



Law Society of Ireland



Annual Report and Accounts

2011/2012



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➤ REPORT OF THE PRESIDENT

“Turn and face the strain, ch-ch-ch-changes,” sang David Bowie in his 1971 hit.

If Irish society in general has been reeling under the turmoil of the collapse in the economy over the last four years, the solicitors’ profession in particular has been reeling from the shock, not just of dramatic changes in the economy, but also from enormous changes peculiar to its own sector, most notably in the professional indemnity insurance market and in the changes proposed by the Minister for Justice in the form of the *Legal Services Regulation Bill*.

Thankfully, there was significant relief for the profession in insurance renewals for the calendar year 2012, both in the form of significant reductions in premiums and in the process of renewal itself. While premiums still remain very high, especially taking into account that we are all still paying far higher premiums for much less cover than previously, the reduction in premium levels came just about on time for the profession and it is to be hoped that we will see more reductions in the years to come.

The introduction of the single common proposal form – which was achieved through the great tenacity and hard work of the PII Committee, and also the director of regulation, John Elliot – was of great assistance in the renewal process.

From the end of this year, colleagues will be able to retire from practice without making any further payments to obtain run-off cover, which is a very welcome development.

At the time I assumed the office of President of the Society on 11 November 2011, the *Legal Services Regulation Bill* had already been published, without any advance consultation. It is no overstatement to say that the Society was both surprised and shocked by its contents and its implications for the profession.

The Society has been accused by various parties of overreacting and exaggerating the implications of the bill, but I must assure colleagues that the concerns of the Society were sincere – and supported by objective international commentators. While we have received significant

assurances on a number of occasions from the Minister for Justice that many of our concerns will be addressed, we simply will not know whether or not adequate amendments will be made to the bill until the next version is published.

Enormous changes

What is clear, however, is that – no matter what happens – the bill will bring about enormous changes within the profession. Firstly, as a direct consequence of the bill, once the new Legal Services Regulatory Authority is established, the handling of all complaints against solicitors will move to the new authority.

The Society has always believed that its complaints-handling process – which has for some time had more lay involvement than it has involvement of solicitors – is fair, objective and efficient. This view has been endorsed by successive ministers for justice and successive independent adjudicators.

However, it was clear to the Society that there was no prospect of changing the mind of the Minister for Justice on this issue. Not only was this an issue about which the minister had full support from his own colleagues, but there was agreement across party lines in the Dáil on the matter. Moreover, it appeared to the Society that there was a very strong mood within the profession to relinquish the handling of complaints and, for these reasons, the Society took the very



President of Ireland Michael D Higgins and his wife Sabina were the guests of honour at the Law Society’s annual dinner on Friday 13 July 2012, held at Blackhall Place. They were warmly welcomed to the Society by President of the Law Society Donald Binchy and his wife Claire Cusack, senior vice-president James McCourt, junior vice-president Simon Murphy and director general Ken Murphy

“There is a very genuine fear that the introduction of the new authority will substantially increase regulatory costs. This is obviously not something that the profession can bear at the moment, and the Society is doing everything possible to try and avoid any such increase”

significant decision that it would not seek to oppose those provisions of the bill whereby complaints-handling is to move to the new authority.

The transfer of these functions to the new authority will, of course, have very significant implications, not just for the profession, but also for the complaints-handling staff within the Society. The Society has been and will continue to campaign very strongly for the transfer of these personnel to the new authority in order to protect their livelihoods and ensure the transfer of their expertise to the new body.

Compliance supervision

While deciding not to oppose the transfer of complaints handling, the Society did campaign very strongly to hold onto the supervision of compliance with the *Solicitors' Accounts Regulations* and the management of the compensation fund. The minister has indicated that he will

accede to the submissions of the Society in this regard. The interests of the public and the profession on this issue are the same: to minimise the possibility of losses occasioned through fraudulent behaviour. Since it is we who must make up those losses, and since the compensation fund is our money, it is surely in our interests to ensure compliance with the regulations and to manage the fund.

The minister convened a conference on the bill in July, primarily to discuss alternative business models. At that event, he made it clear that it is his intention to introduce legislation permitting multidisciplinary partnerships (MDPs). There is no compelling reason advanced for the introduction of MDPs, other than to afford the market a choice. However, there is nothing to support the proposition that the market, in fact, demands this choice or that it offers any better a service or better value to the consumer. On the other hand, such

models of practice have the capacity to undermine the core principles of the solicitors' profession, in that they introduce non-lawyers into the solicitors' partnership.

The New South Wales regulator, Steve Mark, who addressed the conference, spoke passionately about how the core values of the profession in New South Wales had been strongly protected following the introduction of MDPs there, but the fact remains that the take-up of MDPs in New South Wales has been very small – from a high of 50, there are only about 20 today.

Legal costs

As regards assessment of legal costs, the Society has no problems with the proposed new structures, and in particular the establishment of a new Office of Legal Costs Adjudicator and the parameters set out in the bill for the assessment of costs.

The Society, however, has made comprehensive submissions in relation to certain aspects of this part of the bill that might operate very unfairly against solicitors, where bills of cost are reduced in the adjudication process through no fault of the solicitor.

The final issue that I want to mention in relation to the bill is the issue of the cost of running the authority itself. There is a very genuine fear that the introduction of the new authority will substantially increase regulatory costs. This is obviously not something that the profession can bear at the moment, and the Society is doing everything possible to try and avoid any such increase. Most recently, the Society has procured from Deloitte a comprehensive report making recommendations designed to minimise the costs of the new authority.

Whatever its final form may take, it is quite clear that the legislation, when passed, will substantially change the

Lord David Puttnam, Minister for Justice Alan Shatter, Law Society President Donald Binchy and his wife Claire at the Society's annual conference in Castlemartyr, Co Cork





Special guests at the meeting of the West Cork Bar Association on 13 March 2012 in Clonakilty, Co Cork, included Law Society President Donald Binchy and director general Ken Murphy, seen here with Diarmuid O'Shea (president, WCBA) and officers and members of the association

environment in which solicitors operate and in which legal services are provided. It will also change the relationship between the Law Society and its members. Because of that, it was decided to establish a Task Force on the Future of the Law Society.

The task force has already done a great deal of work under its chairman, John P Shaw. It is our hope that this work will help to identify the needs of the profession and what it wants from the Society in the future – and, following upon that, to do everything possible to meet those needs and wishes.

Conveyancing conflicts

Two years ago, the then president, Gerard Doherty, established the Conveyancing Conflicts Task Force, under the chair of Catherine Treacy (former chief executive of the PRA) to consider whether or not the Society should move to introduce regulations prohibiting solicitors from acting on both sides in conveyancing transactions. Last year, at a special general meeting, there was a very strong indication from the profession that it wished to see the introduction of such regulations.

The task force consulted with the profession before preparing its report, which it submitted to the Council in May, following which the Society then engaged in further consultation with the profession. The general mood of the profession indicated a strong willingness

“The general mood of the profession indicated a strong willingness to introduce regulations prohibiting solicitors from acting on both sides, subject to very limited exceptions. Accordingly, at its meeting in July, the Council decided to go ahead with regulations in the form recommended by the task force”

to introduce regulations prohibiting solicitors from acting on both sides, subject to very limited exceptions. Accordingly, at its meeting in July, the Council decided to go ahead with regulations in the form recommended by the task force, subject to certain minor changes.

A number of Council members who felt strongly that the proposed regulations were disproportionate put a different proposition to the Council in September

but, by a very significant majority, in a vote of 21-7, the Council voted to adopt the regulations as proposed by the task force.

The Council is aware that there are many members of the profession who will not favour these regulations, but there are also many members who do. My own personal view is that the background against which we now practise is so complex and difficult that both the public and the profession are best protected by the introduction of these regulations.

Levelling the playing field

The regulations also have the effect of levelling the playing field – colleagues who, in the past, have wanted to send clients away for independent representation or advice have been impaired from doing so by reason of the fact that too many other colleagues were willing to act on both sides without restriction.

Many members of the profession fear a loss of income by reason of these regulations. Paradoxically, the IFA and the ICMSA think that the profession will increase its income as a result. While it is likely that many of us will lose some clientele as a result of the regulations (my firm included), it seems equally likely that we will also gain new clients for the very same reason. Time will tell, but I agree with the view expressed to me by the director general that, in years to come, we will look back and wonder how it was that it was ever permissible to act for both vendor and purchaser in conveyancing transactions.

In preparing this report, I am acutely aware that the matters that are troubling colleagues most at the moment are the very difficult economic circumstances in which we are all practising, and the effect that this is having on all of our



The Midland Bar Association (MBA) held a meeting on 4 April 2012 in Tullamore, Co Offaly. Special guests were Law Society President Donald Binchy and director general Ken Murphy. They were welcomed by Raymond Mahon (president, MBA), officers and members of the association

practising lives. It is estimated that there are now approximately 1,000 solicitors unemployed, and it is hardly surprising that the state of the economy is having its most severe impact on newly qualified solicitors. The Society is doing everything possible to streamline its own finances and, regrettably, this has resulted in a significant number of redundancies, while at the same time maintaining services.

Unfortunately, however, the measures that the Society has taken have not enabled it to relay any significant reduction in the practising certificate fee. There was a reduction of €120 in the practising certificate fee for 2010. Additional cost savings would have resulted in a further

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reduction in the practising certificate fee in 2011, but it was necessary instead to transfer the value of these savings to the compensation fund in order to replenish its reserves. And as you know, we are all contributing to a fund to ensure an orderly wind-down of the SMDF. The Society continues to monitor expenditure very carefully, with the intent of maintaining the services that it provides to the profession at the lowest possible cost.

As far as newly qualified solicitors are concerned, the Society has, for a number of years now, provided Career Support services. I know that newly qualified solicitors have found these services to be very helpful in securing employment, and I would like to acknowledge the excellent work done by Keith O'Malley in this regard.

Voluntary input

No president's report is complete without thanking all of those who work so hard on behalf of the Society. This includes members of the committees of the Society, Council members and the executive and staff of the Society. We are very fortunate, indeed, that our Society remains such a collegiate organisation and that it receives the enormous amount of voluntary input that it does from the profession. To all of those who have contributed over the past 12 months, I would like to extend my sincerest gratitude on behalf of everyone in the profession.

Our profession is also extremely fortunate to have what I believe is an extraordinarily talented and dedicated executive and staff. The list of those to whom I would like to extend my personal thanks is really too long to set out in this report and, in any case, I am somewhat reluctant to do so in case I cause offence by omission. Instead, I would simply like to thank all concerned for their enormous dedication and hard work and, in particular, for the fantastic support that I have received from each and every one of them during the course of the last 12 months.

While the profession is labouring under its own stresses and pressures, I would find it difficult to describe the extraordinary pressures under which various members of the staff of the Society have been operating for the last number of years. In extremely difficult conditions, they have worked extraordinarily hard – well beyond the call of duty – and on behalf of the profession and on your behalf, I would like to extend to all concerned my sincerest thanks and gratitude.

It has been my great honour and privilege to have served as your president. It has certainly been a challenging year, but one of immense personal satisfaction and fulfilment. I would like to thank you, the members of our very honourable profession – of which I am most proud – for giving me the opportunity to serve and represent you.

**Donald Binchy,
President**

► COUNCIL OF THE LAW SOCIETY for the year ending 2 November 2012



President: Donald P Binchy

Senior vice-president: James B McCourt

Junior vice-president: Simon J Murphy

Council members: William Aylmer, James Cahill, Bernadette Cahill, Paul Connellan, Maura Derivan, Gerard J Doherty, Patrick Dorgan, Nicola Dunleavy, Paul Egan, Alan Gannon, Stuart Gilhooly, Eamon Harrington, Liam A Kennedy, Martin G Lawlor, Barry MacCarthy, James MacGuill, Michelle Ní Longáin, Michele O'Boyle, Daniel O'Connor, John O'Connor, Gerard O'Donnell, Kevin O'Higgins, James O'Sullivan, Valerie Peart, Michael Quinlan, Moya Quinlan, John P Shaw, Brendan J Twomey

Past-presidents: John E Costello, Philip M Joyce, John D Shaw

Provincial delegates

Leinster: Andrew J Cody

Munster: Richard Hammond

Ulster: Margaret Mulrine

Connaught: David Higgins

Dublin Solicitors' Bar Association representatives: Aaron McKenna, Eamonn Shannon, Keith Walsh

Southern Law Association representatives: Laetitia Baker, Mary C Keane, Fergus Long, Jonathan Lynch, Kieran Moran

Law Society of Northern Ireland: Norville Connolly, Barry Finlay, Imelda McMillan, Michael Robinson, Brian Speers

➤ REPORT OF THE DIRECTOR GENERAL

“The threat posed by the bill to the independence of the legal profession is subtle, but real” – **Retired Chief Justice Ronan Keane, speaking at the Law Society conference in the National Convention Centre on 5 December 2011.**

“Of course there must be reform of the legal profession in Ireland – but not at the expense of core values of the justice system” – **Viviane Reding, European Commission vice-president responsible for justice, fundamental rights and citizenship.**

It has been the year of the bill. Or at least, the first year of the bill.

As the Society's annual report went to print last year, publication of the *Legal Services Regulation Bill* was awaited. Now, publication of the Minister for Justice's promised very extensive committee stage amendments are awaited.

Assuming the minister follows through on the political commitments he has made to the Dáil and in numerous public speeches, his amendments will result in a much altered and much improved bill. The Society's powers of patient, reasoned persuasion will deserve (but probably not receive) some credit for this from the profession and the public.

The Law Society was shocked by the provisions for indirect government control of the legal profession on publication of the bill. The model of regulation chosen was not the one recommended by the Competition Authority and had no counterpart in a democracy anywhere in the world. Our dismay was shared by numerous expert commentators in Ireland and abroad. Members of political parties on all sides in the Dáil were also concerned by provisions that placed an extraordinary number and variety of powers of control

over the supposedly independent new Legal Services Regulatory Authority (therefore, indirectly over the legal profession) in the hands of the Minister for Justice and his successors.

The Minister for Justice dismissed these concerns as baseless. Whatever was the minister's intention, however, the Society and numerous other well-informed commentators were in no doubt that the potential undermining in relation to independence was very real and (to the extent that the bill, as published, has not yet been amended) it remains very real. At the time of writing we hope – but cannot be certain – that this will be adequately addressed. We can only wait and see.

Intense media interest

The media interest was intense in the weeks following the publication of the bill on 12 October 2011. In addition to the extensive coverage in print and on the radio, the TV news and major current affairs programmes such as *Prime Time* and *The Frontline* gave extensive time to debates on the bill and its implications. The issue subsequently was covered even as far afield as in *The Wall Street Journal*.

On the same day as the minister's first detailed news release about the bill, I was interviewed on behalf of the Society by Brian Dobson on RTÉ's *Six One* TV news. I made it clear that the Law Society was by no means opposed to all change and, for example, welcomed the measures proposed to make the assessment of legal costs more modern, predictable and transparent. But I took the opportunity to deliver two simple messages: namely, that the Society was deeply concerned that the model of regulation chosen could undermine something essential for the protection of citizens' rights in a democracy, that is, the independence of the legal profession from improper

“The Law Society was shocked by the provisions for indirect government control of the legal profession on publication of the Legal Services Regulation Bill. Our dismay was shared by numerous expert commentators in Ireland and abroad”

interference by government; and that there was a deep concern also that the cost of the regulatory model could be unnecessary and excessive for a legal profession that was suffering very badly in economic terms.

Sitting in the Dáil gallery in subsequent weeks, it was interesting to hear the extent to which both the independence and the cost of regulation issues were central themes in the bill's second stage debate, to which, very unusually, no less than 40 TDs contributed.

In early December 2011, Taoiseach Enda Kenny granted Society representatives an opportunity to make representations to him, face to face. He gave us certain public reassurances in response. Representations were also made at the highest levels of the Troika. Further reassuring responses were received from both the director of the IMF, Christine Lagarde, and European Commission Vice-President Viviane Reding.

Unprecedented step

To show the extent that our worries about the threat to an independent legal profession were shared by leaders of the legal profession across the world, the Society took the unprecedented step of organising a conference in the National Convention Centre on 5 December 2011 to inform its members and the public of its grave concerns in relation to the bill.

The Society invited international leaders of the profession to express their opinions, including President of the American Bar Association Bill Robinson, incoming President of the CCBE (the Bars and Law Societies of Europe) Dr Marcella Prunbauer, and Executive Director of the International Bar Association Mark Ellis. Other speakers at the conference included the chairman of the Bar Council, Paul O'Higgins SC, and retired Chief Justice Ronan Keane, who authoritatively informed the 600 solicitors and barristers who attended that the threat the bill posed to the independence of the profession was "subtle, but real".

Following the conference, a special issue of the *Gazette*, summarising the various contributions, was published and sent to every member of the Oireachtas and to every solicitor.

Constructive engagement

The Minister for Justice continued to deny that there was any proper basis for these concerns. Nevertheless, when he spoke in response to the second stage debate in the Dáil on 23 February 2012, he undertook to make important changes to the bill, which would allay fears that the proposed new Legal Services Regulatory Authority would not be truly independent of government as, he acknowledged, it should be.

In this annual report, President Donald Binchy has dealt with numerous other



important issues in relation to the bill, which I will not duplicate here. Suffice to say that the historic change of position by the Council of the Law Society at its meeting on 20 January 2012 – that the Society was content to see complaints transferred to the Legal Services Regulatory Authority – had a very positive impact on both the

tone and content of relations between the Society and the minister. It is the Society's perception that the constructive engagement that the Society had been seeking from the outset began to take place thereafter.

The minister subsequently attended and spoke at a parchment ceremony in



Alan Shatter TD (Minister for Justice) and Ken Murphy (director general) in conversation prior to the Law Society's presentation of parchments ceremony on 23 February 2012

This was a year in which the Council of the Law Society was required, to a greater extent than ever before, to think and act strategically. It rose to that challenge, engaging in analytical, practical and passionate debates. But the core values of the profession were maintained in decisions on difficult issues to do with the bill and the report of the Conveyancing Conflicts Task Force. I find it difficult to think of any year in which the Council gave such strong leadership to the profession as it did this year.

This has been an extremely difficult year for the staff of the Law Society. All were plunged into uncertainty over their future by the publication of the bill. The worst anxiety and distress has been experienced by the staff of the complaints section.

No provision has been made in the bill for their employment to transfer to the Legal Services Regulatory Authority along with their jobs. Their employment would transfer automatically if the new body was in the private sector. It is very much in the public interest that their unique specialised experience should not be lost. The Society continues to urge the Government not to perpetrate an injustice here.

Blackhall Place on 23 February 2012. In addition, he was the keynote speaker at the Society's annual conference in Castlemartyr in April. An illustration of real progress was his announcement in Castlemartyr that he was now disposed to amend the bill to provide for the limited liability partnership model for solicitors' firms. This had been sought for over a decade by the Society, and has long since existed as an option for firms of lawyers in most other common law jurisdictions throughout the world.

The Society has made over 100 pages of detailed submissions on various aspects of the bill – including in relation to some of the new provisions for assessing legal costs. It was notable that a number of these concerns, about potential unfairness and unworkability of aspects of the legal costs provisions, were shared by the taxing master of the High Court in remarks he made at a CPD lecture to solicitors in Blackhall Place in June. All of the policy development and drafting was overseen by a task force chaired by Council member Michael Quinlan.

At the meeting of the Limerick Solicitors' Bar Association on 14 March were (from l to r): Elisa McMahon (secretary, LSBA), Antoinette Cusack, Elizabeth Walsh, Donal Creaton (president, LSBA), Cathal Minihane, Gerard O'Neill, Donald Binchy (president, Law Society), Frances Twomey, Mark Murphy, Ken Murphy (director general), Gary Keogh, Jerry Twomey and Jennifer O'Riordan

Future of the Law Society

The other task force strategically established by President Binchy at the beginning of his term was the Future of the Law Society Task Force, chaired by Council member John P Shaw. The primary stimulus for this initiative was the bill, but the work of the task force ranged much wider than the impact of this legislation.

A fundamental question was: 'what does the profession want from the Law Society?' Just about every bar association in the country was visited, as well as the managing partners in many of the large firms. A major survey of the profession's views in relation to the Society is about to be undertaken by leading research company Millward Brown Lansdowne.



The president, in his annual report, has properly paid a warm tribute to the Society's excellent and very hardworking staff. I join him in doing so. The unfailing effort and professionalism of these staff, who have maintained morale despite all the exceptional pressure, has been particularly striking this year. The Society's senior management team is the dynamo that drives the Society's staff, and no one on that team has ever worked harder, more productively or more resourcefully (at a time of very reduced resources, through cutbacks, and in the wake of 27 staff redundancies) than they did this year.

A very thoughtful president

Donald Binchy has been a very thoughtful president, in more than one sense of the word 'thoughtful'. It was characteristically thoughtful of him to have given recognition to the special efforts and achievements of the Society's staff this year. He displays an empathy for the colleagues around him that does him credit.

But he is also thoughtful in the sense of being a very open-minded,

“This was a year in which the Council of the Law Society was required, to a greater extent than ever before, to think and act strategically”

reflective, serious and deep thinker about the profession, its present state and its various possible futures. A polished and articulate speaker, an engaging personality and an excellent representative of the profession, he was an ideal president to meet with his counterparts from across the globe during the massive annual meeting of the International Bar Association in Dublin in early October 2012.

Of course, as this annual report demonstrates, there was far, far more than the *Legal Services Regulation Bill* dealt with by the Society this year. But there was nothing else that had the potential impact – still has the potential impact – to undermine the most fundamental role of the legal profession in a democracy: namely, to be independent of government so that it can, on behalf of citizens, hold the government and all other emanations of

the State to account in accordance with the rule of law.

Naturally, every practitioner's most immediate concern, particularly given the prolonged nature and depth of the recession, is where their next piece of fee-earning work will come from. Nevertheless, it was clear among the 600 lawyers in the National Convention Centre on 5 December 2011, as at bar association and large-firm visits that the president and I undertook throughout the year, that there was a genuine and unifying concern throughout the profession to ensure the continuation of a legal profession truly independent of government control.

Yes, it has been the year of the bill. Or at least, the first year of the bill.

**Ken Murphy,
Director General**



At the conference 'Why the independence of the legal profession must be defended in the public interest' were (from l to r): Ken Murphy (Director General of the Law Society), Ronan Keane (former Chief Justice), Paul O'Higgins SC (Chairman of the Bar Council), Donald Binchy (President of the Law Society), Dr Marcella Prunbauer-Glaser (then incoming President of the Council of Bars and Law Societies of Europe), Mr Justice Nicholas Kearns (President of the High Court), Bill Robinson (President of the American Bar Association) and Dr Mark Ellis (Executive Director of the International Bar Association)

► POLICY, COMMUNICATION AND MEMBER SERVICES DEPARTMENT



“The eConveyancing Project continued its exploration of a transformation programme that would deliver a more effective and efficient land market, with significant benefits for consumers, the Government and the profession”

During 2012, the practical supports provided by the department were further diversified beyond career support and employer support to practitioner support. Each strand is anchored in a comprehensive online presence, with guidance ranging from CV preparation, to staff recruitment, to advice on setting up a business. In August/September, a very successful series of briefing sessions on business development and people-management issues was organised in collaboration with local bar associations at a nominal fee.

In the 12 months to 31 July 2012, the Career Support service handled 11,000 email enquiries and 5,000 telephone enquiries, with 540 members availing of a one-to-one consultation and 810 members attending one of the 41 training events. Over 800 CVs were submitted for review. The service earned an outstanding achievement award from the Irish Institute of Training and Development for its work-experience module of the Job-Seekers Support Programme.

The online legal vacancies facility was visited 1.2 million times, with 738 opportunities advertised – almost double the number in 2010. A mentor programme for newly qualified solicitors was introduced on a pilot basis, and it is hoped to expand this in the future, when more practitioner mentors become available.

Use of the website continued to grow, with 1.55 million visits by 330,000 visitors and 6.8 million views – a 15% increase on the same period last year. The online shopping cart has proved very popular and more products will be added in the near future. Practitioners can update their own personal or work details in the upgraded ‘My profile’ facility. Seven member *eZines* and 15 presidential *eBulletins* were issued in the year to

31 July. With an average open rate of 37%, readership is well above the industry standard.

The Library and Information Service also expanded its online offering following the launch of a new online catalogue in January, with the continued digitisation of its unreported judgments collection, the launch of a judgments alerter service in May, and an e-books loan service in July. As part of its more traditional functions, the library lent 7% more books than in the previous 12-month period.

The *Gazette* continued to be the primary source of news and information for members, with a print-run of 12,400.

With a keen eye to the future, the department progressed the work of two special projects during 2012. The eConveyancing Project continued its exploration of a transformation programme for the conveyancing process that would deliver a more effective and efficient land market, with significant benefits for consumers, the Government and the profession. The Future of the Law Society Task Force engaged in an independent research process, culminating in an online survey of the profession designed to provide a ‘roadmap’ for the future direction of the Society.

**Mary Keane,
Deputy Director General**

► REGULATION DEPARTMENT



“The underlying problem in relation to undertakings to financial institutions has abated significantly and is now largely historic rather than developing”

The past year has seen a transformation in the regulatory landscape regarding professional indemnity insurance, the key elements of which were a marked improvement in the renewal process, the common proposal form and the new run-off fund (ROF).

The Society again commissioned an independent survey of the profession and operated the PII helpline. The final number of firms that validly applied to join the assigned risks pool (ARP) ‘safety net’ was down to 12 from 24 last year (out of over 2,200 firms). Capita Commercial Insurance Services was appointed to manage the new special purpose fund encompassing the ROF and the ARP, and we continue to actively engage in consultations with insurers.

The duties and responsibilities of solicitors when closing a practice have come into greater focus. New *Close of Practice Guidelines* have been published, which are particularly important in the context of solicitors obtaining run-off cover on the best terms available. See www.lawsociety.ie/pages/PII/Run-off-cover.

Complaints by financial institutions about breaches of solicitors’ undertakings continue to be a feature of our work, but now with declining frequency. Moreover, the underlying problem in relation to undertakings to financial institutions has abated significantly and is now largely historic rather than developing. I believe that the lessons of the past in this regard have been taken on board by the profession as a whole.

We have engaged in extensive work in connection with draft new *Solicitors’ Accounts Regulations*, conveyancing conflicts, the statement of practice for Law Society investigations, education of solicitors, and residential undertakings –

all of which are reported on in fuller detail elsewhere in this *Annual Report*.

Regulatory litigation continues at a high level. In 2011, a total of 105 applications were made to the High Court under the *Solicitors Acts*, compared with 99 the previous year.

A notable recent development has been a number of prosecutions of solicitors and former solicitors for fraud. Last year, the Society expressed its frustration to An Garda Síochána regarding the apparent lack of progress in investigations of suspected fraud by certain solicitors and former solicitors.

We continue to liaise closely with the Society’s Career Support service to assist, insofar as possible, with addressing the concerns of solicitors seeking employment.

This department has been examining the *Legal Services Regulation Bill 2011* in detail. It is clear that the changes proposed by this bill have many complex and, as yet, generally unrealised impacts on the current regulatory system. The full implications of the changes ahead are only gradually becoming apparent to all the stakeholders involved.

**John Elliot,
Registrar of Solicitors and
Director of Regulation**

➤ EDUCATION DEPARTMENT



“At post-qualification level, the Diploma Programme is flourishing. A record number of 660 attendees attended 20 diploma and certificate courses during the last year”

For the first time in six years, the number of new trainee solicitors has not fallen. Not only that, but numbers attending post-qualification courses have greatly increased this year.

In 2006, a total of 668 students attended the PPCI. This fell to 413 trainees in 2010 (a 38% fall). However, 413 trainees attended the PPC in 2011 and we anticipate a broadly similar number in September 2012. The number of candidates sitting the Final Examination – First Part continues to fall. In April 2012, 50% fewer candidates sat the examination than in April 2008.

Highlights of the year included the very successful hosting of the International Client Counselling (Interviewing) Competition in Blackhall Place in April. A hundred participants from 22 states worldwide took part in the competition. It was very well received by all those taking part and will be followed in 2013 by the International Mediation Tournament, which will also take place in the Law School. Another high point was the award of the prestigious European Language Label 2012 to the legal practice Irish courses, which run on PPCI and II.

At post-qualification level, the Diploma Programme is flourishing. A record number of 660 attendees attended 20 diploma and certificate courses during the past year. These courses included new diplomas in compliance management and in-house practice, as well as new certificate courses in banking law, public procurement law, and employment law and advocacy. A number of courses have been offered, and three more are planned, where students use tablet computers (iPads) as a learning tool and retain the iPad at the end of the course. All diploma courses are now webcast, enabling attendees to view lectures live on the internet or to replay them at a

later date. As a result, the number of students attending these courses from outside Dublin has grown to 33% of all those taking these courses. The Diploma Programme’s innovative contribution to legal education was recognised by its receipt of the title ‘Law School of the Year’ at the inaugural Irish Law Awards.

The Professional Training section also achieved external recognition, winning two outstanding achievement awards from the Institute of Training and Development. These were for the most innovative use of technology and the ‘Best Work Placement – Graduate and Non-Graduate’ category. Funding was received from the Government’s Skillnet and Finuas schemes for the continued operation of the Job-Seekers Support Programme for unemployed solicitors. In cooperation with the Society’s Career Support service, 162 solicitors have undertaken training and work placements. The numbers attending training events grew considerably in 2011/2012, with 2,461 solicitors attending the various training events on offer.

**TP Kennedy,
Director of Education**

► FINANCE AND ADMINISTRATION DEPARTMENT



“The department’s focus has continued to be on cost reduction, process improvements and protecting the Society’s financial assets from the uncertainties caused by the ongoing problems within the Eurozone”

For the past 12 months, the department’s focus has continued to be on cost reduction, process improvements and protecting the Society’s financial assets from the uncertainties caused by the ongoing problems within the Eurozone. At the same time, the department continued to fulfil its primary role of providing internal services and infrastructure to the other departments that provide the core business functions of regulation, education and representation. The department also managed many of the commercial activities of the Society through another turbulent year.

With income continuing to fall in 2011, down €1 million or 4% (2010: down 15%), cost reduction continued to be a major focus. Unfortunately, as with 2011 when savings were effectively absorbed by increased contributions to the compensation fund, projected savings in 2012 did not result in a reduction in the practising certificate (PC) fee, due to the advent of the SMDF levy of €200 per PC. The Society’s income is €22.5 million, with general activities accounting for 60%, and education the remaining 40%. This income is managed to ensure that members receive value for money through a rigorous budgeting process, detailed monitoring throughout the year and an annual review of the five-year plan.

On the facilities side, in addition to the ongoing business of providing internal services such as printing, post, telephone, reception, cleaning, security and maintenance, the department oversaw the first major refurbishment in over ten years of the Four Courts’ consultation rooms. The objective was to bring the rooms up to current-day standards. The contracting out of the bar and catering operations in Blackhall Place, now in its second year, has

resulted in significant savings to the Society.

On the IT side, the Society’s processes are heavily dependant on IT and the internet. The department provided support to all areas in effecting improvement in the delivery of services electronically, including the publication of exam results online. The IT section continues to be progressive in the electronic and online delivery of educational services. The practising certificate and *Law Directory* processes continue to be refined to make them less arduous for members. An online booking system for the Four Courts’ consultation rooms has been successfully piloted and will be rolled out in the latter part of 2012.

The department is the ‘risk manager’ for the Society and is responsible for its extensive insurance programmes, maintaining a risk register of the Society’s activities, and business continuity planning. It also has ongoing responsibility for overseeing the implementation of the agreement between the SMDF and the Law Society in relation to the orderly run-down of the SMDF’s activities.

On the commercial side, activities have maintained their 2011 income levels in 2012. These include the Four Courts’ consultation room hire, publication sales, advertising, premises hire and catering and bar services at Blackhall Place.

The department and its staff are committed to providing high-quality support to the core business functions of the Society and to undertaking a wide range of tasks assigned to it in a willing and efficient manner.

Cillian MacDomhnaill,
Director of Finance and Administration

► PARCHMENT CEREMONIES 2012



At the presentation of parchments on 12 July 2012 were newly conferred solicitors Sinead Garnett (Kerry) and Fiona Loughlan (Kildare)



Pictured at the parchment ceremony at Blackhall Place on 23 February 2012 were Julie McEvoy (Laois), Aoife Gallagher Watson (Dublin) and Nuala Clayton (Derry)



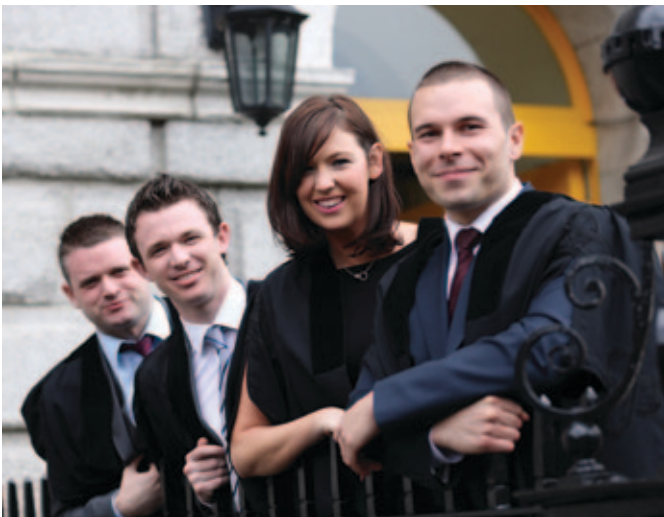
Padraig Twomey (Sandymount) and Paula Woolfson (Ranelagh) celebrate receiving their parchments on 9 March 2012



Attending the parchment ceremony on 28 June 2012 were Tommy Canavan, Joseph Marrinan, John O'Donoghue, Philip Tully, Robert Barrett, Eric Walsh and Cian Martin



At the presentation of parchments at Blackhall Place on 17 May 2012 were newly conferred solicitors Louise Moore (Limerick) and Lisa O'Callaghan (Cork) with RTÉ broadcaster and guest speaker, Miriam O'Callaghan



Newly conferred solicitors at the parchment ceremony on 12 July 2012 included Paul Ivers (Galway), Douglas Parson Lappin (Sligo), Amanda Jane Sweeney (Dublin) and John Kerin (Kildare)



Newly qualified solicitors at the parchment ceremony on 28 June 2012 were Rachel Mullery (Galway) and Claire Morgan (Belfast)



Enjoying the parchment ceremony on 28 June 2012 were Grace Gannon (Kildare), Maria Tuffy (Sligo) and Sophie Fredrick (Dublin)

▶ STANDING COMMITTEES



Complaints and Client Relations Committee

*Andrew Cody,
chairman*

This is my first report as chairman of the Complaints and Client Relations Committee. I would like to extend my thanks to the former chairman, Simon Murphy, and former vice-chairman Stuart Gilhooly for all their work on the committee over the last number of years. I would also like to thank the two vice-chairmen, Barry McCarthy and James O'Sullivan, and indeed all of the members of the committee for their hard work throughout the year.

For the last five years, there has been a huge increase in the number of complaints exclusively in relation to conveyancing undertakings. I am glad to report that the current trend for this year is that these complaints are now beginning to reduce. Other complaints are substantially down too, for example, complaints regarding delay are down 60%, complaints regarding dishonesty are down 60%, and complaints regarding failure to communicate are similarly down 55% over the last five years. Excluding the increase in relation to conveyancing undertakings, the overall number of complaints is down 35% over the last five years.

Over the past year, the committee has become increasingly concerned at the increase in the number of solicitors requiring medical assistance, whose health has suffered as a result of the economic downturn. Services such as Law Care and Consult a Colleague are invaluable in such circumstances.

The *Legal Services Regulation Bill* will, in all likelihood, come into force before the

next annual report, and while I welcome many of the provisions, the failure of the minister to provide for the transfer of the existing staff of the Law Society to the new authority is a retrograde step. The excellent staff of the Society, led by Linda Kirwan, has a unique specialist expertise in the area of legal professional regulation. There are numerous precedents for such staff to transfer to a new regulatory body, such as the Irish Stock Exchange, Pharmaceutical Society of Ireland, Medical Council, Central Bank of Ireland and Health Information and Quality Authority.

Complaints to date have been handled by the staff to the highest standard possible, and the ISO Quality Mark that was achieved in 2003 has been re-certified every year since then. The ISO Inspectorate has consistently commented on the quality of service provided. The independent adjudicator to the Law Society in her last report acknowledged their "persistent and professional work".

The replacement of such excellent staff by inexperienced civil servants will inevitably lead to mistakes, inefficiencies, loss of confidence in the new body, extra costs to the Society and will, in my view, prove to be a serious mistake.

The loss of such expertise would be inexcusable.



Coordination Committee

*Donald Binchy,
chairman*

The Coordination Committee operates as the oversight committee for the projects undertaken by each of the Society's committees. It reviews the benefit of these projects in terms of resources and delivery 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.

The committee also acts as a link between the committees and the Council and provides a useful forum for the resolution of operational and procedural matters. In late 2011, the committee held two half-day meetings with the chairmen of the Society's standing committees and new task forces to discuss strategic issues facing the Society and the profession, both in the short and long-term.

A further function of the committee is the consideration of issues falling outside the remit of any of the other committees. During the past year, the committee coordinated the Society's position on a number of key issues, including the proposed regulation of lobbyists, the 'next steps' for the eConveyancing Project, an income protection scheme for members, a mentor programme for newly qualified solicitors, requests for appointments to external bodies, and requests for membership of Society committees.



Education Committee

Michelle Ní Longáin, chairman

The year 2012 was a busy and challenging year for the Education Committee. The committee revised the CPD regulations, which were approved by Council in September. Work was carried out on the development of new commercial law electives for PPCII and on the implications of the *Legal Services Regulation Bill*. This year saw 408 students complete the first course on English and Welsh Property Law and Practice. This course is a requirement for Irish solicitors who want to apply for admission in England and Wales.

Monitoring the financial performance of the Law School remained a priority for the committee. Despite a continued fall in the number of trainees and examination candidates, careful cost control meant that, while retaining and developing educational excellence, the Law School met its budget targets.

The committee was proud that a number of Law School activities received external recognition during 2012. The Diploma Team won the 'Law School of the Year Award' at the inaugural Irish Law Awards. The accolade honoured a law school regarded by the judging panel as being "pre-eminent in legal education" in Ireland.

For the second year, Law Society Professional Training was successful at the Irish Institute of Training and Development Awards, receiving the accolade for excellence and innovation in training and a second award for innovative use of technology.

Finally, the Law School's Irish language courses won the European Commission's European Language Label award, which recognises new initiatives in the field of teaching and learning languages.

A highlight of the year was the Brown Mosten International Client Consulting Competition, which was hosted by the Law School in April. Over 100 delegates

from 22 countries attended the four-day event. The feedback from participants was overwhelmingly positive.

My sincere thanks to my fellow committee members for their hard work during the year, in particular vice-chair John O'Connor, who we congratulate on his recent appointment to the District Court bench, and to all the staff of the Law School.



Finance Committee

Patrick Dorgan, chairman

While the Law Society continued to feel the impact of the economic

recession on its activities throughout 2011, it did manage to ensure that the Society's general and education activities operated close to break-even during the year. The after-tax operational surplus for these areas was €330k (2010: €283k), which was 1.6% of income. Reserves, including amounts allocated to the litigation, Education Centre and capital reserve funds, before making a provision for property impairment, increased by €2.4 million (2010: €3.1 million).

The operating surpluses for the Law Society are incorporated in 'group' accounts, which include all Law Society subsidiaries and related undertakings. The outcome for the Law Society's group for the year was an after-tax surplus of €378k (2010: €3.1 million). This includes an additional impairment provision on the Benburb Street site of €2 million, which is shown as an exceptional item in the income and expenditure account (see page 41). This additional write-down should be seen in the context of the Society never planning to sell the site.

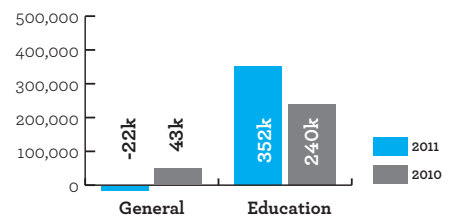
While the group accounts give a full picture of the financial performance and the financial position of all Law Society operations, they can distort the view of the individual elements of the operation. Consequently, the table below shows the management accounts results (which shows actual trading outcome) and the audited group statements for all the

activities in question.

Overall results (€,'000)

Entity	Management accounts €	Audited group statements €
General activities	-25,929	183,349
Funds	2,088,868	2,088,868
Education activities	430,616	1,042,739
Impairment		-2,000,000
Law Club of Ireland	-19,114	
Benburb Street Property Co Ltd	-2,011,731	
Friary Property Services Ltd	136	
Ellis Quay Property Services Ltd	-10,227	
Sundry income		6,478
Restructuring costs		-94,605
Group taxation	-74,587	-74,587
Total surplus	378,032	378,032

After tax operating surplus 2011



Our income streams

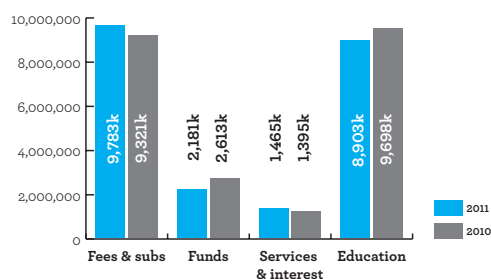
Total income fell by 4% to €22,503k (2010: €23,459k). Fees and subscription income remained static, education income decreased by 8%, and income from other sources fell by 10%. Fees and subscriptions, which are primarily practising certificate, membership and admission fees income, increased by €29k. This was despite a decrease in the registration fee element of the practising certificate fee for 2011 of €40, or 3.4%. This was possible as a result of continuing cost-saving initiatives.

In 2011, there were 8,571 (2010: 8,335) practising certificate holders – an increase year on year of 236, or 3%. Surprisingly, this figure has remained fairly static over the last four years and is slightly above the 2008 figure. There

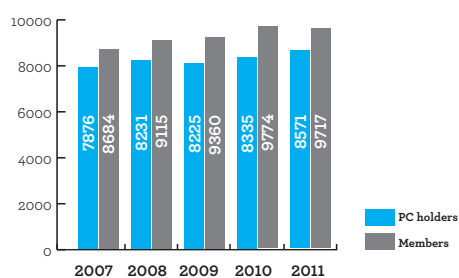
were 9,717 members (2010: 9,774), a decrease of 57. The membership number includes 518 solicitors who availed of free membership on the basis of being over 50 years admitted or being unemployed. There were 718 admissions to the roll in 2011 (2010: 729).

Practising certificate fee income totalling €2,181k (2010: €2,614k) was allocated to the litigation fund (€275k) and the capital reserve fund (€1,906k). The Society's commercial and other activities continued to feel the impact of the recession, with income down to €1,636k from €1,827k in 2010. Interest income at €365k was €104k better than in 2010.

Income sources 2011



Practising certificate holders and members 2007-2011



Education activities income at €8,903k (2010: €9,698k) fell by 8%. The income can be broadly analysed as €5.7 million from professional practice course (PPC) fees, €1.1 million from exam fees and indentures, and €2.1 million from LSPT seminars, grants and diploma courses.

The student intake for PPCI courses in September 2011 was 412 (2010: 413), a fall of 38% from a high of 666 in 2007. FE1 sittings fell from 3,328 in 2007 to 1,752 in 2011, down 47%. Diploma courses performed very well in 2011 and LSPT,

with its successful Skillnet and Finuas programmes, which attracted State grants of €541k (2010: €215k), almost broke even. Other income relates to our subsidiaries, and the fall of €264k arises from the contracting out of the bar and catering operations.

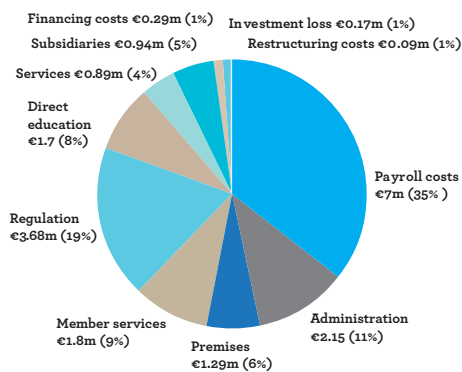
Admissions and courses 2008-2011



Our expenditure

Total expenditure fell from €20,224k to €20,051k, down 1%. On the general activities side, operating charges increased by €749k, or 7%. In general terms, all of this increase was attributable to exceptional costs incurred in relation to the PII Taskforce dealing with the master policy and SMDF financial support issues, and additional legal costs in the regulatory area. All other cost areas show tight cost control. Education activities' operating charges decreased by €837k, or 10%. This was in line with the fall in income in this area. Education Centre fund investments showed a loss of €92k as a result of the sale of some investments as part of a de-risking strategy. Financing costs of €287k are effectively rent under the sale-and-lease-back arrangement on the Education Centre. 'Other expenditures' are the costs associated with our subsidiaries and were €939k (2010: €1,254k). This fall in expenditure mirrors the fall in income in these areas. There were five redundancies in 2011, at a cost of €95k.

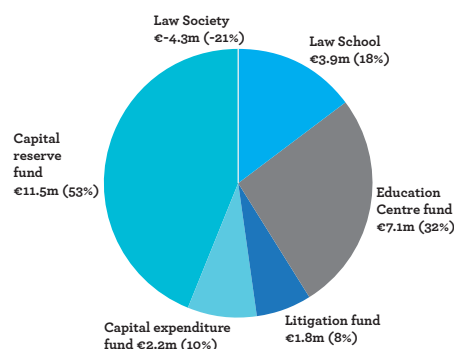
Areas of expenditure 2011



Our balance sheet

Despite the impairment charge of €2 million, the balance sheet strength improved to a net assets position of €22.3 million (2010: €22.0 million). The reserves include two contingency funds for capital expenditure (€2.2 million) and litigation (€1.8 million), which act as reserves to meet costs in these areas as they arise. There are also two 'sinking' funds, the Education Centre fund (€7.1 million) to buy back the Education Centre in 2014 under a sale-and-lease-back arrangement; and a capital reserve fund (€11.5 million) to pay for the Benburb Street site over a ten-year period. The balance of the reserves is allocated to the Law Society (-€4.2 million) and the Law School (€3.9 million). The bulk of the Society's reserves are tied up in fixed assets, including Blackhall Place.

Reserves 2011 (€m)



Our subsidiaries and related undertakings

As mentioned previously, the group's 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 it made an operational loss, before redundancy costs, of €129k. This is a significant decrease on 2010 and is as a result of the contracting out of the catering and bar operations in late 2010. After a contribution from the Law Society of €167k and redundancy costs, the loss was €19k (2010: €9k). Benburb Street Property Company Ltd, which owns and manages the Benburb Street site, made an operational loss, before the site revaluation loss, of €12k (2010: €7k). After revaluation, the loss was €2,012k. Friary Property Services Ltd,

which rents and manages the Solicitors Disciplinary Tribunal offices, broke even (2010: €2k) and Ellis Quay Property Services Ltd, which rents and manages the Law School's facilities in Cork, made a loss of €10k (2010: €27k).

2012

Despite the continued economic uncertainty, it looks like the Society will achieve its budget for 2012, which projects a small operational surplus. The projection for practising cert numbers is that year-end figures will slightly exceed 2011. As approved by the membership, an SMDF financial support levy of €200 was included in the 2012 practising certificate fee. The wind-down of the SMDF is proceeding in line with expectations.

The Finance Committee is very conscious of the impact of the downturn on the profession but felt it was prudent not to further reduce the practising certificate fee in 2012 given the reductions in 2010 and 2011. The committee is also very conscious that the members' approval of financial support to the SMDF will impose an additional burden on practitioners. It is working to reduce costs to ensure the burden is minimised and that the practising certificate fee and the cost of education to practitioners are kept to a minimum. Likewise, it is lobbying hard to ensure that whatever changes the *Legal Services Regulation Bill* brings, these should not result in a cost increase to solicitors.

The committee continues to ensure that members get value for money for all operational project spending and that the Law Society's operations are sufficiently resourced to serve members in the most efficient and effective manner.



Money-Laundering Reporting Committee

*Michael Quinlan,
chairman*

The committee met regularly during the year and continues to fulfil the Society's obligations in reporting any suspicions to the relevant authorities that money laundering or an offence of financing terrorism has been committed by a practising solicitor and in investigating due compliance with anti-money-laundering obligations by practitioners.

In order to ensure that the Law Society meets its obligations with regard to relevant offences reporting, in line with the provisions of section 19(1) of the *Criminal Justice Act 2011*, the remit of the committee was extended by the Council of the Law Society to cover those obligations.

The effect of this new legislation is that, where the Law Society has information that it knows or believes might be of material assistance in preventing the commission of a relevant offence for the purpose of the *Criminal Justice Act 2011*, or securing the apprehension, prosecution or conviction of a person for such a relevant offence, it is obliged to disclose that information as soon as it is practicable to An Garda Síochána.

I would like to thank my predecessor as chairman, John O'Connor, and the other committee members for their work during the year. I would also like to thank the Society's senior investigating accountant, Seamus McGrath, and committee secretary Tina Beattie for their work.



Professional Indemnity Insurance Committee

*Stuart Gilhooly,
chairman*

As has been the case for several years now, the work of the Law Society to regulate the provision of professional

indemnity insurance was divided between the Professional Indemnity Insurance Committee (PIIC) and Professional Indemnity Insurance Taskforce (PIIT). Between them, we have endeavoured to ensure that the good work of 2010/11 has continued and that the market works in as smooth and economic a manner as possible.

Through the offices of the Qualified Insurers Liaison Committee, which comprises representatives of the PIIC and the insurers' market, we have maintained a regular dialogue while monitoring the regulation of the market, seeking new entrants and addressing the concerns of the current participants.

In a new development, run-off cover is now provided, for no extra charge, to any firms seeking to close, so long as they meet the eligibility criteria. As a result, a special purpose fund (SPF) has been set up, which is monitored by the SPF Committee, of which both the PIIC chairman and the director of regulation are members. This fund administers both the run-off fund requirements and those of the assigned risks pool, which remains an insurance option of last resort for those unable to obtain cover on the market.

The introduction of the common proposal form was a success and has now been modified to improve the document further. Feedback on the new form is welcome.

The PIIC will continue to pay the closest attention to the requirements of the profession in this most important area of practice and is acutely aware that the improvements of the last renewal period must at least be maintained and preferably enhanced.

Many thanks to both the PIIC and the PIIT for their hard work and assistance. In addition, and in particular, my huge gratitude goes to Sorchá Hayes and John Elliot for their invaluable input, and also to the now retired Rosemary Fallon for her dedication over many years to the PIIC and the Law Society.



Regulation of Practice Committee

*Martin Lawlor,
chairman*

The Regulation of Practice Committee administers the compensation fund, which the Society is required to maintain in order to compensate clients for losses arising due to dishonesty on the part of solicitors or their employees. The committee also polices the profession's compliance with the *Solicitors' Accounts Regulations* and with aspects of the *Solicitors Acts* not assigned to other regulatory committees.

AUDITED ACCOUNTS

Our overall financial performance

The income and expenditure account of the compensation fund reflects a deficit (representing an excess of expenditure over income after taxation) of €998,052 for the year ended 31 December 2011, compared with a deficit of €1,247,198 for the year ended 31 December 2010. The decrease of €249,146 in the deficit for 2011 compared with 2010 is attributable to a decrease in 2011 of €1,991,491 in income, a decrease of €2,283,038 in expenditure, compared with 2010, together with an increase in taxation amounting to €44,401.

Our income streams

The decrease of €1,991,491 in income in 2011 is attributed mainly to a decrease of €2,024,058 in insurance recoveries under the fund's excess loss insurance policy. Contributions receivable increased by €501,880 due to an increase in the annual contribution levy of €40 per solicitor.

Our expenditure

The decrease of €2,285,028 in expenditure as between the two years is substantially attributable to a decrease in the provision for claims of €2,480,503.

Our balance sheet

The net assets of the fund as at 31 December 2011 stood at €12,960,911 compared with €13,592,045 at 31 December 2010. The decrease of €631,134 in the net asset position of the fund between the two years is reflected in a decrease of €998,052 in revenue

reserves, together with an increase of €366,918 in the revaluation reserve on the fund's investments. These investments are recognised in the accounts at prevailing market valuations at year end.

Developments since December 2011

In the six months ended 30 June 2012, a total of 162 claims were received. Excluding invalid claims refused, these claims amounted to €1,925,125. Payments were made in the sum of €712,454 in respect of claims, and claims amounting to €1,212,671 are still under consideration.

The net assets of the fund are valued at €16 million as at 30 June 2012. The annual contribution to the fund was €700 per solicitor for 2012. Insurance cover for €50 million in excess of €5 million is in place for the year ending 31 December 2012.

Activities during the year

The committee met on 16 occasions, for eight scheduled, five emergency and three special meetings. As a result of these meetings, the committee decided to:

- Refer 20 solicitors to the Solicitors Disciplinary Tribunal on foot of findings disclosed in the investigation reports on their practices,
- Refer two solicitors to the Solicitors Disciplinary Tribunal for failure to file accountants' reports on time,
- Refer two solicitors to the Solicitors Disciplinary Tribunal for practising while not holding practising certificates,
- Apply to the High Court for an order freezing the accounts of ten solicitors where dishonesty was discovered, and in respect of one practice where the solicitor had surrendered his practising certificate and was no longer practising, but had failed to provide any documentary evidence to show whether any client monies were held in the client bank account, or whether the client bank account had been closed,
- Apply to the High Court to take up the files of five solicitors' practices,
- Apply to the High Court to suspend the practising certificates of nine solicitors,
- Levy contributions amounting

to €75,750 towards the costs of investigations,

- Apply to the High Court pursuant to section 18 of the *Solicitors (Amendment) Act 2002* for an order permitting the Society to close down a solicitor's practice where the solicitor, a sole practitioner, was no longer permitted to practise on his own account by order of the High Court and had no practising certificate.

The team of investigating accountants conducted approximately 350 investigations throughout the year.

The committee continued to support the confidential practice advisory service, with 70 firms availing of it during the past year and 260 since the service was launched. This half-day, one-firm session gives practice advice on regulatory compliance, cash-flow management, financial benchmarking and banking arrangements. The service, which is provided through Outsource, also contains tailored advice on the firm's options in terms of growth, merger, buying a practice or the implications of exiting from practice. This is designed to be of practical assistance in challenging times, with many facing difficult choices. Feedback on the sessions has been extremely positive.

In accordance with the recommendations of the Donovan Bowen Review Group, an extensive review of the existing *Solicitors' Accounts Regulations* has been undertaken, with a view to introducing new *Solicitors' Accounts Regulations*. It is expected that the new regulations will be brought to the Council of the Law Society shortly for consideration, to be followed by consultation with the profession. Issues that these new regulations are likely to address include:

- Consolidation of the *Solicitors' Accounts Regulations 2001, 2005, 2006* and the *Solicitors (Interest on Clients' Monies) Regulations 2004* into one set of regulations,
- Amending the interest regulations,
- More frequent balancing statements,
- Mandatory review of client ledger balances for delays,
- Additional records to form part of the

minimum accounting records required to be maintained,

- Reporting accountant's reports to be submitted within three months of the accounting date,
- Reporting accountant to examine the financial circumstances of the practice and, where appropriate, report thereon to the Law Society,
- Mandatory requirement to provide Law Society investigating accountants with sufficient information to prepare a report on the financial circumstances of the practice and, where appropriate, on the personal assets and liabilities of the solicitor.

The Law Society is currently in consultation with the Audit and Assurance Committee of the Consultative Committee of Accountancy Bodies with a view to improving the relevance of the work of the reporting accountants in the regulation of the solicitors' profession. Particular attention is being paid to reporting accountants monitoring the financial circumstances of solicitors' practices and reporting practices experiencing financial problems to the Law Society.

During the year, a submission was made to the Conveyancing Conflicts Task Force that highlighted, from actual experience, risks to the compensation fund arising from conflict situations.

The statement of practice for Law Society investigations was revised to take into account the risk-based approach adopted in recent years and the additional obligations on the Law Society to monitor solicitors' compliance with the *Criminal Justice (Money Laundering and Terrorist Financing) Act 2010*.

We are working with Law Society Professional Training with a view to improving education for solicitors on the management of solicitors' practices, with particular emphasis on the *Solicitors' Accounts Regulations* and solicitors' anti-money-laundering obligations.

Practice notes were issued on the regulatory requirements for practice names that do not consist only of the name of one or more of the present or former principals of the firm, and on

the prohibition on classifying a solicitor employed by a firm and engaged in the provision of legal services as a 'legal executive' or 'paralegal' with a view to avoiding the requirement to hold a practising certificate.

I wish to thank the committee vice-chairmen, Martin Crotty and Dara Robinson, for their considerable assistance throughout the year, and all other committee members for their commitment to and participation in the work of the committee.

Thanks are due, too, to the committee's lay members, Frank Bowen, Frank Mee and Richard George, who contribute significantly to the work of the committee.

On behalf of the committee, I express my gratitude to the permanent secretariat in the Regulation Department, under the direction of the Registrar of Solicitors and Director of Regulation John Elliot, for their unstinting work. The committee workload is considerable, but the efficient running of meetings is made possible by the considerable work done in-house.

➤ NON-STANDING COMMITTEES



Arbitration and Mediation Committee

Roddy Bourke, chairman

The work of the Arbitration and Mediation Committee reflects the changes in day-to-day practice for many practitioners. The Programme for Government, which refers to facilitation and use of mediation to resolve commercial, civil and family disputes in order to speed up resolution of disputes and reduce legal costs, reflects changes that have contributed to a growth of interest in methods of dispute resolution other than litigation.

It has been a very busy year for the committee. Members welcomed the publication of the heads of the *Mediation Bill 2012* and, while unable to meet with the joint Oireachtas committee directly, members attended the public meeting and forwarded a submission on the proposed bill, which has yet to be published. The committee will make further submissions once legislation becomes available.

The committee is also proud to announce the launch of the 'Find a mediator' online search facility in October. Members will be able to search for solicitor mediators via the Law Society website. Model mediation procedures for medical negligence, employment law and construction will be available before the end of the year.

The committee continues to review criteria for membership of the Law Society Arbitration Panel, particularly in relation to the powers and responsibilities given to arbitrators under the *Arbitration Act 2010*. The abolition of the case-stated procedure and the very limited

right of appeal to the courts mean that it is of the utmost importance that any person appointed as an arbitrator by the President of the Law Society is of the highest calibre in arbitration knowledge and experience and can be expected to discharge his or her obligations in a suitably capable and efficient manner.

The committee has continued to contribute to, and maintain active membership with, organisations established to promote Ireland as a venue for international arbitration. I express my thanks to each member for their hard work during the year and my gratitude to our dedicated secretary, Colleen Farrell.



Business Law Committee

Mark Pery-Knox-Gore, chairman

The committee continued its work of monitoring developments in business law, both at national and EU levels.

This year, it reviewed the corporate debt restructuring options under statute, including examinership and the section 201 scheme of arrangement. The committee concluded that there is a pressing need for a more straightforward statutory restructuring process. A submission was sent to the Department of Jobs, Enterprise and Innovation.

In response to a request from the Conveyancing Committee, we prepared standard form memorandum and articles of association for a management company that take account of certain provisions in the *Multi-Unit Development Act 2011*.

In conjunction with other committees,

we reviewed the general scheme of the *Personal Insolvency Bill* and contributed submissions on part 6 of the draft heads of bill, dealing with bankruptcy.

We continued to monitor the development of proposals at EU level for a European contract law. Paul Keane delivered a well-received talk on the subject at the Law Society's annual seminar on contract law.

During the course of 2012, we lost a number of committee members to the new Intellectual Property Committee. We wish our colleagues on the new committee every success in the future.

I would like to thank all the committee members for their hard work during the last 12 months. In particular, I wish to thank Paul Keane (vice-chairman), Joanne Cox (committee secretary) and Katherine Kane, who stood in for Joanne for much of the year.



Conveyancing Committee

Deirdre Fox, chairman

This year, the committee published 21 practice notes

in the *Gazette* and sent three items by electronic circular to the profession. It answered numerous queries from practitioners and received 1,278 queries to the telephone helpline, which were dealt with by the committee secretary. The committee considered 95 new items at its monthly meetings – more than double the number considered in 2011. As in previous years, matters to do with lending institutions and the residential certificate of title system continue to account for most of the queries.

The committee published a significant body of precedent documentation for use in connection with the *Multi-Unit Developments Act 2011*. Its ongoing review and updating of the committee's precedents on the Law Society's website continues apace, and a new edition of the requisitions on title is expected shortly.

The committee continues to meet with the PRA in relation to registration matters, including new draft land registration rules, and with Revenue in relation to e-stamping and self-assessment. It continues to liaise with the various lending institutions in relation to complaints received by it from practitioners. It also liaises with NAMA in relation to any developments affecting the conveyancing process.

New matters this year included input by the committee and individual committee members to the work of the Law Society's Residential Undertakings Task Force and its Conveyancing Conflicts Task Force. The committee is preparing a submission in respect of landlord and tenant law relating to commercial leases, with a view to feeding into the review currently being undertaken by the Department of Justice and Equality.

Sincere thanks to all the committee members, vice-chair Majella Egan and our secretary Catherine O'Flaherty for their time, hard work and support throughout the year.



Criminal Law Committee

Conal Boyce, chairman

This year, the committee's agenda focused on legislation, old and new, with a number of criminal justice bills and rules of court being considered and reviewed. Written submissions were made in relation to the Government review of the *Insanity Acts 2006-2010* and the general scheme of the proposed *Bail Bill*.

The committee corresponded with the Minister for Justice regarding instances

where it had identified potential improvements to the legal-aid system, and a member of the committee was appointed to the Government's Advisory Group on Efficiency Measures in the Criminal Justice System.

The committee was also in correspondence with the Courts Service, the Department of Justice and the Prison Service on a variety of issues relating to practical aspects of day-to-day criminal law practice – for example, timelines for the processing and payment of legal-aid claims and issues arising in relation to professional visits to prisons.

Practice notes and *eZine* updates were issued as necessary. Committee members also continued to participate in various court-user groups. The committee was pleased to have the opportunity to work with the Legal Aid Board on administrative issues relating to the transfer of the administration of some of the non-statutory legal-aid schemes. A number of ongoing issues also appeared on the committee's agenda, such as matters relating to solicitors' ethics/conduct, presumptive drug testing, and garda-vetting arrangements.

I would like to thank the members of the committee for their time and commitment, particularly Shalom Binchy, vice-chairman.



Curriculum Development Unit

Carol Plunkett, chairman

The Curriculum Development Unit reviews curriculum and materials in the Law School and for the post-qualification continuing legal education diplomas and certificates. The Society leads continuing legal training in Ireland, and courses are continuously updated to keep abreast of developments, ensuring that solicitors provide the best possible advisory services to the public.

The unit also reviews in-office prog-

rammes recommended for trainees and the pastoral care provided by the Student Development Service (SDS). The Access Programme, coordinated by the SDS and unique in Irish professional training, offers practical and financial support to disadvantaged students wishing to pursue legal careers. The Internship Programme arose from CDU suggestions responding to difficulties Access students encountered in gaining in-office experience. Students are placed within a legal office environment for a structured 12-week period. Response to the initiative has been very positive, and it is hoped that such placements will equip students to compete more capably for traineeships.

In addition this year, the CDU reviewed considerable progress in e-learning, facilitated through both Moodle and webcasting, where students can watch lectures in real time or from the archive. We also received a report on the Student Recording System, where students are recorded digitally, for later review, for advocacy, client counselling and various competitions. Further developments to come are the delivery of course materials via iPads/tablets. This will facilitate updating, so that, as legislation changes, delivery will be much more rapid, and hard-copy manuals will be unnecessary.

In May, the CDU visited Chester School of Law, favourably comparing the high standard of education students receive in Ireland with training methods there.

Thanks to each CDU member for their commitment and contribution throughout the year, to Geoffrey Shannon, and to the dedicated tutors of the Law School.



Employment and Equality Law Committee

Michael Kennedy, chairman

This has been a busy year for employment and equality law practitioners, with fundamental changes to the system of employment and equality rights anticipated and implemented in the context of the ongoing Workplace

Relations Reform Project. The committee has been fully engaged in this process on behalf of practitioners, finalising detailed submissions and meeting with relevant stakeholders, including the director of the reform project, Ger Deering. The topic will be covered as part of the employment law seminar in late September, and the committee will continue to keep members informed of developments through ongoing *eZine* and *Gazette* articles.

The committee also redrafted and made available on the website a broad range of template employment and equality-related policies, such as dignity at work, performance management and maternity-leave guidelines.

In conjunction with the Pensions Sub-Committee, detailed submissions on the proposed changes to the State pension age were made to relevant ministers and departmental officials, highlighting the employment, equality and pension implications arising from such far-reaching proposals.

In addition, the Pensions Sub-Committee has made available template pension adjustment orders to the profession via the Society's website, as well as being fully engaged in updating the profession on pension-related issues through seminars, *eZine* and *Gazette* articles.

I would like to acknowledge the contribution of all committee members during the year.



EU and International Affairs Committee

Niamh Connery, chairwoman

During the year, the committee organised a number of events of relevance to practitioners. In September 2011, a general EU law update took place in Waterford. In March 2012, a very well attended and high-profile seminar was held in conjunction with the Irish Branch of the International Law Association on the Arab Spring – the seminar was chaired by Dr Maurice Manning (President of the Irish Human Rights Commission) and delivered by Mary Fitzgerald (*The Irish Times'* foreign affairs correspondent) and Prof William Schabas (chairman of the Irish Centre for Human Rights). In May 2012, a seminar on the proposed regulation on a common European sales law was held in conjunction with the Business Law Committee.

The committee continued its work with its programmes for qualified lawyers to avail of work placement opportunities in France, Belgium, Spain and Germany. Irish lawyers travelled to France, Madrid and Brussels last year, while Spanish lawyers returned. Another group of lawyers is due to travel to Paris, Madrid, Cologne and Brussels in September 2012 as part of these programmes. Funding was secured from the European Commission/Leárgas through the Leonardo da Vinci

programme, and from the Paris Bar, to enable these programmes.

Committee members contributed a number of articles to the Eurlégal section of the *Gazette* during the year under review. The committee also remains the reporting body for delegates to the Council of Bars and Law Societies in Europe, the Union Internationale du Notariat Latin, and the International Bar Association.

I thank vice-chair Mary Casey for her leadership and all committee members for their work, in particular committee secretary Eva Massa, for her dedication and vital support.



Family Law Committee

Carol Anne Coolican, chairwoman

The Family Law Committee assists the profession

in keeping up to date with relevant developments in family and child-welfare law by regular practice notes and guidance in the *Gazette* and the *eZine*.

We made submissions to the Department of Children and Youth Affairs in respect of the referendum on the Constitution and organised a conference on this very topical issue.



THE ARAB SPRING – WHAT NEXT?

In April, the EU and International Affairs Committee organised an international affairs talk entitled 'The Arab Spring: what next? Restoring the rule of law in MENA Countries'. The talk was co-sponsored by the Irish branch of the International Law Association and provided a forum to reflect on the consequences of the Arab Spring, the different reactions in each country and the way forward to rebuild nations.

The prestigious panel of speakers included the President of the Irish Human Rights Commission, Dr Maurice Manning, as chairman; Mary Fitzgerald, *The Irish Times'* award-winning foreign affairs correspondent; and William A Schabas, professor of international law and chairman of the Irish Centre for Human Rights.

PRACTISING CERT NUMBERS ROSE IN 2011

There was a modest but heartening net increase of 236 in the number of practising certificates taken out by solicitors in the calendar year 2011 over 2010. The previous year had itself seen an increase of 110 practising certificates compared with a very difficult 2009, when the number of practising certificates fell by six.

Although it is by no means the full picture, the number of practising certificates is a significant indicator of confidence and activity within the solicitors' profession. Measured in these terms, 2009 has been by far the worst year of the recession to date. In that year, the number of practising certificates actually contracted, in contrast to the net increase of 355 in the still buoyant year of 2008. The year 2008 was significantly down from the 460 new practising certificates in the peak year of activity in the profession, 2007, the year in which Ireland's property bubble reached its fullest level of inflation.

All of the figures quoted are for the number of practising certificates on 31 December on each of the years in question. Accordingly, the figures are 'hard' and the comparisons are on a completely valid like-with-like basis.



We made submissions on the *Children First Bill* and reviewed HIQA's *National Standards for the Protection and Welfare of Children*, the *Children First: National Guidance for the Protection and Welfare of Children* publication, the *Criminal Justice (Withholding Information on Crimes against Children and Vulnerable Persons) Bill*, and the *National Vetting Bureau Bill*.

We made submissions and attended the Oireachtas sub-committee meeting on the *Mediation Bill*.

We reviewed and made submissions on the Dublin Metropolitan District Dolphin House draft practice direction on case management in childcare proceedings.

We continue to explore, with the Legal Aid Board, alternatives to court. We also explore the improvement of information sources for the benefit of clients and make suggestions for the most effective use of private practitioners.

We have a representative on COSC, the National Steering Committee on Violence against Women, and have committed to supporting their work and have participated in a conference organised by them.

Our annual conference to update and inform members this year focuses on developments in the child law area, adoption and on alternative dispute resolution.

I would like to thank the committee, in particular my vice-chairman Donagh McGowan and our ever-efficient secretary Colleen Farrell, for their enthusiasm, hard work and commitment.



Gazette Editorial Board

Michael Kealey,
chairman

Following its 'Best Business to Business Magazine of the Year' award

in 2010, the *Gazette* once again made the shortlist for the Magazines Ireland awards in December 2011.

The magazine responded to the publication of the *Legal Services Regulation Bill 2011* by publishing a special issue in January that featured coverage of a dedicated conference on the bill in December. This was sent to all 220 members of the Oireachtas (both Dáil and Seanad) and proved to be a highly effective lobbying tool for the Society in attempting to address many problematic elements of the bill.

The effects of the economic recession continue and the magazine, like all other print and broadcast media, is experiencing a downturn in advertising revenue. The reduction in business being experienced by solicitors has had

a knock-on effect for the *Gazette*, with income from professional notice rates suffering a further decline. As a result, potential new revenue models and income streams are being investigated in order to offset the reduction in advertising income.

Thus the recent introduction of online shopping-cart software by the Law Society may present opportunities for the *Gazette*. While still being examined by the editor, this could allow customers to buy online annual subscriptions and digital issues of the magazine at reduced rates – with the Society saving on printing and distribution costs – as well as allowing practitioners to place and pay for professional notices online.

The *Gazette* continues to be one of the Society's most significant communication channels with its members – the magazine fulfils a crucial role in informing and educating the profession. The editorial board meets six times a year, providing guidance and advice to the editorial team on both subject matter and contributors. It comprises experienced and younger solicitors from a broad breadth of practice areas. Its members are particularly mindful of the pressures being faced by practitioners in the current economic climate and make regular suggestions for articles that might assist members in growing their businesses and keeping down their operating costs.

Recession-proofing articles centred on mergers, succession planning and cloud computing. Articles on new business ideas looked at Islamic finance and financial regulation. The *Gazette* continued to lead the way with articles on new legislation and ground-breaking cases.

I express my thanks to my editorial board colleagues for their industrious support during the past year and my gratitude to the members of the editorial team, led by Mark McDermott, in their continued drive for publishing excellence.



Guidance and Ethics Committee

Brendan J Twomey, chairman

The committee met eight times and has completed

its review of the *Guide to Professional Conduct*, which will be published shortly.

The *Legal Services Regulation Bill* was examined in detail, and submissions thereon were made to the Society's task force.

The committee published a revised solicitor's letter of engagement in the *Gazette*. A protocol for solicitors' visits to clients in hospitals and nursing homes has also been published.

The committee continues to investigate the possibility of an insurance policy to cover solicitors' own costs in regulatory proceedings. The new *Close of Practice Guidelines* are being examined. The committee continues to promote planning by solicitors for emergencies. The committee promotes collegiality in the profession, marked by the 'Meet your Colleagues Day' on 24 May.

It is engaging with the National Consumer Agency regarding that body's objective of encouraging solicitors to quote fees for services.

Members are available to the profession for guidance and mediation, and queries can be raised with the committee's secretary.

I thank the members of the committee for their contributions during the year, particularly vice-chairman Brendan Dillon and secretary Therese Clarke.



Human Rights Committee

Michael Finucane, chairman

The Human Rights Committee this year continued with its busy

programme of activities promoting human rights, both inside and outside the profession.

We hosted the Annual Human Rights Conference 2012 (in conjunction with the Irish Human Rights Commission), which focused on the theme 'Promoting and protecting human rights in Ireland: the role of the Irish Constitution and European law'.

In addition, the committee hosted the Annual Human Rights Lecture 2012, which was delivered by the Lord Chief Justice of Northern Ireland, Sir Declan Morgan. The lecture, entitled 'Finding the equilibrium', focused on the changing relationship between the judiciary, the executive and the legislature in Northern Ireland since the incorporation of the *European Convention on Human Rights* into law.

The committee continued its educational initiatives with the annual Human Rights Essay Competition, its regular contributions to the 'Human rights watch' page of the *Gazette*, and the Certificate in Human Rights, which commenced in April 2012 – marking the third year for this certificate course. Students who participated in the programme were conferred at the Annual Human Rights Conference, which took place on 13 October 2012.

The committee continues to work on a study on the impact of the *European Convention on Human Rights Act 2003* on Irish law (jointly sponsored by the Dublin Solicitors' Bar Association), which is due to be published in early 2013.

A CALL TO ACTION

In December 2011, the Law Society hosted a major conference to raise awareness within the profession of the threat posed by the *Legal Services Regulation Bill 2011* to the independence of the legal profession – and to explain why that is contrary to the public interest.

A remarkable group of world leaders of the legal profession attended and spoke at the conference, including Mark Ellis (Executive Director of the International Bar Association), Bill Robinson (President of the American Bar Association) and Marcella Prunbauer (President of the Council of Bars and Law Societies of Europe). Irish speakers included former Chief Justice Ronan Keane, High Court President Nicholas Kearns (who chaired the conference), Law Society President Donald Binchy and Bar Council Chairman Paul O'Higgins.

As the speakers made clear, the independence of the legal profession is viewed in democracies throughout the world as a necessary buttress for the independence of the judiciary, for the maintenance of the separation of powers, for access to justice and for the rule of law.



NEW SUPPORT SERVICES DIRECTORY FOR 2012

The Society issued a new *Support Services Directory* as part of the membership/practising certificate renewal process in 2012.

The directory summarises the support services on offer to the profession, including the contact details of the relevant individual (either within the Society or elsewhere) who coordinates each service:

- Employment and career development,
- Education and training,
- Information/guidance services,
- Personal benefits,
- Services to help with professional and/or personal issues, and
- Facilities, accommodation and catering.

The *Support Services Directory* is available to download from the Support Services section of the members' area at www.lawsociety.ie.



I would like to thank the vice-chair, Gráinne Brophy, and all committee members for giving so generously of their time, interest and expertise to the work of the committee. In particular, my sincere gratitude goes to Joyce Mortimer and Sarah McDonald for their assistance and support as secretaries to the committee.



In-House and Public Sector Committee

Mary Cummins, chairwoman

The committee continues to strive to represent the

perspective of in-house and public sector solicitors.

On 25 November 2011, the committee held its annual conference, in conjunction with the Society's Professional Training team. The conference dealt with topical issues of concern and interest – ranging from corporate governance to reputation strategies – and was a great success.

The committee organised a panel discussion, held on 16 May, entitled 'Managing the recession: the evolving role of in-house lawyers'. This discussion provided a unique opportunity to learn from colleagues on their approach to the current difficult economic environment and provided a forum in order to discuss ideas on how to best equip organisations to meet the challenges ahead, legal or otherwise.

The committee published the fourth edition of *A Guide for Solicitors Employed in the Corporate and Public Sectors* in May. The guide provides both prospective and existing in-house solicitors with key information.

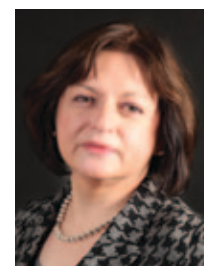
The committee helped tailor the new autumn diploma for in-house solicitors and those considering taking up in-house positions.

The chair of the committee continued to represent the Society at board meetings of the European Company Lawyers' Association.

Our 2012 annual conference will be held on 23 November 2012, in conjunction with the Society's Professional Training team. It will deal with topical issues of concern and interest, ranging from risk management and negotiation skills to social media.

The committee communicated with in-house solicitors through its updated section of the Society's website and news items were published in the 'Representation' section of the *Gazette*.

I would like to thank all the committee members for their contribution this year, with special thanks to James Kinch, vice-chairman, and our secretary Louise Campbell.



Intellectual Property Law Committee

Patricia McGovern, chairwoman

This committee, formally launched in September 2011,

commenced meeting in April 2012. Its purpose is to provide a support to the solicitors' profession and a resource to business, government, and those involved in the development and enforcement of intellectual property.

Since its initial meeting in April 2012, the Intellectual Property (IP) Law Committee has made submissions to:

- The Copyright Review Group appointed by the DJEI,
- Taoiseach Enda Kenny and Minister for Jobs, Enterprise and Innovation Richard Bruton regarding the proposed centralisation of European patent courts.

The committee is planning to hold regular meetings with organisations that have an interest in intellectual property issues. To date, committee members have met with representatives of An Garda Síochána to discuss issues relating to counterfeiting and piracy.

At the time of writing this report, the committee is planning to meet with the IP Sub-Committee of the International Bar Association (IBA) during the IBA conference in Dublin in October.



IBA VISITS IRELAND TWICE

The International Bar Association (IBA) held its annual conference from 30 September to 5 October. The historic event saw some 5,000 lawyers from all over the globe travelling to Dublin. Held at the Convention Centre, the conference provided a forum for Irish lawyers to meet lawyers from other jurisdictions and to exchange ideas on the challenges that each of us as lawyers face in our respective areas of expertise and jurisdictions.

This was the second IBA event in Ireland in 2012. The first was a half-day seminar, co-promoted with the Law Society, entitled 'Facing up to the challenges and looking to the future'. The seminar was held at Blackhall Place on 23 February 2012 and was aimed at solicitors who are involved in any aspect of operating or managing a law firm or who aspire to do so.

Other ongoing issues being considered include the DJEI Intellectual Property Protocol and a submission to the European Office of Harmonisation in the Internal Market, which has been entrusted with tasks relating to IP enforcement.

I would like to thank all the committee members and our secretary, Katherine Kane, for their hard work and enthusiasm, and the Law Society for its support in the establishment of this committee.



Litigation Committee

Eamon Harrington, chairman

Matters relating to legal costs were high on the committee's

agenda over the year. The committee established a sub-committee to consider the area of taxation of costs generally, and subsequently held a seminar (in partnership with the Society's Finuas Network) in relation to costs, focusing on recent taxation decisions and the proposals for a legal costs adjudicator contained in the *Legal Services Regulation Bill 2011*.

Members of the committee met with various groups and bodies in relation to a range of issues arising out of litigation practice, including the Mental Health Commission, the taxing master, AIB, the Irish Hospital Consultants' Association and two meetings of the Injuries Board User Group.

Delays in the court system were a recurring feature of members' correspondence to the committee during the year. Through the bar associations, the committee canvassed members regarding their experiences of these delays. Thereafter, members met with the Courts Service to discuss the issues arising, and the Courts Service initiatives aimed at reducing these delays.

The committee collaborated with the Human Rights and Business Law Committees in drafting a submission on the *Personal Insolvency Bill*. Members attended meetings with the Courts Service (in conjunction with the Society's Technology Committee) in relation to the 'Judgments online' project and also continued to represent the Society on the various court rules committees.

I would like to thank my vice-chairman, Michael Boylan, for his support and commitment and also each member of the committee for their valued contribution to the work of the committee. We are all enormously indebted to our excellent committee secretary, Colette Carey.



Probate, Administration and Trusts Committee

Thomas Martyn, chairman

The committee spent another

year engaged with the Revenue Commissioners in relation to the compulsory online submission of CAT returns and in dealing with legal and technical issues arising.

One positive result for the committee was the reversion in the pay-and-file deadline from 30 September to 31 October for CAT in the *Finance Act 2012*. In addition, a further two-week extension was provided for applicants availing of the ROS regime.

The committee will continue to engage with stakeholders and issue submissions in relation to the forthcoming *Trustee Bill* and *Mental Capacity Bill*, the implementation of any forthcoming EU directives, and any further changes to taxation.

The committee further updated its client information brochure on making a will, which was again made available to the profession in downloadable format. An updated version of the *Administering an Estate* client information brochure is due to be made available in the immediate future.

In addition to the normal assistance provided to colleagues who consulted with the committee, we continued to

inform the profession via the *eZine* and the *Gazette* on a wide variety of issues of concern to the profession. These included a practice note in relation to the payment of funeral expenses, FAQs in relation to mediation and arbitration in probate disputes, and articles in relation to:

- The new downloadable CA24 (Inland Revenue Affidavit),
- ROS payment online,
- Buying civil registration certificates online,
- Qualifying expenses of permanently disabled beneficiaries,
- *Finance Bill 2012* and discretionary trust tax,
- CAT pay-and-file date extension, and
- The Free Wills Network

The committee would like to commend *Gazette* editor Mark McDermott for his innovation in providing the 'Representation' page for committee news, as this has proven to be an invaluable forum for informing the profession.

My thanks to all the committee members for their hard work over the year, and I would like to take a further opportunity to thank John O'Connor for his service to the committee and to congratulate him on his elevation to the District Court bench.



Public Relations Committee

Dominic Dowling,
chairman

The Public Relations Committee assists in

formulating public relations policy for the Law Society, promoting its work and consulting in relation to public relations issues as they arise. The Society serves two constituencies – namely, the general public and its members.

In the year under review, the committee examined a number of topics of significance to the Society, its members and the general public. Foremost among these was the *Legal Services Regulation Bill 2011*. The committee examined and provided its views on the communications issues arising from the proposed legislation.

Given the difficult economic times and the negative impact on solicitors' businesses, the committee requested that the Council once again give the green light for a new radio advertising campaign that would promote the good work that solicitors do for their clients. The committee focused on a 'one advert' campaign for 2012. The central message

was to encourage clients to "get sound advice from someone who's in your corner – someone you know you can trust to protect your interests and provide you with access to justice". The campaign operated in two bursts in early summer and autumn. It was very well received by the profession and the public.

Following an invitation to bar associations around the country at a 'Communications Day' event held at Blackhall Place on 3 May 2012, the committee offered to make the Society's radio advertisement available to those bar associations who wished to broadcast tailored versions of the advert on local radio stations. The Society bore the production costs. Among those who participated were Kildare, Louth and Meath (combined), Monaghan, Tipperary, Waterford and Wicklow.

The annual Justice Media Awards were held on 7 June 2012. A large and very high standard of entries made it a vintage year. These awards, which are well regarded by the media, promote excellence in legal journalism; they also assist the Society in fostering contacts with members of the media. In total, 23 awards were presented. This year's overall winner was Carol Coulter, legal editor of *The Irish Times*.

SURVEY ON THE FUTURE OF THE LAW SOCIETY

In September, Millward Brown Lansdowne conducted an independent survey of Law Society members, asking them for their vision of the future of the Society.

The Future of the Law Society Task Force, established by President Donald Binchy in November 2011, is leading this research.

According to its chairman, John P Shaw, the task force was formed to make recommendations to the Law Society's Council about the future role of the Society. "At our first meeting in December 2011, we recognised the importance of consulting with the profession about the future of the Society. An integral part of our research is to ascertain the views of solicitors and, in this way, the views of the profession will not only shape the task force's recommendations, but, ultimately, the future role of the Law Society."

The task force decided it was necessary to engage expert consultants to conduct this research, and Millward Brown Lansdowne was selected on the bases that their methodology was the most appropriate, they have unparalleled experience in conducting membership studies for membership organisations, and they were competitively priced.

The research methodology is threefold, comprising qualitative and quantitative research, the results of which will be implemented through workshops.



I wish to thank the members of the committee (especially vice-chair Maura Derivan) for their dedication and hard work during the year. I particularly acknowledge the work of our secretary, Mark McDermott, and his team for their invaluable assistance. My gratitude, too, goes to the Justice Media Awards judging panel for the many hours they spent assessing the entries and making difficult judgement calls.



Taxation Committee

Donal Kennedy, chairman

The committee continued to represent the Society and its

members through interaction with the Revenue Commissioners and other professionals through active participation in the Taxes Administration Liaison Committee, with representatives on the indirect taxes, capital taxes, audit, technical tax issues, simplification and collection issues sub-committees. The committee also made submissions in relation to a number of matters under

consideration, and guidance notes to be published, by Revenue.

The committee continued to monitor the operation of the e-stamping system and self-assessment for stamp duty regime and was involved in further consultation with Revenue on these matters, and issues arising in relation to them.

The committee reviewed the *Finance Act 2012* and other relevant taxes legislation throughout the year and published the annual *Tax Guide* for members. Practice notes and advisories were issued throughout the year as necessary.

There was significant correspondence with some members in relation to the issue of VAT invoices, particularly in the context of situations where the client and entity paying fees were different, be they insurers or banks. This resulted in correspondence with members, a third party bank and the issue of a practice note.

The Society's annual pre-budget submission to the Minister for Finance was put forward.

The committee continued to offer advice and support to solicitors who

encountered difficulties or anomalies in practice concerning taxation. In this context, the committee noted the introduction of VAT on medico-legal reports and responded to solicitors' queries on this matter.

I would like to thank my vice-chairman, James Somerville, and the members of the committee for their valued assistance and support throughout the year. I would especially like to express my gratitude to committee secretary Colette Carey for her dedication and assistance.



Technology Committee

Frank Nowlan, chairman

The main functions of the Technology Committee are to:

- Monitor developments in technology that are relevant to the solicitors' profession,
- Promote the use of technology as a business resource, helping to improve efficiency and profitability,
- Facilitate an organised and



Celebrating two IITD outstanding achievement awards are (front, l to r): Paul Mooney (IT co-ordinator, education), Attracta O'Regan (head of Law Society Professional Training) and Keith O'Malley (head of Career Support). (Back, l to r): Tom Blennerhassett (IT manager), Michelle Nolan (communications executive, Law School), TP Kennedy (director of education) and Cillian MacDomhnaill (director of finance and administration)

PROFESSIONAL TRAINING TEAM WINS MORE ACCOLADES

The Law Society Skillnet and Law Society Finuas Network have won two outstanding achievement awards from the Irish Institute of Training and Development (IITD). Recognising the outstanding excellence and innovation of the Law Society in the design and delivery of training programmes, the awards were made in the categories for 'Most innovative use of technology' and 'Work placement - graduate and non-graduate'.

In July 2011, the Law Society Skillnet and Law Society Finuas Network received grant funding from Skillnets Ltd JSSP. The target was to design and deliver the first educational programme of its type to up-skill unemployed solicitors in order to assist them to pursue employment in sustainable and new growth sectors.

Kudos for the achievement is due to the combination efforts of the Law Society Skillnet and Finuas Network Steering Committees, the teaching and learning teams, the Society's career support services team, its IT section and education department, network member firms, Skillnets Ltd, public and private sector bodies, input from other professional organisations and, most importantly, the committed participation of job-seeking solicitors.

JUSTICE MINISTER KEYNOTE SPEAKER AT ANNUAL CONFERENCE

Alan Shatter was the keynote speaker at the Law Society's annual conference, where he engaged in a robust defence of his *Legal Services Regulation Bill*.

The minister argued that the bill provides an essential statutory structure to bring the profession into the 21st century, while guaranteeing its independence and prescribing crucial objectives and principles that "lay the foundation for a move away from sole reliance on complaint-based regulation to compliance-based regulation".

The minister then discussed the impact of the bill on the independence of the legal profession, strongly defending it from the extensive criticism it had received both nationally and internationally.

In his introductory speech, Law Society President Donald Binchy said that the running costs of the proposed new authority were one of the Society's greatest concerns. "The Society has submitted that it is incumbent upon the minister to make sure that there is no increase in regulatory costs imposed upon the profession. However, it is difficult to see how the present model will not result in an increase in costs."

He also said that the Society firmly believed that the staff who currently handled complaints should transfer to the new authority, "and there should be no question of these staff members being made redundant. In the private sector, this would, of course, happen automatically under the transfer of undertakings regulations, but the position is less clear in the public sector.

"Apart altogether from the appalling and unnecessary human cost if the staff are made redundant, there will also be a wasteful loss of expertise, which it will take quite a considerable time for the new authority to regain, if the staff are not transferred."



consistent approach to risk management and reduction through use of technology,

- Monitor and comment on other bodies' (particularly State agencies) use of technology insofar as it affects our profession and clients, and
- Where possible, to assist individual members of the profession with technology-related difficulties.

The past year has been a busy one. The committee published the results of the survey of practice management and accounting software systems that are marketed to the profession. This survey is available on the committee's section of the members' area of the Society's website.

The committee has continued to monitor the use and proposed use by authorities of computerised systems, and particularly the Revenue's e-stamping system and an online default debt judgments system proposed by the Courts Service. We have monitored the CCBE Find-a-Lawyer

(FAL) system and recommended that the Society should take part. We continue to monitor the ongoing EU eCodex project and, through the CCBE, continue to review that organisation's position on cloud computing and the proposed EU revision of data protection into a regulation.

The committee has published guidance to the profession on cloud computing and so-called 'secure' email, as used by some organisations, and on the responsibilities of members of the profession imposed by the 'cookie directive' in relation to their own firms' websites.

The committee has continued to work with the eConveyancing Task Force and, arising out of this, produced a comprehensive report on electronic signatures that looks at where the authentication process, so long offered by solicitors as oath-takers in a paper world, might go in a digital realm.

We organised a very successful workshop on the use of social media by solicitors in

DCU in March, and a second one is being organised for October. Keeping with that theme, the committee organised a seminar in June that was attended by over 80 practitioners on the theme of 'Working smarter, not longer - using technology for a more efficient practice'.

I express my gratitude to all the members of this hard-working and well-attended committee, and particularly vice-chairman Raymond Smith. I wish to especially thank Veronica Donnelly, secretary to the committee, for her tireless work and support.

STANDING COMMITTEES

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Keane

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Simon Murphy

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Michael V

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To be appointed by the PII Committee at its first meeting

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Conor MacGuill
Attracta O'Regan
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Secretary: Veronica Donnelly

➤ **REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS**
for the year ended 31 December 2011

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THE LAW SOCIETY OF IRELAND

STATEMENT OF RESPONSIBILITIES OF THE FINANCE COMMITTEE

The Finance Committee is responsible for ensuring that financial statements are prepared each year which give a true and fair view of the state of affairs of the group and the Society and of the group's surplus for that period. In preparing those financial statements the Finance Committee:

- selects suitable accounting policies and then apply them consistently;
- makes judgements and estimates that are reasonable and prudent; and
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Finance Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society. The Finance Committee is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LAW SOCIETY OF IRELAND

We have audited the financial statements of the Law Society of Ireland for the year ended 31 December 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Society Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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.

Respective responsibilities of the Finance Committee and the auditors

As set out in the Statement of Responsibilities of the Finance Committee, the Finance Committee is responsible for the preparation of financial statements in accordance with accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). Our responsibility, as independent auditor, is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs of the group and the Society as at 31 December 2011 and of the surplus of the group for the year then ended.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement within it. The other information comprises the Report of the Director General, the Report of the President and the Reports of the Committees.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Finance Committee in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the Society as at 31 December 2011 and of the surplus of the group for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

10 May 2012

THE LAW SOCIETY OF IRELAND

STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland. Accounting standards generally accepted in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified by the revaluation of development land.

BASIS OF CONSOLIDATION

The Society consolidates its interests in subsidiary undertakings, as detailed in note 21, and its interest in a related undertaking, the Law Club of Ireland, which it controls, all of which make up financial statements to 31 December 2011.

INCOME

Income is recognised in the income and expenditure account 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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Development land, which is included in tangible fixed assets, is stated at the lower of cost and net realisable value based on annual revaluations. Where the valuation indicates a permanent diminution in the value of the development land, to a value below cost, the permanent diminution is charged to the profit and loss account. All other fluctuations are transferred to a revaluation reserve.

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 by the end of their expected useful lives.

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

FINANCING TRANSACTIONS

Assets acquired under financing arrangements are accounted for as assets in the financial statements of the Society, in accordance with the substance of the transactions, where the Society is exposed to the risks and entitled to the benefits associated with the asset, in accordance with Financial Reporting Standard 5. The financing costs are taken to the income and expenditure account over the term of the transaction.

CURRENT ASSET INVESTMENTS

Current asset investments are stated at cost less any provision for permanent diminution in value.

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.

THE LAW SOCIETY OF IRELAND

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

TAXATION

Taxation is provided on taxable profits at current rates.

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

STOCKS

Stocks are stated at the lower of cost and 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.

Net realisable value is the actual or estimated selling price net of trade discounts, less further costs to completion and all costs to be incurred in marketing, selling and distribution.

GRANTS

Revenue-based grants are credited to the profit and loss account in the period in which the grant is receivable to match income and expenditure.

THE LAW SOCIETY OF IRELAND

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Notes</i>	2011 €	2010 €
INCOME			
Fees and subscriptions	4	11,963,614	11,934,666
Education activities	5	8,903,419	9,697,644
Publications	4	331,378	356,407
Four Courts rooms	4	768,664	778,137
Interest and investment income	6	365,127	260,845
Other income	7	164,723	428,479
Sundry income		6,478	2,900
		<u>22,503,403</u>	<u>23,459,078</u>
EXPENDITURE			
Operating charges:			
- General activities	4	(10,984,641)	(10,235,799)
- Education activities	5	(7,573,152)	(8,410,585)
(Loss)/gain on investments	6	(171,925)	197,325
Financing costs		(287,528)	(287,528)
Other expenditure	7	(938,933)	(1,253,905)
Redundancy costs	3	(94,605)	(233,483)
		<u>(20,050,784)</u>	<u>(20,223,975)</u>
SURPLUS FOR YEAR BEFORE EXCEPTIONAL ITEM AND TAXATION		2,452,619	3,235,103
Exceptional item	8	(2,000,000)	-
SURPLUS BEFORE TAXATION	2	<u>452,619</u>	<u>3,235,103</u>
Taxation charge	9	(74,587)	(119,165)
SURPLUS AFTER TAXATION	16	<u>378,032</u>	<u>3,115,938</u>
Allocated as follows:			
General activities		(2,062,600)	(1,858)
Education activities		351,765	239,980
Education Centre fund		(91,925)	264,722
Litigation fund		274,724	265,589
Capital reserve fund		1,906,068	2,347,501
Capital expenditure fund		-	4
Total		<u>378,032</u>	<u>3,115,938</u>

All income arose from continuing operations and all recognised gains and losses are included in the income and expenditure account.

The financial statements were approved by the Finance Committee on 10 May 2012 and signed on its behalf by:

Patrick Dorgan
Chairman of the Finance Committee

Donald Binchy
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	<i>Notes</i>	2011 €	2010 €
FIXED ASSETS			
Tangible fixed assets	10	17,093,529	20,130,299
CURRENT ASSETS			
Investments	12	6,192,337	4,634,262
Stocks	13	17,333	10,376
Debtors	14	1,629,208	2,075,560
Cash at bank and in hand		9,649,949	7,334,216
		17,488,827	14,054,414
CREDITORS: (amounts falling due within one year)	15	(4,851,341)	(4,740,627)
NET CURRENT ASSETS		12,637,486	9,313,787
TOTAL ASSETS LESS CURRENT LIABILITIES		29,731,015	29,444,086
CREDITORS: (amounts falling due after more than one year)	15	(7,400,592)	(7,491,695)
NET ASSETS		22,330,423	21,952,391
RESERVES			
Accumulated reserves	16	22,330,423	21,952,391

The financial statements were approved by the Finance Committee on 10 May 2012 and signed on its behalf by:

Patrick Dorgan
Chairman of the Finance Committee

Donald Binchy
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2011

	<i>Notes</i>	2011 €	2010 €
FIXED ASSETS			
Tangible fixed assets	10	12,068,124	13,101,954
CURRENT ASSETS			
Investments	12	6,192,337	4,634,262
Stocks	13	10,559	6,649
Debtors	14	6,760,645	9,119,686
Cash at bank and in hand		9,442,731	7,174,450
		22,406,272	20,935,047
CREDITORS: (amounts falling due within one year)	15	(4,827,984)	(4,718,488)
NET CURRENT ASSETS		17,578,288	16,216,559
TOTAL ASSETS LESS CURRENT LIABILITIES		29,646,412	29,318,513
CREDITORS: (amounts falling due after more than one year)	15	(7,400,592)	(7,491,695)
NET ASSETS		22,245,820	21,826,818
RESERVES			
Accumulated reserves	16	22,245,820	21,826,818

The financial statements were approved by the Finance Committee on 10 May 2012 and signed on its behalf by:

Patrick Dorgan
Chairman of the Finance Committee

Donald Binchy
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Notes</i>	2011 €	2010 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	3,984,948	4,448,303
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		365,127	260,845
TAXATION			
Corporation tax paid		(116,456)	(137,275)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(185,068)	(614,005)
Disposal of tangible fixed assets		-	10,000
		(185,068)	(604,005)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(2,919,166)	(1,137,437)
Disposal of investments		1,189,166	86,769
		(1,730,000)	(1,050,668)
INCREASE IN NET CASH	18	2,318,551	2,917,200

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. PRESENTATION OF FINANCIAL STATEMENTS

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 21. The results of the Law Club of Ireland are also included, as it is controlled by the Law Society of Ireland.

The financial statements of the Law Society of Ireland include the general and education activities of the Society.

Separate financial statements are prepared for the Law Society of Ireland Compensation Fund, the Law Society of Ireland Scholarship Funds and Irish Rule of Law International.

2. SURPLUS BEFORE TAXATION	2011 €	2010 €
The surplus before taxation is stated after charging:		
- Depreciation	1,221,838	1,570,929
- Auditor's remuneration	29,000	29,000
- Finance costs	287,528	287,528
- Finance lease interest	18,127	22,775
	<u> </u>	<u> </u>
and after crediting:		
- Deposit interest	365,127	260,845
	<u> </u>	<u> </u>

3. STAFF COSTS	2011 General activities €	2011 Education activities €	2011 Other €	2011 Total €	2010 Total €
Salaries and wages	4,665,814	2,960,863	36,684	7,663,361	8,053,044
PRSI	473,061	293,925	3,823	770,809	796,880
Pension costs	697,313	456,031	-	1,153,344	1,038,664
Redundancy costs	-	36,821	57,784	94,605	233,483
Total	<u>5,836,188</u>	<u>3,747,640</u>	<u>98,291</u>	<u>9,682,119</u>	<u>10,122,071</u>

The average aggregate number of employees during 2011 was 122 (2010: 131).

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4. GENERAL ACTIVITIES (including funds)	2011	2010
	€	€
INCOME		
Fees and subscriptions		
Practising certificates	8,856,615	8,401,624
Members' subscriptions	707,711	703,838
Admission fees	218,496	215,802
Fund contributions:		
- Capital reserve fund	1,906,068	2,347,501
- Litigation fund	274,724	265,901
	<u>11,963,614</u>	<u>11,934,666</u>
Services and interest		
Publications	331,378	356,407
Four Courts rooms	768,664	778,137
Interest and investment income (note 6)	365,127	260,845
Total income	<u>13,428,783</u>	<u>13,330,055</u>
OPERATING CHARGES		
General activities		
Pay and related expenditure	3,206,994	3,188,851
Administration expenditure	760,735	927,294
Premises expenditure	591,710	619,735
Members' services expenditure	1,814,371	1,314,012
Regulation expenditure	3,685,720	3,399,061
Admission expenditure	26,280	31,167
Services		
Publications	699,022	632,629
Four Courts rooms	199,809	123,050
Total operating charges	<u>10,984,641</u>	<u>10,235,799</u>
(Loss)/gain on investments (note 6)	<u>(171,925)</u>	<u>197,325</u>
Surplus	<u>2,272,217</u>	<u>3,291,581</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

5. EDUCATION ACTIVITIES	2011 €	2010 €
INCOME		
Professional Practice Course I fees	3,526,086	3,790,472
Professional Practice Course II fees	2,206,517	2,844,745
Indentures and registration	382,680	370,060
Examination fees	688,084	840,384
Diploma courses	1,068,455	997,841
Continuing professional development	413,154	506,401
Miscellaneous income	618,443	347,741
Total income	8,903,419	9,697,644
OPERATING CHARGES		
Pay and related expenditure	3,807,460	3,841,038
Administration expenditure	1,366,649	1,884,773
Direct expenditure	1,700,332	1,968,768
Premises expenditure	698,711	716,006
Total operating charges	7,573,152	8,410,585
Financing costs	287,528	287,528
Surplus	1,042,739	999,531
6. INTEREST AND INVESTMENT (LOSSES)/GAINS		
Interest – Society	285,127	193,345
Interest – Education Centre fund	80,000	67,500
Interest on investment income	365,127	260,845
(Loss)/gain on disposal of investments	(205,834)	5,043
Reversal of provision for impairment of investments	33,909	192,282
(Loss)/gain on investments	(171,925)	197,325

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

7. OTHER INCOME/EXPENDITURE	2011 €	2010 €
Income		
Bar and catering income	92,825	374,680
Bed and breakfast income	25,744	30,649
Functions and consultation room income	33,400	16,918
Rental income	12,174	2,763
Sundry income	580	3,469
	<u>164,723</u>	<u>428,479</u>
Expenditure		
Bar and catering cost of sales	459,342	729,638
Rental expenditure	351,415	391,367
Premises expenditure	4,494	6,719
Professional fees	10,480	25,750
Other administration expenditure	113,202	100,431
	<u>938,933</u>	<u>1,253,905</u>
Deficit	<u>774,210</u>	<u>825,426</u>
8. EXCEPTIONAL ITEM	2011 €	2010 €
Impairment of development land (note 10)	<u>2,000,000</u>	<u>-</u>

The unrealised loss arises on the revaluation of development land in Dublin 7. There were no significant differences at the balance sheet date.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

9. TAXATION CHARGE	2011 €	2010 €
Based on the surplus for the year:		
Taxation charge	74,587	119,165

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

	2011 €	2010 €
Surplus for year before taxation	452,619	3,235,103
Surplus for year multiplied by standard rate of corporation tax of 12.5% (2010: 12.5%)	56,577	404,388
Effects of:		
Income not subject to taxation	(179,980)	(302,576)
Expenses not deductible for tax purposes	248,252	8,971
Depreciation for year in excess of capital allowances	4,193	37,739
Higher tax rates on interest and rental income	50,149	53,439
Retention tax paid	(104,604)	(82,796)
	74,587	119,165

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.

There were no material deferred tax timing differences that required to be recognised at 31 December 2011 or 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

10. TANGIBLE FIXED ASSETS

Group	Premises	Development land	Leasehold improvements	Furniture, fittings & equipment	Computer equipment	Motor vehicles	Total
	€	€	€	€	€	€	€
Cost:							
At 1/1/2011	14,949,081	7,000,000	1,374,039	8,702,337	5,282,167	59,875	37,367,499
Additions	8,470	-	9,536	25,080	141,982	-	185,068
Impairment	-	(2,000,000)	-	-	-	-	(2,000,000)
At 31/12/2011	14,957,551	5,000,000	1,383,575	8,727,417	5,424,149	59,875	35,552,567
Depreciation:							
At 1/1/2011	4,079,203	-	669,169	7,899,772	4,532,210	56,846	17,237,200
Charge for year	296,761	-	236,641	368,728	318,175	1,533	1,221,838
At 31/12/2011	4,375,964	-	905,810	8,268,500	4,850,385	58,379	18,459,038
Net book value:							
At 31/12/2011	10,581,587	5,000,000	477,765	458,917	573,764	1,496	17,093,529
At 31/12/2010	10,869,878	7,000,000	704,870	802,565	749,957	3,029	20,130,299

The development land was valued by qualified external valuers Mason Owen & Lyons on a market value basis at 24 February 2012.

Society	Premises	Leasehold improvements	Furniture, fittings & equipment	Computer equipment	Motor vehicles	Total
	€	€	€	€	€	€
Cost:						
At 1/1/2011	14,804,795	1,174,784	8,390,314	5,282,166	59,875	29,711,934
Additions	8,470	9,536	19,780	141,982	-	179,768
At 31/12/2011	14,813,265	1,184,320	8,410,094	5,424,148	59,875	29,891,702
Depreciation:						
At 1/1/2011	3,955,090	469,914	7,600,625	4,527,505	56,846	16,609,980
Charge for year	293,861	236,341	363,688	318,175	1,533	1,213,598
At 31/12/2011	4,248,951	706,255	7,964,313	4,845,680	58,379	17,823,578
Net book value:						
At 31/12/2011	10,564,314	478,065	445,781	578,468	1,496	12,068,124
At 31/12/2010	10,849,705	704,870	789,689	754,661	3,029	13,101,954

Group and Society

The net book amount includes the following amount relating to assets held under finance leases:

Leasehold improvements: €159,430 (2010: €250,532)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

10. TANGIBLE FIXED ASSETS (CONTINUED)

Group and Society

Included in the above are assets relating to education activities:

	Cost €	Accumulated depreciation €	Net book value €
Premises	5,876,183	1,332,703	4,543,480
Furniture, fittings and equipment	3,162,830	3,007,546	155,284
Computer equipment	2,346,359	2,201,851	144,508
	<u>11,385,372</u>	<u>6,542,100</u>	<u>4,843,272</u>

11. ASSETS FINANCED BY FINANCING ARRANGEMENT

Group and Society

Included in tangible fixed assets are the following assets, which are the subject of a financing arrangement:

	Cost €	Accumulated depreciation €	Net book value €
Education Centre premises	5,858,702	1,315,222	4,543,480
Education furniture, fittings and equipment	53,767	53,767	-
	<u>5,912,469</u>	<u>1,368,989</u>	<u>4,543,480</u>

The Society financed the development of the Education Centre by means of a sale and leaseback arrangement with a consortium of investors. The substance of this transaction is that the risk and rewards associated with the Education Centre remain with the Society. Accordingly, the Education Centre is carried within tangible fixed assets, with a liability, which is included in creditors falling due after more than one year, established as being the liability to repurchase the assets from the consortium of investors.

The principal features of the arrangement are that the Society sold the assets to the consortium for €6.6 million and has the option to repurchase the assets in 2014, being the conclusion of the arrangement, for a fixed price of €7.21 million. The cost of the transaction has been treated as a financing cost and spread over the term of the transaction.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12. INVESTMENTS		€
Group and Society		
Balance at 1 January 2011		4,634,262
Disposals at cost		(1,425,000)
Additions at cost		2,919,166
Reversal of provision for impairment		33,909
Investment income		30,000
Balance at 31 December 2011		<u><u>6,192,337</u></u>

The investments are comprised of the following:

- (a) With-profit bond ('Policy');
- (b) TAM equity and bond investments ('TAM');
- (c) Cautious managed fund ('managed fund');
- (d) Global absolute return strategy fund ('GARS');
- (e) Deposit fund ('deposit fund') and
- (f) Deposit bond ('deposit bond')

The policy and deposit bond carry 100% capital protection on maturity. TAM, the managed fund, GARS and the deposit fund do not carry capital protection. The policy, managed fund and GARS have a low risk profile, while TAM is fully exposed to volatility in equity markets. The Society has provided for a permanent diminution in the value of its investments of €137,180 (31 December 2010: €171,089).

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2010: €Nil).

13. STOCKS		2011	2010
		€	€
Group			
Stocks in trade		<u>17,333</u>	<u>10,376</u>
Society			
Stocks in trade		<u>10,559</u>	<u>6,649</u>

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

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

14. DEBTORS	2011	2010
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	1,242,073	1,114,326
Amounts due from Law Society Compensation Fund	136,445	768,647
Amounts due from Law Society of Ireland Scholarship Fund	78,155	69,155
Amounts due from Irish Rule of Law International	7,449	-
Deferred finance costs	49,186	51,356
Corporation tax	46,622	4,753
VAT	69,278	18,137
	<u>1,629,208</u>	<u>2,026,374</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	-	49,186
	<u>1,629,208</u>	<u>2,075,560</u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	1,162,385	1,010,011
Amounts due from Law Society Compensation Fund	136,445	768,647
Amounts due from Law Society of Ireland Scholarship Fund	78,155	69,155
Amounts due to Irish Rule of Law International	7,449	-
Amounts due from subsidiary undertakings:		
- The Law Club of Ireland	116,377	2,571
- Friary Property Services Limited	77,399	77,399
- Benburb Street Property Company Limited	5,010,000	7,000,000
- Ellis Quay Property Services Limited	77,309	89,409
Deferred finance costs	49,186	51,356
Corporation taxation	45,940	1,952
	<u>6,760,645</u>	<u>9,070,500</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	-	49,186
	<u>6,760,645</u>	<u>9,119,686</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

15. CREDITORS	2011	2010
	€	€
Group		
Amounts falling due within one year		
Bank overdrafts	-	2,818
Creditors and accruals	2,469,198	2,259,983
Deferred income*	1,751,821	1,781,454
Amount due to Irish Rule of Law International	-	88,462
PAYE/PRSI	498,804	496,561
VAT	40,415	20,246
Finance lease	91,103	91,103
	<u>4,851,341</u>	<u>4,740,627</u>
Society		
Amounts falling due within one year		
Creditors and accruals	2,357,737	2,253,142
Deferred income*	1,751,821	1,692,991
Amounts due to Irish Rule of Law International	-	88,462
Amounts due to subsidiary undertakings:		
- The Law Club of Ireland	88,104	82,306
PAYE/PRSI	498,804	490,238
VAT	40,415	20,246
Finance lease	91,103	91,103
	<u>4,827,984</u>	<u>4,718,488</u>

*Deferred income represents fees for the 2012 financial year received in the year to 31 December 2011.

Group and Society	2011	2010
	€	€
Amounts falling due after more than one year:		
- Due within 2 to 5 years – finance lease	68,327	159,430
- Due within 2 to 5 years – bond funding scheme	116,178	116,178
- Due within 2 to 5 years – Education Centre	7,216,087	7,216,087
	<u>7,400,592</u>	<u>7,491,695</u>

The bonds of €116,178, which are interest free, are redeemable at the request of the bond holders and are subject to a prize fund draw.

The amount due in respect of the Education Centre represents the liability under the financing arrangement (note 11).

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

16. ACCUMULATED RESERVES

Group	Total	Society accumulated reserves	Law School accumulated reserves	Education Centre fund	Litigation fund	Capital expenditure fund	Capital reserve fund
	€	€	€	€	€	€	€
Balance at 1/1/2011	21,952,391	(2,496,124)	3,538,995	7,201,459	1,883,520	2,216,590	9,607,951
Surplus/(deficit) for year	378,032	(2,062,600)	351,765	(91,925)	274,724	-	1,906,068
Transfers	-	381,460	-	-	(361,753)	(19,707)	-
Balance at 31/12/2011	22,330,423	(4,177,264)	3,890,760	7,109,534	1,796,491	2,196,883	11,514,019

Society	Total	Society accumulated reserves	Law School accumulated reserves	Education Centre fund	Litigation fund	Capital expenditure fund	Capital reserve fund
	€	€	€	€	€	€	€
Balance at 1/1/2011	21,826,818	(2,636,818)	3,554,116	7,201,459	1,883,520	2,216,590	9,607,951
Surplus/(deficit) for year	419,002	(2,021,622)	351,757	(91,925)	274,724	-	1,906,068
Transfers	-	381,460	-	-	(361,753)	(19,707)	-
Balance at 31/12/2011	22,245,820	(4,276,980)	3,905,873	7,109,534	1,796,491	2,196,883	11,514,019

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.

Reconciliation of surplus per consolidated income and expenditure account to surplus for the year per accumulated reserves:

	Total	General activities	Education activities	Education Centre fund	Litigation fund	Capital reserve fund	Other
	€	€	€	€	€	€	€
Surplus before tax (note 4 & 5)	3,314,956	2,272,217	1,042,739	-	-	-	-
Deficit before tax (note 7)	(774,210)	-	-	-	-	-	(774,210)
Sundry income	6,478	6,478	-	-	-	-	-
Exceptional item	(2,000,000)	-	-	-	-	-	(2,000,000)
Restructuring Expenditure (note 3)	(94,605)	-	(36,821)	-	-	-	(57,784)
Taxation (note 9)	(74,587)	4,305	(78,859)	-	-	-	(33)
Surplus/(deficit) after tax	378,032	2,283,000	927,059	-	-	-	(2,832,027)
Income allocated to specific fund	-	(2,088,867)	-	(91,925)	274,724	1,906,068	-
Exceptional item	-	(2,000,000)	-	-	-	-	2,000,000
Inter group trading	-	(256,733)	(575,294)	-	-	-	832,027
Surplus/(deficit) per group accumulated reserves	378,032	(2,062,600)	351,765	(91,925)	274,724	1,906,068	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

17. RECONCILIATION OF SURPLUS BEFORE TAXATION
TO NET CASH INFLOW FROM
OPERATING ACTIVITIES

	2011 €	2010 €
Surplus before taxation	452,619	3,235,103
Depreciation charge	1,221,838	1,570,929
Interest received	(365,127)	(260,845)
Exceptional item	2,000,000	-
Loss/(gain) on investments	171,925	(197,325)
Loss on disposal of fixed assets	-	4,167
(Increase)/decrease in stock	(6,957)	20,325
Decrease in debtors	488,221	335,454
Increase/(decrease) in creditors including finance leases	22,429	(259,505)
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,984,948	4,448,303

18. (a) ANALYSIS OF NET DEBT

	At 1/1/2011 €	Cash flow €	At 31/12/2011 €
Cash and bank balances	7,334,216	2,315,733	9,649,949
Bank overdrafts	(2,818)	2,818	-
	<u>7,331,398</u>	<u>2,318,551</u>	<u>9,649,949</u>
Debt due after one year	(7,332,265)	-	(7,332,265)
	<u>(867)</u>	<u>2,318,551</u>	<u>2,317,684</u>

(b) ANALYSIS OF CHANGES IN NET DEBT

	2011 €	2010 €
Increase in cash during the year	2,315,733	2,897,602
Decrease in bank overdrafts during the year	2,818	19,598
Net debt at 1 January	(867)	(2,918,067)
NET DEBT AT 31 DECEMBER	2,317,684	(867)

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

19. RELATED PARTY TRANSACTIONS

Law Society Compensation Fund

	€
Opening balance	768,647
Charges	4,067,798
Receipts	(4,700,000)
Closing balance	136,445

Law Society of Ireland Scholarship Fund

	€
Opening balance	69,155
Payments	9,000
Closing balance	78,155

Irish Rule of Law International

	€
Opening balance	88,462
Charges	7,449
Payments	(88,462)
Closing balance	7,449

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

20. 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. It is not practicable to separate the assets and liabilities of the scheme and, accordingly, the Society has availed of an exemption under Financial Reporting Standard 17 from making the disclosures required under the standard.

The scheme provides benefits based on final pensionable pay. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives. 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 2009. The assumptions that 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 6% per annum pre-retirement and 5% per annum post-retirement, that future salary increases would average 4.5% per annum, and that pensions in payment will increase at 2.5% per annum on average. In effect, this means that the investment return pre-retirement would be 1.5% higher per annum than future salary increases, and the investment return post-retirement would be 2.5% higher per annum than pension increases.

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 2011. Members of the scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

20. PENSIONS (CONTINUED)

The last actuarial valuation was at 31 December 2009, and it indicated that the market value of the assets of the scheme was €12,700,000 and that the assets were sufficient to cover 73% 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 be increased to 25% of pensionable salaries and the recommendation was implemented in 2010. The Society's defined benefit scheme has been closed to new entrants since 30 September 2009 and has been replaced by a hybrid scheme with the defined benefit element capped at €45,000.

The actuary carries out an annual update of the minimum funding standard position of the scheme. The scheme met the minimum funding standard at 31 December 2011.

The next actuarial valuation of the scheme will take place at 31 December 2012.

The pension charge for the year was €1,153,344 (2010: €1,038,664).

21. SUBSIDIARY AND RELATED UNDERTAKINGS

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

Subsidiary undertakings:

- Friary Property Services Limited
- Benburb Street Property Company Limited
- Ellis Quay Property Services 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

22. CAPITAL COMMITMENTS

	2011	2010
	€	€

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

Contracted for	-	-
Not contracted for	69,300	91,971
	69,300	91,971
	69,300	91,971

23. 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 2011. Legal costs incurred by the Society to 31 December 2011, in connection with these matters, have been charged in the income and expenditure account.

In June 2011, members of the Society, through a postal ballot, resolved to provide financial support on a conditional basis to the Solicitors Mutual Defence Fund Limited, up to a maximum of €16 million, to be funded by way of an equal payment from every practising solicitor for a period of ten years and to be collected through the practising certificate fee commencing on 1 January 2012. No payments have been made, or are due, in respect of this commitment since its inception, and therefore no liability has been recognised in the financial statements.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in line with current year classifications.

➤ **LAW SOCIETY OF IRELAND COMPENSATION FUND**
for the year ended 31 December 2011

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LAW SOCIETY OF IRELAND COMPENSATION FUND

RESPONSIBILITIES OF THE REGULATION OF PRACTICE COMMITTEE

The Regulation of Practice Committee is responsible for ensuring that financial statements are prepared each year which give a true and fair view of the state of affairs of the Law Society of Ireland Compensation Fund and of its result for that period. In preparing those financial statements the Regulation of Practice Committee:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent; and
- prepares the financial statements on the going concern basis.

The Regulation of Practice Committee is responsible for keeping proper accounting records 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 AUDITOR'S REPORT TO THE MEMBERS OF LAW SOCIETY OF IRELAND COMPENSATION FUND

We have audited the financial statements of the Law Society of Ireland Compensation Fund for the year ended 31 December 2011 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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.

Respective responsibilities of the Regulation of Practice Committee and auditors

As set out in the Statement of Responsibilities, the Regulation of Practice Committee is responsible for the preparation of financial statements that give a true and fair view of the results and state of affairs of the compensation fund. Our responsibility, as independent auditors, is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs of the compensation fund as at 31 December 2011 and of its result for the year then ended.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Regulation of Practice Committee in the preparation of the financial statements and of whether the accounting policies are appropriate to the compensation fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the compensation fund as at 31 December 2011 and of its deficit for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

10 May 2012

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

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

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments.

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 received.

INVESTMENTS

Investments are shown at market value. The difference between cost and market value is taken to a revaluation reserve and to the income and expenditure account to the extent that market value is below cost.

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

Taxation is provided on taxable results at current rates.

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.

LAW SOCIETY OF IRELAND COMPENSATION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 €	2010 €
INCOME			
Contributions receivable		5,830,102	5,328,222
Income and returns on investments	3	165,718	319,177
Recoveries from defaulting solicitors	4	214,271	329,875
Disciplinary fines and investigation levies		110,750	311,000
Insurance recovery	4	208,580	2,232,638
		<u>6,529,421</u>	<u>8,520,912</u>
EXPENDITURE			
Provision for claims	4	1,931,016	4,411,519
Loss on sale of investments	3	289,209	-
Insurance		996,078	1,113,130
Costs allocated from the Law Society of Ireland		1,291,712	1,240,856
Investigation and support staff salaries and expenses		2,222,012	2,213,230
Practice closure expenses		587,512	553,487
Legal and professional fees		138,085	192,989
Miscellaneous expenses		14,928	30,379
		<u>7,470,552</u>	<u>9,755,590</u>
DEFICIT BEFORE TAXATION	5	<u>(941,131)</u>	<u>(1,234,678)</u>
Taxation	6	(56,921)	(12,520)
DEFICIT AFTER TAXATION	11	<u>(998,052)</u>	<u>(1,247,198)</u>

The financial statements were approved by the Regulation of Practice Committee on 10 May 2012 and signed on its behalf by:

Martin Lawlor
Chairman of the
Regulation of Practice Committee

Donald Binchy
President of
Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<i>Note</i>	2011 €	2010 €
Retained deficit for the financial year		(998,052)	(1,247,198)
Movement in unrealised surplus arising on revaluation of investments	12	366,918	410,116
Total recognised losses for the year		(631,134)	(837,082)

All recognised gains and losses arose from continuing activities.

LAW SOCIETY OF IRELAND COMPENSATION FUND

BALANCE SHEET AS AT 31 DECEMBER 2011

	<i>Notes</i>	2011 €	2010 €
FIXED ASSETS			
Financial assets	7	18,100,323	19,988,165
CURRENT ASSETS			
Debtors	8	91,512	128,469
Cash at bank and in hand		332,884	343,372
		424,396	471,841
CREDITORS: (amounts falling due within one year)	9	(1,411,756)	(947,841)
NET CURRENT LIABILITIES		(987,360)	(476,000)
TOTAL ASSETS LESS CURRENT LIABILITIES		17,112,963	19,512,165
PROVISIONS FOR LIABILITIES AND CHARGES	10	(4,152,052)	(5,920,120)
NET ASSETS		12,960,911	13,592,045
REVENUE RESERVES	11	10,721,951	11,720,003
REVALUATION RESERVE	12	2,238,960	1,872,042
		12,960,911	13,592,045

The financial statements were approved by the Regulation of Practice Committee on 10 May 2012 and signed on its behalf by:

Martin Lawlor
Chairman of the
Regulation of Practice Committee

Donald Binchy
President of
Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<i>Notes</i>	2011 €	2010 €
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<i>13</i>	(2,099,311)	(1,950,976)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends and interest received		165,718	173,345
TAXATION			
Taxation paid		(42,446)	(32,540)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(4,848,525)	(7,039,869)
Disposal of investments		6,814,076	7,890,651
		1,965,551	850,782
DECREASE IN CASH	<i>14</i>	(10,488)	(959,389)

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. GOING CONCERN

The compensation fund had a deficit before taxation for the year of €941,131 and had net current liabilities of €987,360 at the balance sheet date.

The compensation fund has, however, €18,100,323 of financial assets at its disposal that are readily convertible. 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.

2. PRESENTATION OF FINANCIAL STATEMENTS

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 Law Society of Ireland.

3. (LOSS)/SURPLUS ON SALE OF INVESTMENTS AND RETURNS ON INVESTMENTS

	2011 €	2010 €
(Loss)/surplus on sale of investments	(289,209)	145,832
Dividends and interest receivable	165,718	173,345
	<u>(123,491)</u>	<u>319,177</u>

4. NET COST OF CLAIMS AFTER RECOVERIES

	2011 €	2010 €
Provision for claims (note 10)	1,931,016	4,411,519
Recoveries from defaulting solicitors	(214,271)	(329,875)
Net cost of claims	<u>1,716,745</u>	<u>4,081,644</u>

The compensation fund has stop loss insurance policies in place, which are subject to an excess of €5,000,000 in any year. No insurance recoveries apply in respect of the 2011 or 2010 claim years.

In 2008, the net cost of claims exceeded €5,000,000 and the excess was claimable under the stop loss policies. Claims have been made in accordance with the policies and, in 2011, €208,580 (2010: €2,232,638) was recovered. The Regulation of Practice Committee has estimated the maximum recoveries remaining at €769,782. However, the precise amount and timing of such recoveries are uncertain. Therefore, no receivables have been recognised in the financial statements in this regard.

5. DEFICIT BEFORE TAXATION

	2011 €	2010 €
The deficit before taxation is stated after charging:		
Auditor's remuneration	4,800	4,600
	<u>4,800</u>	<u>4,600</u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

6. TAXATION

The compensation fund is liable to income tax on investment income and gains.

	2011 €	2010 €
Income tax	50,340	44,040
Adjustment in respect of prior years	6,781	(26,256)
	<u>57,121</u>	<u>17,784</u>
Deferred tax credit	(200)	(5,264)
	<u>56,921</u>	<u>12,520</u>

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

	2011 €	2010 €
Deficit before taxation	<u>(941,131)</u>	<u>(1,234,678)</u>
Deficit multiplied by standard rate of income tax of 20%	(188,226)	(246,936)
Effects of:		
Income not subject to taxation	(1,369,786)	(1,660,141)
Expenses not deductible for tax purposes	1,494,110	1,951,117
Adjustment in respect of prior years	6,781	(26,256)
	<u>57,121</u>	<u>17,784</u>

7. FINANCIAL ASSETS

	2011 €	2010 €
Listed investments – at market value		
Market value at end of year	<u>18,100,323</u>	<u>19,988,165</u>

At 31 December 2011, the market value of investments exceeded cost by €2,238,960 (2010: €1,872,042)

8. DEBTORS: (amounts falling due within one year)

	2011 €	2010 €
Other debtors	91,431	113,713
Corporation tax recoverable	81	14,756
	<u>91,512</u>	<u>128,469</u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

9. CREDITORS: (amounts falling due within one year)	2011	2010
	€	€
Accruals	223,722	210,172
Solicitors' funds held	1,056,824	16,103
Amounts due to the Law Society of Ireland	131,210	721,566
	<u>1,411,756</u>	<u>947,841</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES	2011	2010
	€	€

Provision for claims:

At beginning of year	5,902,826	5,660,133
Provision made	1,931,016	4,411,519
Claims paid	(3,698,884)	(4,168,826)
At end of year	<u>4,134,958</u>	<u>5,902,826</u>

Deferred tax:

At beginning of year	17,294	22,558
Credit for the year	(200)	(5,264)
At end of year	<u>17,094</u>	<u>17,294</u>
At end of year	<u>4,152,052</u>	<u>5,920,120</u>

The entire deferred tax provision at 31 December 2011 and 2010 related to investment income, which is not taxed until received.

11. RECONCILIATION OF REVENUE RESERVES	2011	2010
	€	€
Accumulated surplus at beginning of year	11,720,003	12,967,201
Deficit for year	(998,052)	(1,247,198)
Accumulated surplus at end of year	<u>10,721,951</u>	<u>11,720,003</u>

12. REVALUATION RESERVE	2011	2010
	€	€
Unrealised surplus on investments:		
At beginning of year	1,872,042	1,461,926
Movement during year	366,918	410,116
At end of year	<u>2,238,960</u>	<u>1,872,042</u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**13. RECONCILIATION OF DEFICIT BEFORE
TAXATION TO NET CASH OUTFLOW
FROM OPERATING ACTIVITIES**

	2011 €	2010 €
Deficit before taxation	(941,131)	(1,234,678)
Dividends/interest received	(165,718)	(173,345)
Loss/(surplus) on disposal of investments	289,209	(145,832)
Decrease/(increase) in debtors	22,282	(85,468)
Decrease in creditors	(1,303,953)	(311,653)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(2,099,311)	(1,950,976)

14. (a) ANALYSIS OF CHANGES IN NET FUNDS

	2011 €	2010 €
Decrease in cash during the year	(10,488)	(959,389)
Net funds at 1 January	343,372	1,302,761
Net funds at 31 December	332,884	343,372

(b) ANALYSIS OF NET FUNDS

	At 1/1/2011 €	Cash flow €	At 31/12/2011 €
Cash and bank balances	343,372	(10,488)	332,884

15. RELATED PARTY TRANSACTIONS

During the year, the expenditure of the compensation fund included expenses and payroll costs totalling €4,032,331 (2010: €4,157,212), which were recharged to it by the Law Society of Ireland. The amount due to the Law Society of Ireland at the year end is shown at note 9.

16. CONTINGENT ASSET

A contingent asset exists in relation to claims under an insurance policy in respect of 2008. Full details are set out at note 4.

17. PENSIONS

The Law Society of Ireland and the Law Society of Ireland Compensation Fund are the participants in a multi-employer defined benefit pension scheme, operated by the Society. It is not practicable to separate the assets and liabilities of the scheme and, accordingly, the Society has availed of an exemption under Financial Reporting Standard 17 from making the disclosures required under the standard.

The scheme provides benefits based on final pensionable pay. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives. 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 2009. The assumptions that 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 6% per annum pre-retirement and 5% per annum post-retirement, that future salary increases would average 4.5% per annum, and that pensions in payment will increase at 2.5% per annum on average. In effect, this means that the investment return pre-retirement would be 1.5% higher per annum than future salary increases, and the investment return post-retirement would be 2.5% higher per annum than pension increases.

The trustees obtain the consent of the Law Society of Ireland Compensation Fund 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 2011. Members of the scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

The last actuarial valuation was at 31 December 2009, and it indicated that the market value of the assets of the scheme was €12,700,000 and that the assets were sufficient to cover 73% 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 increase to 25% of pensionable salaries and the recommendation was implemented in 2010. The Society's defined benefit scheme has been closed to new entrants since 30 September 2009 and has been replaced by a hybrid scheme with the defined benefit element capped at €45,000.

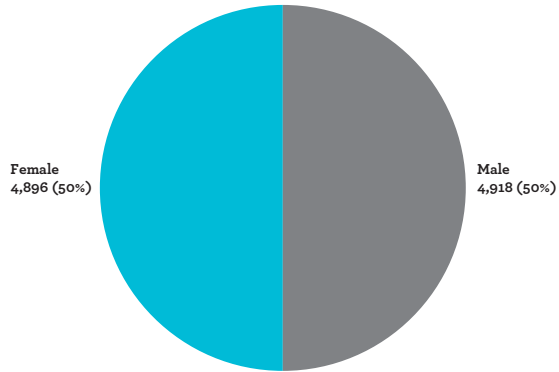
The actuary carries out an annual update of the minimum funding standard position of the scheme. The scheme met the minimum funding standard at 31 December 2011.

The next actuarial valuation of the scheme will take place at 31 December 2012.

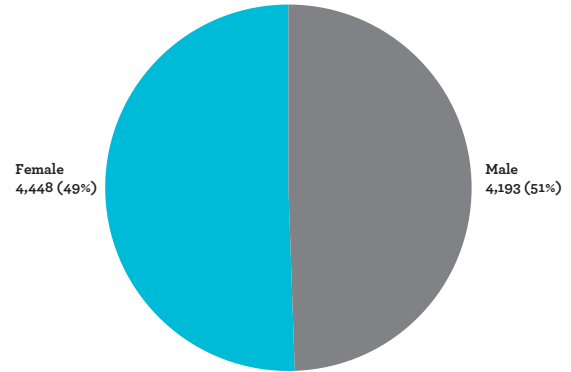
The pension charge for the year was €301,523 (2010: €264,284).

▶ FACTS ABOUT THE PROFESSION

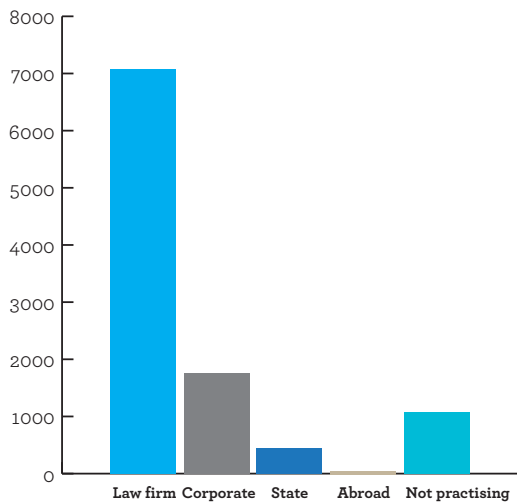
GENDER PROFILE: MEMBERS



GENDER PROFILE: PRACTISING SOLICITORS

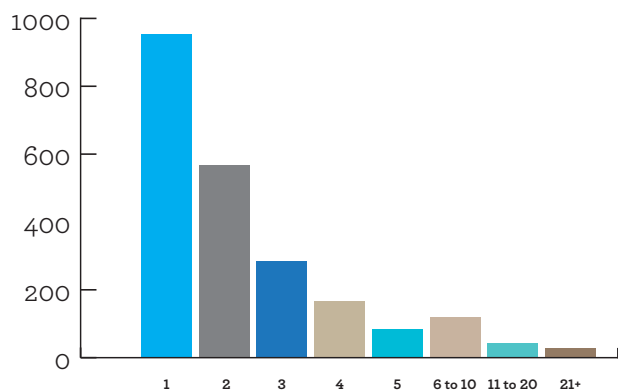


PRACTISING STATUS



Law firms	7,240
Corporate	1,272
State	243
Abroad	37
Not practising	1,022
Members	9,814

FIRMS BY NUMBER OF SOLICITORS



1 solicitor	945
2 solicitors	573
3 solicitors	279
4 solicitors	163
5 solicitors	69
6 to 10 solicitors	106
11 to 20 solicitors	36
21+ solicitors	22
Total	2,193

STAFF LIST

DIRECTOR GENERAL

Ken Murphy

HUMAN RESOURCES

Maureen Seabrook, Human Resources Manager

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Anthea Moore, Secretary
Colleen Farrell, Committee Executive
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Mairead O'Sullivan, Executive Assistant Librarian
Margaret Byrne, Librarian
Louise Gilsonan, Library Assistant
Clare Tarpey, Library Assistant

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Lesley Butler, Personal Secretary (Registrar of Solicitors and Director of Regulation)

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Alan Greene, Bar Manager

Graham Helps, Bar and Hospitality Assistant

 **NOTES**



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