------------------|
| | € | € |
| Group and Society | | |
| Provision for settlement of SMDF liability | | |
| Opening balance | 5,000,000 | - |
| Transfer from accruals | 1,000 | 2,800,000 |
| Charged to fund | - | 4,200,000 |
| Paid | - | (2,000,000) |
| Closing balance | <u>5,001,000</u> | <u>5,000,000</u> |

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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 1/1/2017 | 23,917,040 | 15,018,825 | 11,158,926 | 1,673,599 | 2,249,690 | (6,184,000) | - |
| Surplus for year | 6,627,917 | 4,779,592 | 192,412 | 292,371 | 144,542 | 519,000 | 700,000 |
| Transfers | - | 934,515 | - | (688,820) | (245,695) | - | - |
| Balance at 31/12/2017 | <u>30,544,957</u> | <u>20,732,932</u> | <u>11,351,338</u> | <u>1,277,150</u> | <u>2,148,537</u> | <u>(5,665,000)</u> | <u>700,000</u> |

Society

| | Total € | Society Accumulated Reserves € | Law School Accumulated Reserves € | Litigation Fund € | Capital Expenditure Fund € | Pension Reserve Fund € | LSRA Levy Fund € |
|------------------------------|--------------------------|---|--|----------------------------------|---|---|-------------------------------------|
| Balance at 1/1/2017 | 23,851,553 | 14,938,225 | 11,174,039 | 1,673,599 | 2,249,690 | (6,184,000) | - |
| Surplus for year | 6,667,588 | 4,819,263 | 192,412 | 292,371 | 144,542 | 519,000 | 700,000 |
| Transfers | - | 934,515 | - | (688,820) | (245,695) | - | - |
| Balance at 31/12/2017 | <u>30,519,141</u> | <u>20,692,003</u> | <u>11,366,451</u> | <u>1,277,150</u> | <u>2,148,537</u> | <u>(5,665,000)</u> | <u>700,000</u> |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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) | 920,491 | 801,793 | 118,698 | - | - | - | - | - |
| Deficit before tax (Note 7) | (429,132) | - | - | - | - | - | - | (429,132) |
| Sundry income | 10,412 | 10,412 | - | - | - | - | - | - |
| Reversal of prior year impairment on development Land (Note 8) | 2,500,000 | - | - | - | - | - | - | 2,500,000 |
| S MDF sale (Note 24) | 1,979,394 | 1,979,394 | - | - | - | - | - | - |
| Taxation (Note 10) | (177,372) | (129,412) | (47,960) | - | - | - | - | - |
| Investment gain (Note 6) | 335,124 | 335,124 | - | - | - | - | - | - |
| Surplus after tax | 5,138,917 | 2,997,311 | 70,738 | - | - | - | - | 2,070,868 |
| Remeasure- ment of pension | 1,489,000 | - | - | - | - | 1,489,000 | - | - |
| Income allocated to specific fund | - | (1,136,913) | - | 292,371 | 144,542 | - | 700,000 | - |
| Reallocation of pension costs | - | 679,000 | 291,000 | - | - | (970,000) | - | - |
| Inter group trading | - | (259,806) | (169,326) | - | - | - | - | 429,132 |
| Reversal of prior year impairment on development Land | - | 2,500,000 | - | - | - | - | - | (2,500,000) |
| Surplus group accumulated reserves | 6,627,917 | 4,779,592 | 192,412 | 292,371 | 144,542 | 519,000 | 700,000 | - |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

18. FINANCIAL INSTRUMENTS

Group

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

| | 2017 | 2016 |
|--|-------------------|------------|
| Financial assets | € | € |
| <i>Measured at fair value through the income statement</i> | | |
| Listed investments (Note 12) | 11,243,407 | 7,911,451 |
| <i>Measured at undiscounted amounts receivable</i> | | |
| Debtors and prepayments (Note 14) | 2,676,684 | 2,313,345 |
| | 2017 | 2016 |
| | € | € |
| Amounts owed from related undertakings (Note 14) | 5,307 | 4 |
| | 13,925,398 | 10,224,800 |
| Financial Liabilities | | |
| <i>Measured at undiscounted amounts payable</i> | | |
| Trade and other payables (Note 15) | 3,530,897 | 4,024,946 |
| Amounts owed to related undertakings (Note 15) | 3,143,250 | 2,099,829 |
| Amount due on sale of SMDF Limited (Note 16) | 5,001,000 | 5,000,000 |
| | 11,675,147 | 11,124,775 |

Society

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

| | 2017 | 2016 |
|--|-------------------|------------|
| Financial assets | € | € |
| <i>Measured at fair value through the income statement</i> | | |
| Listed investments (Note 12) | 11,243,407 | 7,911,451 |
| <i>Measured at undiscounted amounts receivable</i> | | |
| Debtors and prepayments (Note 14) | 2,674,754 | 2,312,268 |
| Amounts owed from subsidiaries (Note 14) | 10,272,621 | 7,734,631 |
| Amounts owed from related undertakings (Note 14) | 5,307 | 4 |
| | 24,196,089 | 17,958,354 |
| Financial Liabilities | | |
| <i>Measured at undiscounted amounts payable</i> | | |
| Trade and other payables (Note 15) | 3,518,920 | 3,936,193 |
| Amounts owed to related undertakings (Note 15) | 3,143,250 | 2,099,829 |
| Amount due on sale of SMDF Limited (Note 16) | 5,001,000 | 5,000,000 |
| Amounts owed to subsidiaries (Note 15) | - | 94,585 |
| | 11,633,170 | 11,130,607 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**19. RECONCILIATION OF SURPLUS/(DEFICIT)
TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

| | 2017 € | 2016 € |
|---|------------------|------------------|
| Surplus/(deficit) before taxation | 5,316,289 | (1,806,946) |
| Depreciation charge | 1,296,148 | 1,017,099 |
| Interest received | (14,324) | (34,419) |
| Gain on development land | (2,500,000) | (1,000,000) |
| Deferred cost of sale of SMDF | - | 4,178,937 |
| Fair value (gain)/loss on investments | (335,124) | 100,469 |
| Decrease/(increase) in stock | 4,916 | (9,079) |
| Increase in debtors | (353,721) | (568,786) |
| Increase/(decrease) in creditors and provisions | 802,147 | (2,806,789) |
| Income tax paid | (43,491) | (11,330) |
| Net impact of pension | 970,000 | 423,000 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 5,142,840 | (517,844) |

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 €45,000 (now €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 2017 was €50,318 (2016: €34,853).

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 2017. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2018.

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:

| | 2017 | 2016 |
|---|-----------------|----------|
| | €'000 | €'000 |
| Opening defined benefit obligation | (39,827) | (31,460) |
| Service cost (including employee contributions) | (2,603) | (2,055) |
| Interest cost | (793) | (845) |
| Benefits paid | 458 | 383 |
| Actuarial gains /(losses) | 92 | (5,850) |
| Closing defined benefit obligation | (42,673) | (39,827) |

20. PENSION COMMITMENTS (CONTINUED)

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

| | 2017 | 2016 |
|--|---------------|--------|
| | €'000 | €'000 |
| Opening fair value of plan assets | 33,643 | 30,107 |
| Contributions (including employee contributions) | 1,740 | 1,647 |
| Benefits paid | (458) | (383) |
| Interest income | 686 | 830 |
| Actuarial gains | 1,397 | 1,442 |
| Closing fair value of plan assets | 37,008 | 33,643 |

The principal actuarial assumptions at the balance sheet date:

| | 2017 | 2016 |
|--|-------------|------|
| | % | % |
| Rate of general increase in salaries | 2.20 | 2.00 |
| Discount rate of scheme liabilities | 2.20 | 2.00 |
| Rate of pension increase | 1.70 | 1.50 |
| Inflation | 1.70 | 1.50 |
| Post retirement mortality | | |
| Current pensioners at 65 - male | 22.2 | 22.1 |
| Current pensioners at 65 - female | 24.9 | 24.8 |
| Future pensioners at 65 - male married | 25.0 | 24.9 |
| Future pensioners at 65 - female married | 28.1 | 27.9 |
| % 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.

20. PENSION COMMITMENTS (CONTINUED)

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

| | At Year End 31 December | |
|----------|--------------------------------|--------|
| | 2017 | 2016 |
| | €'000 | €'000 |
| Equities | 14,795 | 13,394 |
| Bonds | 18,877 | 16,983 |
| Cash | 24 | 23 |
| Other | 3,312 | 3,243 |
| | 37,008 | 33,643 |

| | 2017 | 2016 |
|----------------------------------|--------------|-------|
| | €'000 | €'000 |
| The actual return on plan assets | 2,083 | 2,272 |

The amounts recognised in the balance sheet are as follows:

| | | |
|-------------------------------------|-----------------|----------|
| Fair value of plan assets | 37,008 | 33,643 |
| Present value of funded obligations | (42,673) | (39,827) |
| Deficit in the scheme | (5,665) | (6,184) |

The amounts included in the performance statements are as follows:

| | 2017 | 2016 |
|---|----------------|---------|
| | €'000 | €'000 |
| Current service cost | (2,136) | (1,586) |
| Past service cost | - | - |
| Interest income on pension scheme assets | 686 | 830 |
| Interest expense on pension scheme liabilities | (793) | (845) |
| Net interest charge | (107) | (15) |
| Actual return less expected return on pension scheme's assets | 1,397 | 1,442 |
| Experience losses arising on the scheme's liabilities | (76) | (418) |
| Changes in assumptions underlying the present value of the scheme's liabilities | 168 | (5,432) |
| Actuarial gain/(loss) included in Statement of Comprehensive Income | 1,489 | (4,408) |

20. PENSION COMMITMENTS (CONTINUED)

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

| | 2017 €'000 | 2016 €'000 |
|-------------------------------------|-----------------------------|---------------|
| Deficit at beginning of year | (6,184) | (1,353) |
| Current service cost | (2,136) | (1,586) |
| Net interest cost | (107) | (15) |
| Contributions (excluding employees) | 1,273 | 1,178 |
| Actuarial gain/(loss) | 1,489 | (4,408) |
| Deficit at end of year | (5,665) | (6,184) |

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

| | 2017 €'000 | 2016 €'000 |
|----------------------------|-----------------------------|---------------|
| Defined benefit obligation | (42,673) | (39,827) |
| Fair value of plan assets | 37,008 | 33,643 |
| Deficit | (5,665) | (6,184) |

| | 2017 €'000 | 2016 €'000 |
|--|-----------------------------|---------------|
|--|-----------------------------|---------------|

Difference between the expected and actual return on plan assets:

| | | |
|--------------|----------------|---------|
| Amount €'000 | (1,397) | (1,442) |
|--------------|----------------|---------|

Experience (losses)/gains on plan liabilities:

| | | |
|--------------|-------------|-------|
| Amount €'000 | (76) | (418) |
|--------------|-------------|-------|

Future contributions:

It is expected that contributions of €1,381,000 will be made to the defined benefit pension scheme in 2018.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

21. RELATED PARTY TRANSACTIONS

| | |
|--|--------------------|
| Law Society Compensation Fund | 2017 € |
| Opening balance at 1 January | (2,099,829) |
| Charges | 6,725,272 |
| Receipts | (7,768,693) |
| Closing balance at 31 December | (3,143,250) |
| <hr/> | |
| Law Society of Ireland Scholarship Fund | 2017 € |
| Opening balance at 1 January | 4 |
| Charges | 5,303 |
| Closing balance at 31 December | 5,307 |
| <hr/> | |
| Irish Rule of Law International | 2017 € |
| Opening balance at 1 January | - |
| Charges | 26,110 |
| Receipts | (26,110) |
| Closing balance at 31 December | - |
| <hr/> | |

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

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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.

23. CAPITAL COMMITMENTS

| | 2017 | 2016 |
|--|------|------|
| | € | € |

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

| | | |
|--------------------|------------------|------------------|
| Contracted for | 625,134 | 928,509 |
| Not contracted for | 2,415,881 | 2,005,701 |
| | <u>3,041,015</u> | <u>2,934,210</u> |

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.

In 2017, €1.98 million (2016: €1.95 million) of practising certificate fee income was allocated to the SMDF Levy Fund. There were no capital contributions made to R&QI in 2017. 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.

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 2017. Legal costs incurred by the Society to 31 December 2017, in connection with these matters, have been charged to the Statement of Comprehensive Income and Retained Earnings.

THE LAW SOCIETY OF IRELAND

COMPENSATION FUND

FOR THE YEAR ENDED 31 DECEMBER 2017

LAW SOCIETY OF IRELAND COMPENSATION FUND

RESPONSIBILITIES OF THE REGULATION OF PRACTICE COMMITTEE

The Regulation of Practice Committee is required to prepare financial statements for each financial year. The Management 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 Practice Committee must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at the financial year end date and of the Compensation Fund's surplus or deficit for the financial year. In preparing those financial statements the Practice Committee is required to:

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

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

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

Report on the audit of the financial statements

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

In our opinion the Compensation Fund's financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at 31 December 2017 and of the surplus of the Compensation Fund for the year then ended; and
- have been prepared in accordance with the applicable financial reporting framework.

The financial statements we have audited comprise:

- Statement of Income and Retained Earnings;
- the Balance Sheet;
- the Cash Flow Statement and
- the related notes 1 to 17, including a summary of significant accounting policies as set out in note 1.

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

Basis for opinion

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

We are independent of the Compensation Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Regulation of Practice Committee are responsible for the other information. The other information comprises the information included in the Reports and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Responsibilities of the Regulation of Practice Committee

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

In preparing the financial statements, the Regulation of Practice Committee are responsible for assessing the Compensation Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Regulation of Practice Committee either intend to liquidate the Compensation Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Compensation Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Compensation Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Compensation Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

This report is made solely to the Compensation Fund's members, as a body. Our audit work has been undertaken so that we might state to the Compensation Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Compensation Fund and the Compensation Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

10 May 2018

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | <i>Notes</i> | 2017 € | 2016 € |
|--|--------------|-------------------|------------|
| INCOME | | | |
| Contributions receivable | | 7,718,852 | 7,358,500 |
| Income and returns on investments | 5 | 613,037 | 194,151 |
| Recoveries from defaulting solicitors | 6 | 517,701 | 595,940 |
| Disciplinary fines and investigation levies | | 64,200 | 82,561 |
| | | 8,913,790 | 8,231,152 |
| EXPENDITURE | | | |
| Provision for claims | 6 | 1,447,430 | 2,028,555 |
| Insurance | | 699,719 | 753,987 |
| Overheads allocated from the Law Society of Ireland | | 1,186,485 | 1,132,537 |
| Financial regulation direct administration costs | | 2,403,337 | 2,310,111 |
| Practice closure direct administration costs | | 716,571 | 674,909 |
| Legal and other professional fees | | 258,532 | 267,291 |
| Other expenditure | | 4,284 | 7,464 |
| | | 6,716,358 | 7,174,854 |
| Fair value movements arising on revaluation of investments | 13 | 4,312 | 885,270 |
| SURPLUS BEFORE TAXATION | 7 | 2,201,744 | 1,941,568 |
| Taxation | 8 | (290,265) | (50,000) |
| SURPLUS AFTER TAXATION | | 1,911,479 | 1,891,568 |
| Retained earnings at beginning of financial year | | 19,603,809 | 17,712,241 |
| RETAINED EARNINGS AT END OF FINANCIAL YEAR | | 21,515,288 | 19,603,809 |

All recognised gains and losses arose from continuing activities.

LAW SOCIETY OF IRELAND COMPENSATION FUND

BALANCE SHEET AS AT 31 DECEMBER 2017

| | <i>Notes</i> | 2017 € | 2016 € |
|---|--------------|--------------------|-------------|
| Fixed Assets | | | |
| Financial assets | 9 | 23,702,911 | 23,184,955 |
| Current Assets | | | |
| Debtors | 10 | 3,201,399 | 2,191,609 |
| Cash at bank and in hand | | 752,870 | 394,206 |
| | | 3,954,269 | 2,585,815 |
| Creditors: Amounts falling due within one year | 11 | (2,487,596) | (2,376,665) |
| Net current assets | | 1,466,673 | 209,150 |
| Total assets less current liabilities | | 25,169,584 | 23,394,105 |
| Provisions for liabilities and charges | 12 | (3,654,296) | (3,790,296) |
| NET ASSETS | | 21,515,288 | 19,603,809 |
| Revenue reserves | | 18,467,484 | 16,560,317 |
| Revaluation reserve | 13 | 3,047,804 | 3,043,492 |
| | | 21,515,288 | 19,603,809 |

The financial statements were approved by the Regulation of Practice Committee on 10 May 2018 and signed on its behalf by:

Martin J Crotty
Chairman of the Regulation of Practice Committee

Michael Quinlan
President of Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| | <i>Notes</i> | 2017 € | 2016 € |
|---|--------------|--------------------|-------------|
| Net cash flows from operating activities | 15 | 259,271 | (565,423) |
| Cash flows from investing activities | | | |
| Dividends received | 5 | 64,328 | 74,947 |
| Purchase of investments | 9 | (8,267,001) | (2,681,649) |
| Disposal of investments | 9 | 8,302,066 | 3,473,335 |
| Net cash flows from investing activities | | 99,393 | 866,633 |
| Net increase in cash and cash equivalents | | 358,664 | 301,210 |
| Cash and cash equivalents at beginning of financial year | | 394,206 | 92,996 |
| Cash and cash equivalents at end of financial year | | 752,870 | 394,206 |

1. ACCOUNTING POLICIES

Basis of Preparation

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

General Information and Basis of Accounting

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

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

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

Financial instruments

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

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the entity, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

(i) Investments

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

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

1. ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

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

Claims

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

Taxation

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

Deferred tax is accounted for, on a full provision basis, on all timing differences that have originated but have not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recoverable.

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

Pension Costs

The Society operates a multi-employer defined benefit pension scheme and a hybrid scheme. Contributions are charged in the income and expenditure account over the anticipated working lives of employee members currently in service.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. GOING CONCERN

The Compensation Fund earned a surplus before taxation for the financial year of €2,201,744 (2016: €1,941,568) and had net current assets of €1,466,673 (2016: net current assets €209,150) at the balance sheet date.

The Compensation Fund has €23,702,911 (2016: €23,184,955) of financial assets at its disposal that are readily convertible to cash. Therefore, the Regulation of Practice Committee considers it appropriate to prepare the financial statements on a going concern basis.

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

| 4. STAFF COSTS | 2017 € | 2016 € |
|--------------------|------------------|------------------|
| Salaries and wages | 2,323,172 | 2,221,801 |
| PRSI | 242,091 | 233,575 |
| Pension (Note 17) | 266,682 | 261,633 |
| Total | <u>2,831,945</u> | <u>2,717,009</u> |

| 5. INCOME AND RETURNS ON INVESTMENTS | 2017 € | 2016 € |
|---|----------------|----------------|
| Surplus on sale of investments (note 9) | 548,709 | 119,204 |
| Dividends and interest receivable | 64,328 | 74,947 |
| | <u>613,037</u> | <u>194,151</u> |

| 6. NET COST OF CLAIMS AFTER RECOVERIES | 2017 € | 2016 € |
|--|----------------|------------------|
| Provision for claims (note 12) | 1,447,430 | 2,028,555 |
| Recoveries from defaulting solicitors | (517,701) | (595,940) |
| Net cost of claims | <u>929,729</u> | <u>1,432,615</u> |

The Compensation Fund has stop loss insurance policies in place which are subject to an excess of €5,000,000 in any financial year. No insurance recoveries apply in respect of the 2017 or 2016 claim years.

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| | | |
|---|--------------------------|--------------------------|
| 7. SURPLUS BEFORE TAXATION | 2017 | 2016 |
| | € | € |
| The surplus before taxation is stated after charging: | | |
| Auditor's remuneration | 4,800 | 4,800 |
| Increase in fair value movement in investments | 4,312 | 885,270 |
| | <u><u> </u></u> | <u><u> </u></u> |

8. TAXATION

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

| | | |
|------------|--------------------------|--------------------------|
| | 2017 | 2016 |
| | € | € |
| Income tax | 290,265 | 50,000 |
| | <u><u> </u></u> | <u><u> </u></u> |
| | 290,265 | 50,000 |
| | <u><u> </u></u> | <u><u> </u></u> |

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

| | | |
|--|--------------------------|--------------------------|
| | 2017 | 2016 |
| | € | € |
| Surplus before taxation | 2,201,744 | 1,941,568 |
| | <u> </u> | <u> </u> |
| Surplus multiplied by standard rate of income tax of 20% | 440,349 | 388,313 |
| | <u> </u> | <u> </u> |
| Effects of: | | |
| Income not subject to taxation | (1,493,356) | (1,773,284) |
| Expenses not deductible for tax purposes | 1,343,272 | 1,434,971 |
| | <u> </u> | <u> </u> |
| Current tax charge for the financial year | 290,265 | 50,000 |
| | <u><u> </u></u> | <u><u> </u></u> |

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. FINANCIAL ASSETS

Listed investments – at fair value

€

| | |
|---|-------------------|
| Balance at 1 January 2017 | 23,184,955 |
| Additions at cost | 8,267,001 |
| Disposals at cost | (8,302,066) |
| Unrealised movement arising on revaluation of investments | 4,312 |
| Realised movement arising on the disposal of investments | 548,709 |
| Balance at 31 December 2017 | 23,702,911 |

The investments are comprised of the following:

- (a) SSgA EMU Government Bond Index
- (b) SSgA Global Value Equity Investment Fund
- (c) SSgA Diversified Alternatives Fund
- (d) Standard Life Global Absolute Return Strategy Fund ("GARS");
- (e) Irish Government Fixed Bond
- (f) Standard Life Enhanced Diversified Fund
- (g) Standard Life Global Bond Strategy

All the investments noted above have a low risk profile.

At 31 December 2017, the fair value of investments exceeded cost by €3,047,804 (2016: €3,043,492)

In respect of prior financial year:

Listed investments – at fair value

€

| | |
|---|-------------------|
| Balance at 1 January 2016 | 22,997,440 |
| Additions at cost | 2,681,649 |
| Disposals at cost | (3,473,335) |
| Unrealised movement arising on revaluation of investments | 885,270 |
| Realised movement arising on the disposal of investments | 119,204 |
| Other movements | (25,273) |
| Balance at 31 December 2016 | 23,184,955 |

The investments are comprised of the following:

- (a) SSgA EMU Government Bond index
- (b) SSgA Global Equity Value Investment Fund
- (c) Standard Life Global Absolute Return Strategy Fund ("GARS");
- (d) Irish Government Fixed Bond

All the investments noted above have a low risk profile.

At 31 December 2016, the fair value of investments exceeded cost by €3,043,492 (2015: €2,158,222)

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| 10. DEBTORS: Amounts falling due within one year | 2017 € | 2016 € |
|---|--------------------------------|-------------------------|
| Other debtors | 58,149 | 61,210 |
| Income tax | - | 30,570 |
| Amounts due from the Law Society of Ireland | 3,143,250 | 2,099,829 |
| | <u>3,201,399</u> | <u>2,191,609</u> |
| | <u><u>3,201,399</u></u> | <u><u>2,191,609</u></u> |
| | | |
| 11. CREDITORS: Amounts falling due within one year | 2017 € | 2016 € |
| Accruals and other creditors | 130,583 | 140,530 |
| Solicitors funds held | 2,078,463 | 2,236,135 |
| Income tax | 278,550 | - |
| | <u>2,487,596</u> | <u>2,376,665</u> |
| | <u><u>2,487,596</u></u> | <u><u>2,376,665</u></u> |
| | | |
| 12. PROVISIONS FOR LIABILITIES AND CHARGES | 2017 € | 2016 € |
| Provision for claims: | | |
| At beginning of financial year | 3,790,296 | 4,059,878 |
| Provision made (Note 6) | 1,447,430 | 2,028,555 |
| Claims paid | (1,583,430) | (2,298,137) |
| | <u>3,654,296</u> | <u>3,790,296</u> |
| At end of financial year | <u><u>3,654,296</u></u> | <u><u>3,790,296</u></u> |

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

| 13. REVALUATION RESERVE | 2017 | 2016 |
|--|------------------|-----------|
| | € | € |
| Unrealised movement on investments: | | |
| At beginning of financial year | 3,043,492 | 2,158,222 |
| Movement during financial year | 4,312 | 885,270 |
| At end of financial year | 3,047,804 | 3,043,492 |

14. FINANCIAL INSTRUMENTS

The carrying value of the Fund, financial account and liabilities are summarised by the category below:

| Financial assets | 2017 | 2016 |
|--|-------------------|------------|
| | € | € |
| <i>Measured at fair value through the income statement</i> | | |
| Listed investments (see note 9) | 23,702,911 | 23,184,955 |
| <i>Measured at undiscounted amounts receivable</i> | | |
| Debtors and prepayments (see note 10) | 58,149 | 61,210 |
| Amounts due from related undertakings (see note 10) | 3,143,250 | 2,099,829 |
| | 26,904,310 | 25,345,994 |
| Financial Liabilities | | |
| Measured at undiscounted amounts payable | | |
| Creditors (see note 11) | 2,209,046 | 2,376,665 |

15. CASH FLOWS FROM OPERATING ACTIVITIES

| | 2017 | 2016 |
|---|--------------------|-------------|
| | € | € |
| Surplus before taxation | 2,201,744 | 1,941,568 |
| Dividends received | (64,328) | (74,947) |
| Surplus on disposal of investments | (548,709) | (119,204) |
| Fair value movements on investments | (4,312) | (885,270) |
| Increase in debtors | (1,040,360) | (1,070,413) |
| Decrease in creditors | (303,619) | (247,672) |
| Income tax refunded/(paid) | 18,855 | (109,485) |
| Net cash flows from operating activities | 259,271 | (565,423) |

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. RELATED PARTY TRANSACTIONS

During the financial year the expenditure of the Compensation Fund included expenses and payroll costs totalling €4,205,273 (2016: €4,025,809), which were recharged to it by the Law Society of Ireland. The amount due from the Law Society of Ireland at the financial year end is shown at note 10.

17. PENSIONS

The Society and the Law Society of Ireland Compensation Fund are the participants in a multi-employer defined benefit pension scheme, operated by the Society. Under FRS 102, the Society as sponsoring employer of the schemes will recognise the entire net defined benefit cost and the relevant net defined benefit liability in its financial statements. Pension costs for the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The contributions are determined by a qualified actuary on the basis of valuations every three years, using the prospective benefits method. The most recent valuation was completed as at 31 December 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.

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 2016 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 2017. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2018.

The pension charge for the Compensation Fund for the financial year was €266,682 (2016: €261,633).



COMMITMENT TO THE ENVIRONMENT

The Law Society of Ireland is committed to energy efficiency, minimising waste, reducing water consumption, encouraging greener modes of transport, and generally encouraging a culture of sustainability and an awareness of our impact on the environment.

A limited number of hard-copy annual reports have been produced for administrative, accessibility and archival purposes.

Our full Corporate Responsibility Statement is available at:
www.lawsociety.ie/csr

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