



LAW SOCIETY
OF IRELAND



2016/2017
ANNUAL REPORT
AND ACCOUNTS

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

19 October 2017

Dear Members,

In accordance with Bye-law 4 of the Society's Bye-laws, we have pleasure in presenting the Annual Report for 2016/17 of the Law Society of Ireland.



Stuart Gilhooly
President, Law Society of Ireland



Ken Murphy
Director General, Law Society of Ireland

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ABOUT THE LAW SOCIETY OF IRELAND

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DID YOU KNOW THAT...

20

formal submissions were made by the Law Society to Government
in 2016/17

LAW SOCIETY OF IRELAND

THE LAW SOCIETY OF IRELAND IS THE EDUCATIONAL, REPRESENTATIVE AND REGULATORY BODY OF THE SOLICITORS' PROFESSION IN IRELAND

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

BRIEF HISTORY

The Law Society of Ireland was established on 24 June 1830, with premises at Inns Quay, Dublin. The first president, Josiah Dunn, was elected in 1842.

The Law Society was incorporated by royal charter obtained from Queen Victoria on 5 April 1852 under the name of the 'Incorporated Society of Attorneys and Solicitors of Ireland'. The charter referred to founding "an institution for facilitating the acquisition of legal knowledge, and for the better and more convenient discharging of professional duties of attorneys and solicitors".

At the end of the 19th century, the legal functions of the Law Society were substantially increased by the *Solicitors (Ireland) Act 1898*, which repealed the act of 1866 and transferred control of education and important disciplinary functions from the direct supervision of the judges to that of the Society.

In 1888, the constitution of the Council of the Society was changed by supplemental charter,

which provided that the Northern Law Society and Southern Law Association would each be entitled to appoint members to the Council.

The professions of attorney and solicitor were fused under the *Supreme Court of Judicature (Ireland) Act 1877*. As a consequence, the Law Society was granted a supplemental charter, again by Queen Victoria, on 14 December 1888, under which the Law Society was styled the 'Incorporated Law Society of Ireland'.

In 1994, the Law Society's name was changed once more, with 'Incorporated' being omitted from its title.

BLACKHALL PLACE

In 1671, a charitable school for boys of poor families was established, called the Hospital and Free School of King Charles II, Dublin. It became known as the King's Hospital or 'Blue Coat School' because of the boys' military-style blue uniform. Blackhall Place remained the home of the Blue Coat School until 1968.

The building was acquired by the Law Society in 1971 and, having completed substantial renovations, it was opened as the headquarters of the solicitors' profession in 1978. The chapel, now known as the Presidents' Hall, is adorned with fine plasterwork of the Georgian period, and was enhanced in the 20th century by the

erection of a stained-glass east window by the Irish artist, Evie Hone.

GOVERNANCE STRUCTURE

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

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

MEMBERSHIP

As at 30 June 2017, there were:

- 17,604 names on the Roll of Solicitors in Ireland,
- 10,122 practising certificates issued in Ireland.



PRESIDENTS OF THE
LAW SOCIETY OF IRELAND

PRESIDENT'S REPORT

The solicitors' profession is changing – and not just due to the usual external factors, such as statutory reform, technology advance and increased client demands. The macro perspective focuses on how we, as solicitors, now provide services and to whom we provide them. Whereas 15 years ago, as many as 80% of solicitors would have been working in firms of ten solicitors or less – and a large portion of these in one or two-person firms – the dynamic has changed rapidly, particularly since the recession.

We now have 20% of all solicitors working in-house or in the public sector, and 24% in the largest 20 firms in the country, all with over 40 solicitors and some with many multiples of that.

All of this means that we have three categories of solicitor requiring and wanting representation from the Law Society. This is our greatest challenge, and has been the main focus of my presidential year when speaking to as many solicitors as possible, and hearing what they want from the Society.

From the largest firms in the country to the smallest bar associations, the director general and I have met, spoken with and listened to the concerns of our members. The In-house and Public Sector Committee has been our conduit to the diverse constituency that forms such a large part of our profession – one that is likely to continue growing. We have provided unprecedented resources to this committee in order to help it see its comprehensive programme through to fruition.

I've discovered that the most effective way of meeting with the greatest number of colleagues is by attending our excellent CPD cluster events. Between 100 and 200 practitioners attend each session. The quality of speakers is superb, and we deliver CPD topics that are

specifically requested by the bar associations. These seminars have been among the highlights of the year.

This year, the annual conference was revamped to make it more accessible to a profession that is anxious to engage, but finds it hard to dedicate more than one day to such events due to work commitments. The Spring Gala in March was a huge success and we hope it will be replicated in future years.

As always, we find ourselves under attack from the insurance industry, which continues to blame legal costs and lawyers for high insurance premiums. A large element of our PR focus has been on debunking these myths, and providing the public and Government with the truth. Two Government committees have agreed with our submissions and have placed the blame squarely at the door of the insurers.

Reforms are now under way to address both the method in which personal injuries claims are valued, and in how the court system operates. The Personal Injuries Commission and the group to review the administration of civil justice in the State have begun their work. The Law Society has sought, and been granted, representation on both bodies.

As ever, we face – both as solicitors and as a representative body – ongoing challenges. I believe we are more equipped than ever to meet them, and we should be proud of our vibrant and evolving profession.

Stuart Gilhooly
President,
Law Society of Ireland

“We now have 20% of all solicitors working in-house or in the public sector, and 24% in the largest 20 firms in the country, all with over 40 solicitors and some with many multiples of that.”

DIRECTOR GENERAL'S REPORT

“We countered the insurance industry’s propaganda machine with facts, arguments and information – with some considerable success. This was evidenced by the scathing criticism of the insurance industry in the Joint Oireachtas Finance Committee’s report.”

One of the things I enjoy most about being director general of the Law Society is meeting with members. Each month, the president and I visit the bar associations across the country, and the larger commercial law firms, engaging with large numbers of colleagues, talking to them about what we are doing on their behalf, and taking their views on board.

This year, the president Stuart Gilhooly and I spent much of our time defending the legal profession against the completely spurious claims by the insurance industry that legal costs – and the legal system generally – are somehow responsible for the enormous hikes in the cost of motor insurance premiums in recent years. That is simply untrue.

In our meetings with the Joint Oireachtas Finance Committee, and our engagements with the print and broadcast media, we countered the insurance industry’s propaganda machine with facts, arguments and information – with some considerable success. This was evidenced by the scathing criticism of the insurance industry in the Joint Oireachtas Finance Committee’s report. The committee’s blame focused squarely on the insurers, and not on the legal profession or the legal system.

Associated with this issue was the collapse of the insurance company Setanta. There was a great deal of uncertainty around whether the Motor Insurance Bureau of Ireland (MIBI) would be held legally responsible for outstanding claims against Setanta. The Maltese-registered company collapsed in 2014, leaving 1,750 claims of up to €90 million unpaid.

The Law Society argued that MIBI was liable. The Society won its case in the High Court, and the subsequent appeal in the Court of Appeal. A surprise 5:2 Supreme Court judgment on 25 May 2017, however, overturned the potential

liability of the MIBI. The judgment found that varying Minister of Transport agreements with the MIBI did not extend to insolvent insurers.

Outstanding claims against Setanta will now be met by the State’s Insurance Compensation Fund, which previously covered the disintegration of firms such as Quinn Insurance and PMPA. Claims will be capped at 65%.

LSRA COMMENCEMENT

On 1 October 2016, the Legal Services Regulatory Authority (established by law under the 2015 act) was commenced by ministerial order. This is the new body created to regulate legal services in Ireland. Naturally, there will be a significant level of interaction between the profession and the new authority when it becomes operational. The Society was strongly supportive of the legislation that was passed in 2015, and is cooperating closely with the new authority during the set-up phase.

JUDICIAL APPOINTMENTS

In order to assist the legislative process, expert committees (ultimately governed by the Council of the Law Society) made a number of submissions on significant points of law. In March, the Society made a 25-page submission to the Government on the proposals contained in the scheme of the *Judicial Appointments Commission Bill 2016*. This was the result of detailed research, conducted with the benefit of outside expertise on the issue, and following a full debate by the Law Society’s Council.

The Society is broadly supportive of the Government’s bill as a forward-looking, inclusive and contemporary approach to reforming the judicial selection system. However, it believes that some changes to the bill would improve it further, including



increased diversity within the judiciary – specifically the appointment of more women, more solicitors and, in general, more candidates from wider social and geographical origins. This would enrich the judiciary with additional talents, skills and insights, and would be very much in the public interest.

TAXATION OF COSTS

A significant issue again this year, as in previous years, was the crisis in the taxation of costs system, which had pretty much ground to a halt.

As a result of several interventions by the Law Society, political action was taken and appointments were made, leading to a functioning taxation of costs system once again. Considerable progress has been made, also, in dealing with the arrears.

BREXIT

The true economic and political consequences of Brexit remain to be seen. One of the most immediate side effects has been the large influx of solicitors from England and Wales qualifying and transferring to the Roll in Ireland since the referendum – approximately 1,200 of them at the last count. To date, just one of the large international law firms has established an office in Dublin – Pinsent Masons – comprising three people.

While fears persist about the potential threats posed by Brexit, it will undoubtedly generate opportunities for Ireland. It is highly plausible that legal work from the Courts of Justice in London could be deflected to the Courts of Justice here, as well as other legal work as a result of transfers of economic activity. Our profession must be

ready for this eventuality and, to this end, the Society has been busy making appropriate submissions to Government on behalf of our members.

Finally, my thanks goes to the highly professional and dedicated staff of the Law Society, and the many hundreds of colleagues who work and share their expertise through our committees, and on Council – all on behalf of the members of the profession. Their work in representing their colleagues continues to pay dividends for the profession, the general public, and the rule of law.

Ken Murphy,
Director General,
Law Society of Ireland

PERFORMANCE OVERVIEW

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DID YOU KNOW THAT THERE WERE...

1,406

admissions to the Roll of Solicitors in 2016 – an all-time high

STRATEGY STATEMENT 2014-2018

THE LAW SOCIETY OF IRELAND'S STRATEGY STATEMENT 2014-2018 SETS OUT THE STRATEGIC OBJECTIVES THAT THE SOCIETY WILL FOLLOW

STRATEGIC OBJECTIVES 2014-2018

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

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

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

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

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

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

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

The vision of the Law Society is to be "the trusted voice of a respected solicitors' profession".

TOP TEN ACHIEVEMENTS OF 2016/17

1

EFFECTIVE SUBMISSIONS HIT THE MARK

The Law Society's committees and expert staff continued to provide a strong voice in policy debate on the justice system and law reform. They developed 20 formal submissions to Government on bills and legislative consultations during the year. There was a renewed focus on the role of the media as part of the process, which generated positive coverage on submissions such as the *Judicial Appointments Committee Bill*, the *Mediation Bill*, the *Domestic Violence Bill* and the pre-budget submission. Representatives were also invited to appear before Oireachtas committee hearings on three occasions.

2

PHASE ONE OF 'SYSTEM 360' GOES LIVE

Phase one of System 360 launched in June 2017, creating a central location for all membership, education and regulation data, and linking into our finance, intranet and website systems. System 360 is accessible to solicitors, firms, trainees and students, with the ability to self-manage updates to personal and professional records. A number of regulatory processes can now be accessed through the system, including the practising certificate and PII renewal processes. The system will be the portal for payments to the Law Society, as well as orders for courses and products online.

3

STREET LAW RECOGNISED AND EXPANDS

More than 40 trainees and 500 participants were involved in Street Law programmes in schools, community settings and prisons during the year. This programme featured in an episode of RTÉ's *Nationwide* – and the model used in the Irish programme has been replicated by the Law Society of Scotland, which recently won an award. A journal paper documenting the approach was published in the *International Journal of Clinical Legal Education* (July 2017). There are plans to expand the Street Law programme over coming months and extend the prison outreach to Mountjoy Prison.

4

CALCUTTA RUN BRINGS PROFESSION TOGETHER

In May, more than 1,200 runners and 80 cyclists from across the profession came together to take part in the annual 'Calcutta Run – the legal fundraiser'. More than €220,000 was raised for the two charity partners – the Peter McVerry Trust and the Hope Foundation. A new cycling element was added this year, involving a challenging 80km circuit. Details of the event and winners can be found at www.calcuttarun.com. Sponsorship continues to be provided by Bank of Ireland and DX.

5

10,000 PRACTISING CERTIFICATES ISSUED FOR THE FIRST TIME

In the year under review, for the first time ever, the Society issued over 10,000 practising certificates to solicitors in a single year. At the end of 2016, there were 10,080 practising certificate (PC) holders – a 4% increase on the 9,688 PC holders at the end of the previous year. And in another first, there was a tie at the top of the list of largest law firms, with Arthur Cox and A&L Goodbody vying for pole position with 275 practising solicitors at the end of 2016. Matheson remains the third largest firm. (See *Law Society Gazette*, Jan/Feb 2017, p9.)

NEW PRACTISING SOLICITORS' MEMBER LOGO LAUNCHED

In March, the Law Society launched a new logo for use by practising solicitor members across all sectors of the profession. The new logo has been designed to distinguish practising solicitors, who choose to use it, from other competing professionals and non-professionals. The logo features an image of Lady Justice, blindfolded and proudly holding aloft the scales of justice. It can be used on firms' stationery, websites, solicitor member business cards and various other marketing materials. It represents the benefits and protections that clients enjoy every time they use a solicitor. It can be downloaded from the Representation section at www.lawsociety.ie and can be viewed on YouTube.

6

MAJOR SUCCESS IN TRAINEE COMPETITIONS

The Society's trainee solicitors continued to display excellence in international skills' competitions this year, with Leah Morgan (McCann FitzGerald) winning the individual speaker award in *The Irish Times* debating competition in February. In April, Neil Nolan (Ronan Daly Jermyn) and Conor Cawley (Gore & Grimes) took the top prize at the International Client Interviewing Competition, while, in May, Gavin Anderson (Beauchamps), Wuraola Olatunbosun (Matheson), Glen Rogers (McCann FitzGerald) and Faye Rowlands (A&L Goodbody) came second in the Telders International Law Moot Court Competition in The Hague. Ms Olatunbosun also won two other oral advocacy prizes.

7

INAUGURAL SPRING GALA SUCCESS

In March, the Law Society introduced a brand new social and professional development event to the legal calendar – the Law Society Spring Gala and Symposium – replacing the annual conference. The symposium featured input from prominent global lawyers on the theme of 'miscarriages of justice'. That evening, the black-tie Spring Gala featured the famously forthright Alastair Campbell as the dinner speaker. Guests were warmly welcomed and expertly guided through the evening by master of ceremonies Miriam O'Callaghan. Most importantly, the event raised more than €22,000 for the Solicitors' Benevolent Association.

8

RTÉ NATIONWIDE FEATURE

In February, the Law Society was proud to be featured on *Nationwide* – one of the most successful and highly rated prime-time TV programmes on RTÉ One. An entire episode was dedicated to the Society's Street Law initiative, the Access Programme and our modern Law School. The core of the programme showcased the solicitors' profession through the eyes of two practitioners, Kathleen Doocey and Liam Fitzgerald, together with students from Tallaght Community School and trainee solicitors in the Law School. One of the highlights was a whirlwind tour of the historic buildings at Blackhall Place.

9

JUSTICE MEDIA AWARDS JUST GET BETTER

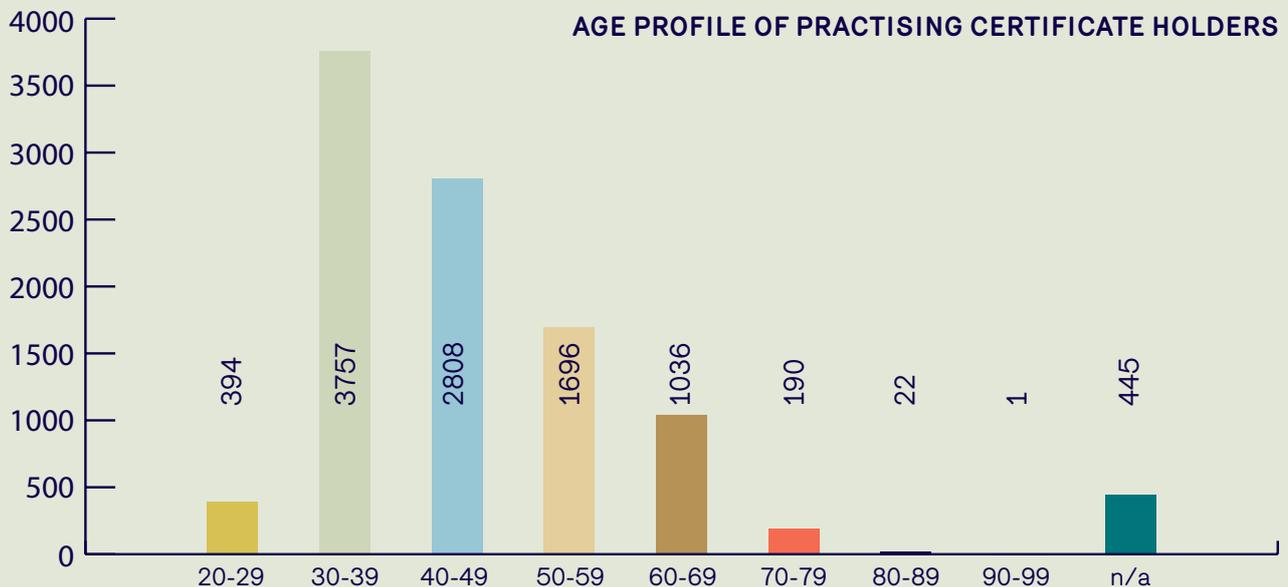
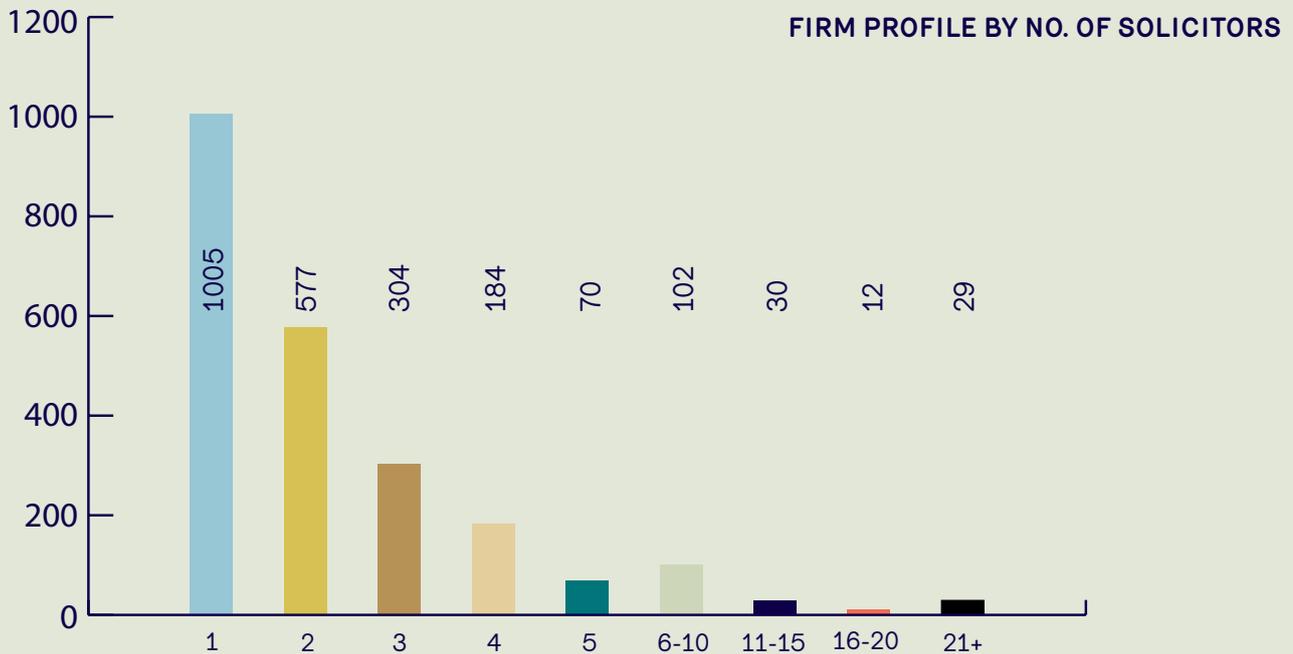
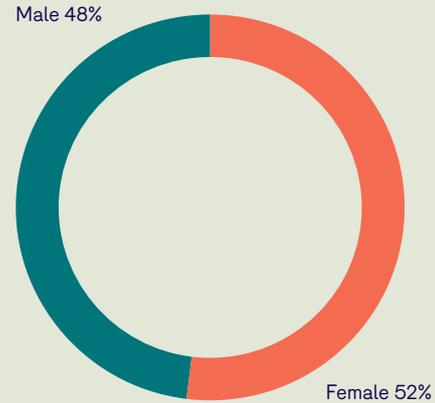
A total of 120 of Ireland's leading journalists gathered at Blackhall Place on 22 June to celebrate the 26th annual Justice Media Awards – Ireland's longest-running legal reporting awards. Designed to recognise, reward and encourage excellence, the record-breaking event featured a remarkable 50% increase in entries compared with 2016, which director general Ken Murphy said was indicative of the ever-increasing standards of legal journalism throughout the country. In all, 42 prizes were awarded to local, national, and digital media outlets from across the island of Ireland. RTÉ's *Nationwide* was the overall winner on the day.

10

MEMBERSHIP SUMMARY

GENDER BALANCE (MEMBERS) (As of October 2017)

Gender	Members	%
Female	5,858	52%
Male	5,489	48%
Total	11,347	100%



MEMBER AND COMMUNITY ENGAGEMENT

MEMBER ENGAGEMENT



SPRING GALA 2017

Over 380 members and invited guests attended the inaugural Law Society Spring Gala on 24 March 2017 at the InterContinental Hotel, Dublin. The successful black-tie event featured Miriam O'Callaghan as MC and keynote speaker Alastair Campbell. It raised over €22k for the Solicitors' Benevolent Association.



LAW AND WOMEN MENTORING PROGRAMME

The Law and Women Mentoring Programme was launched in late 2016, in partnership with the Law Society, the Bar of Ireland and the Irish Women Lawyers' Association. Over-subscription to apply for the programme demonstrated a strong demand for the initiative, which will return in 2018.



PRACTISING SOLICITOR LOGO

The new 'Practising solicitor' member logo was launched in March 2017, supported by a nationwide advertising campaign. It has been designed to distinguish practising solicitors from other competing professionals and non-professionals, and is available for solicitor members and their firms to use on firm stationery, websites, business cards and marketing materials.



REGIONAL CLUSTER EVENTS

A total of 1,649 participants attended the regional cluster events held around Ireland – an increase of 8% on the previous year. A successful local media public relations campaign accompanied the events, creating collaboration opportunities between the Law Society and local bar associations.



SUPREME COURT LEGAL ASSISTANCE/LEGAL REPRESENTATION SCHEME

The Courts Service initiated a pilot scheme to assist unrepresented people who are parties to appeals from either the Court of Appeal or the High Court. The Law Society facilitated the formation of a panel of volunteer solicitors to participate in the scheme.

COMMUNITY ENGAGEMENT



CALCUTTA RUN 2017 – THE LEGAL FUNDRAISER

The annual Calcutta Run, held in May 2017, brought together 1,200 walkers/runners and 80 cyclists drawn from the wider legal profession and their families. Over €220k was raised for charity partners (Peter McVerry Trust and Hope Foundation). The event celebrates its 'china anniversary' (20 years) in 2018.



SCHOOL AND COMMUNITY PROGRAMMES

The Law Society has a comprehensive Corporate Social Responsibility Charter and delivered thousands of volunteer hours of community engagement during the year. This included 40 trainees delivering the Street Law programme to over 500 school and community participants, volunteers undertaking work as part of the Habitat for Humanity initiative, delivering tours and public events as part of Culture Night and National Heritage Week, and opening up the Society's facilities for local schools' sports days.



IRISH RULE OF LAW INTERNATIONAL

Irish Rule of Law International is a joint initiative of the Society and the Bar of Ireland, dedicated to promoting the rule of law in developing countries. IRLI seeks to harness the skills of Irish lawyers by using law and legal studies training as a means of tackling global injustice and empowering all people to live in a society free from inequality, corruption and conflict. Projects were undertaken in Malawi during the year.

ORGANISATIONAL OVERVIEW

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DID YOU KNOW THAT...

500,000

people visited the Law Society's website in the last 12 months

COUNCIL OF THE LAW SOCIETY

YEAR ENDING 3 NOVEMBER 2017

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

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

The functions performed by Council can be divided into:

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



President: Stuart Gilhooly
Senior vice-president: Michael Quinlan
Junior vice-president: James Cahill

Council members:

William Aylmer, Bernadette Cahill, Christopher Callan, Justine Carty, Maura Derivan, Patrick Dorgan, Paul Egan, Alan Gannon, John Glynn, Eamon Harrington, Paul Keane, Liam A Kennedy, Martin G Lawlor, Rosemarie Loftus, Barry MacCarthy, Flor McCarthy, Aisling Meehan, Michelle Ní Longáin, Michele O'Boyle, Daniel O'Connor, Kevin O'Higgins, Deirdre O'Sullivan, Valerie Peart, Liam Quirke, Imelda Reynolds, Catherine Tarrant, Brendan J Twomey, Keith Walsh

Past-presidents:

James McCourt, John P Shaw, Simon Murphy

Provincial delegates:

Leinster: Martin Crotty, *Munster:* Richard Hammond, *Ulster:* Garry Clarke, *Connaught:* David Higgins

Dublin Solicitors' Bar Association representatives: Elaine Given, Greg Ryan, Eamonn Shannon

Southern Law Association representatives: Terence O'Sullivan, Mary C Keane, Daniel Murphy, Shane McCarthy, Brendan Cunningham

Law Society of Northern Ireland representatives:

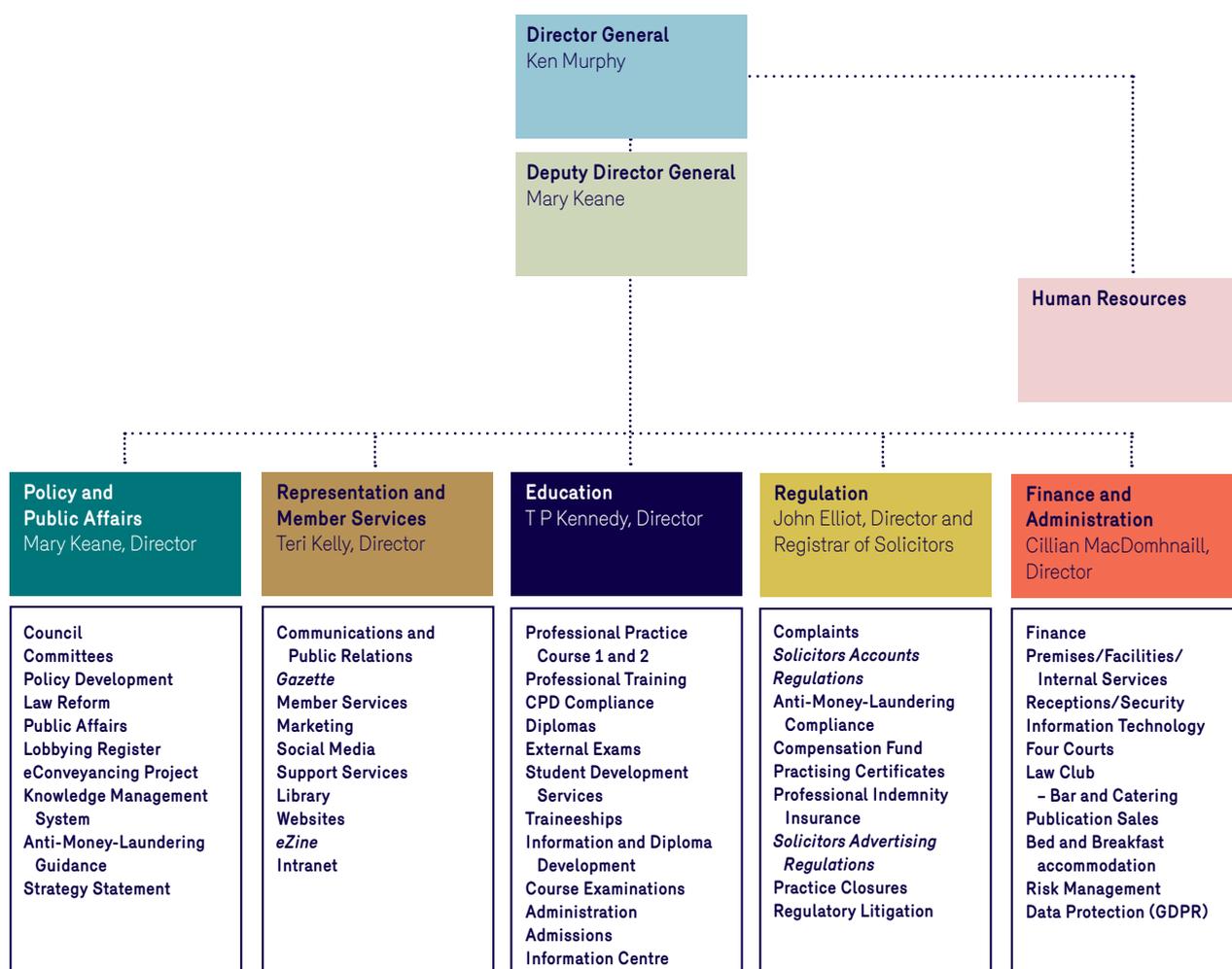
Ian Huddleston, John Guerin, Eileen Ewing, Richard Palmer, Arleen Elliott

ORGANISATIONAL STRUCTURE

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

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

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



REPORT FROM THE POLICY AND PUBLIC AFFAIRS DEPARTMENT



It was an active 12 months for the Policy and Public Affairs (PPA) department, as we continued the Society's objective "to provide a strong voice in policy debate in order to inform decision-making on matters pertaining to the justice system and law reform".

The Society's policy function is led by the Council and the officers, and is delivered by the combined efforts of:

- 39 committees, task forces and working groups, spanning the entire range of regulatory, representational and organisational affairs,
- 418 members of the profession, contributing their time and expertise on a voluntary basis, and
- 37 highly-qualified and experienced members of staff, who work directly or indirectly in support of committee work.

In the year under review, we delivered:

- 33 returns to the Lobbying Register on a wide range of policy areas, including criminal law, family law, taxation and company law,
- 20 formal submissions to

Government departments and ministers,

- Three appearances before Oireachtas committees, and
- Input into three studies conducted by the Legal Services Regulatory Authority.

The solicitors' profession, through the Society, has a strong presence across a wide range of external bodies, both within and external to the legal sphere, nationally and internationally. Examples include the Courts Service, the Revenue Commissioners, the International Bar Association, International Chambers of Commerce and the CCBE (Association of European Bars).

In all, the Society has 104 nominees across 54 separate organisations, each working to build alliances and relationships, to contribute to civil society and the administration of justice, and to progress the Society's law reform agenda. During 2017, the PPA department conducted an analysis of the Society's engagement with other bodies, and the supports provided by the Society to its nominees.

Two policy projects dominated the work of PPA during the year under review – the FATF evaluation of Ireland, and the eConveyancing Project. The FATF evaluation was conducted by an international team of assessors, who engaged in an in-depth evaluation of all aspects of the country's anti-money-laundering systems and processes, including compliance by the solicitors' profession.

Eighteen months of intensive preparation culminated in a two-week visit by the FATF team, which met with representatives of Government, the enforcement

authorities, the Central Bank, financial institutions and designated bodies, including the Law Society, in November 2016. The results of the evaluation were presented at a FATF plenary session in June 2017, and the final report was published in September 2017. The report indicates a successful outcome for Ireland, but with some remedial actions to be taken.

The Society's eConveyancing Team conducted a strategic review of the eConveyancing Project in the course of the year, while continuing to develop its work processes for a re-engineered system for the efficient transfer of property. The Society remains committed to a leadership role in the move to a fully electronic conveyancing system, as part of a Government-supported national infrastructure IT programme.

Work also continued on a parallel project to develop an advanced electronic signature for solicitors.

Mary Keane,
Deputy Director General

418

members of the profession
contribute to the Society's
committees voluntarily

REPORT FROM THE REPRESENTATION AND MEMBER SERVICES DEPARTMENT



The last 12 months has been a successful and energising period within the RMS department, delivering on a number of key projects and continuing to enhance the reputation of the profession.

Media and PR highlights for the year included:

- The broadcast of a full episode of RTE's *Nationwide* programme, covering Street Law and the Access Programme,
- Implementation of a new process for generating media coverage of the Society's submissions to Government – notable successes included coverage of submissions relating to the *Judicial Appointments Commission Bill*, the *Domestic Violence Bill* and the pre-budget submission.

A number of successful stakeholder events were delivered:

- Spring Gala 2017 – the inaugural event saw 380 attendees, featured guest speaker Alistair Campbell, and raised over €22,622 for the Solicitors' Benevolent Association,
- Justice Media Awards – record number of entries received (a 50% increase on 2016) and

significant media coverage generated,

- Communications Day – a record 60 participants attended the revamped session.

There were major achievements in digital communications, including:

- Support for the delivery of stage one of System 360 – a facilitated system upgrade for firm administrators to improve payment and information access,
- Almost 500,000 people visited the Law Society website in the last 12 months,
- Steady increases in social media hits following engagement. Twitter (5,600 followers) and Facebook (12,500 followers) were the mainstays, while there has been a rapid increase in engagement due to an enhanced LinkedIn page and member-only groups. We launched a new Instagram account in late 2016.

We were delighted this year when *Law Society Gazette* editor Mark McDermott was named the 'Editor of the Year' at the Irish Magazine Awards 2016.

The *Gazette* itself underwent a significant redesign in 2017 that has been well received by members. There was a 14% increase in the number of visitors to the *gazette.ie* website, which now moves into an exciting new phase as *gazette.ie* is transformed into a daily legal news service.

Our core library services for members, trainees and students were also priorities during the year, with ongoing increases in the uptake of book loans, the enquiry service, precedent service,

document delivery and industry awareness services. In all,

- Over 6,000 queries were responded to,
- The *LawWatch eNewsletter* database passed 10,000 subscribers,
- Over 1,300 full text court judgments were added to the database – a resource that now contains around 14,000 reserved written judgments.

Our Support Services section dealt with over 9,500 member enquiries and 440 one-to-one career consultations.

Other highlights included:

- Two 'Return to Work' programmes for solicitors re-entering the workforce after taking time away to care for family,
- The Legal Vacancies website usage grew, with more than 2.5 million views,
- The Career Support service expanded, with 2,800 solicitors now registered.

Teri Kelly,

Director of Representation and Member Services

€22,622

was raised for the Solicitors' Benevolent Association at the Spring Gala 2017

REPORT FROM THE EDUCATION DEPARTMENT



The year 2016 set an all-time record for admissions to the Roll of Solicitors, with 1,406 admissions. Much of this was accounted for by the admission of solicitors from England and Wales (806) – in 2015 there were 70 such applicants. This was almost matched by the 525 Irish trainees who qualified – the highest number in five years. The Brexit surge is still continuing and, as of 10 October 2017, a further 440 English and Welsh solicitors have been admitted. We anticipate these larger numbers continuing, at least until there is clarity on the terms of Britain and Northern Ireland leaving the EU.

In September 2016, 402 trainees began the PPC1. A total of 411 trainees did likewise in 2017. There has been a modest recovery in the number of training contracts. In tandem, numbers sitting the Final Examination – First Part have been increasing.

Our trainee solicitors continue to display their abilities in international skills competitions. We were delighted to see Neil Nolan (Ronan Daly Jermyn) and Conor Cawley (Gore & Grimes) win the International Client Interviewing Competition at the

University of Canterbury against 19 teams from professional and postgraduate law schools around the world.

Gavin Anderson (Beauchamps), Wuraola Olatunbosun (Matheson), Glen Rogers (McCann FitzGerald) and Faye Rowlands (A&L Goodbody) came second in the Telders International Law Moot Court Competition. Their arguments (oral and written) were made before judges of the International Court in the Peace Palace in the Hague. Wuraola then picked up two further oral advocacy awards. Another notable prizewinner was Leah Morgan (McCann FitzGerald) who won the individual speaker award in *The Irish Times* debating competition. We are very proud of our award-winning students.

At post-qualification level, the Diploma Centre goes from strength to strength. A total of 1,005 attendees attended 30 diploma and certificate courses during the last 12 months. A free MOOC (massive open online course) was provided on employment law in the digital age. Over 3,209 participants from 29 countries took part. We were very pleased that the *Diploma Prospectus* was awarded the best postgraduate prospectus at the Higher Education Authority awards, and that, for the second year running, the Diploma Centre won the Irish Law Award for service provider to the legal profession.

RTE's *Nationwide* programme on the Law Society featured segments on the Law School's PPC1 programme and the teaching skills employed, as well as the Access Programme, which provides funding and support for those from a background of

socio-economic disadvantage who wish to qualify as solicitors. The programme looked at our ongoing Street Law project, which equips trainees to teach a legal course to students in Dublin based DEIS schools. This year, 40 PPC1 trainees provided this course to 500 school students. The course helps students realise the relevance of law for them, and also encourages them to consider the possibility of a legal qualification in their future.

Professional Training has seen large numbers attending its mix of seminars and conferences. The regional cluster conferences have now been held all over Ireland, in association with local bar associations. Many of these are being offered in new venues. A number of new courses were offered, including an executive leadership masterclass.

T P Kennedy,
Director of Education

3,209

participants from 29 countries took part in the free MOOC on Employment Law in the Digital Age

REPORT FROM THE REGULATION DEPARTMENT



The Regulation Department has been engaging with the Legal Services Regulatory Authority (LSRA) in its commencement phase. The department has provided significant input to the Society's submissions to the authority on legal partnerships, multi-disciplinary practices and restrictions on barristers, which are available on the Society's website at www.lawsociety.ie/LSRA. The department continues to be a key participant in the Society's *Legal Services Regulation Act* Task Force, the remit of which includes the provision of information and education to the profession on the new act.

The department is actively preparing for the potential impact of Brexit on the regulatory functions of the Society. We assess that, since the Brexit Referendum, 227 Irish practising certificates have been issued to British solicitors.

We have engaged in extensive work in connection with anti-money-laundering, cybersecurity and advertising regulations, which is covered in the Regulation of Practice Committee report.

We met with the Global Forum on Transparency and Exchange of Information regarding how the profession identifies the legal and beneficial ownership of trusts and corporate structures for anti-money-laundering purposes.

The Regulation Department and the Property Registration Authority have agreed to work together to develop an anti-fraud strategy aimed at combating the increasing threat of property fraud.

A review of the administration process for claims on the compensation fund took place. The review resulted in the appointment of a claims supervisor and process improvements. Claims processing is now substantially up to date.

As always, we continue to give talks on regulatory requirements at cluster events and bar association seminars.

From July 2016 to June 2017, six solicitors were struck off the Roll of Solicitors.

There are 10,080 practising certificate holders in this jurisdiction, of which 52% are female and 48% male.

The strong focus on ensuring on-time practising certificate applications and enforcing the requirement to backdate late practising certificates by application to the High Court continues. Where necessary, action is taken against solicitors practising without a practising certificate, or practising in breach of practising certificate conditions.

The Regulation Department continues to improve the common proposal form and professional indemnity insurance (PII) guidelines. The extensive PII information on the PII webpage on the Society's website now includes new risk management guidance.

Complaints about solicitors' undertakings are once again reducing, which is a welcome development.

The practice closures section continues its challenging work of dealing with distressed firm closures. During the past year, nine orders compelling firms to hand over client files to the Society were granted by the High Court. We liaise with clients, their solicitors and third parties seeking to ensure that the interests of clients are protected in difficult circumstances.

The department continues to be intensively involved in the 'System 360' project, which should herald a fundamental improvement in information technology used by the Society to achieve a more user-friendly electronic environment for our members.

John Elliot,

Registrar of Solicitors and Director of Regulation

10,080

the number of practising certificate holders
in this jurisdiction

REPORT FROM THE FINANCE AND ADMINISTRATION DEPARTMENT



The Finance and Administration Department's job is to provide internal services, infrastructure and support to the Society's core business functions of representation, education and regulation.

Of course, prudent financial management, ensuring value for money spent, process improvements, and protecting the Society's financial assets have been at the heart of the department's work over the past 12 months.

The Society's income for 2016 (excluding the compensation fund) was €24.8 million, an increase of 9% on 2015. General operations accounted for 61% of the income, with education accounting for 39%. This income was managed to ensure that members and students receive value for money through a detailed budgeting process, close monitoring of finances throughout the year, and future planning through an annual five-year planning process.

The finance function also made very significant strides in its eCommerce Strategy, resulting in over 95% of the Society's invoices, payslips and payments being done electronically. The finance function

also oversaw the sale of the SMDF 'book' and the closing off of this liability at €13.5 million. The department has also been liaising with the Legal Services Regulatory Authority (LSRA) in relation to the financial dimensions of the authority.

The department also put in place two member schemes. The 2016/17 finance scheme for preliminary tax, pensions, professional indemnity insurance and practising certificate costs proved as attractive as ever, with 131 firms financing loans of over €4 million. The Group Life Scheme, which provides cover of €47,500, benefited the families of 14 solicitors over the last 12 months.

The facilities function continued its role of maintaining and protecting the historic building at Blackhall Place through the implementation of a conservation plan. A number of major building projects are currently in train, including an 'academic street', works to the library and to the façade of the Education Centre, acoustics in the Presidents' Hall, among others. The Society opened Blackhall Place to the public on Culture Night, Heritage Week, Open House, and the Smithfield and Stoneybatter Festival. The premises and grounds were also made available to numerous local charities throughout the year.

The IT section's main activity for the last 12 months has been the implementation of 'System 360', which is a very significant investment in a member-management system, approved by the AGM in 2015, with a budget of €3.5 million. This Society-wide project will ensure that its systems adequately support its various roles into the future. It

will integrate the membership and education systems and will include member-friendly interfaces to ensure efficient online interaction between members and the Society. The implementation is being phased over three years, and a major milestone was reached in June 2017, with the 'go-live' of phase one.

Once again, the department spearheaded the Society's involvement with the Calcutta Run. This year, 1,200 runners/walkers and 80 cyclists helped to raise over €220,000 for the Peter McVerry Trust and the event's new beneficiary, the Hope Foundation (replacing GOAL).

Cillian Mac Domhnaill,
*Director of Finance and
Administration*

€220k

was raised by members of the profession in
this year's Calcutta Run

COMMITTEE OVERVIEW

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DID YOU KNOW...

227

Irish practising certificates have been issued to British solicitors following the Brexit Referendum. As of 10 October, 1,246 solicitors from England and Wales have been admitted to the Roll

STANDING COMMITTEES

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



COMPLAINTS AND CLIENT RELATIONS COMMITTEE

PAUL EGAN, CHAIRPERSON

The Complaints and Client Relations Committee deals with complaints against solicitors related to adequacy of professional service, standard of professional conduct, and level of fees. It operates in three separate divisions when dealing with specific complaints against solicitors. Each division consists of three solicitor members and four lay members. The committee met in plenary or in divisions on 22 occasions during the year, with 189 new matters being referred to it during that period.

Sadly, we lost a long-serving lay member, Michael Lynch, who died in October 2016, but we were fortunate to secure the services of lay members Bríd Horan and Tom Coughlan, who were appointed by the Council of the Law Society on the nomination of the Institute of Public Administration.

Overall complaint numbers are down by 422 – or 1,407 compared with 1,829 the previous year. This drop can be attributed in large part to the fall in the number of complaints about solicitors' undertakings, which fell from 829 last year to 404 this year, a difference of 425. There were increases in complaints alleging excessive fees (up 15), and in allegations of inadequate professional services (up 59). There were no perceptible trends in any of the other categories of complaint.

The committee sent forward 28 matters to the disciplinary tribunal.

The committee has observed in many cases that the implementation of simple procedures of project management can act effectively to forestall and remedy complaints.

The committee unanimously welcomed the introduction of paperless meetings. The committee agenda and all supporting documentation are now circulated to each committee member electronically

by means of a secure encrypted transmission.

The committee congratulates the Society's Complaints Section on retaining, for the 13th year in succession, the ISO 9001:2008 quality assurance certification.

The committee continues to monitor developments at the Legal Services Regulatory Authority, which will eventually take over the committee's role in complaints handling.

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



COORDINATION COMMITTEE

STUART GILHOOLY, CHAIRPERSON

The Coordination Committee operates as a link between the Society's committees and the Council, with an oversight role for the projects undertaken by each of the Society's committees. It reviews the benefit of these projects in terms of resources and delivery, and allocates finances within an overall budget determined by the Finance Committee. It considers requests to pursue specific proposals or seek expert advice during the course of the year and ensures that the direction and priority of projects are appropriate to the Society's overall objectives. The committee also monitors implementation of the recommendations of the Future of the Law Society Task Force and reports on progress to the Council.

At the start of each Council year, the Coordination Committee meets with the chairs of the Society's standing committees to consider ongoing issues and to plan for the year ahead. It also coordinates the annual training workshop for new committee members, with a focus on the role of a committee member, the importance of active participation, and how the committee's policy output is received by other stakeholders. Work will continue to ensure that the necessary supports and guidance are available to the committees, as they fulfil a key Society function for our members and other stakeholders.

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

- A proposed change to the governance structure of LawCare,
- Approval of the Society's Well-being Statement,
- Proposed supports for sole practitioners,
- The Society's inventory of Brexit-related issues,
- A submission to Government on the administration of oaths,
- A review of the Society's supports for representatives on external bodies,
- The Financial and Business Structure Survey 2017,
- Requests for meetings with visiting groups of lawyers, and
- The nomination of representatives to a number of external bodies.



EDUCATION COMMITTEE

BRENDAN TWOMEY, CHAIRPERSON

The committee commissioned a review of the Society's professional legal education system by Prof Paul Maharg, which commenced mid-2016. It is estimated to take six months, following which it will be considered by the committee and then by Council.

New CPD regulations were passed, to take effect from 1 January 2018.

The Diploma Centre and Law Society Professional Training continue to offer a wide range of postgraduate courses for solicitors and run the cluster events nationwide in collaboration with local bar associations.

The provision of online courses continues, and over 6,000 have participated in the Diploma Centre's massive open online courses to date.

The Diploma Centre won 'Best Service Provider to the Legal Profession' at the Irish Law Awards 2017 and 'Best Postgraduate Prospectus' at the Higher Education Awards 2017.

The Street Law initiative, run by the Diploma Centre in partnership with Georgetown University Law Centre and the Trinity Access Programmes, continues.

The committee re-established a trainee loan scheme with the Bank of Ireland to facilitate trainees borrowing for the payment of PPC1 and PPC2 fees.

Work on the improvement of the 'Academic Street' is well underway and, when completed, will improve the environment for students, staff and members.

The committee will continue to monitor changes in England and Wales in the light of Brexit and, in particular, the introduction of the Single Qualification Exam by the Solicitors Regulation Authority.

I thank the director of education, T P Kennedy, all the staff in the Education Department, committee secretary Paula Sheedy, the CPD Unit, and Ian Ryan (trainee executive) for their support and professionalism.

Sincere thanks to all of my committee colleagues and, in particular, my vice-chair Keith Walsh and my predecessor Valerie Peart.



FINANCE COMMITTEE

EAMON HARRINGTON, CHAIRPERSON

In 2016, financially, the main operations of the Law Society – general activities and education – performed significantly better than in 2015. General activities were budgeted at close to break-even and Law School activities for a small loss. Both performed substantially better than this. Despite increasing cost pressures, it was possible to maintain the practising certificate fee at its 2015 level due to the ceasing of contributions to the Capital Reserve Fund and the reallocation of these to general activities. The Finance Committee was anxious to stave off potential increases in the practising certificate fee for as long as possible. Matters were also helped by the non-spending of a provision of €650k in relation to the Legal Services Regulatory Authority (LSRA) set up.

The after-tax surplus from operations was €1.2m (2015: loss €1.1m). This equates to 5% of operational income and exactly equalled the budgeted operational loss made in 2015. The general activities surplus was €680k (which was better than budget by €461k). Education activities earned a surplus of €528k against a budgeted loss of €91k. Reserves, including amounts allocated to the Capital Expenditure and Litigation Funds, increased before adjustments by €1.8m (2015: €715k).

In the audited financial statements, there are a number of exceptional items and revaluations that must be included, albeit that they are outside normal operations. The primary one is the taking on of the remaining deferred cost of the sale of the SMDF as a net liability of €4.2m. This will be eliminated over the next two years through practising certificate fee income being allocated to the SMDF Levy Fund. The second major adjustment is the provision of an additional €1m income based on the revaluation of the Benburb Street site from €6.5m to €7.5m.

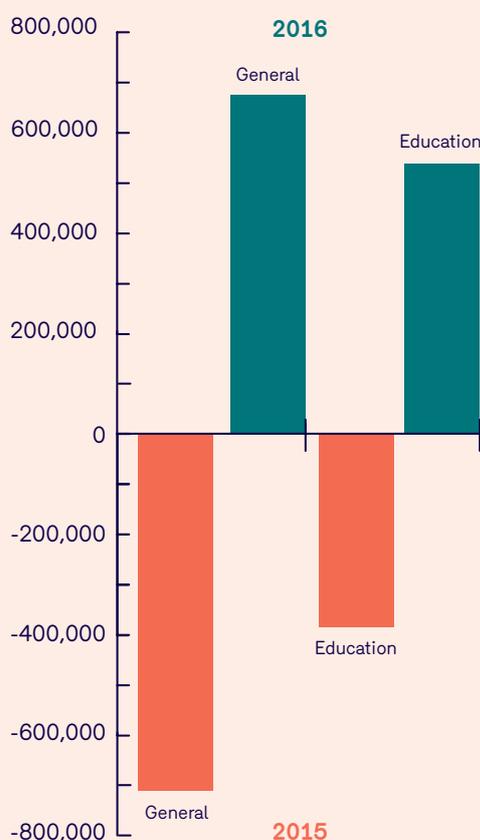
In accordance with current accounting standard FRS 102, the financial performance of the staff pension scheme must also be shown in both the income statement and the balance sheet. Last year, there was a positive readjustment of €2.5m in the pension liability. In 2016, this was a negative adjustment of €4.8m. The Finance Committee is not concerned about this as, given good pension scheme investment returns in 2016, this movement is totally attributable to the changes in the bond rate used to calculate the FRS 102 liability. Measured through actuarial valuations done

by Mercer, our pension scheme is in good health. It is unfortunate that the accounting standard creates artificial surpluses and deficits.

Overall, these adjustments have resulted in showing the Law Society, which had a surplus of €1.8m, as having an overall accounting deficit of €6.3m.

AFTER TAX OPERATING SURPLUS

Surplus/ deficit	After tax 2016 (€)	After tax 2015 (€)
General	679,942	-704,005
Education	528,194	-397,614



To further complicate matters, the operational surpluses for the Law Society are incorporated in ‘group’ accounts that include all Law Society subsidiaries. Overall, the Society’s group made a loss of €6.3m (2015: surplus €3.2m) after tax and exceptional items. The group accounts give a full picture of the financial performance and financial position of all Law Society operations, but they can distort the view of the performance of the various elements of the operation. The ‘overall results’ table shows the management account results, which are the actual operating outcomes of the various elements of the Society’s operations.

OVERALL RESULTS

ENTITY	MANAGEMENT ACCOUNTS	GROUP STATEMENTS
General activities	802,082	740,946
Unrealised investment gains	-100,469	-100,469
Funds	557,488	557,488
Education activities	555,004	588,133
Law Club of Ireland	-19,407	-415,199
Benburb St Property Co Ltd	991,690	991,690
Sundry income		9,403
FRS 102 pension charge	-423,000	
Group taxation	-48,481	-57,085
Total surplus	2,314,907	2,314,907

INCOME SOURCES 2016

	2016 (€)	2015 (€)
Fees and subs	13,099,714	11,002,072
Funds	557,488	1,908,156
Services and interest	1,524,577	1,573,704
Education	9,662,395	8,195,044



OUR INCOME

Total income was €24.8m, which was €2.2m ahead of 2015 (€22.7m). Practising certificate, membership, and admission fees were €13.7m (2015: €12.9m), an increase of 6%. This increase was driven by a 4% increase in practising certificate numbers and a significant increase in admission fees as a result of Brexit admissions to the Roll. Education income, at €9.7m, was up by 18% and income from other sources, such as advertising, publications, and Four Courts, at €1.5m, was on par with 2015.

In 2016, there were 10,080 practising certificate holders (2015: 9,688), which was an increase of 392 (4%) on 2015. Of this increase, only 93 practising certificates were attributable to Brexit admissions. The additional 392 practising certificates accounted for €392k of the income increase.

Membership numbers, at 11,025 (2015: 10,479,) rose by 546. This increase included 150 practising certificate holders who had previously not taken out membership and had thus excluded themselves from various services, such as the library, right to vote at AGMs, etc. Membership numbers include 305 solicitors who availed of free membership on the basis of being over 50 years admitted or being unemployed. There was a record high of 1,406 admissions to the Roll in 2016 (2015: 359), which significantly beat the previous record of 777 in 2008. This spectacular increase is completely attributable to 806 Brexit admissions (up to 31 December 2016).

Practising certificate fee income totalling €558k (2015: €1.9m) was allocated to the Capital Expenditure Fund (€94k) and the Litigation Fund (€464k). The year-on-year difference is accounted for by the reallocation of €1.4m from the Capital Reserve Fund to general activities on the termination of that fund.

PRACTISING CERTIFICATE HOLDERS AND MEMBERS 2011-2016

	PC holders	Members
2016	10,080	11,025
2015	9,688	10,479
2014	9,224	10,397
2013	8,895	10,157
2012	8,768	9,962
2011	8,571	9,717



Education activities income was €9.7m (2015: €8.2m). Of this, income from professional practice courses, exams, etc, accounted for €6.8m, and professional training (LSPT) seminars, diploma courses, and grants accounted for €2.9m. There were 404 PPC1 students in September 2016 (2015: 384). This increase of 5% was slightly above budget. FE1 sittings at 2,058 (2015: 1,900), while continuing to grow at about 8%, are still very far off their high of 3,328 in 2007. Diploma course income at €1.8m was €300k ahead of 2015. LSPT, with its Skillnet and Finuas programmes, had overall income, including grants, of €1.1m (2015: €869k).

OUR EXPENDITURE

Overall expenditure was €23.4m, which was an increase of 3% on 2015 (€22.7m). On the general activities side, the increase of €345k was mainly in representation services, including additional costs in relation to the Setanta Insurance case and costs associated with PII policy and the eConveyancing Project. These were somewhat offset by income increases in relation to Gazette advertising and online vacancies. The overall general activities expenditure increase was 3%. Education activities operating charges increased by €281k (3%), which was mainly due to increases in direct costs of additional course provision.

‘Other expenditure’ noted in the accounts are the costs associated with our subsidiaries and were €631k (2015: €527k).

OUR BALANCE SHEET

The position shown by our balance sheet is significantly distorted by the FRS 102 accounting standard requirements. These required three major adjustments in 2016. The first is a positive one and is an increase in the valuation of the Benburb Street site from €6.5m to €7.5m. The second is the inclusion of a provision for the deferred costs of €5m on the sale of the SMDF, which is offset by €821k in the SMDF Levy Fund. This means that our balance sheet reserves show a net decrease of €4.2m, despite the fact that this provision will be eliminated through SMDF Levy Fund income over the next two years.

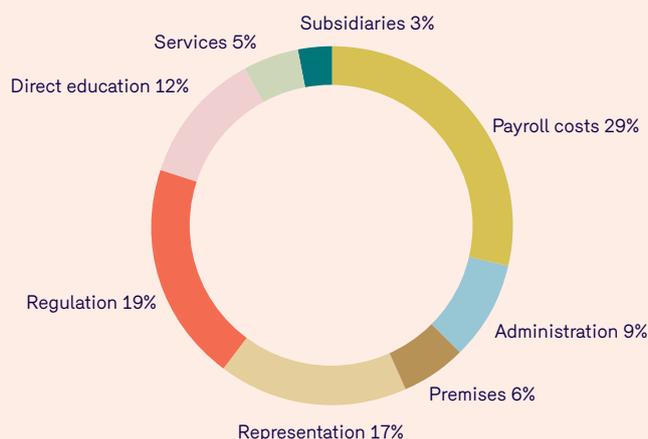
The third main adjustment is the increase in the deficit on the staff pension scheme (closed to new entrants since 2009) from €1.4m to €6.2m. While this represents 15% of the value of the liabilities, it is based on FRS 102 assumptions. Our actuaries have determined, based on their actuarial model, that the current contribution rate will eliminate any real deficit over the long term.

As a consequence of these adjustments, our net asset position now stands at €23.9m (2015: €30.2m). However, if you factor out these exceptional adjustments, reserves would actually increase to €34.9m. Of our reserves, €22.5m are accounted for by fixed assets. The reserves also include two contingency funds for capital expenditure (€2.2m) and litigation (€1.7m). Both funds are designed to meet costs in these areas as they arise.

The sale of the SMDF liability in October 2016 has resulted in a provision for a deferred cost of €5m. This, combined with previous contributions of €8m plus various transaction costs and interest, will result in the overall cost to members of the SMDF financial support being approximately €13.5m.

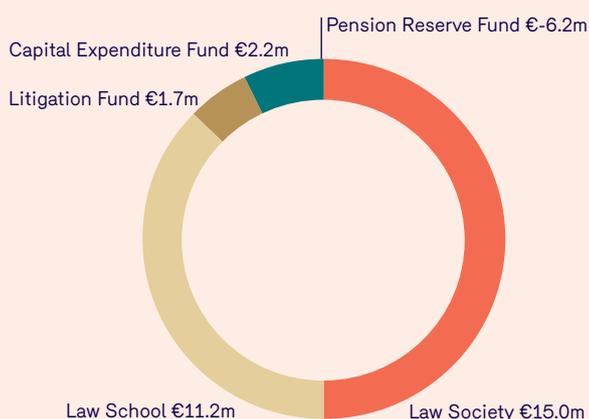
AREAS OF EXPENDITURE 2016

Payroll costs	€6.8m	29%
Administration	€2.1m	9%
Premises	€1.3m	6%
Representation	€3.9m	17%
Regulation	€4.6m	19%
Direct education	€2.8m	12%
Services	€1.2m	5%
Subsidiaries	€0.6m	3%
Total	€23.3m	100%



RESERVES 2016

Law Society	€15.0m
Law School	€11.2m
Capital Ex Fund	€2.2m
Litigation Fund	€1.7m
Pension Reserve Fund	€-6.2m
Total	€23.9m



fee and education cost to a minimum, did sanction an increase of €50 (2%) in the PC registration fee for 2017. This is the first such increase since 2009.

There was limited capital expenditure in the period 2008-2016. However, a number of premises projects have been approved for 2017 and 2018, driven by business needs, health and safety, conservation, or disability access needs. These should add significantly to members' and students' enjoyment of Blackhall Place.

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

The full audited financial statements for 2016 are included in this annual report.

SUBSIDIARIES

The group structure includes a number of subsidiary entities that are effectively run on a break-even basis. The Law Club of Ireland operates the commercial elements of the Blackhall Place premises and, after subsidies and net of management fees of €110k, made an operational loss of €19k (2015: surplus €9k). Benburb Street Property Company Limited, which owns and manages the Benburb Street site, made an operational loss of €8k (2015: loss €7k) before allowing for the revaluation of €1m on the site.

2017

The increase in practising certificates in 2017 will be similar to the 4% in 2016, approximately 400. Brexit admissions have continued, but not at the same pace as 2016, with 440 to date (10 October) against 806 in 2016. PPC1 student intake, at 411, is only marginally ahead of 2016. The System 360 IT project approved by members in 2015 – designed to deliver a new member management system to better service members and support the Society in its various roles, in particular the new representative approach – had a successful 'go-live' of Phase 1 in June 2017 and, while four to five months behind its timeline, is on budget.

The best estimates are that the LSRA is unlikely to become operational until early 2019, the costs of which will ultimately have to be levied through the practising certificate fee. The Society is working with the LSRA to ensure that these costs are minimised, insofar as is possible.

The Finance Committee, while continuing to work to its objective of keeping the practising certificate



MONEY-LAUNDERING REPORTING COMMITTEE

CHRIS CALLAN, CHAIRPERSON

The committee met regularly throughout the year in order to fulfil the Society's statutory obligations with regard to money laundering, terrorist financing, and relevant offences reporting.

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

The Society is now a registered user of goAML, the UN Office on Drugs and Crime mandated reporting system, adopted by Ireland and introduced by An Garda Síochána since June 2017 for reporting suspicious transactions. The web-based system, which must be used by all competent authorities and designated persons, will assist the authorities in streamlining the suspicious transactions reporting process and in implementing international standards relating to money laundering and terrorist financing. During the past year, the committee directed that seven such reports be made to An Garda Síochána and the Revenue Commissioners.

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

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



PROFESSIONAL INDEMNITY INSURANCE COMMITTEE

RICHARD HAMMOND, CHAIRPERSON

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

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

The committee provides information and documentation to the public and the profession through the PII website at www.lawsociety.ie/PII. Information on current insurance details of firms continues to be available through the Society's online firm insurance details search facility.

The committee has published guidance notes on PII renewal, the common proposal form, and risk management for solicitor firms. Practice notes have been issued on cybercrime and PII, and PII renewal.

The stability of the PII market has continued to improve, as evidenced by the fact that no firm has availed of the Assigned Risks Pool as the insurer of last resort for the 2016/17 indemnity period.

While much of the work of the committee relates to ongoing maintenance of the PII system, the committee has been particularly focused this year on improving the PII regulations, monitoring and responding to the difficulties encountered by Elite Insurance Company Limited, and consideration of issues relating to the criteria for admission as a participating insurer.

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



REGULATION OF PRACTICE COMMITTEE

MARTIN CROTTY, CHAIRPERSON

The Regulation of Practice Committee administers the compensation fund, which 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 other regulatory requirements not assigned to other regulatory committees.

FINANCIAL PERFORMANCE

The income and expenditure account of the compensation fund reflects a surplus (representing an excess of income over expenditure after taxation) of €1,891,568 for the year ended 31 December 2016, as compared with a surplus of €265,354 for the year ended 31 December 2015. The increase of €1,626,214 in the surplus for 2016 compared with 2015 is attributable to a reduction in 2016 of €1,787,331 in income, a decrease of €174,890 in expenditure (compared with 2015), an increased adjustment of €3,239,041 in the fair value movements arising on revaluation of investments, together with an increase in taxation amounting to €386.

INCOME STREAMS

The decrease of €1,787,331 in income in 2016 is attributed mainly to a decrease of €1,546,087 in income and returns on investments, together with a decrease of €427,705 in recoveries from defaulting solicitors, offset by an increase of contributions receivable of €227,100.

EXPENDITURE

The decrease of €174,890 in expenditure as between the two years is attributable to a decrease in the provision for claims of €269,895.

BALANCE SHEET

The net assets of the fund as at 31 December 2016 stood at €19,603,809 as compared with €17,712,241 at 31 December 2015. The increase of €1,891,568 in the net asset position of the fund as between the two years' end is reflected in an increase of €1,006,298 in revenue reserves, together with an increase of €885,270 in the revaluation reserve on the fund's investments.

The audited accounts can be accessed here.

DEVELOPMENTS SINCE DECEMBER 2016

In the six months ended 30 June 2017, a total of 74 claims were received. Excluding invalid claims refused, these claims amounted to €970,183. Payments were made in the sum of €343,566 in respect of claims, and claims amounting to €626,617 are still under consideration.

The net assets of the fund are valued at €19.5 million as at 30 June 2017. The annual contribution to the fund was €760 per solicitor for 2017. Insurance cover for €50m in excess of €5m is in place for the year ending 31 December 2017.

COMMITTEE ACTIVITIES

The committee met 17 times during the year, for ten scheduled, four emergency, and three special meetings.

Arising from these meetings the committee decided to:

- Levy contributions amounting to €43,500 towards the cost of investigations,
- Refer 22 solicitors to the Solicitors Disciplinary Tribunal,
- Apply to the High Court pursuant to the *Solicitors Acts* in seven cases. The High Court subsequently granted the reliefs applied for in all cases, except for the most recent application, which has yet to be heard.

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

The year was significant in terms of anti-money-laundering (AML). Representatives of the committee participated in the Society's task force that engaged with the Financial Action Task Force evaluation of Ireland. The Society introduced the *Solicitors (Money Laundering and Terrorist Financing) Regulations 2016* to assist solicitors in understanding and clarifying their existing AML obligations and to set out how the Society monitors compliance with these obligations. The regulations came into force on 1 November 2016 and were announced in the November 2016 *Gazette* (p55).

A new, dedicated, and regularly updated cybersecurity section of the Society's website was launched in November 2016 at www.lawsociety.ie/Solicitors/Running-a-Practice/Cybersecurity. This contains cyber-alerts, articles, a useful list of websites, and easy-to-understand definitions of commonly used words and phrases in cyber-technology. The

section invites members to report cybercrime on an anonymous online form. Information gained from the use of this form is then used to enhance the guidance provided. Representatives of the Society have spoken on cybersecurity at CPD seminars. The Society is committed to continuing to raise the awareness of cybersecurity with its members.

The Society continues to highlight the importance of compliance with the *Solicitors (Advertising) Regulations 2002*. A practice note identified the professional and regulatory risks for a solicitor in associating with claims harvesting websites (June 2017 *Gazette*, p63) and a news item reported on the Society's High Court actions against two non-solicitor owners of claims harvesting websites (May 2017 *Gazette*, p9). In December 2016, the Society obtained a High Court order to have a claims website permanently closed down and to restrain the non-solicitor owner from having any involvement with the website or any similar website in breach of the *Solicitors Acts*. Another High Court action regarding a similar website is currently underway. The advertising regulations executive has continued a comprehensive review of all solicitor firm websites and social media accounts. The Society continues to offer a vetting service whereby solicitors can have proposed advertisements reviewed and approved.

The past year saw a 40% fall in the volume of claims on the compensation fund, reflecting that there were only two practice closures leading to claims in the year.

New Guidelines on Compensation Fund Claims Procedures were published in the public area of the Society's website. The guidelines provide assistance to both practitioners and claimants in understanding the compensation fund claims' process.

A practice note was published in the August/September 2016 *Gazette* (p52) to again highlight the risk of misappropriation by employees in solicitors' practices.

On behalf of the committee, the Regulation Department completed engagement with the Courts Service about the new electronic licensing system and with the Property Registration Authority about the new electronic payment facility to ensure that these developments are compatible with the *Solicitors Accounts Regulations*.

Existing and newly established firms continue to avail of the confidential Practice Advisory Service, provided through Outsource, and the committee recommends the service to assist in regulatory

compliance and financial management.

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

NON-STANDING COMMITTEES

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



ALTERNATIVE DISPUTE RESOLUTION COMMITTEE

ANTHONY HUSSEY, CHAIRPERSON

In the year under review, we completed the task of putting together a new panel of arbitrators, reducing the number to approximately 35. New criteria were introduced for membership, and a subcommittee was appointed to review redacted awards made by applicants and interview them for suitability.

The committee's achievements in the year under review included:

- The publication of a booklet on alternative dispute resolution (ADR), which was distributed to all law firms in April 2016,
- The drafting of a new set of Law Society arbitration rules,
- Attendance at cluster events to remind the members of the value of mediation,
- Lectures and tutorials by committee members at the Law School on ADR-related topics,
- A comprehensive submission on the *Mediation Bill* by the vice-chair, assisted by a special subcommittee,
- The drafting of an updated expert determination procedure,
- Revision/renewal of the composition of the panel of mediators,
- Liaison with the Construction Industry Federation and the Conveyancing Committee with a view to making appropriate amendments to the arbitration clause in the Law Society/CIF building agreement,
- Reviewing the material for membership of the Arbitration Panel, especially where applicants may not be members of the Society,
- Liaison with Courts Service representatives on possible collaboration around the provision of mediators and mediation information sessions through solicitor mediators.



BUSINESS LAW COMMITTEE

ROBERT HERON, CHAIRPERSON

We continue to be responsible for representing, informing and assisting the profession on a broad range of business-law related topics and monitoring developments and practice in this area of law.

Following on from the extensive work carried out by the committee in relation to informing the profession about the *Companies Act 2014*, the committee has taken on the role of acting as a clearing house for issues/anomalies arising under the *Companies Act 2014*. It continues to make submissions to the Department of Jobs, Enterprise and Innovation proposing further amendments to the *Companies Act 2014*, and made a submission regarding the introduction of the *Beneficial Ownership Regulations* (SI 560 of 2016).

The committee also made a submission in response to the consultation launched by the Department of Jobs, Enterprise and Innovation, and the Department of Justice and Equality, regarding the EU Commission's *Proposed Insolvency Directive* on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures.

The committee, in partnership with Law Society Professional Training, is holding its first annual business law conference in November 2017. The one-day conference aims to inform practitioners on a range of important practice points and topics.

As part of its workload, the committee also finalised a precedent constitution for a company limited by guarantee. We continue to represent the profession on the Company Law Review Group, CRO Link and CCBE Private Law and Company Law Committees.

I extend my thanks to our committee's vice-chair, Joy Compton, and our committed and hard-working secretary Joanne Cox, for their continued commitment to the work of the committee.



CONVEYANCING COMMITTEE

JOSEPH THOMAS, CHAIRPERSON

It has been another busy year for the Conveyancing Committee in assisting and guiding solicitors in matters of increasingly complex conveyancing practice. The committee deals with queries from solicitors, issues practice notes to the profession, and represents solicitors' interests in its engagement with Government bodies and departments, as well as with external bodies.

It also provides a conveyancing helpline that dealt with 1,169 queries in the year under review, including:

- Various problems with lending institutions (such as qualified redemption figures, qualified letters of release of undertaking, among other matters),
- Problems with receiver contracts and electronic discharges in receiver sales,
- Problems to do with non-principal private residence (NPPR) tax between 2009 and 2011,
- Registration of easements,
- AML requirements of foreign entities,
- First registration issues, including timelines for registration,
- Building regulations, including opt-out issues,
- Undertakings in conveyancing,
- Not acting for both vendor and purchaser,
- Local property tax (LPT),
- Commercial certificates of title,
- Electronic stamping/PPS numbers,
- Help-to-buy scheme, and
- The impact of the *Fines (Recovery and Payment) Act 2014*, among other matters.

This year, the committee finalised and published:

- New pre-contract questionnaire for property sale,
- New pre-contract questionnaires for property purchase,
- New 2017 conditions of sale,
- Specimen certificates in connection with section 238 of the *Companies Act 2014*, and
- A total of 17 practice notes published in the *Gazette* and *eZine* (all available at www.lawsociety.ie) on matters as diverse as issues with lenders under the certificate of title system, clauses in receiver contracts, NPPR, water charges, subject to loan clauses, and section 238 of the *Companies Act 2014*.

The most notable of the committee's ongoing projects and activities include:

- A review of the contract for sale with a view to a move to pre-contract investigation of title,
- A rolling review of requisitions on title to keep them up to date – a new edition is due later this year,
- A comprehensive review of the practice position with regard to easements.

Work in progress by committee task forces includes:

- Interacting with the Property Registration Authority on a wide range of practice matters concerning registered and unregistered title, and new issues,
- Reviewing and updating pre-lease enquiries, rent-review clauses, and service charge clauses in commercial leases, and
- A comprehensive review of searches to be made on the purchase or mortgage of a property.

LIAISON WITH EXTERNAL BODIES

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

- The Department of Justice on the protection of purchasers' deposits,
- Revenue on the Help-to-Buy Scheme,
- Continued liaison with Revenue and the Taxes Administration Liaison Committee on electronic stamping and LPT, in conjunction with the Taxation and Technology Committees,
- Property Registration Authority on Land Registry forms, data protection, and other registration matters,
- Department of Housing, Planning and Local Government on NPPR and water charges,
- Banking and Payments Federation Ireland on title issues arising on sales by receivers or banks, and in relation to issues arising from the residential certificate of title system,
- Construction Industry Federation on amendments to the arbitration clause in building agreements,
- RIAI on certificates of compliance with building regulations in opt-out cases,
- Society of Chartered Surveyors Ireland on matters of mutual interest, in conjunction with the eConveyancing Task Force.

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



CRIMINAL LAW COMMITTEE

DARACH MCCARTHY, CHAIRPERSON

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

- A campaign for the restoration of legal-aid fee rates to levels prior to the financial crisis – the committee continues to engage with key stakeholders on legal aid fee rates and other crucial system reforms,
- An update of our *Guidance for Solicitors Providing Legal Services in Garda Stations* will be launched by year end,
- Delivery of garda station legal services training to solicitors across the country, through the Society's cluster events,
- The development of a European arrest warrant section on the 'Find a garda station solicitor' web-search directory,
- Several submissions on topics such as bail and criminal procedure,
- Liaison with all relevant State departments and agencies to address problems experienced by solicitors when attending garda stations or prisons. The committee continues to engage regularly with An Garda Síochána and the Irish Prison Service on relevant issues,
- The Criminal Law Update 2017 conference took place on 27 September 2017, covering topics such as the Policing Authority, vulnerable witnesses, and parole practice developments, and
- Replies to criminal law practice queries from solicitors.

During the coming year, the committee will continue its campaign on legal-aid fee rates and to represent the interests of criminal law practitioners with various State bodies. It is focusing on further developing communications and relations with other stakeholders to ensure that solicitor and client interests are represented.

We will make further contributions to law reform in the criminal justice sphere, and will provide continued assistance to criminal law practitioners who have practice guidance queries.

My thanks go to the vice-chair Robert Purcell and the committee members and colleagues who contributed to the committee's activities, as well as our committee secretary Emma-Jane Williams for her tireless dedication over the past year.



CURRICULUM DEVELOPMENT UNIT

CAROL PLUNKETT, CHAIRPERSON

The mission of the legal education function of the Law Society is to enable solicitors to provide excellent legal advice to the public. The Curriculum Development Unit (CDU) contributes to that mission. We meet with the teams running the CPD, diploma, and certificate courses. We review the curricula and materials furnished to students of the Law School to ensure that the courses offered are state of the art.

The CDU suggests improvements to existing courses and topics for new ones, which are discussed and, if considered appropriate, adopted by the Law School through the Education Committee.

This year, we reviewed the PPC1 foundation course and diploma courses and looked at developments in the use of social-media platforms and electronic communications generally and as they apply to Law School students. We received a report on the proposed substantial changes in the training of solicitors in England and Wales, maintaining a qualifying entrance examination, but abolishing the need to attend a legal practice course (although this is likely still to be required by some firms). Concerns have been raised there of the possibility of a consequent fall in standards and the potential emergence of a two-tier profession.

In June, the CDU visited Queen's University in Belfast to review the courses provided by the Institute of Professional Legal Studies to trainee solicitors and barristers there and compare them with ours. We also met with representatives from the Education Committee of the Law Society of Northern Ireland to discuss the ongoing educational developments arising from their review carried out some years ago.

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



EMPLOYMENT AND EQUALITY LAW COMMITTEE

JOANNE HYDE, CHAIRPERSON

The year under review was a busy one for the Employment and Equality Law Committee. It was the first full year since the enactment of the *Workplace Relations Act 2015*, which saw the introduction of the Workplace Relations Commission (WRC), radically changing the systems for adjudicating workplace disputes.

In the past year, the committee members have monitored the experience of practitioners attending before the WRC and we have written to and, along with other stakeholder organisations, met with representatives of the WRC to offer suggestions for continuous improvement. We have also published an *eZine* to the profession with an update on WRC procedures.

Committee members have continued to publish updates to the profession, and particular thanks to Anne O'Connell, whose article on the extensive impact of the *Protected Disclosures Act 2014* was published in the *July Gazette*.

A subcommittee of members has undertaken a significant body of work on a submission advocating the establishment of a forum for bullying cases, and this will shortly be issued to relevant Government departments and interested bodies, as well as to the Law Reform Commission.

Other activities of committee members included making a written and oral presentation on behalf of the Employment and Equality Law Committee to the Joint Committee on Jobs, Enterprise and Innovation.

Thank you to all committee members, vice-chair Loughlin Deegan, acting secretary Fergal Mawe, and secretary Deirdre Flynn.



EU AND INTERNATIONAL AFFAIRS COMMITTEE

MARTIN COONEY, CHAIRPERSON

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

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

Much of the focus of the past year has been on Brexit. In April 2017, a delegation of five members attended a round-table event in Brussels with representatives from a number of EU member states. In May 2017, committee secretary Eva Massa attended a Paris seminar – also on Brexit – with delegates from the EU27, and spoke at a similar event in Brussels in June 2017. Duncan Grehan attended a GILBA Brexit-themed conference in Leuven from 7-9 July.

Committee members submitted articles for publication in the *Gazette* and in a variety of other national publications. On 13 October 2016, we arranged a talk focusing on the international response to terrorism and its local impact.

On 8 June 2017, we organised a seminar on EU Law titled 'A practitioner's guide to immigration and inward investment – keeping Ireland open for business'.

During the year, committee member Mary Casey was awarded the *Chevalier de L'Ordre Nationale du Mérite* by the President of France for her services to that country.

The committee facilitated and sponsored the placement of an Irish student in Paris for the *Stage International* in late 2016.

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



FAMILY AND CHILD LAW COMMITTEE

KEITH WALSH, CHAIRPERSON

The Family and Child Law Committee has continued its remit in terms of both informing and updating the profession on developments in family and child-care law, advocating for change in the law, and representing the profession on a variety of external committees and organisations.

The main achievements in 2016/17 included:

- The significant role of committee members that resulted in the overhaul of order 59 of the *Circuit Court Rules* to facilitate more efficient and effective practice in the Circuit Court in family law matters.
- Agreement by the Courts Service to make the proposed new family law courthouse facility in Hammond Lane, Dublin 7, more user-friendly for practitioners.
- Launch of a new code of practice for family law in Ireland.
- Submissions to Government on the *Mediation Bill 2017* (specifically relating to family law aspects), the *Child Care (Amendment) Bill 2017* regarding guardians *ad litem*, and the *Domestic Violence Bill 2017*. In addition, committee members attended and appeared before the Joint Oireachtas Committee on Children and Youth Affairs.
- The family law conference in November 2017.

The committee's educational role has been facilitated through a number of articles, practice notes, and guidance in the *Law Society Gazette*. The committee continues to play a significant role in seeking to advance proposals in the area of family law reform.

Members of the committee are active in a number of external committees, including several committees of the Courts Service, the Legal Aid Board Liaison Committee, the CCBE and others.

I wish to thank committee members, vice-chair Helen Coughlan, and our secretary Jane Moffatt for their drive and enthusiasm, which resulted in us achieving our objective to shape the law reform agenda in our area of expertise.



GAZETTE EDITORIAL BOARD

MICHAEL KEALEY, CHAIRPERSON

The editorial board has enjoyed a vibrant year – one that has delivered dynamic change for the *Gazette*. The editorial and design team launched a major redesign in January 2017 to highly positive feedback. Visits to the interactive digital edition have been holding steady in the year under review, with a total of 21,941 visits recorded.

That number is set to grow further with the launch of the magazine's new microsite during the final quarter of 2017. *Gazette.ie* will deliver a daily legal news and information service to members of the profession and the general public. To assist with this task, journalist Mary Hallissey has joined the *Gazette* team from the *Sunday Business Post*.

The magazine, in all its guises, continues to be one of the key media channels for members of the profession. With the advent of *Gazette.ie*, social media channels will be utilised to even greater effect by pushing out frequent information to subscribers through Twitter and LinkedIn.

The magazine continues to grow its readership figures, due to an increase in the number of practitioners on the Roll, including an influx of British solicitors applying for membership in Ireland post-Brexit.

Last year marked a turning point for advertising revenue, although Brexit has had a dampening effect on the upswing that was evident during the first half of 2016.

Once again, the *Gazette* made the shortlist at the Irish Magazine Awards, this time in four categories. Our congratulations to the editor, Mark McDermott, who took home the 'Editor of the Year' gong.

I am extremely grateful to my editorial board colleagues for their commitment and valuable contributions throughout the year. The energetic and creative *Gazette* team deserves full credit for its sterling efforts in ensuring that the *Gazette* maintains pole position as Ireland's premier legal publication.



GUIDANCE AND ETHICS COMMITTEE

JOHN GLYNN, CHAIRPERSON

It has been a pleasure to chair this committee. The attendance level has been very good and, generally speaking, the input by the members has been very rewarding.

The ‘Ten Steps’ project dealing with practice management issues has been going from strength to strength, with the publication of several excellent articles in the *Gazette*. Lots more are lined up, and the feedback to date has been excellent.

The Guidance and Ethics Helpline is manned continually, as is the panel to deal with guidance and ethics issues raised by email or through correspondence. Approximately 600 queries have been dealt with in the current year.

Perhaps the greatest achievement, however, has been the satisfaction generated through the ‘Bar Association Visits’ project. We have assisted at seminars with the DSBA, Wicklow, Cork and West Cork. Further seminars are planned for Kilkenny and Donegal.

Participation in these seminars gives colleagues a bird’s-eye view of what we are doing in Guidance and Ethics, while enhancing the image of the Society and, of course, generating valuable CPD regulation points.



HUMAN RIGHTS COMMITTEE

SHANE MCCARTHY, CHAIRPERSON

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

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

On 8 October, the committee hosted the Annual Human Rights Conference at Blackhall Place, entitled ‘Human rights in health advocacy and domestic violence: time for a new Proclamation?’ The conference was widely attended, generated significant debate, and garnered considerable and positive national media coverage.

In March 2017, the committee (in collaboration with the Criminal Law Committee) prepared a submission on the *Parole Bill 2016* in relation to the proposal to place the Parole Board on a statutory footing, providing recommendations regarding eligibility for parole, the future board’s powers and around conditions of parole.

The committee is also continuing its awareness initiatives with regular contributions to the *Gazette* and regular updates to its committee page on the Law Society website. Articles published by the committee and its members in the *Gazette* included:

- ‘Wherever I lay my hat...’ (June 2017),
- ‘Direct provision: home away from home?’ (June 2017),
- ‘Applications for international protection’ (May 2017),
- ‘Disability – a human rights perspective’ (March 2017), and
- ‘Human rights in health advocacy and domestic violence: time for a new Proclamation?’ (November 2016).

I would like to thank vice-chair Hilka Becker and all the committee members for giving so generously of their time, interest, and expertise. In particular, my sincere thanks go to Michelle Lynch for her assistance and support as secretary to the committee.



IN-HOUSE AND PUBLIC SECTOR COMMITTEE

BRIAN CONNOLLY, CHAIRPERSON

Drawing on the results of the RED C survey and input from the committee, Society staff, and members of the in-house sector, the committee produced a multi-year action plan for enhanced support and representation of the sector in July 2016.

The action plan provides a framework for the Society to continue and deepen its support for in-house solicitors in the areas of skills and value, education and training, professional issues, and trainees. The Society has engaged its Representation and Member Services, Regulation, and Education Departments to implement the plan and has convened quarterly meetings of key staff and committee representatives to ensure progress.

Law Society Professional Training held a seminar on 'Professional wellbeing for the in-house lawyer' on 15 September 2016 in Cork, while our 2016 annual conference – 'Leadership in changing times: opportunities and challenges facing the in-house solicitor' – was held on 10 November.

Since December 2016, a new In-house LinkedIn Group has enabled in-house solicitors to connect and network with colleagues across organisations. Also since December, the committee has liaised with the *Gazette* to ensure content relevant to in-house solicitors is included and highlighted in every issue, and to provide relevant material for publication.

A new monthly 'in-house update' has been published on the Society's website and in the members' *eZine* since February 2017.

On 4 May, the committee held a panel discussion with experienced in-house practitioners on setting up and managing an in-house legal function.

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

I continued to represent the Society at general assemblies of the European Company Lawyers' Association, and the committee continued to provide guidance on a variety of ad hoc practical queries from members of the in-house sector.

I wish to thank all committee members for their contributions this year, with special thanks to Anna-Marie Curry (vice-chair) and secretary Louise Campbell.



INTELLECTUAL PROPERTY AND DATA PROTECTION LAW COMMITTEE

ANN HENRY, CHAIRPERSON

In terms of outputs, the committee makes submissions on the reform of the law and policy initiatives pertaining to intellectual property and data protection law. The members inform the profession on legislative changes and meet with public and private-sector stakeholders to discuss areas of common interest and address queries.

Some examples of the work undertaken by the committee during the year include:

- Meeting with the head of the Intellectual Property Unit at the Department of Jobs, Enterprise and Innovation to discuss law reform at national and EU level, the Unified Patent Court, and Brexit,
- Speaking on cybersecurity law at various Law Society Skillnet symposiums organised in association with the DSBA, Laois Solicitors' Association, Carlow Bar Association, Kildare Bar Association, and Midland Bar Association,
- Attending a round-table session organised by Knowledge Transfer Ireland,
- Meeting with Marie Daly, general counsel at IBEC, to discuss issues of common interest and Brexit,
- Submission on the transposition of the *Trade Secrets Directive* to the Intellectual Property Unit, Department of Jobs, Enterprise and Innovation,
- Speaking on data protection at the Skillnet Cluster event in Donegal,
- Ann Henry (Law Society representative to the Data Forum, Department of An Taoiseach), as a member of the steering committee, organised the successful inaugural Dublin Data Summit on 16-17 June 2017 at the National Convention Centre,
- Considered IMRO submission on digital single market copyright proposals,
- Meeting with Tina Chappell (Intel Corporation's director of IP policy) to discuss law reform at national and EU level, the Unified Patent Court, and Brexit,
- Seminar on the overview of changes to be introduced by the GDPR, with guest speaker Seamus S Carroll (head of the Data Protection Unit in the Civil Law Reform Division of the Department of Justice and Equality). He represented Ireland throughout the GDPR negotiations.



LITIGATION COMMITTEE

FIONA DUFFY, CHAIRPERSON

The Litigation Committee had a very busy and full schedule this year. Throughout the year, we dealt with a wide range of queries from colleagues.

The committee and its members published articles and guidance via the *eZine*, the *Gazette*, and the Law Society's website on a variety of topics, including the change to Circuit Court jurisdiction in land matters, the *European Account Preservation Order*, and various changes in court rules and procedures.

The committee's annual Litigation Update seminar was held on 5 October 2016.

We continue to engage with relevant representative bodies, including the PIAB and the Courts Service, and to collaborate with the Society's representatives on the court rules committees.

The VHI undertaking has taken up a sizeable amount of our time. In addition, the taxation and recovery of legal costs remains a standing agenda item. The appeal to the Supreme Court in the case of *Sheehan v Corr* was closely monitored and we welcomed the introduction of Practice Direction HC 71 by the President of the High Court. The committee also provided a detailed and considered response to the Law Society Legal Costs Working Group on its draft guidance and section 150 notices.

Other matters before the committee include issues relating to the possession lists in some counties and the 'Abhaile scheme', the shortage of county registrars, and concerns about the *lis pendens* procedure.

The cancellation of lists and the non-appointment of a list judge under the 2016 *Pre-Trial Procedure Rules* are ongoing issues of concern for the profession and are being closely monitored. The committee continues to monitor and review recent and proposed legislation, such as the *Courts Act 2016*, the *Mediation Bill* and the scheme for the *PIAB Bill*.

A Brexit subcommittee has been set up and is working with the Society in the preparation of a position paper on the potential impact, opportunities, and challenges presented by Brexit from a litigation perspective.

I would like to thank all the committee members, some of whom travel long distances, for their hard work and dedication, as well as the vice-chair Liam Kennedy for his support and our secretary Colette Reid, whose input was invaluable.



PROBATE, ADMINISTRATION AND TRUSTS COMMITTEE

RICHARD HAMMOND, CHAIRPERSON

The committee dealt with the decision of the Court of Appeal in relation to section 68 letters to residuary beneficiaries and issued a practice note in the *eZine* and the *Gazette*. The committee also advised the president in relation to the imperative that solicitors have access to clients in nursing homes.

We continued our work in relation to the *Fourth Anti-Money-Laundering Directive*, the *Assisted Decision-Making (Capacity) Act 2015* and opposed the proposed *Registration of Wills Bill* again.

The committee submission to the Law Reform Commission in relation to section 117 of the *Succession Act 1965* was substantially reflected in the subsequent report of the LRC.

Committee members actively engaged with the Revenue Commissioners at the TALC direct/capital taxes subcommittee, and also contributed to the Law Society Budget submission.

In addition, we continue to engage with the Capital Acquisitions Tax Revenue Online Service Users' Group, the Probate Office Users' Group, the Probate Office, the Courts Service and Irish State Savings and the Irish League of Credit Unions.

The committee also engaged with the Society's Regulation and the Representation and Member Services Departments in the production of new client-care leaflets.

It also engages with the bar associations and provides assistance to colleagues who contact it.

The committee and its members published a number of articles in the *eZine*.

Members spoke at the second Probate and Taxation Annual Conference and at a number of Law Society and other events.

Challenges to be taken on in 2017/18 include potentially extending dormant accounts legislation to client accounts, seeking an increase in Probate Office staff, extending the role of the District Probate Registries, and a review of the CAT ROS system.

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



PUBLIC RELATIONS COMMITTEE

MICHAEL KEALEY, CHAIRPERSON

In June, the committee hosted the annual Justice Media Awards, while a highly successful Communications Day took place last May.

The latter event involved media training by Carr Communications, including advice on engaging local media, conducting a media interview, and using social media effectively. Andrea Gilligan from Newstalk also provided insights into how the typical newsroom operates and on 'pitching' a story to journalists.

The popularity of the Justice Media Awards continues to grow. This year saw the largest ever number of entries, outstripping the previous records in 2015 and 2016.

The JMAs recognise, reward, and encourage excellence in legal journalism and generate acres of newsprint and broadcast reaction to the awards. The team from RTÉ television's *Nationwide* won the overall award, with a programme highlighting the Law Society Access Programme and its Street Law initiative.

The Law Society's 'Talk to your solicitor' radio advertising campaign continues and, while changes are not anticipated in the short term, the committee will continue to monitor its effectiveness and value for money following last year's detailed review.

We continue to work closely with the Representation and Member Services Department and its director Teri Kelly, who is an important committee member. As a consequence, the PR Committee has taken on a more strategic, rather than functional, role. We envisage this continuing.



TAXATION COMMITTEE

GAVIN MCGUIRE, CHAIRPERSON

The Taxation Committee has had another busy year representing the Society and its members. It did this through interaction with the Revenue Commissioners and other tax advisors. It also continued its active participation in the Tax Administration Liaison Committee (TALC) and its relevant subcommittees dealing with direct taxes, indirect taxes, capital taxes, audit, technical tax issues, collection tax issues, base erosion and profit shifting, and the *Companies Act* working group.

The committee made numerous submissions to Revenue both through the TALC forum and directly to Revenue in respect of issues concerning practitioners. It is also continued to liaise with the Revenue Commissioners in relation to electronic stamping, local property tax, the new Revenue website, and other practical issues.

The committee, as usual, also prepared a detailed pre-Budget submission, which was submitted to the Minister for Finance and other relevant Government departments. This year, the submission provided an executive summary and outlined recommendations to deal with inequalities and the changed domestic society to keep Ireland competitive and encourage international investment.

It also focused on administrative and technical issues that need to be dealt with in order to ensure the tax code keeps pace with ongoing changes.

The committee also reviewed, to the extent appropriate, and commented on the provisions of the *Finance Act 2017* as it passed through the legislative process and summarised its relevant consequences in the annual *Tax Guide* published and distributed to members.

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

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



TECHNOLOGY COMMITTEE

JOE KANE, CHAIRPERSON

The Technology Committee continues to represent solicitors and the Society in its interactions with the Courts Service, Revenue Commissioners, Property Registration Authority and other government bodies and, most recently, the Government Chief Information Officer. It also continues to monitor the use of technology in the profession, and to advise best practice to members through guidance notes in the *Gazette* and *eZine*.

Continuing credit goes to Neil Butler and Eamonn Keenan for their ever-diligent work on the eConveyancing Project.

A focus in the past year revolved around cyber-threats and, in particular, spear-phishing attacks and the threats exposed via members emailing IBAN accounts. A revised and updated practice note was issued in this regard in March 2017.

Protecting confidential data was a strong theme, and the practice note from May 2017 delved into the risks involved with public websites. Digital privacy will continue to be a big issue for the committee in the year ahead.

The committee is involved in warnings on fraud relating to PRA matters and staying ahead of potential issues that have affected neighbouring jurisdictions.

Our goals for the coming year involve advising on the minimum standards for law firms' IT requirements, and identifying key areas that firms should consider when thinking about technology in practical terms in the office. Artificial intelligence is a topic that is being discussed more frequently – we are keeping a watching brief.

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



YOUNGER MEMBERS COMMITTEE

EMER O'CONNOR, CHAIRPERSON

The Younger Members' Committee strives to identify, explore, and promote issues affecting members of our profession who are qualified for less than 15 years. We aim to provide representation for younger members and provide them with opportunities to enhance their professional skills.

In October 2016, we hosted a conference on the topic of 'Work/life balance – managing clients, mastering time, and dealing with stress'. The conference aimed to help attendees learn to strike a balance between the competing demands of work and home life.

During the past year, we have carried out a significant amount of research on the topic of flexible working for solicitors. We have prepared a guide for solicitors on this topic, which will be published in late 2017.

Our committee is also exploring how Brexit might affect younger solicitors, and we will continue to monitor developments. In particular, we are looking at how Brexit might affect Irish solicitors who wish to practise in England and Wales.

On 12 October 2017, we hosted a conference on the topic of 'The smart client – mastering the solicitor/client relationship in a new era'. The speakers examined how developments in technology, communications, and lifestyle are transforming the traditional solicitor/client relationship and provided advice on how to master this relationship.

I wish to thank my vice-chair, Jennifer Dorgan, for her support, hard work and enthusiasm throughout the past year. I also extend my gratitude to Sinéad Travers, who was our committee secretary from 2015 to June 2017, and to our current secretary, Judith Tedders. Sincere thanks are also due to the committee members for the commitment and valuable contributions at our meetings.

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422 – the decrease in the overall number of complaints made against solicitors in the year under review. This drop is due chiefly to a decline in the number of complaints about solicitors’ undertakings, which fell from 829 last year to 404 this year

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REPORTS AND CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

THE LAW SOCIETY OF IRELAND

STATEMENT OF RESPONSIBILITIES OF THE FINANCE COMMITTEE

The Finance Committee is required to prepare financial statements for each financial year. The Finance Committee have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“relevant financial reporting framework”). The Finance Committee must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and the Society as at the financial year end date and of the Group’s surplus or deficit for the financial year.

In preparing these financial statements, the Finance Committee is required to:

- select suitable accounting policies for the Group and the Society’s financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in operation.

The Finance Committee is responsible for ensuring that the Society keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Society, enable at any time the assets, liabilities, financial position and surplus of the Society to be determined with reasonable accuracy, and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Finance Committee is responsible for the maintenance and integrity of the shared and financial information included on the Society’s website.

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

We have audited the financial statements of the Law Society of Ireland for the financial year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income and Retained Earnings, the Consolidated Balance Sheet, the Society Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 25. The relevant financial reporting framework that has been applied in their preparation is Irish law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

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 Finance Committee and auditors

As explained more fully in the Statement of Responsibilities of the Finance Committee, the Finance Committee are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Consolidated Financial Statements for the financial year ended 31 December 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the Group and the Society as at 31 December 2016 and of the deficit of the Group for the financial year then ended.

Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

4 May 2017

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<i>Notes</i>	2016 €	2015 €
INCOME			
Fees and subscriptions	4	13,657,202	12,910,228
Education activities	5	9,662,394	8,195,044
Publications	4	401,047	378,086
Four Courts rooms	4	872,689	853,590
Interest income	6	34,419	109,136
Other income	7	207,019	223,542
Sundry income		9,403	9,349
		24,844,173	22,678,975
EXPENDITURE			
Operating charges:			
- General activities	4	(13,666,923)	(13,321,915)
- Education activities	5	(9,074,262)	(8,793,154)
Other expenditure	7	(630,528)	(526,572)
Redundancy costs	3	-	(73,829)
		(23,371,713)	(22,715,470)
SURPLUS/ (DEFICIT) FOR FINANCIAL YEAR BEFORE REVALUATIONS, EXCEPTIONAL ITEMS AND TAXATION			
		1,472,460	(36,495)
Fair value (loss)/gain arising on revaluation of investments	6	(100,469)	61,541
Surplus on revaluation of development land	8	1,000,000	-
Exceptional item - deferred cost of sale of SMDF	24	(4,178,937)	-
(DEFICIT)/SURPLUS BEFORE TAXATION	9	(1,806,946)	25,046
Taxation	10	(57,085)	6,105
(DEFICIT)/SURPLUS AFTER TAXATION	17	(1,864,031)	31,151
OTHER COMPREHENSIVE INCOME			
Remeasurement of net defined pension benefit liability	20	(4,408,000)	3,209,000
TOTAL COMPREHENSIVE (EXPENDITURE)/INCOME FOR THE FINANCIAL YEAR			
		(6,272,031)	3,240,151
Retained earnings at the beginning of the financial year		30,189,071	26,948,920
Retained earnings at the end of the financial year		23,917,040	30,189,071

THE LAW SOCIETY OF IRELAND
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	<i>Notes</i>	2016 €	2015 €
Fixed Assets			
Tangible fixed assets	11	22,512,050	21,568,454
Current Assets			
Investments	12	7,911,451	11,011,920
Stocks	13	66,474	57,395
Debtors	14	2,684,931	2,161,900
Cash at bank and in hand		10,505,351	8,949,471
		21,168,207	22,180,686
Creditors: Amounts falling due within one year	15	(8,579,217)	(12,207,069)
Net Current Assets		12,588,990	9,973,617
PROVISIONS FOR LIABILITIES AND CHARGES	16	(5,000,000)	-
NET ASSETS EXCLUDING PENSION LIABILITY		30,101,040	31,542,071
Pension liability	20	(6,184,000)	(1,353,000)
NET ASSETS INCLUDING PENSION LIABILITY		23,917,040	30,189,071
ACCUMULATED RESERVES			
Society reserves		15,018,825	16,744,062
Law school reserves		11,158,926	10,630,733
Litigation fund		1,673,599	1,963,706
Capital expenditure fund		2,249,690	2,203,570
Pension reserve fund		(6,184,000)	(1,353,000)
TOTAL	17	23,917,040	30,189,071

The financial statements were approved and authorised for issue by the Finance Committee on 4 May 2017 and signed on its behalf by:

Eamon Harrington
Chairman of the Finance Committee

Stuart Gilhooly
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

**SOCIETY BALANCE SHEET
AS AT 31 DECEMBER 2016**

	<i>Notes</i>	2016 €	2015 €
Fixed Assets			
Tangible fixed assets	11	14,989,126	15,055,894
Current Assets			
Investments	12	7,911,451	11,011,920
Stocks	13	53,062	45,219
Debtors	14	10,374,037	8,785,991
Cash at bank and in hand		10,292,926	8,813,033
		28,631,476	28,656,163
Creditors: Amounts falling due within one year	15	(8,585,049)	(12,263,189)
Net Current Assets		20,046,427	16,392,974
PROVISIONS FOR LIABILITIES AND CHARGES	16	(5,000,000)	-
NET ASSETS EXCLUDING PENSION LIABILITY		30,035,553	31,448,868
Pension liability	20	(6,184,000)	(1,353,000)
NET ASSETS INCLUDING PENSION LIABILITY		23,851,553	30,095,868
ACCUMULATED RESERVES			
Society reserves		14,938,225	16,635,746
Law school reserves		11,174,039	10,645,846
Litigation fund		1,673,599	1,963,706
Capital expenditure fund		2,249,690	2,203,570
Pension reserve fund		(6,184,000)	(1,353,000)
TOTAL	17	23,851,553	30,095,868

The financial statements were approved and authorised for issue by the Finance Committee on 4 May 2017 and signed on its behalf by:

Eamon Harrington
Chairman of the Finance Committee

Stuart Gilhooly
President of Law Society of Ireland

THE LAW SOCIETY OF IRELAND

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<i>Notes</i>	2016 €	2015 €
Net cash flows from operating activities	<i>19</i>	(517,844)	2,166,667
Cash flows from investing activities			
Net interest receivable		34,419	109,136
Purchase of tangible fixed assets	<i>11</i>	(960,695)	(2,906,075)
Disposal of tangible fixed assets		-	298
Disposal of investments	<i>12</i>	3,000,000	-
Net cash flows from investing activities		2,073,724	(2,796,641)
Net increase/(decrease) in cash and cash equivalents		1,555,880	(629,974)
Cash and cash equivalents at beginning of financial year		8,949,471	9,579,445
Cash and cash equivalents at end of financial year		10,505,351	8,949,471

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

Basis of Preparation

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

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

General Information and Basis of Accounting

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

The Law Society is incorporated by Charter and its principal place of business is Blackhall place, Dublin 7. The Law Society of Ireland's primary business functions are representation, education and regulation of solicitors in the Republic of Ireland.

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

The consolidated financial statements include the financial statements of the Law Society of Ireland and the financial statements of its subsidiary undertakings as detailed in note 22.

Basis of Consolidation

The Society consolidates its interests in subsidiary undertakings as detailed in note 22 which make up financial statements to 31 December 2016.

Going concern

The Society's forecasts and projections, taking account of reasonable possible changes in performance, show that the Society will be able to operate within the level of its current cash and investment resources. The Finance Committee of the Society have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Income

Income is recognised in the statement of comprehensive income in the year to which it relates. Course fee income received in advance of course participation is deferred and disclosed as deferred income in the balance sheet.

1. ACCOUNTING POLICIES (CONTINUED)

Tangible Fixed Assets and Depreciation

Development land, which is included in Group tangible fixed assets, is measured at the lower of cost and net realisable value annually with any change recognised in the Statement of Comprehensive Income and Retained Earnings.

All other fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis at the rates shown below which are estimated to reduce the assets to their residual values of nil by the end of their expected useful lives. Land is not depreciated.

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

Financial Instruments

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through the Statement of Comprehensive Income and Retained Earnings, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Society intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Society transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Society, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

(i) Investments

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

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Publications

Costs relating to the purchase or creation of publications, including books, electronic information and library additions are written off in the year in which they are incurred.

Retirement Benefits

For defined benefit schemes the amounts charged to the Statement of Comprehensive Income and Retained Earnings are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined liability is charged to the Statement of Comprehensive Income and Retained Earnings. Remeasurement comprising actuarial gains and losses and the return on scheme (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

A defined benefit scheme is funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the prospective benefits method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For the defined contribution scheme the amount charged to the Statement of Comprehensive and Retained Earnings in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Exceptional items

Income and expenditure received or incurred in the normal course of the Society's business are charged to the Consolidated Statement of Comprehensive Income and Retained Earnings as exceptional items. Non-operational liabilities assumed by the Society during the year are also charged as exceptional items. Where there is an asset to match such a liability, in whole or in part, the net amount is charged to the Consolidated Statement of Comprehensive Income and Retained Earnings.

Taxation

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Society's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, which is equivalent to the net realisable value. Cost includes all expenditure that has been incurred in the normal course of business in bringing them to their present location and condition.

Grants

Revenue based grants are credited to the Statement of Comprehensive Income and Retained Earnings in the period in which the grant is receivable to match income and expenditure.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The following are the critical judgements and estimates that the Finance Committee have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Defined Benefit Pension Scheme

The Society has a defined benefit pension scheme in operation for staff who joined the scheme prior to 30 September 2009. There are estimates with respect to certain key assumptions made in calculating the actuarial liability relating to the scheme including the discount rate, inflation and mortality rates, as disclosed in note 20 to the financial statements.

Development Land

The valuation of development land is based on the outcome of the related calculations of the land's net realisable value. These calculations are based on assumptions relating to future market developments, interest rates and future cost and price increases. The Group uses external valuations to determine the net realisable value.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. STAFF COSTS	2016 General activities €	2016 Education activities €	2016 Other €	2016 Total €	2015 Total €
Salaries and wages	5,642,436	3,418,571	81,222	9,142,229	8,939,530
PRSI	599,927	357,754	8,727	966,408	918,004
Pension costs	900,861	482,254	6,328	1,389,443	1,553,766
Redundancy costs	-	-	-	-	73,829
Total	7,143,224	4,258,579	96,277	11,498,080	11,485,129

The above includes pay and related costs, as well as incidental human resource costs allocated to general activities (note 4) under premises expenditure, representation expenditure and regulation expenditure.

The average aggregate number of employees during 2016 was 140 (2015: 139).

4. GENERAL ACTIVITIES (including funds)	2016 €	2015 €
INCOME		
Fees and subscriptions		
Practising certificates	11,828,863	10,082,068
Members' subscriptions	847,228	813,388
Admission fees	423,623	106,616
Fund Contributions:		
- Capital reserve fund	-	1,364,957
- Litigation fund	463,932	362,143
- Capital expenditure fund	93,556	181,056
	13,657,202	12,910,228
Services and interest		
Publications	401,047	378,086
Four Courts rooms	872,689	853,590
Interest (note 6)	34,419	109,136
Total income	14,965,357	14,251,040
OPERATING CHARGES		
General activities		
Pay and related expenditure	2,464,869	2,739,021
Administration expenditure	717,587	665,187
Premises expenditure	724,652	740,123
Representation expenditure	3,921,299	3,510,003
Regulation expenditure	4,609,479	4,472,734
Admission expenditure	17,879	19,718
Services		
Publications	683,027	670,032
Four Courts rooms	528,131	505,097
Total operating charges	13,666,923	13,321,915
Surplus	1,298,434	929,125

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

5. EDUCATION ACTIVITIES	2016	2015
	€	€
INCOME		
Professional Practice Course 1 fees	3,667,593	3,069,383
Professional Practice Course 2 fees	1,873,563	1,687,415
Indentures and registration	340,860	322,755
Examination fees	743,030	681,295
Diploma courses	1,800,725	1,500,018
Professional training	1,114,253	869,176
Miscellaneous income	122,370	65,002
Total income	9,662,394	8,195,044
OPERATING CHARGES		
Pay and related expenditure	4,335,416	4,308,629
Administration expenditure	1,371,364	1,357,827
Direct expenditure	2,757,411	2,517,102
Premises expenditure	610,071	609,596
Total operating charges	9,074,262	8,793,154
Surplus/(deficit)	588,132	(598,110)
6. INTEREST AND INVESTMENT (LOSSES)/ GAINS		
	2016	2015
	€	€
Interest – Society	34,419	109,136
Fair value (loss) /gain arising on revaluation of investments	(100,469)	61,541
	(66,050)	170,677

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

7. OTHER INCOME/EXPENDITURE	2016	2015
	€	€
Income		
Bar and catering income	133,016	155,449
Bed and breakfast income	45,830	41,787
Functions and consultation room income	27,934	26,156
Sundry income	239	150
	<u>207,019</u>	<u>223,542</u>
Expenditure		
Bar and catering cost of sales	467,159	386,469
Bed and breakfast cost of sales	8,930	6,573
Premises expenditure	4,496	3,681
Professional fees	10,540	9,551
Other administration expenditure	139,403	120,298
	<u>630,528</u>	<u>526,572</u>
Deficit	<u>(423,509)</u>	<u>(303,030)</u>

8. SURPLUS ON REVALUATION OF DEVELOPMENT LAND

The development land, included in tangible fixed assets, was valued at €7,500,000 by qualified external valuers Mason Owens & Lyons on a fair value basis at 31 December 2016. There was an upward valuation of €1,000,000 from the prior year based on valuations achieved on other properties in Dublin 7. There was no upward revaluation in 2015.

9. (DEFICIT)/SURPLUS BEFORE TAXATION	2016	2015
	€	€
The (deficit)/surplus before taxation is stated after charging:		
- Depreciation	1,017,099	994,068
- Auditors' remuneration	28,000	27,200
	<u>1,045,099</u>	<u>1,021,268</u>
and after crediting:		
- Deposit interest	34,419	109,136
	<u>1,079,518</u>	<u>1,130,404</u>

All income recognised arose in the Republic of Ireland.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

10. TAXATION	2016	2015
	€	€
Based on the surplus for the financial year:		
Taxation charge	57,085	24,139
Prior financial year over provision	-	(30,244)
	<u>57,085</u>	<u>(6,105)</u>

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

	2016	2015
	€	€
(Deficit)/surplus before taxation	<u>(1,806,946)</u>	<u>25,046</u>
(Deficit)/surplus for financial year multiplied by standard rate of corporation tax of 12.5% (2015: 12.5%)	(225,868)	3,131

Effects of:

Net income and expenditure not subject to taxation	236,811	(10,996)
Depreciation in excess capital allowances	30,483	26,636
Higher tax rates on interest and rental income	33,094	17,886
Retention tax paid	-	(7,416)
Relief for losses on a value basis	(17,435)	(5,102)
Prior financial year over provision	-	(30,244)
Total tax charge for period	<u>57,085</u>	<u>(6,105)</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. TANGIBLE FIXED ASSETS

Group

	Premises €	Development Land €	Leasehold Improvements €	Furniture Fittings & Equipment €	I.T. Equipment €	Motor Vehicles €	Total €
Cost/Valuation:							
At 1 January 2016	18,025,952	6,500,000	2,028,658	5,194,195	4,238,547	59,875	36,047,227
Additions	205,271	-	-	137,174	618,250	-	960,695
Reversal of prior impairment	-	1,000,000	-	-	-	-	1,000,000
At 31 December 2016	18,231,223	7,500,000	2,028,658	5,331,369	4,856,797	59,875	38,007,922
Depreciation:							
At 1 January 2016	5,433,565	-	1,640,277	4,601,174	2,743,882	59,875	14,478,773
Charge for financial year	359,129	-	217,550	244,089	196,331	-	1,017,099
At 31 December 2016	5,792,694	-	1,857,827	4,845,263	2,940,213	59,875	15,495,872
Net book value:							
At 31 December 2016	12,438,529	7,500,000	170,831	486,106	1,916,584	-	22,512,050
At 31 December 2015	12,592,387	6,500,000	388,381	593,021	1,494,665	-	21,568,454

The development land was valued at €7,500,000 by qualified external valuers Mason Owens & Lyons on a fair value basis at 31 December 2016. The original cost of the development land when purchased in 2005 was €21,718,981.

Society

	Premises €	Leasehold Improvements €	Furniture, Fittings & Equipment €	I.T. Equipment €	Motor Vehicles €	Total €
Cost:						
At 1 January 2016	18,025,952	2,028,658	4,896,305	4,238,547	59,875	29,249,337
Additions	205,271	-	123,027	618,250	-	946,548
At 31 December 2016	18,231,223	2,028,658	5,019,332	4,856,797	59,875	30,195,885
Depreciation:						
At 1 January 2016	5,433,565	1,640,277	4,315,844	2,743,882	59,875	14,193,443
Charge for financial year	359,129	217,550	240,306	196,331	-	1,013,316
At 31 December 2016	5,792,694	1,857,827	4,556,150	2,940,213	59,875	15,206,759
Net book value:						
At 31 December 2016	12,438,529	170,831	463,182	1,916,584	-	14,989,126
At 31 December 2015	12,592,387	388,381	580,461	1,494,665	-	15,055,894

Group and Society

The net book amount includes the following amount relating to assets held under finance leases:
Leasehold improvements: €Nil (2015: € Nil).

The total additions include the following amounts relating to assets under construction which have not been depreciated in the financial year:
Premises: €63,724 (2015: €855,449) and I.T. equipment: €550,940 (2015: €931,491).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. TANGIBLE FIXED ASSETS (CONTINUED)

Group and Society

Included in the above are assets relating to education activities:

	Cost €	Accumulated Depreciation €	Net Book Value €
Premises	8,439,824	2,005,696	6,434,128
Furniture, fittings and equipment	2,945,399	2,597,414	347,985
I.T. equipment	1,836,974	1,604,884	232,090
	13,222,197	6,207,994	7,014,203

12. INVESTMENTS

Group and Society

	2016 €	2015 €
Balance at 1 January	11,011,920	10,981,230
Disposals at cost	(3,000,000)	-
Deferred taxation movement	-	(30,851)
Fair value (loss)/gain	(100,469)	61,541
Balance at 31 December	7,911,451	11,011,920

At 31 December 2016, the fair value of investments exceeded cost by €900,549 (2015: €1,001,019)

The investments are comprised of the following:

- (a) With-Profit Bond ("Policy");
- (b) Global Absolute Return Strategy Fund ("GARS");
- (c) Diversified Absolute Return Fund ("DARF")
- (d) Global Equity Fund ("GEF")

The Policy carries 100% capital protection on maturity. GARS, DARF and GEF do not carry capital protection. The Policy, GARS and DARF have a low risk profile while GEF is fully exposed to volatility in equity markets.

The equity investment by the Society in subsidiary undertakings is carried at €Nil (2015 €Nil).

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

13. STOCKS	2016	2015
	€	€
Group		
Stock in trade	66,474	57,395
	<u>66,474</u>	<u>57,395</u>
Society		
Stock in trade	53,062	45,219
	<u>53,062</u>	<u>45,219</u>

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

14. DEBTORS	2016	2015
	€	€
Group		
Amounts falling due within one year:		
Debtors and prepayments	2,313,345	1,747,889
Income tax	21,546	67,301
Deferred tax asset on investments	305,588	305,588
Amounts due from Law Society of Ireland Scholarship Fund	4	24,061
VAT	44,448	17,061
	<u>2,684,931</u>	<u>2,161,900</u>
	<u>2,684,931</u>	<u>2,161,900</u>
Society		
Amounts falling due within one year:		
Debtors and prepayments	2,312,268	1,716,084
Income tax	21,546	67,301
Deferred tax asset on investments	305,588	305,588
Amounts due from Law Society of Ireland Scholarship Fund	4	24,061
Amounts due from subsidiary undertakings:		
- The Law Club of Ireland	194,631	142,957
- Benburb Street Property Company Limited	7,540,000	6,530,000
	<u>10,374,037</u>	<u>8,785,991</u>
	<u>10,374,037</u>	<u>8,785,991</u>

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

15. CREDITORS	2016	2015
	€	€
Group		
Amounts falling due within one year		
Creditors and accruals	4,024,946	3,656,322
Amounts due to Law Society Compensation Fund	2,099,829	1,007,195
Amounts due under SMDF financial support commitment	-	5,092,307
Deferred income*	1,800,547	1,856,882
PAYE / PRSI	580,150	532,765
VAT	73,745	61,598
	8,579,217	12,207,069
Society		
Amounts falling due within one year		
Creditors and accruals	3,936,193	3,578,796
Amounts due to Law Society Compensation Fund	2,099,829	1,007,195
Amounts due under SMDF financial support commitment	-	5,092,307
Deferred income*	1,800,547	1,856,882
PAYE / PRSI	580,150	532,765
VAT	73,745	61,598
Amounts due to subsidiary undertakings: - The Law Club of Ireland	94,585	133,646
	8,585,049	12,263,189

* Deferred income represents fees for the 2017 financial year received in the financial year to 31 December 2016.

16. PROVISIONS FOR LIABILITIES AND CHARGES	2016	2015
	€	€
Group and Society		
Provision for settlement of SMDF liability		
Opening balance	-	-
Transfer from accruals	2,800,000	-
Charged to fund	4,200,000	-
Paid	(2,000,000)	-
Closing balance	5,000,000	-

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

17. ACCUMULATED RESERVES

Group

	Total	Society Accumulated Reserves	Law School Accumulated Reserves	Litigation Fund	Capital Expenditure Fund	Pensio Reserv Fur
	€	€	€	€	€	
Balance at 1/1/2016	30,189,071	16,744,062	10,630,733	1,963,706	2,203,570	(1,353,000)
(Deficit) /surplus for year	(6,272,031)	(2,526,712)	528,193	463,932	93,556	(4,831,000)
Transfers	-	801,475	-	(754,039)	(47,436)	
Balance at 31/12/2016	<u>23,917,040</u>	<u>15,018,825</u>	<u>11,158,926</u>	<u>1,673,599</u>	<u>2,249,690</u>	<u>(6,184,000)</u>

Society

	Total	Society Accumulated Reserves	Law School Accumulated Reserves	Litigation Fund	Capital Expenditure Fund	Pensio Reserv Fur
	€	€	€	€	€	
Balance at 1/1/2016	30,095,868	16,635,746	10,645,846	1,963,706	2,203,570	(1,353,000)
(Deficit) /surplus for year	(6,244,315)	(2,498,996)	528,193	463,932	93,556	(4,831,000)
Transfers	-	801,475	-	(754,039)	(47,436)	
Balance at 31/12/2016	<u>23,851,553</u>	<u>14,938,225</u>	<u>11,174,039</u>	<u>1,673,599</u>	<u>2,249,690</u>	<u>(6,184,000)</u>

Group and Society

The Finance Committee established the above funds to make prudent allocation of reserves 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 inter transfers for projects and other income and expenditure identified by the Finance Committee as being more appropriate to particular funds.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

17. ACCUMULATED RESERVES (CONTINUED)

Reconciliation of (deficit)/surplus per consolidated statement of comprehensive income to (deficit)/surplus for the year per accumulated reserves:

	Total €	General Activities €	Education Activities €	Litigation Fund €	Capital Expenditure Fund €	Pension Reserve Fund €	Other Fund €
Surplus before tax & exceptional items (Note 4 & 5)	1,886,566	1,298,434	588,132	-	-	-	-
Deficit before tax (Note 7)	(423,509)	-	-	-	-	-	(423,509)
Sundry income	9,403	9,403	-	-	-	-	-
Reversal of prior year impairment on development Land (Note 8)	1,000,000	-	-	-	-	-	1,000,000
S MDF sale (Note 24)	(4,178,937)	(4,178,937)	-	-	-	-	-
Taxation (Note 10)	(57,085)	(30,275)	(26,810)	-	-	-	-
Investment loss (Note 6)	(100,469)	(100,469)	-	-	-	-	-
(Deficit)/surplus after tax	(1,864,031)	(3,001,844)	561,322	-	-	-	576,491
Remeasurement of pension	(4,408,000)	-	-	-	-	(4,408,000)	-
Income allocated to specific fund	-	(557,488)	-	463,932	93,556	-	-
Reallocation of pension costs	-	296,100	126,900	-	-	(423,000)	-
Inter group trading	-	(263,480)	(160,029)	-	-	-	423,509
Reversal of prior year impairment on development Land	-	1,000,000	-	-	-	-	(1,000,000)
(Deficit)/surplus group accumulated reserves	(6,272,031)	(2,526,712)	528,193	463,932	93,556	(4,831,000)	-

18. FINANCIAL INSTRUMENTS

Group

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

	2016 €	2015 €
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 12)	7,911,451	11,011,920
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (Note 14)	2,313,345	1,747,889
Amounts owed from related undertakings (Note 14)	4	24,061
	10,224,800	12,783,870

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. FINANCIAL INSTRUMENTS (CONTINUED)

	2016 €	2015 €
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other payables (Note 15)	5,825,493	5,513,204
Amounts owed to related undertakings (Note 15)	2,099,829	1,007,195
Amount due on sale of SMDF Limited (Note 16)	5,000,000	-
Amounts due under SMDF financial support commitment	-	5,092,307
	12,925,322	11,612,706

Society

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

	2016 €	2015 €
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 12)	7,911,451	11,011,920
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (Note 14)	2,312,268	1,716,084
Amounts owed from subsidiaries (Note 14)	7,734,631	6,672,957
Amounts owed from related undertakings (Note 14)	4	24,061
	17,958,354	19,425,022
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other payables (Note 15)	5,736,740	5,435,678
Amounts owed to related undertakings (Note 15)	2,099,829	1,007,195
Amount due on sale of SMDF Limited (Note 16)	5,000,000	-
Amounts due under SMDF financial support commitment	-	5,092,307
Amounts owed to subsidiaries (Note 15)	94,585	133,646
	12,931,154	11,668,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. RECONCILIATION OF SURPLUS
TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016 €	2015 €
(Deficit)/surplus before taxation	(1,806,946)	25,046
Depreciation charge	1,017,099	994,068
Interest received	(34,419)	(109,136)
Gain on development land	(1,000,000)	-
Deferred cost of sale of SMDF	4,178,937	-
Fair value loss/(gain) on investments	100,469	(61,541)
(Increase)/decrease in stock	(9,079)	4,546
Increase in debtors	(568,786)	(152,781)
(Decrease)/increase in creditors and provisions	(2,806,789)	971,772
Income tax paid	(11,330)	(143,307)
Net impact of pension	423,000	638,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	(517,844)	2,166,667

20. PENSION COMMITMENTS

The Society operates two pension schemes. A defined benefit scheme was available to all eligible employee who chose to join before 30 September 2009, at which date the scheme was closed to new entrants. Thereafter eligible employees could opt to join a hybrid arrangement with the defined benefit element capped at a salary of €45,000 (now €45,500) and the balance being in a defined contribution scheme.

Defined contribution scheme

The Society operates a defined contribution pension scheme for all eligible employees. The total expense charged to the Statement of Comprehensive Income and Retained Earnings in the financial year ended 31 December 2016 was €34,853 (2015: €23,675).

Defined benefit schemes

The Society operates a defined benefit pension scheme and a defined contribution pension scheme. The information set out in this note relates to the defined benefit pension scheme. The scheme is funded by the payment of contributions to a separately administered trust.

Determination of contributions and funding

The contributions are determined by a qualified actuary on the basis of valuations every three years, using the prospective benefits method. The most recent valuation was completed as at 31 December 2015. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate, the rates of increase in salaries and the rate of increase in pensions in payment. In preparing that valuation, it was assumed that the discount rate would be 4.25% per annum pre retirement and 2.45% per annum post retirement, that future salary increases would average 2.00% per annum, and that pensions in payment will increase at 1.50% per annum on average. In effect, this means that the investment return pre retirement would be 2.25% higher per annum than future salary increases and the investment return post retirement would be 0.95% higher per annum than pension increases.

20. PENSION COMMITMENTS (CONTINUED)

The actuarial valuation at 31 December 2015 indicated that the market value of the assets of the scheme was €30,216,000 and that the assets were sufficient to cover 103% of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries and increases to pensions in payment which are discretionary. It was recommended that the Society's annual contribution continue at 20% of pensionable salaries in 2016 and this has been paid by the Society. The defined benefit section has been closed to new entrants since 30 September 2009 and was replaced by a hybrid arrangement with the defined benefit element capped at a salary of €45,000 (now €45,500).

The Trustees obtain the consent of the Society to, on a discretionary basis, index pensions in payment on an annual basis. Increases are the lesser of the CPI increase or 3%. No increases were awarded in 2016 as inflation was marginally positive for the relevant period. Members of the Scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

The actuary carries out an annual update of the Funding Standard position of the scheme. The scheme met the Funding Standard at 31 December 2016. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2018.

Requirements

The Society is the sponsoring employer of the scheme and has the legal responsibility for the scheme. The Society of Ireland Compensation Fund also participates in the scheme.

There is no stated policy for charging the net defined benefit cost of the scheme to either entity as both entities availed of an exemption under the previous accounting standard, Financial Reporting Standard 17. Under Financial Reporting Standard 102, the Society has decided that it will recognise the entire net defined benefit cost and the relevant net defined benefit liability in its financial statements. Pension costs for the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Below are the relevant disclosures together with the comparative figures for the previous year.

Changes in the present value of the defined benefit obligation in the year were as follows:

	2016	2015
	€'000	€'000
Opening defined benefit obligation	(31,460)	(31,821)
Service cost (including employee contributions)	(2,055)	(2,217)
Past service cost	-	38
Interest cost	(845)	(728)
Benefits paid	383	362
Actuarial (losses)/gains	(5,850)	2,906
Closing defined benefit obligation	(39,827)	(31,460)

20. PENSION COMMITMENTS (CONTINUED)

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

	2016 €'000	2015 €'000
Opening fair value of plan assets	30,107	27,897
Contributions (including employee contributions)	1,647	1,613
Benefits paid	(383)	(362)
Interest income	830	656
Actuarial gains	1,442	303
Closing fair value of plan assets	<u>33,643</u>	<u>30,107</u>

The principal actuarial assumptions at the balance sheet date:

	2016 %	2015 %
Rate of general increase in salaries	2.00	2.00
Discount rate of scheme liabilities	2.00	2.70
Rate of pension increase	1.50	1.50
Inflation	1.50	1.50
Post retirement mortality		
Current pensioners at 65 - male	22.1	22.0
Current pensioners at 65 - female	24.8	24.6
Future pensioners at 65 - male married	24.9	24.7
Future pensioners at 65 - female married	27.9	27.8
% of pension commuted for cash at retirement	12.5	12.5

The post retirement mortality assumptions allow for expected increases in longevity. The 'current' disclosures above relate to the assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2036.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

20. PENSION COMMITMENTS (CONTINUED)

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

	At Year End 31 December	
	2016	2015
	€'000	€'000
Equities	13,394	12,842
Bonds	16,983	14,521
Cash	23	21
Other	3,243	2,723
	33,643	30,107
	2016	2015
	€'000	€'000
The actual return on plan assets	2,272	959
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	33,643	30,107
Present value of funded obligations	(39,827)	(31,460)
Deficit in the scheme	(6,184)	(1,353)
The amounts included in the performance statements are as follows:		
	2016	2015
	€'000	€'000
Current service cost	(1,586)	(1,742)
Past service cost	-	38
Interest income on pension scheme assets	830	656
Interest expense on pension scheme liabilities	(845)	(728)
Net interest charge	(15)	(72)
Actual return less expected return on pension scheme's assets	1,442	303
Experience (losses)/gains arising on the scheme's liabilities	(418)	606
Changes in assumptions underlying the present value of the scheme's liabilities	(5,432)	2,300
Actuarial (loss)/gain included in Statement of Comprehensive Income	(4,408)	3,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. PENSION COMMITMENTS (CONTINUED)

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

	2016 €'000	2015 €'000
Deficit at beginning of year	(1,353)	(3,924)
Current service cost	(1,586)	(1,742)
Past service cost	-	38
Net interest cost	(15)	(72)
Contributions (excluding employees)	1,178	1,138
Actuarial (loss)/gain	(4,408)	3,209
Deficit at end of year	(6,184)	(1,353)

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

	2016 €'000	2015 €'000
Defined benefit obligation	(39,827)	(31,460)
Fair value of plan assets	33,643	30,107
Deficit	(6,184)	(1,353)

	2016 €'000	2015 €'000
--	-----------------------------	---------------

Difference between the expected and actual return on plan assets:

Amount €'000	(1,442)	(303)
--------------	----------------	-------

Experience (losses)/gains on plan liabilities:

Amount €'000	(418)	606
--------------	--------------	-----

Future contributions:

It is expected that contributions of €1,293,000 will be made to the defined benefit pension scheme in 2017.

THE LAW SOCIETY OF IRELAND

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

21. RELATED PARTY TRANSACTIONS

Law Society Compensation Fund	2016 €
Opening balance at 1 January	(1,007,195)
Charges	6,296,242
Receipts	(7,388,876)
Closing balance at 31 December	(2,099,829)
<hr/>	
Law Society of Ireland Scholarship Fund	2016 €
Opening balance at 1 January	24,061
Charges	(24,057)
Closing balance at 31 December	4
<hr/>	
Irish Rule of Law International	2016 €
Opening balance at 1 January	-
Charges	27,052
Receipts	(27,052)
Closing balance at 31 December	-
<hr/>	

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

KEY MANAGEMENT REMUNERATION

The total remuneration for key management personnel which consists of the 7 Directors and 11 Section Heads/Managers for the financial year totalled €2,539,992 (2015: €2,508,748). This amount includes the President's Subvention, as approved by Council, of €115,000 (2015: €110,000). Remuneration includes salary, social security costs and pension costs.

THE LAW SOCIETY OF IRELAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. SUBSIDIARY AND RELATED UNDERTAKINGS

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

Subsidiary undertakings:

- Benburb Street Property Company Limited
- Ellis Quay Property Services Limited*
- Law Club of Ireland**.

* Ellis Quay Property Services Limited was voluntarily struck off on the 12 March 2017.

**The Law Club of Ireland is considered a subsidiary, as it is controlled by the Law Society of Ireland.

Related undertakings:

- Law Society of Ireland Compensation Fund
- Law Society of Ireland Scholarship Fund
- Irish Rule of Law International.

23. CAPITAL COMMITMENTS

2016
€

2015
€

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

Contracted for	928,509	1,860,000
Not contracted for	2,005,701	1,694,192
	<u>2,934,210</u>	<u>3,554,192</u>

24. SOLICITORS' MUTUAL DEFENCE FUND LIMITED

In 2011, the members of the Law Society approved the provision of financial support to Solicitors' Mutual Defence Fund Limited (SMDF), which was insolvent, to a maximum of €16m.

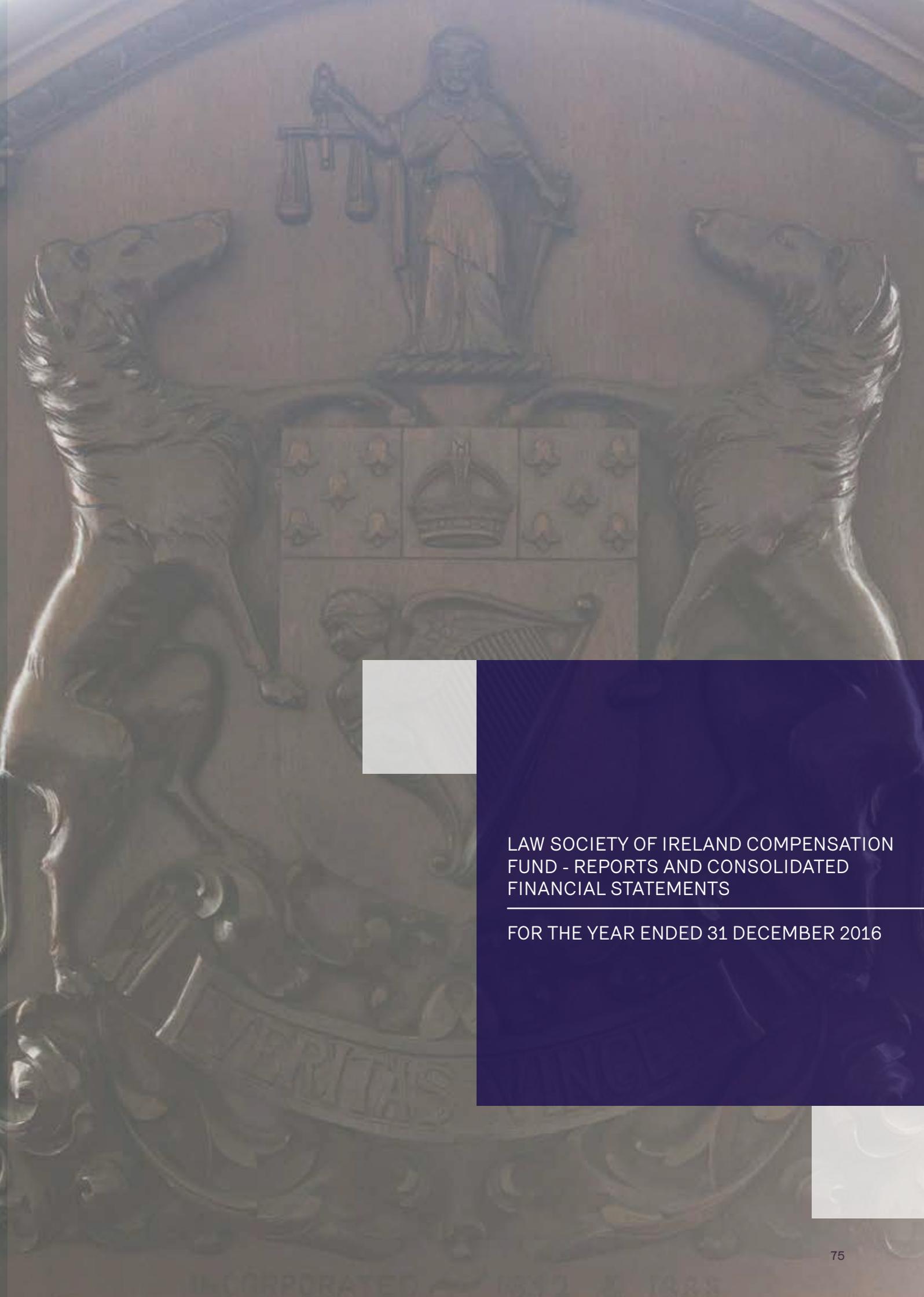
At end of 2015, after capital contributions of €2 million were made to the Solicitors Mutual Claims Services Limited (a subsidiary of SMDF), there was a balance of €5 million in the SMDF Levy Fund available for use under the financial support commitment. In 2016, €1.9 million of practising certificate fee income was allocated to the SMDF Levy Fund and additional capital contributions of €6 million were made to the Solicitors Mutual Claims Service Limited.

During 2016, the Law Society entered into an agreement with R&Q Ireland Limited for the sale of SMDF. The agreement included deferring part of the agreed payment to R&Q Ireland Limited. At 31 December 2016 a liability of €5 million has been recognised in the financial statements.

The overall cost to Law Society members to cover the rundown of operations and the sale to R&Q Ireland Limited is likely to be €13.5m.

25. CONTINGENT LIABILITIES

The Society is from time to time, a party to legal proceedings and claims, which arise in the ordinary course of its activities. The Finance Committee is satisfied that there are no additional claims that require provision by the Society at 31 December 2016. Legal costs incurred by the Society to 31 December 2016, in connection with these matters, have been charged to the Statement of Comprehensive Income and Retained Earnings.



LAW SOCIETY OF IRELAND COMPENSATION
FUND - REPORTS AND CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 fairly present in all material respects 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 is required to:-

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

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

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

We have audited the financial statements of the Law Society of Ireland Compensation Fund for the year ended 31 December 2016 which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out in note 1 to the financial statements.

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

Respective responsibilities of the Regulation of Practice Committee and auditors

As explained more fully in the Statement of Responsibilities of the Regulation of Practice Committee, the Regulation of Practice Committee members are responsible for the preparation of the financial statements which fairly present in all material respects the results and state of affairs and results of the Compensation Fund. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the APB's Ethical Standards for Auditors.

We report to you our opinion as to whether the financial statements fairly present in all material respects, the state of affairs of the Compensation Fund as at 31 December 2016 and its result for the year then ended.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Compensation Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Regulation of Practice Committee members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements for the year ended 31 December 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements fairly present in all material respects the state of affairs of the Compensation Fund as at 31 December 2016 and its surplus for the year then ended.

Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

4 May 2017

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<i>Notes</i>	2016 €	2015 €
INCOME			
Contributions receivable		7,358,500	7,131,400
Income and returns on investments	5	194,151	1,740,238
Recoveries from defaulting solicitors	6	595,940	1,023,645
Disciplinary fines and investigation levies		82,561	123,200
		8,231,152	10,018,483
EXPENDITURE			
Provision for claims	6	2,028,555	2,298,450
Insurance		753,987	763,905
Overheads allocated from the Law Society of Ireland		1,132,537	1,134,943
Financial regulation direct administration costs		2,310,111	2,286,354
Practice closure direct administration costs		674,909	674,809
Legal and other professional fees		267,291	179,266
Other expenditure		7,464	12,017
		7,174,854	7,349,744
Fair value movements arising on revaluation of investments	13	885,270	(2,353,771)
SURPLUS BEFORE TAXATION	7	1,941,568	314,968
Taxation	8	(50,000)	(49,614)
SURPLUS AFTER TAXATION		1,891,568	265,354
Retained earnings at beginning of financial year		17,712,241	17,446,887
RETAINED EARNINGS AT END OF FINANCIAL YEAR		19,603,809	17,712,241

All recognised gains and losses arose from continuing activities.

LAW SOCIETY OF IRELAND COMPENSATION FUND

BALANCE SHEET AS AT 31 DECEMBER 2016

	<i>Notes</i>	2016 €	2015 €
Fixed Assets			
Financial assets	9	23,184,955	22,997,440
Current Assets			
Debtors	10	2,191,609	1,090,626
Cash at bank and in hand		394,206	92,996
		2,585,815	1,183,622
Creditors: Amounts falling due within one year	11	(2,376,665)	(2,408,943)
Net current assets/(liabilities)		209,150	(1,225,321)
Total assets less current liabilities		23,394,105	21,772,119
Provisions for liabilities and charges	12	(3,790,296)	(4,059,878)
NET ASSETS		19,603,809	17,712,241
Revenue reserves		16,560,317	15,554,019
Revaluation reserve	13	3,043,492	2,158,222
		19,603,809	17,712,241

The financial statements were approved by the Regulation of Practice Committee on 4 May 2017 and signed on its behalf by:

Martin J Crotty
Chairman of the Regulation of Practice Committee

Stuart Gilhooly
President of Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<i>Notes</i>	2016 €	2015 €
Net cash flows from operating activities	<i>15</i>	(565,423)	43,743
Cash flows from investing activities			
Dividends received	<i>5</i>	74,947	100,222
Purchase of investments	<i>9</i>	(2,681,649)	(10,204,135)
Disposal of investments	<i>9</i>	3,473,335	10,171,415
Net cash flows from investing activities		866,633	67,502
Net increase in cash and cash equivalents		301,210	111,245
Cash and cash equivalents at beginning of financial year		92,996	(18,249)
Cash and cash equivalents at end of financial year		394,206	92,996

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

Basis of Preparation

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

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value.

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

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

Financial instruments

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

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

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

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

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

(i) Investments

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

(ii) Fair value measurement

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

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

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

Claims

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

Taxation

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

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

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

Pension Costs

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. GOING CONCERN

The Compensation Fund earned a surplus before taxation for the financial year of €1,941,568 (2015: €314,968) and had net current assets of €209,150 (2015: net current liabilities €1,225,321) at the balance sheet date.

The Compensation Fund has €23,184,955 (2015: €22,997,440) of financial assets at its disposal that are readily convertible to cash. Therefore, the Regulation of Practice Committee considers it appropriate to prepare the financial statements on a going concern basis.

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

4. STAFF COSTS	2016 €	2015 €
Salaries and wages	2,221,801	2,237,716
PRSI	233,575	232,516
Pension (Note 17)	261,633	243,901
Total	<u>2,717,009</u>	<u>2,714,133</u>

5. SURPLUS ON SALE OF INVESTMENTS AND RETURNS ON INVESTMENTS	2016 €	2015 €
Surplus on sale of investments (note 9)	119,204	1,640,016
Dividends and interest receivable	74,947	100,222
	<u>194,151</u>	<u>1,740,238</u>

6. NET COST OF CLAIMS AFTER RECOVERIES	2016 €	2015 €
Provision for claims (note 12)	2,028,555	2,298,450
Recoveries from defaulting solicitors	(595,940)	(1,023,645)
Net cost of claims	<u>1,432,615</u>	<u>1,274,805</u>

The Compensation Fund has stop loss insurance policies in place which are subject to an excess of €5,000,000 in any financial year. No insurance recoveries apply in respect of the 2016 or 2015 claim years.

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

7. SURPLUS BEFORE TAXATION	2016	2015
	€	€
The surplus before taxation is stated after charging:		
Auditor's remuneration	4,800	4,800
Increase/(reduction) in fair value movement in investments	885,270	(2,353,771)
	<u> </u>	<u> </u>

8. TAXATION

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

	2016	2015
	€	€
Income tax	50,000	57,264
Deferred tax credit	-	(7,650)
Current tax	<u> 50,000</u>	<u> 49,614</u>

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

	2016	2015
	€	€
Surplus before taxation	<u> 1,941,568</u>	<u> 314,968</u>
Surplus multiplied by standard rate of income tax of 20%	388,313	62,994
Effects of:		
Income not subject to taxation	(1,773,284)	(1,475,679)
Expenses not deductible for tax purposes	1,434,971	1,469,949
Current tax charge for the financial year	<u> 50,000</u>	<u> 57,264</u>

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. FINANCIAL ASSETS

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

The investments are comprised of the following:

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

All the investments noted above have a low risk profile.

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

In respect of prior financial year:

Listed investments – at fair value	€
Balance at 1 January 2015	23,672,413
Disposals at cost	(10,171,415)
Additions at cost	10,204,135
Unrealised movement arising on revaluation of investments	(2,353,771)
Realised movement arising on the disposal of investments	1,640,016
Other movements	6,062
Balance at 31 December 2015	22,997,440

The investments are comprised of the following:

- (a) SSgA Euro Treasury bond index
- (b) SSgA Equity Mutual Investment Fund
- (c) Standard Life Global Absolute Return Strategy Fund (“GARS”);
- (d) Irish Government Fixed Bond

All the investments noted above have a low risk profile.

LAW SOCIETY OF IRELAND COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

13. REVALUATION RESERVE	2016	2015
	€	€
Unrealised movement on investments:		
At beginning of financial year	2,158,222	4,511,993
Movement during financial year	885,270	(2,353,771)
At end of financial year	3,043,492	2,158,222
	<hr/> <hr/>	<hr/> <hr/>
 14. FINANCIAL INSTRUMENTS		
The carrying value of the Fund, financial account and liabilities are summarised by the category below:		
	2016	2015
	€	€
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (see note 9)	23,184,955	22,997,440
<i>Measured at undiscounted amounts receivable</i>		
Debtors and prepayments (see note 10)	61,210	83,431
Amounts due from related undertakings (see note 10)	2,099,829	1,007,195
	25,345,994	24,088,066
	<hr/> <hr/>	<hr/> <hr/>
Financial Liabilities		
<i>Measured at undiscounted amounts payable</i>		
Creditors (see note 11)	2,376,665	2,380,028
	<hr/> <hr/>	<hr/> <hr/>
 15. RECONCILIATION TO CASH GENERATED FROM OPERATIONS	2016	2015
	€	€
Surplus before taxation	1,941,568	314,968
Dividends received	(74,947)	(100,222)
Surplus on disposal of investments	(119,204)	(1,640,016)
Fair value movements on investments	(885,270)	2,353,771
Increase in debtors	(1,070,413)	(847,363)
Decrease in creditors	(247,672)	(6,334)
Income tax paid	(109,485)	(31,061)
CASH (USED IN)/ GENERATED BY OPERATIONS	(565,423)	43,743
	<hr/> <hr/>	<hr/> <hr/>

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. RELATED PARTY TRANSACTIONS

During the financial year the expenditure of the Compensation Fund included expenses and payroll costs totalling €4,025,809 (2015: €3,984,017), which were recharged to it by the Law Society of Ireland. The amount due from the Law Society of Ireland at the financial year end is shown at note 10.

17. PENSIONS

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

The contributions are determined by a qualified actuary on the basis of valuations every three years, using the prospective benefits method. The most recent valuation was completed as at 31 December 2015. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate, the rates of increase in salaries and the rate of increase in pensions in payment. In preparing that valuation, it was assumed that the discount rate would be 4.25% per annum pre retirement and 2.45% per annum post retirement, that future salary increases would average 2.00% per annum, and that pensions in payment will increase at 1.50% per annum on average. In effect, this means that the investment return pre retirement would be 2.25% higher per annum than future salary increases and the investment return post retirement would be 0.95% higher per annum than pension increases.

The actuarial valuation at 31 December 2015 indicated that the market value of the assets of the scheme was €30,216,000 and that the assets were sufficient to cover 103% of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries and increases to pensions in payment which are discretionary. It was recommended that the Society's annual contribution continue at 20% of pensionable salaries in 2016 and this has been paid by the Society. The defined benefit section has been closed to new entrants since 30 September 2009 and was replaced by a hybrid arrangement with the defined benefit element capped at a salary of €45,000 (now €45,500).

The Trustees obtain the consent of the Society to, on a discretionary basis, index pensions in payment on an annual basis. Increases are the lesser of the CPI increase or 3%. No increases were awarded in 2016 as inflation was marginally positive for the relevant period. Members of the Scheme who wish to be considered for this indexation pay a higher contribution rate of 8% of pensionable salary.

The actuary carries out an annual update of the Funding Standard position of the scheme. The scheme met the Funding Standard at 31 December 2016. The next actuarial valuation of the scheme to determine the contributions will be carried out as at 31 December 2018.

The pension charge for the Compensation Fund for the financial year was €261,633 (2015: €234,901).

Commitment to the environment

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

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

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

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