



COUNCIL CHAMBER



Law Society of Ireland
Annual Report and Accounts
2010/2011





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*John Costello,
President of the Law Society of Ireland*

Report of the President

At the outset to this annual report, I want to sincerely thank all of you, my colleagues, for giving me the honour of representing our noble profession as president during the past year. I hope I have been of some service during my term of office. My year commenced with our country becoming bankrupt and requiring a huge bailout from the IMF. Little did I know then that it wouldn't be the only bailout during my presidency!

My year, not surprisingly, was dominated by professional indemnity insurance (PII) issues. To say the least, many colleagues were traumatised by the PII renewal process last December. Ultimately, approximately 30 firms could not obtain insurance cover and applied to join the Assigned Risks Pool.

Subsequently, 770 firms responded to a survey on last year's PII experience. I thank all of those firms who responded. It found that the average increase in the cost of PII across all firms was 56% – with the cost especially influenced by a firm's claims' history.

On foot of this survey, the PII Task Force spent many weeks of intense meetings and consultations investigating the pros and cons of a master policy. In the end, the Council agreed, in July 2011, that the 'freedom of choice' model would continue, with the following major improvements:

- a) A common proposal form,
- b) The provision for variable or staggered renewal dates,
- c) A fund to provide run-off cover for firms ceasing practice without payment of any additional premium, and
- d) Provision for quotes to remain open for a period of five working days.

The task force was also reliably informed that all of last year's insurers, apart from the Solicitors Mutual Defence Fund (SMDF), would, in all likelihood, be quoting again. I sincerely hope this is true. The Society is continuing its exploration of the master policy model for the provision of PII.

SMDF crisis

The mention of the SMDF raises the serious crisis the profession faced when €16 million had to be realised to save it from collapse. The PII Task Force held many long meetings, and sought extensive legal, actuarial and accountancy advice, before recommending financial assistance to the fund. This recommendation was approved by Council, and about 520 members subsequently attended a special general meeting (SGM) on 4 May to debate the issue. It was the largest

SGM in the history of the Society. Following a subsequent postal ballot, 62% of the poll supported the motion of the general meeting. This means that about €200 will be added to the practising certificate fee for a period of ten years. I thank all colleagues who attended the general meeting and who participated in the poll, regardless of how they cast their vote.

Thanks are due, also, to Eamon Harrington (chairman of the PII Task Force), Stuart Gilhooly, and to John Elliot and Sorcha Hayes of the Law Society, for their enormous contributions to the work of the task force during the year. Their efforts were ably supplemented by the significant support of the task force members. In addition, the strong contribution and expertise of the task force's professional advisor, Ray Brown, is deserving of recognition.

SGM request

The May general meeting was quickly followed by another general meeting on 30 June. This occurred after 100 members had requested that an SGM be held to consider two separate motions, and to arrange for a postal ballot of the profession on these two issues immediately after the general meeting. Following the request, the Council of the Society convened the SGM to obtain feedback from the profession on the following:

- 1) Whether all undertakings by solicitors to financial institutions in residential conveyancing transactions should be prohibited, and
- 2) Whether greater restrictions should be placed on the profession in circumstances of potential conflicts of interest in conveyancing transactions.

In a packed Presidents' Hall, there were many contributions on both topics, expressing a wide divergence of views. These views were submitted to the two task forces that have been considering these issues over the last number of months. I am grateful to John D Shaw and Niall Farrell for speaking on behalf of the Residential Undertakings and the Conveyancing Conflicts Task Forces at this meeting.

Meeting with the minister

In July 2011, I went with the director general Ken Murphy and senior vice-president Donald Binchy to meet Minister for Justice Alan Shatter and three of his officials to discuss the proposed *Legal Services Bill*. We reiterated the position of the Law Society in relation to costs and regulation, as set out a number of years ago, in the responses of the

“One of my personal highlights of the year was the attendance of President Mary McAleese as the honoured guest of the Law Society at its annual dinner”

Society to the Competition Authority report, the Legal Costs Working Group and the Legal Costs Implementation Advisory Group. The meeting was very useful and constructive and was conducted in an open and friendly atmosphere throughout. The Society was asked to make further submissions. The director general subsequently met officials to inform them, in detail, of the Society’s views on these matters. Subsequently, further submissions were made to the Department of Justice.

One of my personal highlights of the year was the attendance of President Mary McAleese as the honoured guest of the Law Society at its annual dinner, expertly organised by Colleen Farrell. In a most inspiring speech, President McAleese said:

“If public awareness is stunted or skewed by limited knowledge, by limited opportunities for growing in awareness, by limited dialogue between public and professions – then we all lose. Now we need to find new strengths, fresh pockets of resource and inspiration, so that what we do today, we can do better tomorrow. A legally aware and literate public is essential to that tomorrow.”

Conferences and fora

Inspired by President McAleese, I decided to organise a legal information day for charities and NGOs in July. Over 50 representatives of these bodies were in attendance at the Presidents’ Hall, when colleagues from Beauchamps, William Fry, Matheson Ormsby Prentice, Arthur Cox, Eugene F Collins and Ivor Fitzpatrick made presentations on data protection and freedom of information, employment law, personal debt and corporate governance. Special thanks are due to Aoife Carroll BL of the Bar Voluntary Assistance Scheme, who was the main organiser.

Two separate fora were initiated, also, for sole practitioners. In all, nearly 300 attended. Thanks are due to Attracta O’Regan of the Law School for her assistance in making these events so successful. In addition, I am grateful to Kevin O’Higgins, Brendan Twomey, James Cahill, Eamonn Carney, Brendan Dillon, Eugene Davy, Sonia McEntee and Louise Campbell, who spoke at these fora. Conscious of the challenges facing young solicitors, a forum was organised for recently qualified solicitors in September. The Society of Young Solicitors are deserving of praise for their help with this initiative.

The annual conference in May, at the Ritz Carlton Hotel in Enniskerry, was another very successful event, organised by the Society’s deputy director general Mary Keane, with the assistance of Attracta O’Regan and Michelle Nolan of the Education Department. The chief guest speaker, Peter Sutherland, held the audience spellbound with his grasp of the Irish economic situation in a European context.

The Law Society’s annual human rights lecture was held in May, with the assistance of Joyce Mortimer. The inspiring keynote speaker was solicitor Gareth Peirce. Her topic was: ‘Torture and the Death of Justice: A Requiem.’ She stated that,

when assessing where the Western world has got to in the past ten years, “what we are looking at is a wreckage”:

“We don’t see it very much in England, because we don’t have the rights you [Ireland] have. We [Britain] don’t have a constitution. We are not aware of when our rights are being taken away. We don’t see the wreckage. Because the wreckage that there has been in our Anglo-American system of jurisprudence has been colossal.”

The most historic occasion during the year was the visit of Queen Elizabeth II to Ireland. I was fortunate to attend the performance in the National Conference Centre, held in her honour, which she enjoyed enormously. She also gave us good words of advice during her visit: “We may bow to the past, but not be bound by it.”

Media battles

On the media scene, there were a number of media assaults on alleged overcharging by solicitors. Director general Ken Murphy spoke on a number of occasions on radio, and was quoted in several significant newspaper articles, where he gave a more balanced perspective of how competition in the profession was driving down fees. Senior vice-president Donald Binchy also appeared on RTÉ’s *Drive Time* and gave a very cogent reply regarding the allegations of increasing legal fees.

With the director general, I also met the managing partners of many of the larger and medium-sized firms in Dublin. These firms deserve praise for the huge contributions they make to the legal profession in this country. In particular, I welcome the significant employment opportunities they have given hundreds of young solicitors down the years. In addition, they make other considerable contributions to the Law Society by encouraging their solicitors to participate on Council, on the Society’s committees and in the Law School. A number of these firms also provided legal advice and assistance to the Society during the year, for which I am very grateful.

During the year under review, I met the secretaries and presidents of the bar associations in Blackhall Place, and travelled to about half the counties outside Dublin to visit bar associations there. I thank them for their hospitality and useful exchange of views and ideas, which are under consideration by the Society.

Ten parchment ceremonies were held during the year, where about 700 parchments were presented to newly qualified solicitors. Of these, about 60% are gainfully employed. I would like to thank TP Kennedy and his colleagues in the Education Centre for their commitment to the training of our new colleagues. I was also delighted to initiate and help organise a mentor scheme for newly qualified solicitors, with the valuable assistance of Louise Campbell and Keith O’Malley.

The Society’s committees, comprising volunteer solicitors, are unstinting in their work on behalf of members. Their hard toil and dedication continued unabated in 2010/11, for which they deserve the



appreciation of the profession. In particular, I welcome the production of a draft to a third *Guide to Professional Conduct* following many months of unstinting work by the Guidance and Ethics Committee. This guide will be finalised after consultation with the profession, and when reports of the task forces are finalised.

The progressive work of the eConveyancing Task Force continued during the past year. The Council approved funding for the task force to continue its pioneering work with the help of Canadian company, Teranet. The project is being led with great enthusiasm by chairman Dan O'Connor and secretary Gabriel Brennan.

In addition, the Law School's CPD and diploma teams continue to organise and arrange regular seminars and courses of a very high standard for the profession.

Acknowledgements

Each year, the Law Society, with the assistance of many generous sponsors, organise the Calcutta Run. All proceeds go to GOAL and the Peter McVerry Trust. Cillian MacDomhnaill and his team deserve our praise for persuading 900 participants and supporters to raise €150,000 during this, its 13th year.

On the public relations front, the PR Committee organised a series of radio adverts in June, and again in August/September, that helped to raise the profile of the profession in the public eye by highlighting some of the valuable services that solicitors provide.

In addition, I wish to express my appreciation to all the other employees of the Society whom I may not have mentioned by name. The profession is indebted to each of these dedicated professionals. In particular, I would like to single out my secretary, Maria Hoey, for special mention. I note that she has also received similar accolades from my predecessors, so I must be right!

On a sincere note, I am grateful to the director general Ken Murphy and deputy director general Mary Keane for their dedication in assisting the profession during these very challenging and stressful times. They have made the profession far stronger due to their wonderful commitment over the years. The profession is greatly indebted to both of them. Their assistance to me during my year as president was much appreciated.

Our Council has also worked tirelessly on behalf of the profession during this past year and, as stated earlier, the PII crisis necessitated additional Council meetings. On behalf of the profession, I wish to express my deep gratitude to every Council member for their Trojan work and selfless commitment.

Finally, a word of thanks to my vice-presidents, Donald Binchy and Kevin O'Higgins, who were both most supportive in every way. They represented the Society with great distinction on the occasions when I was not available, and their advice was most welcome on all issues. I have no doubt that Donald will make a great president next term and wish him well in his endeavours.

In conclusion, I am reminded that the motto of our Society is *Veritas Vincet* – 'truth will win'. On this topic, I will let Gareth Peirce have the final word:

"In age after age, societies look back and ask how it was that so many went along with what happened, and with the consequences. Without knowing and accepting the truth in its entirety, how do we re-order the society in which we live? Nor is it possible to do so without an unqualified commitment to the principle fundamental to the rule of law: that it applies to all, without exception."

**John Costello,
President**

Pictured with guest of honour President Mary McAleese and her husband Senator Martin McAleese at the Law Society's annual dinner are (l to r) senior vice-president Donald Binchy, junior vice-president Kevin O'Higgins, Law Society President John Costello, and director general Ken Murphy





Council of the Law Society for the year ending 11 November 2011

President: John E Costello

Senior vice-president: Donald P Binchy

Junior vice-president: Kevin O'Higgins

Council members: Conall Bergin, James Cahill, Paul Connellan, Hilary Coveney, Maura Derivan, Gerard J Doherty, Patrick Dorgan, Niall Farrell, Stuart Gilhooly, Eamon Harrington, Liam A Kennedy, Martin G Lawlor, Barry MacCarthy, James MacGuill, James B McCourt, Simon J Murphy, Thomas Murran, Michelle Ní Longáin, Michele O'Boyle, Daniel O'Connor, John O'Connor, Gerard O'Donnell, Valerie Peart, Michael Quinlan, Moya Quinlan, John P Shaw, John D Shaw, Brendan J Twomey

Past-presidents: Gerard F Griffin, Michael G Irvine, Philip M Joyce

Provincial delegates:

Leinster: Andrew J Cody

Munster: Frances Twomey

Ulster: Margaret Mulrine

Connaught: Rosemarie J Loftus

Dublin Solicitors' Bar Association representatives: John NR Glynn, Aaron McKenna, Keith Walsh

Southern Law Association representatives: Laetitia Baker, Fergus Long, Kieran Moran, Roger Morley, Eamon Murray

Law Society of Northern Ireland: Donald Eakin, Barry Finlay, Norville Connolly, Brian Speers, Imelda McMillan



*Ken Murphy,
Director General of the Law Society of Ireland*

Report of the Director General

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change” – the naturalist, Charles Darwin (1808-1882).

Darwin might have added that a characteristic of survivors is that they meet their deadlines. As solicitors, we know all about deadlines. They are primary drivers of legal work – indeed, of all work.

There is a deadline necessary to ensure that this annual report is published and dispatched to members on time. Unfortunately, the deadline requires that the annual report is sent to the printers just a few days prior to the publication of the *Legal Services Bill 2011*. It would be pointless to seek to deal with the bill here on a speculative basis. By the time you receive this annual report, you will know both the contents of the bill and at least the initial response of the Society to it. The profession and the Society, as so often before, will survive by adapting to change, will survive and thrive.

It would also be pointless for me to duplicate, albeit with differences of wording and emphasis, the clear and comprehensive summary of the year that has been published elsewhere in this annual report by the President, John Costello. Of course, in the space available to John, indeed in the contents of this entire annual report, only a tiny proportion of the Society’s annual work can be recorded. Although, as John notes, it was a year dominated by a series of extraordinarily difficult issues connected with professional indemnity insurance, I will focus on a number of things not recorded elsewhere in the annual report. And on what ties all of this together.

The scope and the spirit

One of my favourite annual occasions in the calendar of the Law Society is the end-of-year committee dinner in Blackhall Place. In many ways, it displays the scope, as well as the spirit, of the Law Society at its best.

Hundreds of solicitors attend this annual event in the Presidents’ Hall. They comprise the volunteer members of the profession who serve on the Society’s 26 different committees and, currently, no less than seven task forces. The Society’s extremely hardworking and expert staff, who support these committees, also attend. So do the Society’s many

representatives on a wide variety of external bodies.

It is the one occasion each year on which the members of these very diverse committees meet and mix together. A mergers and acquisitions specialist from the Business Law Committee may be seated next to a legal aid practitioner from the Criminal Law Committee.

Conveyancers, litigators, members of the Human Rights or Regulation of Practice Committees, the In-house and Public Sector Committee and the Family Law Committee, the Education Committee and the PII Task Force, practitioners from towns, villages and cities all over the country, large and small firms, specialised and general practitioners, the Society’s expert professional and support staff members, elected Council members and lay members of committees all mingle together.

The night reminds everyone who attends it that the tireless work they do all year long on their own committee or task force – work for which this annual dinner is a small gesture of thanks – is part of a vast unseen body of effort undertaken voluntarily for the benefit of the profession and, ultimately, of the public that the profession serves. It also reminds us of the diversity of the profession. That diversity is a source of strength.

Practical solutions

The work of committees to develop practical solutions to the many problems of the law and of legal practice, the work to establish and uphold ethical standards, the work to produce practice notes and guidance, the work to represent the legitimate interests of the profession to many outside bodies – in particular to Government – the numerous submissions in relation to draft legislation and on law reform generally, the thought leadership of the profession, the general striving to uphold the profession’s core values of excellence and integrity, all of this was glimpsed once again this year at the end-of-year committee dinner on 22 September 2011.

It is a time of great economic distress and uncertainty for the profession, for Ireland and for the world at present. World leaders are struggling with the depth of the crisis in Greece, in the Eurozone and in the international economy generally. Nevertheless, I was struck by the



In July 2011, the Society arranged a briefing for the Taoiseach, Enda Kenny, in his office, in relation to the International Bar Association's annual conference in Dublin in October 2012, which will be worth €20 million to the Irish economy. (L to r): IBA Legal Practice Division Vice-Chair Michael Greene, Taoiseach Enda Kenny and Director General Ken Murphy

overwhelmingly positive attitude of the colleagues I spoke to. 'Battered but unbowed' would sum it up. The spirit of the solicitors' profession, manifested again on this occasion, remains vibrant and strong.

It is, of course, the collectiveness, the collegiality of an occasion like this that lifts the spirits. It is also, I believe, a by-product of collaboration. We not only achieve infinitely more, we also feel better about ourselves and others when we collaborate rather than when we engage in division or languish in isolation. At times of great difficulty, like these, the power of the profession's collegiality – of standing together, supporting and helping each other – is one of our greatest resources.

Efforts to help

Among the many, many issues on which the Society's members worked collaboratively to try to help the profession this year was the lobbying – employing arguments based both on law and on public policy – that successfully persuaded the then Minister for Finance, the late Brian Lenihan, that practising certificates should not be subjected to tax as a benefit in kind in the *Finance Act*.

Subsequently, the Society lobbied face-to-face with Minister for Justice Alan Shatter in relation to the further savage cuts in rates of pay to solicitors under the Criminal Legal Aid Scheme. We made it clear to him that these cumulative cuts were rendering the scheme completely uneconomic for the profession. Meeting subsequently with the minister's officials, we extracted commitments

that savings on the Criminal Legal Aid Scheme in future should be made elsewhere in the system and should no longer take the form in cuts of rates of pay to solicitors. The cumulative effect of rate cuts already incurred, we told them, have penetrated not just to the bone, but into the bone.

Deeply concerned about the appalling and heartbreaking situation whereby well over 1,000 solicitors are unemployed, the Society fought hard to keep the potentially huge jobs market in England and Wales open to Irish solicitors. When the new regulator in England and Wales, the Solicitors Regulation Authority, sought to end 20 years of mutual recognition of qualifications between the two jurisdictions on grounds that we believed were in breach of EU law, the Law Society of Ireland instituted proceedings against the SRA in the High Court in London. Earlier this year, we achieved an extremely satisfactory settlement that will preserve access for Irish solicitors for the future to this giant legal employment market on our doorstep.

Cost savings

Like every firm and organisation in the country, the Law Society has felt the impact of the economic recession on all its activities and, over the last number of years, has experienced very significant financial trauma, including:

- A major fall-off in the expected increase in practising certificate numbers has had a huge impact on the Society's income and its ability to give PC fee reductions. There are 1,500 fewer



In the course of the year, the president John Costello and director general Ken Murphy spoke and listened to the members of 13 bar associations in visits all over the country. They are pictured above with the members of the Cavan Bar Association, whose president, Rory Hayden, is in the centre of the photo

PC holders in 2011 than projected in 2007. PC income is €3.3 million per annum less now than projected in 2007. PC numbers have remained fairly static from 2008-2011.

- PPC student numbers are down 40% on previous years and, consequently, the Law School in Cork has closed. FE-1 numbers are also down. Law School income has dropped by €4.5 million.
- Commercial activities have also been hard hit, resulting in reduced revenue in the sales of publications.
- Compensation Fund reserves have dropped from €33 million to €14 million, partially due to increased claims and partially due to investment losses.
- Fallout from the insolvency of the SMDF, which could cost up to €16 million.
- There have been 27 redundancies of Law Society staff members, many of long-standing service.

The Society has successfully driven a structured and systematic cost-cutting programme throughout each of the last three years. As many of the cost savings have a multi-year impact, the cumulative impact of these savings to date is over €10 million.

A positive president

Everyone who has read his 'President's Messages' or listened to his speeches will know that this year's President, John Costello, is a collector – a sort of connoisseur – of quotations. There has been

no writing or speaking occasion for which John has failed to produce an appropriate quotation or three. And there was a consistent theme to this choice. All his quotations emphasised the positive rather than the negative. In this, he displayed not just his natural instincts, but his passionate and compassionate desire to reach out to those in the profession who are most in difficulty, and to express the positive messages (including constantly recognising effort and expressing thanks) that are part of all leadership.

So I will conclude, in deference to this year's president, with another, perhaps less familiar, quotation from Charles Darwin. In addition to the often-cited observation about survival being ultimately a product not of strength or intelligence but of the ability to adapt to change, he said:

"In the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed."

Collaboration, improvisation, strength, intelligence and adaptability to change. These are all vital characteristics that have carried the Law Society and the profession through their enormous challenges this year.

They will continue to see us successfully through the even bigger challenges to come.

**Ken Murphy,
Director General**

In the past 12 months, 476 new solicitors received their parchments



Ireland's Director General leads world association of CEOs



All smiles from the newly elected members of the executive at the end of the ILLACE annual conference (front, l to r): Jan Martin (new ILLACE vice-president, Law Society of South Australia), Ken Murphy (new ILLACE president) and Retha Steinmann (Law Society of Namibia); (back, l to r): Tim McGee (Law Society of British Columbia), Cord Brugmann (German Bar Association), John Hoyles (Canadian Bar Association) and Don Deya (East Africa Law Society)

How does the legal profession deal with 'this issue' or 'that problem' in other jurisdictions around the world? What can we learn from the insight and experience of others?

If the Law Society of Ireland's director general, Ken Murphy, didn't already know the answers to such questions, he is now in an excellent position to find out.

He was elected in October 2010 by his peers – the chief executives of law societies and bar associations across the globe – to a two-year term as the president of the International Institute of Law Association Chief Executives (IILACE).

Then Law Society President Gerard Doherty paid a warm tribute on behalf of the Society and the profession to Ken Murphy's achievement in being chosen to lead this significant international organisation.

IILACE, now in its 13th year, comprises only chief executives of law societies and bar associations. The CEOs actively involved in IILACE are from more than 80 jurisdictions across the globe, from every continent except South America. They lead law societies and bar associations that represent, between them, well over one million lawyers.

"Legal professional bodies are complex organisations, and they face complex challenges. To be in regular communication with a network of contacts doing essentially the same job, in different cultures and conditions, in different parts of the world – able and experienced individuals to bounce ideas off – is very helpful," Murphy commented.

He observed that many of the powerful forces at work, both on and within the legal profession, are global in nature. The problems tend to be the same everywhere. Comparing what works or does not work in addressing them is always of interest.

"It is a great honour for me and also, in a way, for the solicitors' profession in Ireland. Ireland is a relatively small jurisdiction on the world stage. Many IILACE members – for example, the CEOs of the American Bar Association, the German Bar Association, the Law Society of England and Wales, and the All China Lawyers Association – have memberships in the hundreds of thousands," the new IILACE president remarked.



Reports of the Department Directors



Policy, Communication and Member Services Department

“The most popular section of the website was ‘Legal Vacancies’, with 1.2 million visits, an average of over 100,000 visits per month – and a 76% success rate in filling the 672 vacancies advertised. It is now widely acknowledged as the leading online source of information on jobs in the legal profession.”

Demands on the Society’s representational, information and support services continued to increase during 2011, with a growing emphasis on the provision of online services.

The new website attracted 1.5 million visits by 290,000 visitors and 6.7 million views in the 12 months to end-July 2011 – an increase of 40%. Revenue from online purchasing yielded €260,000 for 1,400 transactions in the same period. A new shopping cart, with enhanced features and a range of useful products, is being developed.

The most popular section of the website was ‘Legal Vacancies’, with 1.2 million visits, an average of over 100,000 visits per month – and a 76% success rate in filling the 672 vacancies advertised. It is now widely acknowledged as the leading online source of information on jobs in the legal profession.

The Career Support/Employer Support Service handled over 12,500 email enquiries and 4,500 telephone enquiries. A one-to-one consultation was provided to 320 members, and an electronic update on opportunities and market developments was issued twice weekly to 1,800 members registered with the service. Training events in job-seeking skills were provided at 62 events countrywide to 750 participants, and a further 200 members attended information events on working and qualifying overseas.

A new ‘Practitioner Support’ section was developed on the website, with advice on a variety of practice issues. The free online SolicitorLink service was further enhanced.

Member communications continued to expand, with six member e-zines, two special PII e-newsletters and 16 presidential e-bulletins in the 12 months to the end of July. The *Gazette* continued to be the primary source of news and information for members, with a print-run of 12,400 and a well-deserved award of ‘Business to Business Magazine of the Year’ from Magazines Ireland.

In addition to coordinating the work of the Society’s committees in order to maximise the Society’s influence with government departments and other policy makers, the Policy, Communication and Member Services Department also provides the core support to the Council, which held eight scheduled and four special Council meetings between the AGMs in November 2010 and 2011, two special general meetings, and a meeting with the presidents, secretaries and PROs of the bar associations.

During the 12 months to July 2011, over 10,000 queries were dealt with by the Library and Information Service. Library services were expanded to include the electronic supply of precedent forms in MS *Word* format to facilitate practitioners in drafting such forms. More than 1,700 unreported judgments were scanned in the first phase of a digitisation programme. The library catalogue was made accessible on iPhone and iPad via the Library app, *BookMyne*, available as a free download from the iTunes store.

**Mary Keane,
Deputy Director General**



Regulation Department

Again, the regulatory landscape has been dominated by professional indemnity insurance (PII): financial support for orderly wind-down of the SMDF, exploration of a possible master policy, and implementation of improvements to the existing freedom-of-choice model (to include a common proposal form and a new run-off cover scheme). The Society commissioned an independent survey of the profession, engaged in intensive consultations with insurers and brokers, and continues to operate the PII helpline. The final number of firms that validly applied to join the restored 'safety net' of the Assigned Risks Pool was 24 (out of over 2,200 firms).

Complaints by banks about breaches of solicitors' undertakings continue to be an increasing feature of our work. We have reissued guidance on avoidance of commonly occurring problems with undertakings.

Regulatory litigation continues to increase. In 2010, the Society made 117 applications to the Solicitors Disciplinary Tribunal, compared with 92 in the previous year. In 2010, a total of 253 orders were made by the High Court under the *Solicitors Acts*, compared with 214 the previous year.

The Society has expressed its frustration to An Garda Síochána regarding the apparent lack of progress in investigations of suspected fraud by certain solicitors and former solicitors.

To improve service to the profession, we initiated a dedicated telephone helpline for practising certificate queries during the month of January 2011.

We continue to liaise closely with the Society's Career Support Service to assist, in so far as possible, with the concerns of solicitors seeking employment.

Under the *Legal Practitioners (Irish Language) Act 2008*, we established the Irish Language Register, so that people who wish to instruct a solicitor practising in the Irish language can identify practitioners who have passed the Advanced Legal Practice Irish examination.

John Elliot,
Registrar of Solicitors and
Director of Regulation

“Regulatory litigation continues to increase. In 2010, the Society made 117 applications to the Solicitors Disciplinary Tribunal, compared with 92 in the previous year. In 2010, 253 orders were made by the High Court under the Solicitors Acts, compared with 214 the previous year.”



Education Department

“We were proud to see the Professional Training Section being named as 2011 winner in the ‘networks and groups’ category of the Institute of Training and Development Awards for its work in developing, designing and delivering training to 1,700 solicitors during the year.”

For the fourth year in succession, the numbers training as solicitors continued to fall. In 2007, 671 students attended the PPCI. In September, 413 students enrolled for the 2011 PPCI – a 39% decrease on 2007. Numbers have now dropped to a level last seen in 2002. The number of candidates sitting the Final Examination – First Part are also continuing to fall. In October 2011, 48% fewer candidates will sit the exam compared with October 2007.

We have responded to this dramatic fall in training numbers with a programme of cost-cutting, including a number of redundancies. As part of this programme, we reluctantly closed our centre and courses in Cork in July 2011.

However, Irish trainee solicitors continue to prove themselves to be on a par with the best of their peers in the world. This can be seen in the success of three trainees (Denise Daly, Maeve Lynch and Clare McQuillan) in winning the International Environmental Moot Court Competition against stiff competition from teams from many different countries.

At post-qualification level, the diploma programme continues to grow. More than 650 participants attended 15 diploma and certificate courses during the past year. These courses included a new Diploma in Environmental Law and new certificate courses in mental health law and funds law. Before the end of this year, a new certificate course will be offered where students will use tablet computers (iPads) as a learning tool and will retain the iPad at the end of the course. They will learn about commercial contracts in an active, hands-on way, using the iPad to promote an ‘anywhere, anytime’ learning philosophy.

We were proud to see the Professional Training section being named as 2011 winner in the ‘networks and groups’ category of the Institute of Training and Development Awards for its work in developing, designing and delivering training to 1,700 solicitors during the year. Major funding was received from the Government’s Skillnet scheme for the establishment of a Job Seeker Support Programme for unemployed solicitors. In cooperation with the Law Society’s Career Support Service, roughly 200 solicitors are currently undertaking training and work placements to help them move into areas that remain in demand.

**TP Kennedy,
Director of Education**



Finance and Administration Department

Once again, for the past 12 months, the department's focus has been on cost reduction and process improvement, while, at the same time, fulfilling its key role of providing internal services and infrastructure to the departments providing the core business functions of regulation, education and representation. The implementation of the structured cost-reduction programme introduced at the beginning of the recession is ongoing.

In 2010, operating and other costs were reduced by 11%, which mirrored an equivalent fall in income. These reductions meant that the Society was in a position to reduce the registration fee element of the 2011 practising certificate fee by a further €40. However, it was considered prudent to increase the Compensation Fund contribution by an equivalent amount, thus leaving the practising certificate fee for 2011 at the same level, despite budgeting (for the first time in over a decade) for a small operational loss.

The Society's income, at €23.5 million (which is split 60:40 between general activities and education activities), is managed to ensure that members receive value for money. This is achieved through rigorous scrutiny of budgets, detailed monitoring throughout the year, and an annual five-year financial plan review to allow forward planning and to minimise shocks to the system. A significant element of the finance section's work for the past 12 months was related to carrying out thorough due diligence on the €16 million estimate of the SMDF's liabilities and costs for the next ten years.

In relation to IT matters, the Society's processes are heavily dependent on IT and the web. Once again, significant improvements were made to streamlining the practising certificate issuing

process to make it more user-friendly and efficient for members. An online system for PII insurers to advise the Society in real time of the provision of cover to firms also improved efficiency. Similarly, improvements in IT processes also reduced the production time for the *Law Directory* in 2011.

An electronic registration system for annual and special general meetings was implemented for the two SGMs held in 2011. The IT section continues to be progressive in the electronic and online delivery of educational services to students and qualified solicitors. FE-1 results were also made available online. By the end of 2011, an online booking system for the Four Courts' consultation rooms will be available.

On the facilities side, as well as the ongoing business of providing internal services, such as printing, post, telephone, reception, cleaning, security and maintenance, and a project was commenced that will result in a significant refurbishment and upgrading of the facilities in the Four Courts' consultation rooms in 2012. Another notable event was the contracting out of the bar and catering operations, previously delivered directly by the Society through the Law Club of Ireland.

**Cillian MacDomhnaill,
Director of Finance and Administration**

"In 2010, operating and other costs were reduced by 11%, which mirrored an equivalent fall in income."





Law Society Committees

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

Standing committees

The *Solicitors Acts* provide that the functions of the Society set out in the acts (that is, the statutory functions) are exercisable by the Council, and further provide that the Council may delegate the exercise of any functions of the Council to a committee established for that purpose. As a result of this power, the Council appoints what are known as 'standing committees', which exercise statutory functions on behalf of the Council.

Non-standing committees

Non-standing committees are appointed by the Law Society's Council where the Council believes the work of the Society may be better effected by such a committee. They do not perform statutory functions.



Coordination Committee

John Costello, 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.

At the commencement of each Council year, the Coordination Committee meets with the chairmen of each of the Society's standing committees to consider ongoing issues and to plan for the year ahead.

A further function of the committee is the consideration of issues falling outside the remit of any of the other committees, and it continues to be a useful forum for the resolution of operational and procedural matters. Within the past 12 months, it has considered issues relating to:

- The Society's complaint to the Commission on Public Service Appointments about the exclusion of solicitors from eligibility for appointment as advisory counsel in the Attorney General's Office,
- A submission on the scope of the review to be conducted into the parliamentary power of inquiry, under article 15 of the Constitution,
- Advice to the profession on a solicitor's liability for clients' monies in the event of the collapse of a financial institution,
- The EU/IMF memorandum of understanding as it pertains to the legal profession,
- A request that the Society would become involved as *amicus curiae* in proceedings before the Supreme Court, and a request from the Supreme Court for submissions in relation to a solicitor's lien,
- The 'next steps' for the e-conveyancing project,

- New career support and employer support initiatives, and
- The nomination of representatives to a number of external bodies.



Complaints and Client Relations Committee

Simon Murphy, chairman

This is the third report I have submitted as chairman of the Complaints and Client Relations Committee. In my previous two reports, I have noted the alarming increase in the number of complaints from financial institutions about undertakings. Regrettably, there is no sign that we have turned the corner – undertaking complaints continue to be received in greater numbers than heretofore. In the first seven months of 2011, a total of 1,046 complaints about undertakings were received, representing 65% of the total intake for that period. During the same period last year, the corresponding figure was 668 complaints, or 53% of the total. Many of our colleagues have paid a very high price in order to resolve these complaints, and in cases where resolution is not possible, disciplinary proceedings have ensued.

Given that conveyancing has effectively ground to a standstill in the past few years, and the effect of the *Solicitors (Professional Practice, Conduct and Discipline – Commercial Property Transactions) Regulations 2010*, the volume of these complaints must peak at some stage, but there is, alarmingly, no sign of this happening yet.

The Minister for Justice has indicated that changes are on the way for regulation. These changes, prompted in part by EU/IMF requirements, will affect both branches of the legal profession. The decision to appoint a Legal Services Ombudsman was shelved earlier this year and, at the time of writing, no indication has been given as to whether the Society's regulatory role will be removed.

The NSAI standard ISO 9001:2008 was, once again, awarded to the complaints section, notwithstanding the increase in the number of complaints received.

I would like to pay tribute to the hard-working solicitors and lay members of the committee, to my two vice-chairmen, Stuart Gilhooly and Andrew Cody, and to Linda Kirwan and her excellent personnel in the complaints section, all of whom have provided unwavering support during my tenure as chairman.



Education Committee
Michelle Ní Longáin, chairman

The economic downturn continued to present challenges for the Education Committee during 2010/2011. Numbers sitting the FE-1 examinations and attending the Professional Practice Courses continued to fall, with a consequent drop in income. Falling student numbers and the significant losses incurred by the law school in Cork left the committee with no option but to recommend to Council that the school should be closed.

Although student numbers have fallen, the number of solicitors attending the Law School's diploma courses has continued to rise. The diploma programme has focused on making its courses as accessible as possible – increased use of webcasting has resulted in a larger number of participants from outside the Dublin area.

Funding was awarded to the Law Society Skillnet and Finuas Networks for a number of new training courses for out-of-work solicitors through the Job Seekers' Support Programme. This programme provides training and work experience in areas of practice that remain in demand. Participants are entitled to retain their job-seekers' allowance while participating in the programme.

A highlight of the year was the success of the Law Society Professional Training section (LSPT) in winning the Irish Institute of Training and Development award in the 'network and groups' category, for excellence in the design and delivery of training.

In cooperation with the Dublin Solicitors' Bar Association, the Law School established an internship programme for Access students.



Finance Committee
Patrick Dorgan, chairman

2010

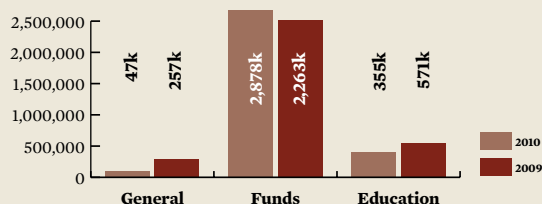
The Law Society continued to feel the impact of the economic recession on all its activities throughout 2010. The continuation of an intensive cost-saving programme ensured that the Society's general and education activities operated close to break-even during 2010. The after-tax operational surplus for these areas was €283k (2009: €690k), which was 1% of income. Reserves, including amounts allocated to the Litigation and Capital Reserve Funds, increased by €3.1 million (2009: €2.5 million).

The operating surpluses for the Society are incorporated in 'Group' accounts, which include all Law Society subsidiaries and related undertakings. The outcome for the Society's group for the year was an after-tax surplus of €3.1 million (2009: €2.5 million). 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 show actual trading outcome) and the audited group statements for all the activities in question.

Overall results

Entity	Management accounts €	Audited group statements €
General activities	46,788	413,355
Funds	2,878,126	2,878,277
Education activities	355,046	999,531
Redundancy costs	-	-233,483
Law Club of Ireland	-9,263	-825,477
Benburb Street Property Co Ltd	-6,930	
Friary Property Services Ltd	2,862	
Ellis Quay Property Services Ltd	-27,188	
Other	-4,338	
Group taxation	-119,165	-119,165
Total surplus	3,115,938	3,115,938

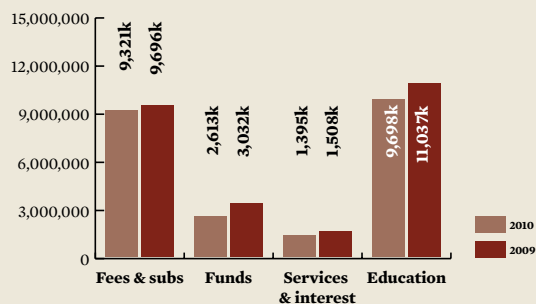
Operating surplus 2010, compared with 2009



Our income streams

Total income fell by 9% to €23,459k (2009: €25,820k). Fees and subscription income fell by 6%, education income decreased by 12% and income from other sources fell by 11%. Fees and subscriptions, which are primarily practising certificate, membership and admission-fees income fell by €800k. This was mainly as a result of a decrease in the practising certificate fee for 2010 of €120 or 5%. This was possible as a result of various cost-saving initiatives.

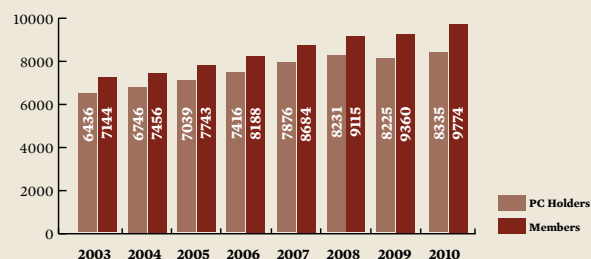
Income sources 2010, compared with 2009



In 2010, there were 8,335 (2009: 8,225) practising-certificate holders – effectively no year-on-year change. Surprisingly, the figure has remained very static over the last three years. There were 9,774 members (2009: 9,360) – an increase of 414. The membership number includes 555 solicitors who availed of free membership, on the basis of being over 50 years admitted or being unemployed. There were 729 admissions to the Roll in 2010 (2009: 705).

Practising certificate fee income was allocated to the Litigation Fund (€266k) and the Capital Reserve Fund (€2,348k), totalling €2,614k (2008: €3,032k). The Society's commercial activities continued to feel the full impact of the recession, with income down to €1,135k, from €1,296k in 2009. Interest income at €261k was €50k better than in 2009.

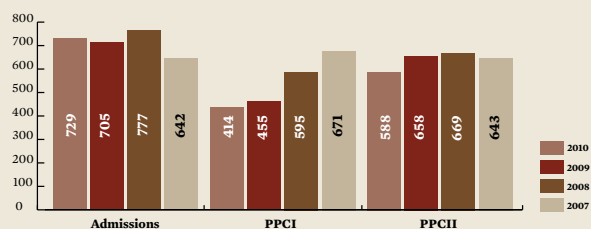
Practising certificate holders and members 2003 - 2010



Education activities income, at €9,698k (2009: €11,037k), fell by 12%. The income can be broadly analysed as €6.6 million from professional practice course (PPC) fees, €1.2 million from exam fees and indentures, and €1.7 million from Law Society Professional Training (LSPT) seminars and diplomas.

The student intake for PPCI courses in September 2010 was 414 (2009: 455), a drop of 9%, and a fall of 38% from a high of 672 in 2006. FE-1 sittings fell from 3,328 in 2007 to 2,140 in 2010, down 36%. Diploma courses performed very well in 2010, and LSPT, with its successful Skillnet and Finuas programmes that attracted State grants of €215k, recovered well from significant losses in 2009.

Admissions and PPC courses 2007 - 2010



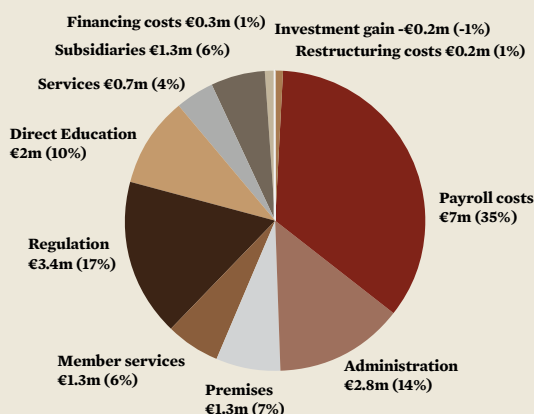
Our expenditure

Total expenditure fell from €22,713k to €20,224k, down 11%. On the general activities side, operating charges fell by €426k or 4%. This shows very significant expenditure reductions and tight cost control, and the reductions would have been significantly greater except for some exceptional legal costs in protecting the mutual recognition of qualifications with the England and Wales jurisdiction, and costs associated with major policy matters. There was also an increase in the cost of the Society's regulatory functions, including substantial legal fees. The other main cost increase in general activities was an increase in losses on the catering and bar operations in Blackhall Place. Education activities operating charges decreased by €1,057k, or 11%, as a result of the continuation of a cost-reduction programme that involved additional redundancies. Education Centre Fund investments, which made a loss of €828k in 2009, recovered €197k in 2010.

Financing costs of €287k are costs associated with the sale-and-leaseback arrangement on the Education Centre. ‘Other expenditures’ are the costs associated with our subsidiaries and were €1,254k (2009: €1,353k).

Redundancy costs were €233k.

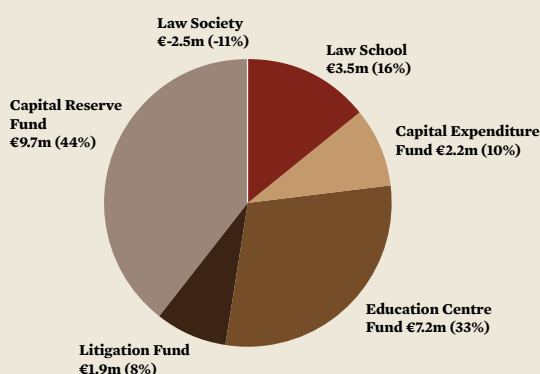
Areas of expenditure 2010



Our balance sheet

The balance sheet strength improved to a net assets position of €22 million. The reserves include two contingency funds for capital expenditure (€2.2 million) and litigation (€1.9 million), which act as reserves to meet costs in these areas as they arise. There are also two ‘sinking’ funds – the Education Centre Fund (€7.2 million) to buy back the Education Centre in 2014, under a sale-and-leaseback arrangement, and a Capital Reserve Fund (€9.6 million) to fund the purchase of the Benburb Street site over a ten-year period. The balance of the reserves is allocated to the Law Society (-€2.5 million) and the Law School (€3.6 million). The bulk of the Society’s reserves are tied up in fixed assets, including Blackhall Place.

Reserves 2010 (€m)



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 of €172k. After a contribution from the Law Society of €158k, the loss was €9k. The increase in losses on the catering and bar operations in Blackhall Place resulted in the contracting out of the operation in late 2010 and the transfer of 15 staff.

Benburb Street Property Company Ltd, which owns and manages the Benburb Street site, made an operational loss of €7k. Friary Property Services Ltd, which rents and manages the Solicitors Disciplinary Tribunal offices, made a surplus of €3k, and Ellis Quay Property Services Ltd, which rents and manages the LSPT offices in Dublin and the Law School facilities in Cork, made a loss of €27k.

2011

Despite the continued economic uncertainty, it looks like the Society will, for both its general and education activities, achieve its budget for 2011, which projects a small operational loss. Practising certificate numbers have remained at the 2010 level and, while PPCI enrolment numbers are slightly down on budget, there has been no major decrease on 2010. While the recent turmoil and volatility in investment markets will have some impact on the Society’s finances through its Education Centre Fund and pension-scheme investments, any losses will be on the lower end of the spectrum, given the low-risk strategy adopted in relation to these investments. The structured cost-saving programme, which achieved significant savings on both payroll and non-payroll costs in 2010, is continuing throughout 2011.

The Finance Committee is very aware of the severe impact of the downturn on the profession and it had hoped to give a further practising certificate fee reduction in 2011. However, a decrease in the registration fee of €40 was absorbed by an equivalent increase in the Compensation Fund contribution, necessitated by the reserves position of the Fund. The committee is also very conscious that the approval, by members, of financial support to the Solicitors’ Mutual Defence Fund will impose an additional burden on practitioners, and it is working to reduce costs to ensure the burden is minimised and that the practising certificate fee is kept to a minimum. The committee continues to ensure that members get value for money for all operational and project spending, and that the Law Society’s operations are sufficiently resourced to serve members in the most efficient and effective manner. The audited financial statements for 2010 included in this report will be presented to members for approval at the annual general meeting.



Money-Laundering Reporting Committee

John O'Connor, chairman

The committee met on a regular basis throughout the year and continues to fulfil its legislative obligations, including the monitoring of solicitors' compliance with their obligation to make a suspicious transaction report in relation to a client.

As reported last year, the implementation in July 2010 of the *Criminal Justice (Money Laundering and Terrorist Financing) Act 2010* has resulted in the Society now not only having to report to the relevant authorities suspicions that a money-laundering offence or an offence of financing terrorism has been committed by a practising solicitor, but also to investigate whether there has been due compliance with anti-money-laundering obligations by practising solicitors.

I would like to thank my fellow committee members for their input during the year, and also the Society's senior investigating accountant Seamus McGrath, and committee secretary Tina Beattie, for their assistance.



Professional Indemnity Insurance Committee

Eamon Harrington, chairman

The committee is aware of the difficulties encountered by a number of firms when they renewed their professional indemnity insurance (PII) cover with effect from 1 December 2010. These related especially to the increase in premiums and delays in obtaining offers of cover. The Council of the Law Society discussed matters relating to PII cover, particularly with regard to the introduction of a master policy and the cost of obtaining run-off cover.

It was decided to continue with the freedom-of-choice system, with improvements – including a commitment from the insurers to use a common proposal form.

The Assigned Risks Pool (ARP) was reintroduced, providing limited cover compared with that available on the open market – namely, no cover for financial institution claims and cover in the aggregate rather than for each and every claim. In all, 24 firms availed of such cover.

Each firm in the ARP underwent a risk-management audit of their practice, which, it is hoped, will assist the firms in improving procedures and in obtaining PII cover on the open market.

I would like to thank the director of regulation John Elliot for his invaluable input throughout the year, manager of the ARP Patrick Howett, who liaised with all of the firms seeking to obtain cover through the ARP, and also committee secretary Rosemary Fallon, who met the many challenges of the year in a professional manner.

I would also like to thank the committee members for their commitment and input, both at committee and Council meetings.



Regulation of Practice Committee

Michael Quinlan, 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

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 €1,247,198 for the

year ended 31 December 2010, compared with a surplus of €1,155,724 for the year ended 31 December 2009. The increase of €2,402,922 in the deficit for 2010, compared with 2009, is attributable to a decrease in 2010 of €1,435,286 in income, an increase of €1,112,120 in expenditure, together with a decrease in taxation amounting to €144,484.

Our income streams

The decrease of €1,435,286 in income in 2010 is attributed mainly to a decrease of €1,806,100 in recoveries from defaulting solicitors. A sum of €2,232,638 was received under the fund's excess loss insurance policy.

Our expenditure

The increase of €1,112,120 in expenditure as between the two years is substantially attributable to an increase in the provision for claims of €859,816. This increase was offset to an extent by a decrease in legal and professional fees of €389,665.

Our balance sheet

The net assets of the fund as at 31 December 2010 stood at €13,592,045 compared with €14,429,127 at 31 December 2009. The decrease of €837,082 in the net asset position of the fund between the two years' end is reflected in a decrease of €1,247,198 in revenue reserves, together with an increase of €410,116 in the revaluation reserve on the fund's investments. These investments are recognised in the accounts at prevailing market valuations at year's end.

Developments since December 2010

In the six months ended 30 June 2011, 116 claims were received. Excluding invalid claims refused, these claims amounted to €1,357,425. Payments were made in the sum of €362,909 in respect of claims, and claims amounting to €994,516 are still under consideration.

The net assets of the fund are valued at €15.5 million as at 30 June 2011. The annual contribution to the fund was €700 per solicitor for 2011. Insurance cover for €50 million in excess of €5 million is in place for the year ending 31 December 2011.

Committee activities during the year

The committee met on 17 occasions, for eight scheduled, six special and three emergency 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 six solicitors to the Solicitors Disciplinary Tribunal for failure to file accountants' reports on time,
- Apply to the High Court for an order freezing the accounts of three solicitors where dishonesty was discovered, and in respect of two practices where it appeared that the solicitors had abandoned their practices,
- 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 six solicitors,
- Levy contributions amounting to €123,500 towards the costs of investigations,
- Apply to the High Court, pursuant to section 18 of the *Solicitors (Amendment) Act 2002*, in four cases where solicitors failed to comply with Society directions,
- Apply to the High Court, pursuant to section 10 of the *Solicitors (Amendment) Act 1994*, in respect of a solicitor who was failing to deal with the Society's requirements,
- Apply to the High Court, pursuant to section 14(3) of the *Solicitors (Amendment) Act 1994*, where a solicitor was obstructing an inspection,
- Take enforcement proceedings under section 18 of the *Solicitors (Amendment) Act 1994* (inserted by section 43 of the *Civil Law (Miscellaneous Provisions) Act 2008*), where a solicitor had failed to pay a fine imposed by the Solicitors Disciplinary Tribunal,
- Withdraw the Society's approval of a reporting accountant and refer the matter to his professional body.

The team of investigating accountants conducted approximately 380 investigations throughout the year. The scope of investigations has been widened to monitor solicitors' compliance with their obligations under the *Criminal Justice (Money Laundering and Terrorist Financing) Act 2010*.

The confidential Practice Advisory Service for solicitors' firms to improve awareness of regulatory and financial management issues, sponsored by the committee and provided through Outsource, continues to receive very positive feedback.

The profile of the practices availing of the service varies from start-ups facing the daunting prospect of making a living in the current climate, to existing practices with either financial or regulatory problems, to well-run and well-structured firms looking for a regulatory update and an outside view of managing in the current environment.

There are an increasing number of practices facing problems, including firms where financial viability is a matter of concern, particularly firms with a low level of business, firms having difficulty operating within their overdraft limit, and firms in arrears with VAT and PAYE. The service's advice sessions bring market perspective and, also, hopefully, realities to participants' own situations in a practical way. While a half-day session will not cure all problems, it is a very useful exercise in taking stock of a firm's circumstances and pointing the way forward. Obviously, the advice given can either be taken on board or ignored.

In accordance with the recommendations of the Donovan Bowen Review Group, set up by the Council of the Law Society to review the operations under the control of the committee, the Society has developed a more risk-based approach to investigations for efficient use of resources and intelligence. Recommendations in relation to the form and content of investigation reports have been implemented, improving the quality of information on which committee decisions are based. The Society is at an advanced stage in drafting new *Solicitors' Accounts Regulations* and *Interest on Clients' Moneys Regulations*.

The committee issued practice notes drawing to the attention of solicitors the problems of long-outstanding client ledger balances and misappropriation by employees of solicitors' firms, which were issues regularly encountered by the committee during the past year.

The committee examined the implications of the increased use of online banking by solicitors. As a consequence, the Society has amended the terms of the orders it seeks from the High Court when making an application to freeze the bank accounts of a dishonest solicitor, and findings of the committee will be taken into account in the new *Solicitors' Accounts Regulations*.

Following feedback from members of the profession, the committee came to the view that the definition of 'regulatory matters' in the CPD regulations is unduly narrow and proposed to the Education Committee that it consider expanding the definition to include 'professional ethics'.

I write this report as I come to the end of a three-year tenure as chairman of the committee. I would like to thank the committee vice-chairmen, Martin Crotty and Martin Lawlor, for their assistance

throughout the year, and all other committee members for their commitment to, and participation in, the work of the committee. The committee's lay members Frank Bowen, Cecil Donovan and Frank Mee have, once again, contributed in an invaluable way to the work of the committee and, on my own behalf and that of the other members, I extend my heartfelt thanks.

On a final note, the smooth running of numerous meetings and the entire work of the committee would not be possible were it not for the work of the permanent secretariat. In this regard, I would like to thank the Registrar of Solicitors and director of regulation, John Elliot, and his team in the Regulation Department for their considerable work, not just over the past year, but for my entire chairmanship of the committee.

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Non-Standing Committees



Arbitration and Mediation Committee

Eamon Harrington, chairman

The committee has continued to contribute to organisations established to promote Ireland as a venue for international arbitration, such as Arbitration Ireland. Members attended, and contributed to, a number of road shows held in locations around the world, including New York, Washington and Paris.

The ICC held a workshop on international arbitration at the Law Society on 27 and 28 June 2011, which experienced arbitrators from an array of organisations were invited to attend.

Arbitration

The committee continues to review criteria for membership of the Law Society's 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 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. As a consequence, the committee held an award-writing and costs seminar on 26 September with a view to improving and assuring the standard of all panel members.

Mediation

The committee is currently drafting model mediation procedures for medical negligence, employment and family law. These have been drafted in conjunction with various interested stakeholders and it is hoped to publish all before the end of the year.

The committee welcomed the publication of the Law Reform Commission's report on alternative dispute resolution and was aware that the new Programme for Government referred to facilitation and use of mediation to resolve commercial, civil and family disputes in order to speed up the resolution of such disputes, reduce legal costs and ameliorate the stress of contested court proceedings. While there is, as yet, no sign of legislation,

the committee has prepared a report that would, when timely, become part of the Law Society's submission in response to same.

The committee, in conjunction with the Dublin Solicitors' Bar Association, hosted a two-day mediation seminar in June. In addition, work is underway on a mediator search engine, which would be available on the Law Society's website. The 'committee' pages of the Law Society website have been updated also to include information on mediation and expert determination. Members of the committee continue to liaise with other Law Society committees, as well as other relevant external organisations.

I am grateful to our hard-working and talented members, and we are all indebted to committee secretary, Colleen Farrell, whose extraordinary efficiency makes her an invaluable resource to the committee.



Business Law Committee

Mark Pery-Knox-Gore, chairman

During the year under review, the committee continued its work of monitoring developments in business law – both at national and EU levels. This year, it made a submission to the European Commission on the *Green Paper on Policy Options for Progress towards a European Contract Law for Consumers and Businesses*.

A submission was made to the Competition Authority on proposed changes to the *Cartels Immunity Programme*. The committee also made a submission to the Competition Authority in relation to its consultation process on proposals to revise and update current guidelines for merger analysis.

The committee has a number of members who practise in the area of intellectual property (IP) law. These members were particularly busy this year. A submission was made to the Department of Justice and Equality on the intellectual property aspects of the *White Paper on Organised and White Collar Crime*. The IP group also engaged in discussions with Revenue regarding the refusal of Customs and Excise to release information about counterfeiters to rights holders.

Congratulations to one of our longest-serving committee members, Patricia McGovern, on her appointment to the review group established to review the *Copyright and Related Rights Act 2000*. The committee made a submission to the Department of Enterprise, Trade and Innovation in response to the department's call for consultation on the act.

Members of the IP group met with the Courts Service with a view to offering assistance in reviewing aspects of the *Superior Court Rules* affecting IP litigation, where it is felt that there are deficiencies and anomalies in the current rules.

The committee also considered the EU proposal on certain permitted uses of orphaned works and the Patents' Office consultation paper on the interpretation of trademark legislation regarding concurrent use in opposition proceedings.

In the current economic climate, there is inevitably a focus on the needs of ailing businesses. The committee has begun the task of preparing a submission to Government on a statutory form of company voluntary arrangement, an alternative to examinership and the scheme of arrangement that is already available. Members of the committee are also liaising with the Litigation Committee on the *Law Reform Commission Report on Personal Debt Management and Debt Enforcement*.

The committee has corresponded with the Companies Registration Office regarding changes to the voluntary strike-off regime for companies based on section 311 of the *Companies Act 1963*.

The committee published a practice note in the *Gazette* on the 'virtual' execution of documents, where some or all of the signatories involved in a transaction are not present in person, or by attorney, at completion.

I would like to thank all the committee members for their hard work during the year, in particular Paul Keane (vice-chairman), Joanne Cox (secretary) and Katherine Kane, who replaced Joanne as secretary during the year.



Conveyancing Committee

Majella Egan, chairman

This year, the committee issued 19 practice notes, which were published in the *Gazette*, and two further electronic circulars to the profession. It answered numerous queries from practitioners and received almost 1,300 queries to the telephone helpline, which were dealt with by the committee secretary. (The volume of calls to the helpline was 20% up on 2009 – which, in turn, had seen a 20% increase on 2008). 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 to the committee. The regulations prohibiting undertakings to lenders in commercial property lending transactions also gave rise to queries in the year under review.

The committee received a large volume of queries in relation to part 8 of the *Land and Conveyancing Law Reform Act 2009* and was pleased to secure an amendment to that act, as it related to registration of prescriptive easements, through a series of meetings with, and submissions to, the Department of Justice and Equality. This will simplify and reduce the cost of the registration process in the vast majority of cases by taking it out of the courts system.

This year, most of the committee's precedents on the Law Society's website were reviewed and redrafted. New and revised family law declarations to take account of the *Civil Partnership and Certain Rights and Obligations of Cohabitants Act 2010* were published, together with precedent documents pursuant to the *Multi-Unit Developments Act 2011*. Special thanks are due to the members of the Multi-Unit Developments Task Force, who worked tirelessly on developing the precedents and ancillary documentation required relating to that act.

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



Criminal Law Committee
Claire Loftus, chairwoman

Changes to the criminal legal aid scheme have once again been a significant feature of the committee's business during the year. In February, the Law Society made a submission to the Department of Justice and Equality in relation to possible cost-saving measures that could be achieved within the criminal justice system. It also responded to the Government's intention to delegate the administration of the criminal legal aid scheme to the Legal Aid Board. Significant fee reductions were advised to the Law Society in June, and the Society made a further submission to the Department of Justice and Equality in response.

The committee was pleased to have the opportunity to meet with Lord Carloway, judge of the Scottish High Court, as part of a review of Scottish criminal procedure regarding the right to legal advice before police questioning.

Throughout the year, the committee continued its correspondence with the Prison Service regarding professional visits and videoconferencing with prisoners, and with the Courts Service in relation to day-to-day issues that arise for practitioners. Members also continued to represent the committee on various Courts Service user groups.

Numerous criminal law bills and statutory instruments were reviewed. Members also contributed to the revision of the Society's *Code of Conduct for Solicitors in Ireland*.

I would like to thank my vice-chairman, Conal Boyce, and the members for their valued contribution to the work of the committee.



Curriculum Development Unit
Colm Costello, chairman

The Curriculum Development Unit (CDU) noted a number of developments in the training of solicitors and trainees generally. The professional training team has received funding from the Law Society Finuas Network and Law Society Skillnet. The Finuas Network provides specialised training to enable solicitors to attract international firms to this jurisdiction. As of September 2010, the team had delivered 87 training events and trained nearly 1,600 trainees.

The principal aim of Law Society Skillnet is to facilitate the acquisition of skills to allow firms to diversify into new areas of practice.

The unit was provided with a demonstration on the technology involved in the delivery of legal practice Irish. This course satisfies the statutory requirements in respect of the Irish language.

The Access initiative was mentioned last year. The CDU would welcome support from the legal profession to generate work experience opportunities for Access students that would enable them to compete more capably for traineeships.

In May 2011, members of the CDU team attended Glasgow Law School. It is pleasing to note that its approach to the training and education of trainees mirrors our own, particularly in the area of participation of practising members of the profession.

The CDU places great emphasis on in-office training. An electronic training manual is



Law Society leads the way in professional training

On 4 March, the Law Society Professional Training team was presented with an Irish Institute of Training and Development award. The award was made in recognition of the team's excellence in developing, designing and delivering innovative training to the legal profession.

It caters to the entire legal profession in Ireland, with 2,231 member firms, and incorporates the Law Society Skillnet and the Law Society Finuas Network.

In 2010, the network trained 3,082 trainees and delivered 4,765 training days through its suite of over 120 training programmes. These programmes included postgraduate courses and regular training programmes to inform the legal profession of new legislation and its implications for day-to-day practice.

available to each trainee and, given its importance, the CDU will recommend to the Education Committee that the completion of such manuals be made compulsory for all trainees. This, in turn, will facilitate e-monitoring of the quality of training in the trainee's office.

As always, I express my thanks to Geoffrey Shannon (CDU secretary), TP Kennedy (director of education) and to all tutors in the Law School.



Employment and Equality Law Committee
Michael Kennedy, chairman

There have been a number of significant employment and equality law legislative and procedural developments over the course of the past 12 months, which the committee has been busy responding to and engaging with on behalf of the profession. Most significantly, the committee has been in detailed correspondence with the Minister for Jobs, Enterprise and Innovation, Richard Bruton, seeking to influence the ongoing departmental review of the current system of employment law enforcement, identifying key principles to be incorporated in any new system.

The committee also successfully contributed to the debate on part 6 of the *Civil Law (Miscellaneous Provisions) Bill 2010*, which had proposed certain amendments to the *Employment Equality Act 1998* (as amended). It made a detailed submission on the bill, the main substance of which was subsequently incorporated into the final legislation. The committee also welcomes the position adopted by the Government in respect of proposed whistleblower protection legislation, which again incorporated many of the recommendations made by the committee in its earlier report on the matter.

To ensure that practitioners were kept up-to-date with developments in employment, equality and pension case law and legislation, the committee contributed a number of *Gazette* and e-zine articles and also participated in Law Society Professional Training events.

The year ahead promises to be equally challenging, with members having formed

a sub-committee to consider in detail the employment, equality and pension law issues arising from the proposed increase in the State pension age. The committee will also continue to actively engage with the ongoing departmental review of the current system of employment rights enforcement on behalf of the profession. Furthermore, the Pensions Sub-Committee is at an advanced stage in the completion of a template pensions adjustment order, with related guidelines, which will be rolled out to the profession over the coming months.

Finally, in association with the Arbitration and Mediation Committee, members have also commenced and will finalise a template mediation agreement from an employment and equality perspective, also to be made available to practitioners.



EU and International Affairs Committee
Niamh Connery, chairman

During the year, the committee organised a number of events of relevance to practitioners. In April, it held a seminar in Louth on the enforcement of judgments in the EU. In May, a seminar was held in Blackhall Place, in conjunction with the Irish Society for European Law, on money laundering. In September, a general EU law update took place in Waterford.

The committee organises programmes for qualified lawyers to avail of work placement opportunities in France, Belgium, Spain and Germany. Irish lawyers travelled to Madrid and Düsseldorf late in 2010, while Spanish and German lawyers came here. Funding was secured from the European Commission/Léargas through the Leonardo da Vinci programme to ensure the further development of these programmes. The committee will now send Irish lawyers to Madrid, Brussels and Cologne with Léargas funding. Separately, it continues to send lawyers to the Paris Bar to take part in a *stage* programme.

Committee members contributed various articles to the Eurlegal section of the *Gazette*. The committee also contributed to the European Law Moot Court Regional Final, which was held in Dublin in February.

The committee 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 the committee members for their work, in particular committee secretary, Eva Massa, for her dedication and support.



Family Law Committee

Hilary Coveney, chairman

The Family Law Committee aims to assist practitioners by keeping them up to date with changes and developments in family law practice on an ongoing basis.

The annual family law conference in November 2010 covered a broad range of topics, including updates on:

- Family law litigation in the Circuit and High Courts,
- Rights of unmarried fathers,
- Child care cases,
- Adoption,
- Pensions, and
- Cross-border maintenance cases.

The committee also hosted a cohabitant agreements master class in April 2011. It is hoped to make a precedent agreement available shortly. The 2011 annual Family Law Seminar will be held later this year on topical issues, to update and inform practitioners on areas of family and child law.

The committee is working with the Pensions Sub-Committee of the Employment and Equality Law Committee to draft a precedent on pensions. It is also liaising with the Arbitration and Mediation Committee in relation to family law mediation model procedures.

The committee monitors, advises and comments on legislation. This year, it made submissions on the *Rules of the Superior Courts* on civil partners and cohabitants, the *Civil Law (Miscellaneous Provisions) Bill*, and child care law. Practitioners are kept up to date with these and other developments by regular contributions to the *Gazette* and e-zine.

The committee noted the numerous reports published this year in relation to children in care. The recommendations have been noted and submissions on this subject are being drafted. The committee welcomes the establishment of a Department of Children and Youth Affairs and looks forward to developments in this area, while continuing to correspond with the Department of Justice, Equality and Defence.

Members of the committee regularly attend the Consultative Panel of the Legal Aid Board and will continue to liaise with the board.

The committee recently hosted a delegation from Russia, which is evaluating the possibility and the practical implications of the ratification of the *Hague Convention on the Civil Aspects of International Child Abduction*.

The Family Law Committee has identified (i) child law, (ii) mediation, and (iii) developments in European law as areas of particular interest, importance and relevance, and will focus on these matters in the coming year.

Finally, I would like to take this opportunity to thank all committee members for their time, commitment and hard work throughout the year, and, in particular, our vice-chair Carol Anne Coolican. Thanks are also due to our secretary Colleen Farrell for her invaluable assistance and support at all times.



Gazette Editorial Board

Michael Kealey, chairman

The highlight for the *Gazette* in 2010/11 was being awarded 'Best Business to Business Magazine of the Year' from *Magazines Ireland* – the organisation representing magazine publishers, both North and South. The announcement was made at a black-tie event in the Four Seasons hotel on 2 December 2010.

Not wishing to stand still, the *Gazette* team also launched a brand new design, introducing new editorial ideas, and moving to an American A4 format in January 2011. This latter change had a positive impact on distribution costs, allowing the *Gazette* to further reduce its overheads, while maintaining the

highest publishing standards. The new design has been favourably received by readers.

The magazine continues to experience the effects of the economic recession. The downturn in advertising revenue being experienced by the print and broadcast media is also being felt by the *Gazette*. As a result, potential new revenue models and income streams are being actively investigated in order to offset the reduction in advertising income.

As one of the Society's most important communication channels with its members, the magazine fulfils a crucial role in informing and educating the profession. The editorial board meets approximately six times a year and provides guidance to the editorial team on both subject matter and contributors. The board comprises experienced and younger solicitors, covering a wide breadth of practice areas. It is extremely conscious of the pressures being faced by practitioners in the current economic climate.

As a result, articles deemed to be of high relevancy to the profession focused on PII and associated risk-management matters, potential new employment opportunities – inside and outside the profession – and new business ideas.

Recession-proofing articles centred on effective and efficient practice management, as well as new IT developments that can help firms improve their office systems. In addition, the *Gazette* led the field with articles on new legislation and ground-breaking cases.

I congratulate the members of the editorial team, led by Mark McDermott, on their national award, and express my thanks to my editorial board colleagues for their unstinting support during the past year.



Guidance and Ethics Committee

Brendan J Twomey, chairman

The committee met eight times. The review of the *Guide to Professional Conduct* was completed and presented to Council. The Council decided to refer the draft guide (with the exception of chapter three on 'Conflicts of Interest') to the profession for a three-month consultation period. It is expected that when the Task Force on Conveyancing Conflicts reports, the review of chapter three will then be completed, and the revised guide published.

A workshop was held for the panel solicitors on 4 July. The panel assists solicitors who are the subject of a complaint to the Law Society or the Solicitors Disciplinary Tribunal, or who have other difficulties in relation to their practices.

The committee notes the absence of insurance cover for a solicitor's own costs in regulatory proceedings, but further notes that it remains on the agenda of the Professional Indemnity Insurance Task Force.

Projects on hand for the committee include:

- Section 68 checklist,
- The EU *Services Directive* affecting the terms and conditions of engagement,
- A protocol for solicitors' visits to clients in hospitals and nursing homes,
- A revised letter of engagement, and
- A mentor scheme.

Gazette takes top gong!

The *Law Society Gazette* received national recognition on 2 December 2010 when it was named best 'Business to Business Magazine of the Year' at the Magazines Ireland Awards. The prize was presented by RTÉ news anchor Bryan Dobson at a black-tie ceremony at the Four Seasons hotel in Dublin.

The ceremony was attended by Ireland's top publishing houses and magazine publishing teams. The *Gazette* had previously been shortlisted in the 'Business to Business Magazine of the Year' category (for magazines with a circulation of more than 5,000).

The *Gazette's* citation states: "[It] made a strong submission and showed enterprise and imagination in dealing with the commercial realities that hit the magazine in the last two years. This strong commercial awareness has started to reap benefits in 2010. The title shows a commitment to excellence and is a 'must-read' for those in the profession', [and shows] a clear understanding of the audience's needs and meeting the needs of the people it serves."



The committee issued a practice note entitled 'A firm should not act on both sides of a property transaction where one party is vulnerable' in the January/February 2011 issue of the *Gazette*.

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

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



Human Rights Committee
Colin Daly, chairman

The Human Rights Committee this year continued with its busy programme of activities promoting human rights within, and without, the profession. The Annual Human Rights Conference 2010 (in conjunction with the Irish Human Rights Commission) focused on emerging human rights issues. The 2011 conference focused on the UN Universal Periodic Review and its implications for Ireland.

The committee held a seminar on 'Business, law and human rights', which was exceptionally well attended and which resulted in a number of law firms expressing an interest in connecting to Business in the Community. Ms Gareth Peirce delivered the Annual Human Rights Lecture 2011 on the topic of torture and the death of justice. The attendance was the largest to date, with over 250 people attending. The entries to the Annual Human Rights Essay Competition 2011 were of an exceptionally high standard.

The committee contributed monthly to the Human Rights Watch page of the *Gazette*, totalling 18 articles over the course of the year. The committee's web page was updated each month with news and vacancies.

The committee is currently reviewing the *Report of the Gender Recognition Advisory Committee* and the *Spent Convictions Bill*.

The second class of Human Rights Certificate graduates was conferred in May. The certifi-

cate is running again this year, beginning in November.

The work of the committee will continue to complete 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), due to be published in early 2012.

I would like to thank the vice-chair Michael Finucane, and all committee members, for giving so generously of their time, interest and expertise to the work of the committee. In particular, my sincere thanks and good wishes go to Joyce Mortimer, secretary to the committee, for her dedication and unstinting service to the committee.



In-House and Public Sector Committee
Colin Babe, chairman

The committee continues to strive to represent the perspective of in-house and public sector solicitors.

On 26 November 2010, the committee held its annual conference, in conjunction with the Society's Professional Training team. Attended by 278 delegates, it was a great success.

The committee organised a panel discussion, held on 8 September, entitled 'The three women pillars of Irish sport'. It outlined the skills of, and challenges faced by, three very interesting Irish lawyers and their career paths in the world of Irish sport.

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

On 9 June, a meeting was held with past committee members to generate new initiatives for consideration.

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

Our 2011 annual conference will be held on 25 November, in conjunction with the Society's Professional Training team. It will deal with

some topical issues of concern and interest to in-house solicitors.

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

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



Litigation Committee

Mike Kavanagh, chairman

The committee's agenda over the year has seen a number of new issues emerge, as well as the appearance of some recurrent issues.

In light of budgetary constraints, the committee focused on reducing the production of publications solely to those it considered absolutely essential to members of the Society.

One of the main projects of the year was the preparation of a submission to the Law Reform Commission in relation to its *Consultation Paper on Personal Debt Management and Debt Enforcement*. The committee also made a submission suggesting amendments to order 31, rule 12 of the *Superior Court Rules* (discovery) and began work on a project to review the discovery process in the context of the expanding use of technology.

Committee members participated in several joint sub-committees of the Society dealing with specific issues, and continued the Society's representation on a number of external groups, such as the Mental Health Commission. Members also represented the Society at the inaugural meeting of the Injuries Board User Group.

A wide range of general litigation issues were considered by the committee, with special focus on the anticipated *Legal Services Bill* and the changes that may follow.

As in previous years, the committee furnished comments to the Court Rules Committees on proposed court rules and monitored relevant legislation as it emerged. A number of

practice notes were published in the *Gazette* throughout the year, in addition to information items in the Society's e-zine. A large number of individual queries from practitioners were also considered and dealt with.

I would like to thank each member of the committee for their contributions throughout the year, particularly vice-chairman Michael Boylan and committee secretary Colette Carey, for her hugely valuable input and assistance over the course of the year.



Probate Administration and Trusts Committee

Nora Lillis, chairman

In addition to assistance provided to colleagues, another year was spent liaising with Revenue, Government departments and the Probate Office in relation to legislative and administrative changes, and keeping the profession informed of developments.

Work included particular issues in fair deal and civil partnership legislation being highlighted in the *Gazette* and e-zines.

The committee is grateful for feedback and cooperation regarding the implementation of new probate and CAT procedures. One positive result was the issue, in July, of a new CA24 that can be completed and saved on computer. In addition to the changes necessitated by civil partnership, some ongoing 'glitches' have been corrected. However, a continuing issue for the committee is the impractical pay-and-file deadlines for CAT. To date, despite extensive submissions, no agreement has yet been reached for change, but the committee will continue to engage to ensure a better system.

The committee will also work with stakeholders and issue submissions, where appropriate, in relation to the forthcoming *Trustee Bill* and *Mental Capacity Bill*.

The committee updated its existing publications, including *Making a Will* and *Administering an Estate*. These are now available on the website for downloading, due to the requirement for constant updating to deal with ongoing legislative and administrative

changes. A downloadable version of the EPA generator is now available. Work continues on new publications and, as there is now a strong focus on mediation, the committee is in the process of completing publications, including a focus on mediation in contentious probate matters.

My thanks to all the committee members for their hard work during the year.



Public Relations Committee
Niall Farrell, chairman

The role of the Public Relations Committee is to assist in formulating public relations policy for the Society, to promote the work of the Society, and consult in relation to public relations issues that arise during the year.

The Society has two different constituencies to bear in mind. Firstly, its relationship with the public must be considered. In addition, there is also the issue of its relationship with its members.

Due to the economic downturn, members have been under increasing pressure and have been demanding more from their Society, and rightly so. They expect the Society to defend the good name of solicitors, to promote the work they do in society, and to disabuse the public of the misinformation that frequently appears in the media. Most solicitors are hardworking professionals, seeking to help their clients in a very difficult financial environment. Very few have not been, themselves,

badly affected by the economic downturn.

The Public Relations Committee (as with the Society's other committees) is made up, mostly, of volunteer solicitors who give of their time for no reward. This year, we broadcast a radio advertising campaign that promoted the work of solicitors – which was well received by the profession and the public. We also hosted the annual Justice Media Awards, which promotes excellence in legal journalism and assists us in fostering contacts with members of the media in order to advance the Society's messages.

Throughout the year, we consulted with members of the Society regarding the various public relations issues that arose. It can be very difficult to get the media to show an interest in the good things that solicitors do – but members can be assured that director general Ken Murphy and the committee constantly strive to put across the Society's position on relevant matters.

My thanks go to the members of the committee who travel from far and wide and give so freely of their time, and to our secretary Mark McDermott for his courtesy and assistance.



Taxation Committee
Tom Martyn, chairman

One of the main projects of the year was the committee's participation in a joint sub-committee with the Conveyancing Committee, which culminated in the publication in August



Society takes to the airwaves with radio campaign

The Law Society ran a national radio advertising campaign over a five-week period in June/July and August/September 2011. The 2011 campaign promoted the solicitors' profession and its services to the general public.

The adverts were aired on RTÉ Radio 1, Today FM and Newstalk from 6.30am to 7pm each day. Bonus spots were obtained outside of those times from all three radio stations, making the campaign particularly good value for money.

The total number of listeners that heard the campaign was calculated at 59% of the adult population, with 85% of so-called 'AB' adult listeners being targeted. Respected advertising agency McConnells advised the Society's PR Committee on the campaign and assisted it in devising new adverts. The campaign encouraged clients to visit their trusted legal advisors before taking any action of a legal nature.

Feedback from the general public and members of the profession has been extremely positive.

of a revised Special Condition 3 of the standard contract for sale and a comprehensively revised pre-contract VAT enquiries document. The committee continued to monitor the operation of the e-stamping system and was involved in further consultation with Revenue regarding the introduction of the second phase of Revenue's mandatory e-filing/payment project, which occurred in June. Members continued to participate in the main Tax Administration Liaison Committee and its numerous sub-committees, chaired a newly formed sub-committee in relation to emissions trading, and also contributed to Revenue's Internal Review Consultation Group.

The introduction of the new *Mandatory Reporting Regulations* was also a point of focus for the committee – consideration of the implications of same for practitioners is ongoing. The committee reviewed the three *Finance Acts* that emerged during the year and published the annual *Tax Guide* in February. The Society's annual pre-budget submission to the Minister for Finance was submitted in September. Practice notes and advisories were issued as necessary throughout the year. The secretary and members of the committee continue to offer advice and support to solicitors who encounter issues in practice concerning taxation.

I would like to thank my vice-chairman Donal Kennedy and the members of the committee for their valued assistance and support throughout the year. I would especially like to thank the committee's 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 consistent approach to risk management and reduction through the use of technology,
- Monitor and comment on other bodies,

particularly state agencies, and their use of technology in so far as it affects our profession and clients, and

- Where possible, to assist individual members of the profession with technology-related difficulties.

Periodically, the committee reviews technology service providers' offerings to the profession. This year, we have issued a comprehensive questionnaire to suppliers of practice management and accounts systems – the results of which will be published on the members' area of the Society website. Further surveys of technology consultants and providers of general systems support are in train.

A 'wiki' is now used for committee communications, with a view to developing this as a profession-wide resource. Use of 'cloud' technology within the profession and by suppliers of software as a service, and for use for data storage and back-up, has been reviewed. Guidelines have been produced and published relating to the use of such technology, and a successful seminar on the topic was run in June, titled 'Getting the best return from your technology'.

The committee's 'Q&A' section on technology for a small practice was updated on the Society's website. A pilot study was carried out on the feasibility of the Society using Microsoft *SharePoint*, or similar, to communicate with its many committees, with a view to saving significant time, printing and distribution costs.

Meetings were attended with the Courts Service on its proposal to enable the issue of debt-recovery proceedings online, with the Property Registration Authority Ireland in relation to e-conveyancing, and Revenue in relation to e-stamping. The CCBE proposals relating to digital signature authentication are being continuously monitored, as is the proposal relating to its online 'find-a-lawyer' scheme.

I would like to thank all the members of the committee, particularly vice-chairman Raymond Smith and secretary Veronica Donnelly, for their tireless work and support.

STANDING COMMITTEES

COMPLAINTS AND CLIENT RELATIONS

Chair: Simon Murphy
Vice-chairs: Stuart Gilhooly,
Andrew Cody
Solicitor members:
Hilary Coveney
Gus Cullen
Richard Hammond
Barry MacCarthy
James O'Sullivan
Lay members:
Chair: Frank Brennan
Michael Carr
Ultan Courtney
Frank Cunneen
Eamon Devoy
John Flanagan
Vera Hogan
Michael Lynch
John McDonnell
Mary Maher
Dan Murphy
Lenore Mrkwicka
Secretary: Linda Kirwan

COORDINATION

Chair: John Costello
Donald Binchy
Kevin O'Higgins
Gerard Doherty
Ken Murphy
Mary Keane
Secretary: Mary Keane

EDUCATION

Chair: Michelle Ní Longáin
Vice-chair: John O'Connor
Barbara Cotter
Martin Lawlor
Simon Murphy
Dan O'Connor
Claire O'Regan
Valerie Peart
Ex officio:
John Costello
Donald Binchy
Kevin O'Higgins
Consultants:
Michael V O'Mahony
Michael Peart
Secretary: Paula Sheedy

FINANCE

Chair: Patrick Dorgan
Vice-chair: Michelle Ní Longáin
Gerard Doherty
Cecil Donovan
Barry MacCarthy
James McCourt
Owen O'Connell
Michael Quinlan
John D Shaw
John P Shaw
Ex officio:
John Costello
Donald Binchy
Kevin O'Higgins
Consultant: Walter Beatty Snr
Secretary: Cillian MacDomhnaill

MONEY-LAUNDERING REPORTING

Chair: John O'Connor
James McCourt
Michael Quinlan
John Elliot
Secretary: Tina Beattie

PROFESSIONAL INDEMNITY INSURANCE

Chair: Eamon Harrington
Vice-chair: Stuart Gilhooly
Rosemarie Loftus

Aaron McKenna
Eamon Murray
Simon Murphy
Michele O'Boyle
John O'Connor
Michael Quinlan
Valerie Peart
Secretary: Rosemary Fallon

REGULATION OF PRACTICE

Chair: Michael Quinlan
Vice-chairs: Martin Crotty,
Martin Lawlor
Solicitor members:
Conall Bergin
Paul Connellan
Maura Derivan
Terry Leggett
Fergus Long
Brian McMullin
Kieran Moran
Michael Mullane
Gerard O'Donnell
John G O'Malley
Eugene O'Sullivan
Imelda Reynolds
Dara Robinson
Keith Walsh
Lay members:
Frank Bowen
Cecil Donovan
Frank Mee
Secretary: John Elliot

NON-STANDING COMMITTEES

ARBITRATION AND MEDIATION

Chair: Eamon Harrington
Vice-chair: Roddy Bourke
William Aylmer
Michael Carrigan
Larry Fenelon
Bernard Gogarty
Jarleth Heneghan
David Higgins
Anthony Hussey
Michael Irvine
Joseph Kelly
James Kinch
Orlaith McCarthy
James McCourt
Dermot McEvoy
Michael Moran
Frank Murphy
Secretary: Colleen Farrell

BUSINESS LAW

Chair: Mark Pery-Knox-Gore
Vice-chair: Paul Keane
Colin Babe
Liam Brazil
Feargal Brennan
Joy Compton
Maire Cunningham
Eleanor Daly
David Dillon
David Hackett
Ann Henry
Robert Heron
Gillian Keating
Neil Keenan
Patricia McGovern
Tara McMahan
Jack O'Farrell
John Olden
Alistair Payne
Alvin Price
Noeleen Redmond
Paul Robinson
Mark Ryan
Michael Twomey
Secretary: Joanne Cox

CONVEYANCING

Chair: Majella Egan
Vice-chair: Deirdre Fox
Suzanne Bainton
Gareth Bourke
Gabriel Brennan
Joan Byrne
Orla Coyne
William Devine
Patrick Dorgan
Joyce Good Hammond
Morette Kinsella
Barry MacCarthy
Kevin O'Higgins
Stephen O'Riordan
Robert Potter-Cogan
John Reidy
Patrick Sweetman
Joseph Thomas
Consultants:
John F Buckley
Brian Gallagher
Rory O'Donnell
Secretary: Catherine O'Flaherty

CRIMINAL LAW

Chair: Claire Loftus
Vice-chair: Conal Boyce
Yvonne Bambury
Shalom Binchy
Emmett Boyle
Eileen Creedon
Ken Cunningham
Alan Gannon
Aisling Kelly
Darach McCarthy
Margaret McEvilly
Patrick J McGonagle
John O'Doherty
Emer O'Sullivan
Robert Purcell
Mairéad Quigley
Dara Robinson
Hugh Sheridan
Olivia Traynor
Consultant: Michael Staines
Secretary: Colette Carey

CURRICULUM DEVELOPMENT UNIT

Chair: Colm Costello
Vice-chair: Carol Plunkett
Katie Barbour
Jill Callanan
Ruth Craig
Dominic Dowling
Sinead Hayes
Rosemary Horgan
TP Kennedy
Brian Magee
Margaret Mulrine
Gemma Neylon
Fiona Ormond
Keith Walsh
Secretary: Geoffrey Shannon

EMPLOYMENT AND EQUALITY LAW

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Secretary: Veronica Donnelly



Reports and consolidated financial statements

for the year ended 31 December 2010

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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 result for that period. In preparing those financial statements the Finance Committee:-

- select suitable accounting policies and then apply them consistently;
- make 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 2010 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Society Balance Sheet, the Consolidated Cash Flow Statement 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 auditors' 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 2010 and of the result 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 2010 and of the result of the group for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

19 May 2011

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.

BASIS OF CONSOLIDATION

The society consolidates its interests in subsidiary undertakings as detailed in note 21 and its interest in a related undertaking, Law Club of Ireland, which it controls, all of which make up financial statements to 31 December 2010.

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.

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 which 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.

THE LAW SOCIETY OF IRELAND

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €	2009 €
INCOME			
Fees and subscriptions	4	11,934,666	12,727,402
Education activities	5	9,697,644	11,037,044
Publications	4	356,407	446,703
Four Courts rooms	4	778,137	751,385
Company formations	4	-	98,360
Interest and investment income	6	260,845	211,120
Other income	7	428,479	546,276
Sundry income		2,900	2,165
		<u>23,459,078</u>	<u>25,820,455</u>
EXPENDITURE			
Operating charges:			
- General activities	4	(10,235,799)	(10,661,620)
- Education activities	5	(8,410,585)	(9,467,598)
Gain/(loss) on investments	6	197,325	(828,365)
Financing costs		(287,528)	(287,528)
Other expenditure	7	(1,253,905)	(1,352,633)
Redundancy costs	3	(233,483)	(115,998)
		<u>(20,223,975)</u>	<u>(22,713,742)</u>
SURPLUS FOR YEAR BEFORE EXCEPTIONAL ITEM AND TAXATION		3,235,103	3,106,713
Exceptional item	8	-	(480,063)
SURPLUS BEFORE TAXATION	2	3,235,103	2,626,650
Taxation charge	9	(119,165)	(146,394)
SURPLUS AFTER TAXATION	16	3,115,938	2,480,256
Allocated as follows:			
General activities		(1,858)	(216,348)
Education activities		239,980	433,225
Education centre fund		264,722	(768,364)
Capital reserve fund		2,347,501	2,505,259
Capital expenditure fund		4	(2)
Litigation fund		265,589	526,486
Total		3,115,938	2,480,256

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 19 May 2011 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

John Costello
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	2010 €	2009 €
FIXED ASSETS			
Tangible fixed assets	10	<u>20,130,299</u>	<u>21,101,390</u>
CURRENT ASSETS			
Investments	12	4,634,262	3,386,269
Stocks	13	10,376	30,701
Debtors	14	2,075,560	2,406,261
Cash at bank and in hand		7,334,216	4,436,614
		<u>14,054,414</u>	<u>10,259,845</u>
CREDITORS: (Amounts falling due within one year)	15	<u>(4,740,627)</u>	<u>(4,941,985)</u>
NET CURRENT ASSETS		<u>9,313,787</u>	<u>5,317,860</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,444,086</u>	<u>26,419,250</u>
CREDITORS: (Amounts falling due after more than one year)	15	<u>(7,491,695)</u>	<u>(7,582,797)</u>
NET ASSETS		<u>21,952,391</u>	<u>18,836,453</u>
RESERVES			
Accumulated reserves	16	<u>21,952,391</u>	<u>18,836,453</u>

The financial statements were approved by the Finance Committee on 19 May 2011 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

John Costello
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND

SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
FIXED ASSETS			
Tangible fixed assets	10	13,101,954	14,038,220
CURRENT ASSETS			
Investments	12	4,634,262	3,386,269
Stocks	13	6,649	10,166
Debtors	14	9,119,686	9,824,008
Cash at bank and in hand		7,174,450	4,375,709
		20,935,047	17,596,152
CREDITORS: (Amounts falling due within one year)	15	(4,718,488)	(5,030,977)
NET CURRENT ASSETS		16,216,559	12,565,175
TOTAL ASSETS LESS CURRENT LIABILITIES		29,318,513	26,603,395
CREDITORS: (Amounts falling due after more than one year)	15	(7,491,695)	(7,582,797)
NET ASSETS		21,826,818	19,020,598
RESERVES			
Accumulated reserves	16	21,826,818	19,020,598

The financial statements were approved by the Finance Committee on 19 May 2011 and signed on its behalf by:

Patrick Dorgan
Chairman of Finance Committee

John Costello
President of the Law Society of Ireland

THE LAW SOCIETY OF IRELAND

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	4,448,303	3,615,993
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		260,845	211,120
TAXATION			
Corporation tax paid		(137,275)	(128,711)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(614,005)	(748,820)
Disposal of tangible fixed assets		10,000	-
		(604,005)	(748,820)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(1,137,437)	(36,909)
Disposal of investments		86,769	1,695,385
		(1,050,668)	1,658,476
FINANCING			
Decrease in debt		-	(4,953)
INCREASE IN NET CASH	18	2,917,200	4,603,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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, and the Law Society of Ireland Scholarship Funds.

2. SURPLUS BEFORE TAXATION	2010 €	2009 €
The surplus before taxation is stated after charging:		
- Depreciation	1,570,929	1,718,388
- Auditor's remuneration	29,000	28,584
- Finance costs	287,528	287,528
- Finance lease interest	22,775	22,775
	<u> </u>	<u> </u>
and after crediting:		
- Deposit interest	260,845	211,120
	<u> </u>	<u> </u>

3. STAFF COSTS	2010 General Activities €	2010 Education Activities €	2010 Other €	2010 Total €	2009 Total €
Salaries and wages	4,555,147	3,092,415	405,482	8,053,044	8,594,740
PRSI	456,000	299,909	40,971	796,880	859,525
Pension costs	678,230	336,699	23,735	1,038,664	1,068,778
Redundancy costs	-	106,098	127,385	233,483	115,998
Total	<u>5,689,377</u>	<u>3,835,121</u>	<u>597,573</u>	<u>10,122,071</u>	<u>10,639,041</u>

The average aggregate number of employees during 2010 was 131 (2009: 137).

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

4. GENERAL ACTIVITIES (including funds)	2010	2009
	€	€
INCOME		
Fees and subscriptions		
Practising certificates	8,401,624	8,802,878
Members' subscriptions	703,838	685,034
Admission fees	215,802	207,900
Fund Contributions:		
- Property fund	2,347,501	2,505,259
- Litigation fund	265,901	526,331
	<u>11,934,666</u>	<u>12,727,402</u>
Services and interest		
Publications	356,407	446,703
Four Courts rooms	778,137	751,385
Company formations	-	98,360
Interest and investment income (Note 6)	260,845	211,120
Total income	<u>13,330,055</u>	<u>14,234,970</u>
OPERATING CHARGES		
General activities		
Pay and related expenditure	3,188,851	3,155,093
Administration expenditure	927,294	1,164,642
Premises expenditure	619,735	633,314
Members' services expenditure	1,314,012	1,553,420
Regulation expenditure	3,399,061	3,075,762
Admission expenditure	31,167	36,104
Services		
Company formations	-	93,150
Publications	632,629	733,116
Four Courts rooms	123,050	217,019
Total operating charges	<u>10,235,799</u>	<u>10,661,620</u>
Gain/(loss) on investments (Note 6)	<u>197,325</u>	<u>(828,365)</u>
Surplus	<u>3,291,581</u>	<u>2,744,985</u>

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

5. EDUCATION ACTIVITIES	2010 €	2009 €
INCOME		
Professional practice course 1 fees	3,790,472	4,258,514
Professional practice course 2 fees	2,844,745	3,204,646
Indentures and registration	370,060	411,968
Examination fees	840,384	1,043,594
Diploma courses	997,841	1,214,531
Continuing professional development	506,401	611,120
Miscellaneous income	347,741	292,671
Total income	9,697,644	11,037,044
OPERATING CHARGES		
Pay and related expenditure	3,841,038	4,250,219
Administration expenditure	1,884,773	1,994,036
Direct expenditure	1,968,768	2,449,765
Premises expenditure	716,006	773,578
Total operating charges	8,410,585	9,467,598
Financing costs	287,528	287,528
Surplus	999,531	1,281,918
6. INTEREST AND INVESTMENT GAINS/(LOSSES)	2010 €	2009 €
Interest – Accumulated reserves	193,345	151,120
Interest – Education Centre Fund	67,500	60,000
Interest on investment income	260,845	211,120
Gain/(loss) on disposal of investments	5,043	(964,634)
Reversal of provision for impairment of investments	192,282	136,269
Gain/(loss) on investments	197,325	(828,365)

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

7. OTHER INCOME/EXPENDITURE	2010	2009
	€	€
Income		
Catering income	302,601	365,532
Bar income	72,079	101,568
Bed and breakfast income	30,649	35,045
Functions and consultation room income	16,918	11,187
Rental income	2,763	2,521
Sundry income	3,469	30,423
	<u>428,479</u>	<u>546,276</u>
Expenditure		
Catering cost of sales	141,649	189,561
Catering expenditure	416,474	470,815
Bar cost of sales	50,436	57,651
Bar expenditure	121,079	134,986
Rental expenditure	391,367	410,932
Premises expenditure	6,719	8,118
Professional fees	25,750	29,859
Other administration expenditure	100,431	50,711
	<u>1,253,905</u>	<u>1,352,633</u>
Deficit	<u>825,426</u>	<u>806,357</u>
	<u><u>825,426</u></u>	<u><u>806,357</u></u>
8. EXCEPTIONAL ITEM	2010	2009
	€	€
Impairment of development land	-	480,063
	<u>-</u>	<u>480,063</u>
	<u><u>-</u></u>	<u><u>480,063</u></u>

The unrealised loss arises on the revaluation of development land in Dublin 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

9. TAXATION CHARGE	2010 €	2009 €
Based on the surplus for the year:		
Taxation charge	<u>119,165</u>	<u>146,394</u>

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

	2010 €	2009 €
Surplus for year before taxation	<u>3,235,103</u>	<u>2,626,650</u>
Surplus for year multiplied by standard rate of corporation tax of 12.5% (2009: 12.5%)	404,388	328,331
Effects of:		
Income not subject to taxation	(302,576)	(260,307)
Expenses not deductible for tax purposes	8,971	67,815
Other timing differences - pension	-	(31,250)
Depreciation for year in excess of capital allowances	37,739	62,069
Higher tax rates on interest and rental income	53,439	53,801
Retention tax paid	(82,796)	(74,065)
	<u>119,165</u>	<u>146,394</u>

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

There were no material deferred tax timing differences which required to be recognised at 31 December 2010 or 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

10. TANGIBLE FIXED ASSETS

Group	Premises €	Development Land €	Leasehold Improvements €	Furniture Fittings & Equipment €	Computer Equipment €	Motor Vehicles €	Total €
Cost:							
At 1/1/2010	14,949,081	7,000,000	1,374,039	8,404,722	4,965,777	127,875	36,821,494
Additions	-	-	-	297,615	316,390	-	614,005
Disposals	-	-	-	-	-	(68,000)	(68,000)
At 31/12/2010	14,949,081	7,000,000	1,374,039	8,702,337	5,282,167	59,875	37,367,499
Depreciation:							
At 1/1/2010	3,753,756	-	434,212	7,355,146	4,077,938	99,052	15,720,104
Charge for year	325,447	-	234,957	544,626	454,272	11,627	1,570,929
Disposals	-	-	-	-	-	(53,833)	(53,833)
At 31/12/2010	4,079,203	-	669,169	7,899,772	4,532,210	56,846	17,237,200
Net book value:							
At 31/12/2010	10,869,878	7,000,000	704,870	802,565	749,957	3,029	20,130,299
At 31/12/2009	11,195,325	7,000,000	939,827	1,049,576	887,839	28,823	21,101,390

The development land was valued at net realisable value based on directors' valuation at 31 December 2010. No valuation has been prepared since 31 December 2010.

Society	Premises €	Leasehold Improvements €	Furniture, Fittings & Equipment €	Computer Equipment €	Motor Vehicles €	Total €
Cost:						
At 1/1/2010	14,804,795	1,174,784	8,094,699	4,965,776	127,875	29,167,929
Additions	-	-	295,615	316,390	-	612,005
Disposals	-	-	-	-	(68,000)	(68,000)
At 31/12/2010	14,804,795	1,174,784	8,390,314	5,282,166	59,875	29,711,934
Depreciation:						
At 1/1/2010	3,661,401	234,957	7,061,066	4,073,233	99,052	15,129,709
Charge for year	293,689	234,957	539,559	454,272	11,627	1,534,104
Disposals	-	-	-	-	(53,833)	(53,833)
At 31/12/2010	3,955,090	469,914	7,600,625	4,527,505	56,846	16,609,980
Net book value:						
At 31/12/2010	10,849,705	704,870	789,689	754,661	3,029	13,101,954
At 31/12/2009	11,143,394	939,827	1,033,633	892,543	28,823	14,038,220

Group and Society

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

Leasehold improvements: €250,532 (2009: €346,190)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (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	1,215,529	4,660,654
Furniture, fittings and equipment	3,162,117	2,850,491	311,626
Computer equipment	2,328,853	2,075,753	253,100
	<u>11,367,153</u>	<u>6,141,773</u>	<u>5,225,380</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	1,198,048	4,660,654
Education furniture, fittings and equipment	53,767	53,767	-
	<u>5,912,469</u>	<u>1,251,815</u>	<u>4,660,654</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

12. INVESTMENTS €

Group and Society

Balance at 1 January 2010	3,386,269
Disposals at cost	(81,726)
Additions at cost	1,137,437
Reversal of provision for impairment	192,282
 Balance at 31 December 2010	 <u>4,634,262</u>

The investments are comprised of the following:

- (a) With-Profits Bond Policy ("Policy");
- (b) TAM equity and Bond Investments ("TAM");
- (c) Managed Fund ("Managed Fund");
- (d) High Yield Fund ("Fund"); and
- (e) Global Absolute Return Strategy Fund ("GARS")

The Policy is linked to a unitised managed fund. The terms provide for a minimum redemption of 100% of the sum invested upon maturity. TAM, Managed Fund, GARS and Fund do not carry capital protection. The Policy Managed Fund and GARS have a low risk profile while TAM and Fund are fully exposed to the volatility in equity markets. The Society has provided for a permanent diminution in the value of its investments of €171,089 (31 December 2009: €363,371).

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2009: €Nil).

13. STOCKS	2010	2009
	€	€
Group		
Stocks in trade	<u>10,376</u>	<u>30,701</u>
 Society		
Stocks in trade	<u>6,649</u>	<u>10,166</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 2010 (CONTINUED)

14. DEBTORS	2010	2009
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	1,114,326	1,309,628
Amounts due by Law Society Compensation Fund	768,647	867,426
Amounts due by Law Society of Ireland Scholarship Fund	69,155	54,197
Deferred finance costs	51,356	51,356
Corporation tax	4,753	-
VAT	18,137	20,943
	<u>2,026,374</u>	<u>2,303,550</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	49,186	102,711
	<u>2,075,560</u>	<u>2,406,261</u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	1,010,011	1,241,695
Amounts due from Law Society Compensation Fund	768,647	867,426
Amounts due by Law Society of Ireland Scholarship Fund	69,155	54,197
Amounts due from subsidiary undertakings:		
- The Law Club of Ireland	2,571	15,959
- Friary Property Services Limited	77,399	77,399
- Benburb Street Property Company Limited	7,000,000	7,350,956
- Ellis Quay Property Services Limited	89,409	62,309
Deferred finance costs	51,356	51,356
Corporation taxation	1,952	-
	<u>9,070,500</u>	<u>9,721,297</u>
Amounts falling due after more than one year:		
Deferred finance costs:		
- Due within 2 to 5 years	49,186	102,711
	<u>9,119,686</u>	<u>9,824,008</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

15. CREDITORS	2010	2009
	€	€
Group		
Amounts falling due within one year		
Bank overdrafts	2,818	22,416
Creditors and accruals	2,259,983	2,227,663
Deferred income*	1,781,454	1,897,135
Amount due to Pamodzi	88,462	111,827
PAYE / PRSI	496,561	538,794
VAT	20,246	39,690
Corporation taxation	-	13,357
Finance lease	91,103	91,103
	<u>4,740,627</u>	<u>4,941,985</u>
Society		
Amounts falling due within one year		
Creditors and accruals	2,253,142	2,293,875
Deferred income*	1,692,991	1,785,308
Amount due to Pamodzi	88,462	111,827
Amounts due to subsidiary undertakings:		
- The Law Club of Ireland	82,306	122,847
- Ellis Quay Property Services Limited	-	54,675
PAYE / PRSI	490,238	525,537
VAT	20,246	29,845
Corporation taxation	-	15,960
Finance lease	91,103	91,103
	<u>4,718,488</u>	<u>5,030,977</u>

*Deferred income represents fees for the 2011 financial year received in the year to 31 December 2010.

Group and Society	2010	2009
	€	€
Amounts falling due after more than one year:		
- Due within 2 to 5 years – Finance Lease	159,430	250,532
- Due within 2 to 5 years – Bond Funding Scheme	116,178	116,178
- Due within 2 to 5 years – Education Centre	7,216,087	-
- Due after more than 5 years - Education Centre	-	7,216,087
	<u>7,491,695</u>	<u>7,582,797</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 2010 (CONTINUED)

16. ACCUMULATED RESERVES

Group	Society Accumulated Reserves		Capital Expenditure Fund	Education Centre Fund	Litigation Fund	Capital Reserve Fund	Law School Accumulated Reserves
	Total	Reserves	Fund	Fund	Fund	Fund	Reserves
	€	€	€	€	€	€	€
Balance at 1/1/2010	18,836,453	(2,860,176)	2,216,586	6,936,737	1,983,841	7,260,450	3,299,015
Surplus/(deficit) for year	3,115,938	(1,858)	4	264,722	265,589	2,347,501	239,980
Transfers	-	365,910	-	-	(365,910)	-	-
Balance at 31/12/2010	21,952,391	(2,496,124)	2,216,590	7,201,459	1,883,520	9,607,951	3,538,995

Society	Society Accumulated Reserves		Capital Expenditure Fund	Education Centre Fund	Litigation Fund	Capital Reserve Fund	Law School Accumulated Reserves
	Total	Reserves	Fund	Fund	Fund	Fund	Reserves
	€	€	€	€	€	€	€
Balance at 1/1/2010	19,020,598	(2,676,031)	2,216,586	6,936,737	1,983,841	7,260,450	3,299,015
Surplus/(deficit) for year	2,806,220	(326,697)	4	264,722	265,589	2,347,501	255,101
Transfers	-	365,910	-	-	(365,910)	-	-
Balance at 31/12/2010	21,826,818	(2,636,818)	2,216,590	7,201,459	1,883,520	9,607,951	3,554,116

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	Capital Expenditure	Education Centre Fund	Litigation Fund	Capital Reserve Fund	Other
	€	€	€	€	€	€	€	€
Surplus before tax (Note 4 & 5)	4,291,112	3,291,581	999,531	-	-	-	-	-
Deficit before tax (Note 7)	(825,426)	-	-	-	-	-	-	(825,426)
Sundry income	2,900	2,900	-	-	-	-	-	-
Restructuring Expenditure (Note 3)	(233,483)	-	(106,098)	-	-	-	-	(127,385)
Taxation (Note 9)	(119,165)	(3,384)	(115,066)	-	-	-	-	(715)
Surplus/(deficit) after tax	3,115,938	3,291,097	778,367	-	-	-	-	(953,526)
Income allocated to specific fund	-	(2,877,816)	-	4	264,722	265,589	2,347,501	-
Inter group trading	-	(415,139)	(538,387)	-	-	-	-	953,526
Surplus/(deficit) per group accumulated reserves	3,115,938	(1,858)	239,980	4	264,722	265,589	2,347,501	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

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

	2010 €	2009 €
Surplus before taxation	3,235,103	2,626,650
Depreciation charge	1,570,929	1,718,388
Interest received	(260,845)	(211,120)
Exceptional item	-	480,063
(Gain)/loss on investments	(197,325)	828,365
Loss on disposal of fixed assets	4,167	28,134
Decrease/(increase) in stock	20,325	(8,807)
Decrease/(increase) in debtors	335,454	(569,524)
Decrease in creditors including finance leases	(259,505)	(1,276,156)
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,448,303	3,615,993

18. (a) ANALYSIS OF CHANGES IN NET DEBT

	2010 €	2009 €
Increase in cash during the year	2,897,602	3,976,616
Decrease in bank overdrafts during the year	19,598	626,489
Decrease in debt during the year	-	4,953
Net debt at 1 January	(2,918,067)	(7,526,125)
NET DEBT AT 31 DECEMBER	(867)	(2,918,067)

(b) ANALYSIS OF NET DEBT

	At 1/1/2010 €	Cashflow €	At 31/12/2010 €
Cash and bank balances	4,436,614	2,897,602	7,334,216
Bank overdrafts	(22,416)	19,598	(2,818)
	<u>4,414,198</u>	<u>2,917,200</u>	<u>7,331,398</u>
Debt due after one year	(7,332,265)	-	(7,332,265)
	<u>(2,918,067)</u>	<u>2,917,200</u>	<u>(867)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

19. RELATED PARTY TRANSACTIONS

Law Society Compensation Fund

	€
Opening balance	867,426
Charges	4,157,217
Receipts	(4,225,996)
Closing balance	798,647

Law Society of Ireland Scholarship Fund

	€
Opening balance	54,175
Additional payments	14,980
Closing balance	69,155

Pamodzi

	€
Opening balance	111,827
Payments	(23,365)
Closing balance	88,462

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 which have the most significant effect on the results of the valuation are those relating to the discount rate, the rates of increase in salaries and the rate of increase in pensions in payment. In preparing that valuation, it was assumed that the discount rate would be 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 obtained the consent of the Law Society to, on a discretionary basis, index pensions in payment on an annual basis. Increases are the lesser of the CPI increase or 3%. 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 2010 (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 increased to 25% of pensionable salaries. This 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 2010.

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

The pension charge for the year was €1,038,664 (2009: €1,068,778).

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
- Pamodzi

22. CAPITAL COMMITMENTS

	2010	2009
	€	€

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

Contracted for	-	15,750
Not contracted for	91,971	287,449
	91,971	303,199
	91,971	303,199

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 claims which require provision by the society at 31 December 2010. Legal costs incurred by the society to 31 December 2010, in connection with these matters, have been charged in the Income and Expenditure Account.

In October 2009, the Council of the Law Society resolved to provide a Guarantee of up to €8.4m to Solicitors Mutual Defence Fund Limited. In May 2010, the Law Society executed a Guarantee for €5m plus costs on overdraft facilities being provided by Bank of Ireland to Solicitors Mutual Defence Fund Limited. There was no drawdown by Solicitors Mutual Defence Fund Limited of this facility as at the balance sheet date, and consequently no contingent liability is recognised as at that date.

The Guarantee was withdrawn by the Law Society in April 2011, and there were no liabilities against the Guarantee at that time.

24. POST BALANCE SHEET EVENTS

The society is currently seeking approval from its members to commit €16m in financial support to the Solicitors Mutual Defence Fund Limited. No liability has been recognised in relation to this financial commitment in the financial statements.

Law Society of Ireland
Compensation Fund
Report and financial statements
for the year ended 31 December 2010

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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 2010 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 19. 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 auditors' 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 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 Compensation Fund as at 31 December 2010 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 2010 and of its deficit for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

19 May 2011

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 consider 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 2010**

	<i>Notes</i>	2010 €	2009 €
INCOME			
Contributions receivable		5,328,222	5,278,034
Income and returns on investments	3	319,177	522,210
Recoveries from defaulting solicitors	4	329,875	2,135,975
Disciplinary fines and investigation levies		311,000	380,950
Litigation settlement	5	-	150,000
Insurance recovery	4	2,232,638	1,489,029
		8,520,912	9,956,198
EXPENDITURE			
Provision for claims	4	4,411,519	3,551,703
Insurance		1,113,130	995,406
Costs allocated from the Law Society of Ireland		1,240,856	1,294,039
Investigation and support staff salaries and expenses		2,213,230	2,224,930
Practice closure expenses		553,487	494,935
Legal and professional fees		192,989	582,654
Miscellaneous expenses		30,379	46,966
Reversal of impairment of investments		-	(547,163)
		9,755,590	8,643,470
(DEFICIT)/SURPLUS BEFORE TAXATION	6	(1,234,678)	1,312,728
Taxation	7	(12,520)	(157,004)
(DEFICIT)/SURPLUS AFTER TAXATION	12	(1,247,198)	1,155,724

The financial statements were approved by the Regulation of Practice Committee on 19 May 2011 and signed on its behalf by:

Michael Quinlan
Chairman of the
Regulation of Practice Committee

John Costello
President of the
Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Note</i>	2010 €	2009 €
Retained (deficit)/surplus for the financial year		(1,247,198)	1,155,724
Movement in unrealised surplus arising on revaluation of investments	13	410,116	1,461,926
Total recognised (losses)/gains for the year		(837,082)	2,617,650

All recognised gains and losses arose from continuing activities.

LAW SOCIETY OF IRELAND COMPENSATION FUND

BALANCE SHEET AS AT 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
FIXED ASSETS			
Financial assets	8	19,988,165	20,282,999
CURRENT ASSETS			
Debtors	9	128,469	28,245
Cash at bank and in hand		343,372	1,302,761
		471,841	1,331,006
CREDITORS: (Amounts falling due within one year)	10	(947,841)	(1,502,187)
NET CURRENT LIABILITIES		(476,000)	(171,181)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,512,165	20,111,818
PROVISIONS FOR LIABILITIES AND CHARGES	11	(5,920,120)	(5,682,691)
NET ASSETS		13,592,045	14,429,127
REVENUE RESERVES	12	11,720,003	12,967,201
REVALUATION RESERVE	13	1,872,042	1,461,926
		13,592,045	14,429,127

The financial statements were approved by the Regulation of Practice Committee on 19 May 2011 and signed on its behalf by:

Michael Quinlan
Chairman of the
Regulation of Practice Committee

John Costello
President of the
Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	14	(1,950,976)	(361,891)
		<hr/>	<hr/>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends and interest received		173,345	185,793
		<hr/>	<hr/>
TAXATION			
Taxation paid		(32,540)	(140,889)
		<hr/>	<hr/>
MANAGEMENT OF LIQUID RESOURCES			
Purchase of investments		(7,039,869)	(11,032,922)
Disposal of investments		7,890,651	11,285,645
		<hr/>	<hr/>
		850,782	252,723
		<hr/>	<hr/>
DECREASE IN CASH	15	(959,389)	(64,264)
		<hr/> <hr/>	<hr/> <hr/>

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. GOING CONCERN

The Compensation Fund had a deficit for the year of €1,247,198 and had net current liabilities of €476,000 at the balance sheet date.

The Compensation Fund has however €19.9m of financial assets at its disposal which 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 The Law Society of Ireland.

3. INCOME AND RETURNS ON INVESTMENTS

	2010 €	2009 €
Surplus on sale of investments	145,832	336,417
Dividends and interest receivable	173,345	185,793
	<u>319,177</u>	<u>522,210</u>

4. NET COST OF CLAIMS AFTER RECOVERIES

	2010 €	2009 €
Provision for claims (Note 11)	4,411,519	3,551,703
Recoveries from defaulting solicitors	(329,875)	(2,135,975)
Net cost of claims	<u>4,081,644</u>	<u>1,415,728</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 2010 or 2009 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 2010 €2,232,638 (2009: €1,489,029) was recovered. The Regulation of Practice Committee has estimated the maximum recoveries remaining at €978,362. 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. LITIGATION SETTLEMENT

There were no litigation settlements in 2010. During the course of 2009 the Compensation Fund settled a litigation claim for €150,000.

6. (DEFICIT)/SURPLUS BEFORE TAXATION

	2010 €	2009 €
The (deficit)/surplus before taxation is stated after charging:		
Auditor's remuneration	4,600	4,600
	<u>4,600</u>	<u>4,600</u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

7. TAXATION

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

	2010 €	2009 €
Capital gains tax	-	85,835
Income tax	44,040	61,596
Adjustment in respect of prior years	(26,256)	7,052
	<u>17,784</u>	<u>154,483</u>
Deferred tax (credit)/charge	(5,264)	2,521
	<u>12,520</u>	<u>157,004</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:

	2010 €	2009 €
(Deficit)/surplus before taxation	<u>(1,234,678)</u>	<u>1,312,728</u>
(Deficit)/surplus multiplied by standard rate of income tax of 20%	(246,936)	262,546
Effects of:		
Income not subject to taxation	(1,660,141)	(1,934,608)
Expenses not deductible for tax purposes	1,951,117	1,819,493
Adjustment in respect of prior years	(26,256)	7,052
	<u>17,784</u>	<u>154,483</u>

8. FINANCIAL ASSETS

Listed investments – at market value

	2010 €	2009 €
Market value at end of year	<u>19,988,165</u>	<u>20,282,999</u>

At 31 December 2010, the market value of investments exceeded cost by €1,872,042 (2009: €1,461,926)

9. DEBTORS: (Amounts falling due within one year)

	2010 €	2009 €
Other debtors	113,713	28,245
Corporation tax recoverable	14,756	-
	<u>128,469</u>	<u>28,245</u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

10. CREDITORS: (Amounts falling due within one year)	2010	2009
	€	€
Accruals	226,275	634,102
Amounts due to the Law Society of Ireland	721,566	868,085
	<u>947,841</u>	<u>1,502,187</u>
	<u><u>947,841</u></u>	<u><u>1,502,187</u></u>
 11. PROVISIONS FOR LIABILITIES AND CHARGES	 2010	 2009
	€	€
Provision for claims:		
At beginning of year	5,660,133	6,792,325
Provision made	4,411,519	3,551,703
Claims paid	(4,168,826)	(4,683,895)
At end of year	<u>5,902,826</u>	<u>5,660,133</u>
	<u><u>5,902,826</u></u>	<u><u>5,660,133</u></u>
Deferred tax:		
At beginning of year	22,558	20,037
(Credit)/charge for the year	(5,264)	2,521
At end of year	<u>17,294</u>	<u>22,558</u>
At end of year	<u>5,920,120</u>	<u>5,682,691</u>
	<u><u>5,920,120</u></u>	<u><u>5,682,691</u></u>
The entire deferred tax provision at 31 December 2010 and 2009 related to investment income, which is not taxed until received.		
 12. RECONCILIATION OF REVENUE RESERVES	 2010	 2009
	€	€
Accumulated surplus at beginning of year	12,967,201	11,811,477
(Deficit)/surplus for year	(1,247,198)	1,155,724
Accumulated surplus at end of year	<u>11,720,003</u>	<u>12,967,201</u>
	<u><u>11,720,003</u></u>	<u><u>12,967,201</u></u>
 13. REVALUATION RESERVE	 2010	 2009
	€	€
Unrealised surplus on investments:		
At beginning of year	1,461,926	-
Movement during year	410,116	1,461,926
At end of year	<u>1,872,042</u>	<u>1,461,926</u>
	<u><u>1,872,042</u></u>	<u><u>1,461,926</u></u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

14. RECONCILIATION OF (DEFICIT)/SURPLUS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2010	2009
	€	€
(Deficit)/surplus before taxation	(1,234,678)	1,312,728
Dividends/interest received	(173,345)	(185,793)
Surplus on disposal of investments	(145,832)	(336,417)
(Increase)/decrease in debtors	(85,468)	8,358
Decrease in creditors	(311,653)	(613,604)
Reversal of impairment of investments	-	(547,163)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,950,976)	(361,891)

15. (a) ANALYSIS OF CHANGES IN NET FUNDS	2010	2009
	€	€
Decrease in cash during the year	(959,389)	(64,264)
Net funds at 1 January	1,302,761	1,367,025
Net funds at 31 December	343,372	1,302,761

(b) ANALYSIS OF NET FUNDS	At		At
	1/1/2010	Cashflow	31/12/2010
	€	€	€
Cash and bank balances	1,302,761	(959,389)	343,372

16. RELATED PARTY TRANSACTIONS

During the year the expenditure of the Compensation Fund included expenses and payroll costs totalling €4,157,217 (2009: €4,084,451) 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 10.

17. 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.

18. 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 Law Society of Ireland Compensation Fund 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 which have the most significant effect on the results of the valuation are those relating to the discount rate, the rates of increase in salaries and the rate of increase in pensions in payment. In preparing that valuation, it was assumed that the discount rate would be 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 obtained 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%. 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. This 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 on the minimum funding standard position of the Scheme. The Scheme met the Minimum Funding Standard at 31 December 2010.

The next formal review of the financing of the Scheme will take place at 31 December 2012 (the date of the next actuarial valuation).

The pension charge for the year was €264,284 (2009: €174,570).

19. COMPARATIVE FIGURES

Comparative figures are reclassified where necessary on a basis consistent with current year presentation.

DIRECTOR GENERAL

Ken Murphy

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Maureen Seabrook, Human Resources Manager

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Margaret Byrne, Librarian
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Lesley Butler, Personal Secretary (Registrar of Solicitors and Director of Regulation)
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Information Technology

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Veronica Donnelly, Computer Services Manager
Damien Carr, IT Support
Linda Cash, IT Support (part-time)
Patricia Faulkner, IT Support (part-time)
Peter Maxwell, IT Web Support
Caroline Kennedy, IT Systems Administrator – Education Centre
Paul Mooney, Technical Support – Education Centre

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Mary Bissett
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Law Club of Ireland

Alan Greene, Bar Manager
Graham Helps, Bar and Hospitality Assistant

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Law Society of Ireland

Blackhall Place,
Dublin 7

DX: 79 Dublin
Tel: 01 672 4800
Fax: 01 672 4801
Email: general@lawsociety.ie
Web: www.lawsociety.ie



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