

Financial

Compensation Fund Reports and Financial Statements for the financial year ended **31 December 2024**



LAW SOCIETY OF IRELAND COMPENSATION FUND**RESPONSIBILITIES OF THE REGULATION OF PRACTICE COMMITTEE**

The Regulation of Practice Committee is required to prepare financial statements for each financial year. The Regulation of Practice 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 Regulation of Practice Committee must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at the financial year end date and of the Compensation Fund's surplus or deficit for the financial year. In preparing those financial statements the 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 AUDITOR'S REPORT TO THE MEMBERS OF LAW SOCIETY OF IRELAND COMPENSATION FUND

Opinion

We have audited the financial statements of the Law Society of Ireland Compensation Fund ('the Compensation Fund') for the year ended 31 December 2024, which comprise the Balance Sheet as at 31 December 2024, the Statement of Income and Retained Earnings and Statement of Cash Flows for the year ended 31 December 2024 and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council.

In our opinion the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at 31 December 2024 and of its surplus for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and Companies Act 2014. Our responsibilities under those standards are described below in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Compensation Fund in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA'), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Regulation of Practice Committees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Compensation Fund's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Regulation of Practice Committee with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Respective responsibilities

Responsibilities of Regulation of Practice Committee and those charged with governance for the financial statements

As explained more fully in the Regulation of Practice Committees' responsibilities statement set on page 2, the Regulation of Practice Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: https://iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Compensation Fund's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Compensation Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Compensation Fund and the Compensation Fund's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stewart Dunne
For and on behalf of
BDO
Dublin
Statutory Audit Firm

Date: 5 June 2025

LAW SOCIETY OF IRELAND COMPENSATION FUND**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	Notes	2024 €	2023 €
INCOME			
Contributions receivable		8,386,651	8,143,610
Income and returns on realised movement of investments	5	-	749,165
Income and returns on realised movement of liquidity funds	5	3,928	-
Recoveries from defaulting solicitors	6	1,861,427	1,419,576
Disciplinary fines and investigation levies		41,400	30,712
Interest Received		-	2,422
		10,293,406	10,345,485
EXPENDITURE			
Provision for claims	6	3,844,718	3,278,456
Insurance		830,161	930,286
Overheads allocated from the Law Society of Ireland		1,695,045	1,667,723
Financial regulation direct administration costs		2,951,941	2,776,674
Practice closure direct administration costs		952,549	762,954
Legal and other professional fees		120,330	103,026
Loss on realised movement of investments	5	133,240	-
Other expenditure		209	815
		10,528,193	9,519,934
(Deficit)/surplus for financial year before revaluations		(234,787)	825,551
Fair value movements arising on revaluation of the investment portfolio		1,713,156	1,298,610
Fair value movements arising on revaluation of liquidity funds		148,524	-
SURPLUS BEFORE TAXATION		1,626,893	2,124,161
Taxation		-	-
SURPLUS AFTER TAXATION		1,626,893	2,124,161
Retained earnings at beginning of financial year		26,903,829	24,779,668
RETAINED EARNINGS AT END OF FINANCIAL YEAR		28,530,722	26,903,829

All recognised gains and losses arose from continuing activities.

LAW SOCIETY OF IRELAND COMPENSATION FUND**BALANCE SHEET
AS AT 31 DECEMBER 2024**

	Notes	2024 €	2023 €
Fixed Assets			
Financial assets	9	29,738,143	20,469,088
Current Assets			
Debtors	10	902,328	5,167,543
Cash and cash equivalents	11	9,771,846	10,696,842
		10,674,174	15,864,385
Creditors: Amounts falling due within one year	12	(5,486,174)	(4,267,833)
Net Current Assets		5,188,000	11,569,552
Total assets less current liabilities		34,926,143	32,065,640
Provisions for liabilities	13	(6,395,421)	(5,161,811)
NET ASSETS		28,530,722	26,903,829
Revenue reserves		28,530,722	26,903,829

The financial statements were approved by the Regulation of Practice Committee on 5 June 2025.



Garry Clarke
Chair of the Regulation of Practice Committee



Eamon Harrington
President of Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

CASH FLOWS FROM OPERATING ACTIVITIES	2024	2023
	€	€
Cash flows from operating activities		
Surplus before taxation	1,626,893	2,124,161
Realised movement of investments	133,240	(749,165)
Fair value movement on investments	(1,713,156)	(1,298,610)
Decrease/(increase) in debtors	4,265,215	3,996,361
(Decrease)/increase in creditors	2,352,314	2,218,932
Income tax refunded/(paid)	99,637	(164,859)
Net cash flows from operating activities	6,764,143	6,126,820
Cash flows from investing activities		
Purchase of investments	(9,566,750)	(2,422)
Disposal of investments	1,877,611	-
Net cash flows from investing activities	(7,689,139)	(2,422)
Net increase/(decrease) in cash and cash equivalents	(924,996)	6,124,398
Cash and cash equivalents at beginning of financial year	10,696,842	4,572,444
Cash and cash equivalents at end of financial year	9,771,846	10,696,842

ANALYSIS OF NET DEBT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	At 1 January 2024	Cash Flows	At 31 December 2024
	€	€	€
Cash and cash equivalents	10,696,842	(924,996)	9,771,846

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

1. ACCOUNTING POLICIES

Basis of Preparation

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

General Information and Basis of Accounting

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

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

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

Financial instruments

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

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

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

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

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

(i) Investments

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

(ii) Fair value measurement

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

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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 and the executive considers it likely that the Compensation Fund is liable for such claims and expenses.

Solicitors Funds

When the Society obtain a High Court Order to take up client funds from a solicitor's practice these funds, when received, by the Society are initially recognised as solicitors funds held. As the Fund discharges claims in relation to a solicitor recoveries are made from the funds held in relation to that solicitor.

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

Provision for claims

The committee is of the view that an adequate allowance has been made to reflect the claims provisions in the financial statements. The estimate has been assessed by the Regulation of Practice Committee and/or the executive. The committee has reviewed the provision and consider it to be the best estimate of any liability due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

3. GOING CONCERN

The Compensation Fund incurred a surplus before taxation for the financial year of €1,626,893 (2023: surplus before taxation €2,124,161) which included a fair value profit on investments of €1,861,680. The deficit before revaluations for the year was €234,787 (2023: surplus €825,551). The Compensation Fund had net current assets of €5,188,000 (2023: €11,596,552) at the balance sheet date.

The Compensation Fund had €29,738,143 (2023: €20,469,088) of financial assets at its disposal that are readily convertible to cash. Therefore, the Regulation of Practice Committee have formed the view that, taking appropriate actions, the Compensation Fund's reserves are sufficient to absorb the financial impact of the current economic situation and 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	2024 €	2023 €
Salaries and wages	2,806,772	2,658,053
PRSI	308,427	291,849
Pension (Note 15)	352,870	366,762
	3,468,069	3,316,664
5. INCOME AND RETURN ON INVESTMENTS	2024 €	2023 €
Realised movement of investments (Note 9)	(133,240)	749,165
Realised movement of liquidity funds	3,928	-
	(129,312)	749,165
6. NET COST OF CLAIMS AFTER RECOVERIES	2024 €	2023 €
Provision for claims (Note 12)	3,844,718	3,278,456
Recoveries from defaulting solicitors	(1,861,427)	(1,419,576)
Net cost of claims	1,983,291	1,858,880

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 2024 or 2023 claim years.

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

7. SURPLUS BEFORE TAXATION	2024	2023
	€	€
The surplus before taxation is stated after charging:		
Auditor's remuneration	2,996	6,000
Fair value movement in investments	1,713,156	1,298,610
Fair value movement in liquidity funds	148,524	-
	<hr/>	<hr/>
8. TAXATION	2024	2023
	€	€
The Compensation Fund is liable to income tax on investment income and gains		
Income Tax	-	-
	<hr/>	<hr/>
9. FINANCIAL ASSETS		
Listed investments – at fair value		€
Balance at 1 January 2024		20,469,088
Additions at cost		9,566,750
Disposals at cost		(1,877,611)
Unrealised fair value movements		1,713,156
Realised fair value movements		(133,240)
Balance at 31 December 2024		<hr/> 29,738,143 <hr/>

The investments are comprised of the following:

- (a) SSgA Euro Aggregate Corporate Bond Index
- (b) Aberdeen/Standard Life Global Bond Strategy
- (c) State Street IUT Diversified Alternatives Fund – S40
- (d) State Street IUT World Developed Equity Index Fund – S20
- (e) State Street IUT Euro Government Bond Index Fund – S Gross
- (f) State Street IUT Euro Short Term Liquidity Fund – S Gross
- (g) State Street IUT Euro Inflation Linked Bond Index Fund – S Gross

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 2024**

10. DEBTORS: Amounts falling due within one year	2024	2023
	€	€
Other debtors	69,535	72,503
Amounts due from the Law Society of Ireland	832,793	5,095,040
	902,328	5,167,543
11. CASH AND CASH EQUIVALENTS	2024	2023
	€	€
Cash at bank and in hand	825,583	10,696,842
Solicitors' Funds Held Liquidity Fund	5,488,783	-
Other Short-term Liquidity Fund	3,457,480	-
	9,771,846	10,696,842
12. CREDITORS: Amounts falling due within one year	2024	2023
	€	€
Accruals and other creditors	91,869	82,790
Solicitors' funds held	5,394,305	4,284,680
Income Tax	-	(99,637)
	5,486,174	4,267,833
13. PROVISIONS FOR LIABILITIES	2024	2023
	€	€
Provision for claims:		
At beginning of financial year	5,161,811	3,560,459
Provision made (Note 6)	3,844,718	3,278,456
Claims paid	(2,611,108)	(1,677,104)
At end of financial year	6,395,421	5,161,811

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

14. FINANCIAL INSTRUMENTS	2024 €	2023 €
The carrying value of the Fund, financial assets and liabilities are summarised by the category below:		
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (Note 9)	29,738,143	20,469,088
Short-term Liquidity Funds (Note 11)	8,946,263	-
<i>Measured at undiscounted amounts receivable</i>		
Debtors and Prepayments (Note 10)	69,535	72,503
Amounts due from related undertakings (Note 10)	832,793	5,095,040
	30,640,471	25,636,631
Financial Liabilities		
Measured at undiscounted amounts payable		
Creditors (Note 11)	5,486,174	4,267,833

15. RELATED PARTY TRANSACTIONS

During the financial year the expenditure of the Compensation Fund included expenses and payroll costs totalling €5,562,855 (2023: €5,153,746), 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.

The total remuneration for key management personnel which consists of the 3 Directors and 4 Section Heads/Managers (2.65 fulltime equivalents) for the financial year totalled €501,077 (2023: €471,236; 3 directors and 4 Section Heads/Managers – 2.75 full time equivalents).

16. 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 pension charge for the Compensation Fund for the financial year was €352,870 (2023: €366,762).