



***Solicitors' Mutual Defence Fund  
Limited***

***Annual Report 2008***

**Accounts of the Fund  
30th November, 2008**



# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2008

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# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Solicitors' Mutual Defence Fund Limited will be held at The Law Society, Blackhall Place, Dublin, 7 on Thursday, 20th August, 2009 at 12:00 noon for the purpose:-

1. To receive, and if approved, adopt the Directors' Report and Accounts for the year ended 30th November, 2008 and the Auditor's Report thereon.
2. To re-elect the following Directors who retire by rotation and being eligible offer themselves for re-election:-
  - (a) Tom Shaw
  - (b) Geraldine Clarke
3. To re-elect the following Director who was co-opted since the last Annual General Meeting and retires in accordance with the Articles of Association:-
  - (a) Patrick Dorgan
4. To authorise the Directors to fix the remuneration of the Auditor.

BY ORDER OF THE BOARD

MARGARET WEBER  
Secretary  
25, Lr. Leeson Street  
Dublin 2

Date: 14th July, 2009

Registered Office  
25, Lr. Leeson Street  
Dublin 2

Notes:

Any member of the Company entitled to attend and vote may appoint another person as his/her proxy to attend, speak and vote on his/her behalf. For this purpose a proxy form is enclosed with this notice. A proxy need not be a member of the Company.

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## DIRECTORS AND OTHER INFORMATION

<b>DIRECTORS</b>	Mr L K Shields (Chairman) Mr T D Shaw (Vice-Chairman) Ms G Clarke Mr P J Groarke Mr M P Houlihan Ms E Lynch Mr P Dorgan
<b>COMPANY SECRETARY</b>	Ms M Weber
<b>COMPANY NUMBER</b>	120727
<b>REGISTERED OFFICE</b>	25 Lower Leeson Street Dublin 2 Ireland
<b>AUDITORS</b>	BDO Simpson Xavier Registered Auditors Beaux Lane House Mercer Street Lower Dublin 2 Ireland
<b>SOLICITORS</b>	O'Connor 8 Clare Street Dublin 2  Ince & Co International House 1 St Katherine's Way London E1W 1AY England
<b>PRINCIPAL BANKERS</b>	Bank of Ireland College Green Dublin 2

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## CHAIRMAN'S REPORT

### MEMBERSHIP

At the year end, there was a total membership of 1,306 firms, representing 3,761 solicitors. This was a decrease of 35 firms and an increase of 108 solicitors.

The distribution of the membership as at 30th November, 2008 was:-

Size of Firm	Number of Firms	Percentage of Total
1 Solicitor	571	43.72%
2 - 5 Solicitors	645	49.39%
6 - 10 Solicitors	66	5.05%
11 - 20 Solicitors	18	1.38%
21 + Solicitors	6	0.46%

### CLAIMS

Last year at the end of my Chairman's Report I sounded a note of caution about the increase in claims both in numbers and quantum. Regrettably claims have continued to increase at an alarming rate and an unacceptable level.

You are aware that since the beginning of 2000, your Fund is accepting liability for 10% of every claim up to a maximum of €1,269,738 (IR£1m) for 2000 and 2001 and for €1.3m for 2002, 2003 and 2004, €1.5m for 2005 and €2.5m for 2006, 2007 and 2008. The remaining 90% is placed by way of reinsurance with a number of insurers with AIG (UK) Limited as our lead insurer.

In addition we continue to arrange Stop Loss insurance each year.

The Fund retains the control and management of the claims subject to approval by AIG of payments over an agreed limit.

Once the Fund has agreed to provide indemnity it relies on the Panel Solicitors to manage each case. To keep overheads to a minimum the Panel Solicitors are in effect both the claims manager and the legal manager for the files they handle. The day to day problems are dealt with by Jim Graham our Claims Consultant in consultation with me and/or my fellow Executive Director Thomas D. Shaw.

The table below sets out the number of claims and a breakdown of the claim types across the various areas:

YEAR (12 months to)	31 /12 /2006		31 /12 /2007 (11 months)		30 /11 /2008	
CLAIM TYPE	NO.	%	NO.	%	NO.	%
Criminal	1	0.73%	-	-	-	-
Litigation	42	30.66%	35	28.23%	44	24.04%
Litigation - General	-	-	-	-	1	0.55%
Litigation - Personal Injury - Defence	1	0.73%	1	0.81%	5	2.73%
Litigation - Personal Injury - Plaintiff	-	-	-	-	6	3.28%
Commercial	1	0.73%	1	0.81%	1	0.55%
Conveyancing / Commercial	12	8.76%	16	12.90%	28	15.30%
Conveyancing / Domestic	56	40.88%	49	39.51%	78	42.61%
Family Law	-	-	1	0.81%	1	0.55%
Probate	16	11.68%	17	13.71%	15	8.20%
Taxation	1	0.73%	-	-	-	-
Estate Agency	-	-	-	-	-	-
Financial Advice	-	-	-	-	-	-
Insurance Agency	1	0.73%	-	-	-	-
Other	6	4.37%	4	3.22%	4	2.19%
Total	137	100%	124	100%	183	100%

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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You will observe the large increase in the number of claims which is continuing into this year.

The combined effect of the large increase in claims and extra claims exposure of the new Professional Indemnity Regulations (S.I. 617 of 2007) is threatening the future of the Fund.

Two of our reinsurers have written expressly reserving their rights but recoveries are currently being received from these reinsurers.

## LEVEL OF CONTRIBUTION

You are fully aware of the substantial increase in the contribution level required for the 2008 / 2009 renewal. I have written to you explaining the reasons for this increase. Regrettably the level of contribution is likely to increase significantly this year. You will be aware that we have a policy of doubling the excess in every case where there is a Statute Barred claim with no answer of liability. In addition, loadings are applied to the level of contribution where a member has had a significant claim or claims in the previous several years or where there is a probability of a payment being made.

## INVESTMENTS

The continuing weakness in the financial markets has had a significant impact on both the value of our investments and the dividends. Unfortunately that decline has continued. This is a source of considerable concern to your Board.

## RISK MANAGEMENT

During the year the Fund continued to circulate to members its Newsletters with helpful guidance. In addition the Fund held a Seminar on 11 September 2008 on Risk Management and Regulation for Solicitors in Ireland. This was a hugely successful first Seminar with large numbers attending.

## BOARD, STAFF AND SOLICITORS

I thank Margaret Weber (Secretary/Manager), Jim Graham (Claims Consultant) and the other staff members along with David Gardiner our accountant for their excellent work during the year. I also thank our Panel Solicitors, my fellow Board Members and in particular my Co-Executive Director Thomas D. Shaw for all their efforts on your behalf.

## THE FUTURE

As I write this Report the future is uncertain. This arises from the unacceptable level of claims combined with the impact of the new Professional Indemnity Regulations. The substantial fall in the value of our investments is also a concern.

It cannot be stated too often that the Fund's existence has undoubtedly kept the level of premium charged in the market at a level far below what it would otherwise have been.

In order for the Fund to provide indemnity for the 2009/2010 year the Professional Indemnity Regulations will have to be substantially amended, and the Fund must obtain reinsurance and must obtain stop loss insurance. The Board is actively pursuing these matters.

LAURENCE K. SHIELDS,  
Chairman.

Date: 14th July, 2009.

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

## DIRECTORS' REPORT

The directors present herewith the audited financial statements for the year ended 30 November 2008.

### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are responsible and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Books of account**

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at the company's registered office.

### **Principal activity**

The principal activities of the company are in the managing and administration of a Mutual Defence and Indemnity Fund in relation to civil liability claims affecting the professional character or professional interests of solicitors practising in the Republic of Ireland.

### **Results**

The results for the year are set out in the income and expenditure account on page 9.

### **Dividend**

In accordance with the Memorandum and Articles of Association of the company, the income and property of the company shall be applied solely towards the promotion of the objects of the company and no proportion shall be paid or transferred by dividend, bonus, or otherwise to members of the company.

### **Review of business and future developments**

The progress of the company during the period under review was considered satisfactory, having regard to market conditions. Further comment is set out in chairman's statement included in the annual report.

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## DIRECTORS' REPORT

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Ongoing uncertainty with respect to investment valuations due to falling markets and the possibility of redemption of bank bonds at unfavourable valuations
- Reservations expressed by Re-insurers (as noted in note 15 to the financial statements) and the effect that these may have on the recoverability of their share of claims liabilities
- Effect of unavailability of reinsurance and/or stop loss cover at economical rates, or at all, for the next year of cover.

The directors continue to monitor and take appropriate actions where possible to mitigate these risks.

### Directors and secretary

The names of the persons who were directors at any time during the year ended 30 November 2008 are set out below. Unless otherwise they served as directors for the entire period.

Mr. M R Curran (resigned 30 April 2008)  
Mr. L K Shields (Chairman)  
Mr. T D Shaw (Vice-Chairman)  
Ms G Clarke  
Mr. P J Groarke  
Mr. M P Houlihan  
Ms. E Lynch  
Mr. P Dorgan (appointed 25th August 2008)

### Auditors

BDO Simpson Xavier, Registered Auditors, were appointed as auditors by the Directors during the year and have indicated their willingness to continue in office in accordance with the provisions of Section 160 (2) of the Companies Act, 1963.

PricewaterhouseCoopers resigned as auditors during the year.

Signed on behalf of the Board

L. K. SHIELDS     )  
                          )  
T. D. SHAW        )     DIRECTORS

Date: 14th July, 2009

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

We have audited the financial statements of Solicitors' Mutual Defence Fund Limited for the year ended 30 November 2008 on pages 9 to 17, which comprise the Income and expenditure Account, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared in accordance with the accounting policies set out on pages 12 and 13.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an independent 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 Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

## **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and the Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 6. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We also report to you whether in our opinion: proper books of account have been kept by the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not given and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

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

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

## **Fundamental uncertainty**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made basis of preparation section on page 12 of the financial statements concerning the Company's ability to continue as a going concern. The company is dependent on the market valuation of investments on realisation, the ability of the company to obtain reinsurance and reinsurance companies continuing to meet their obligations to the company to continue as a going concern. These conditions, along with the matters explained in notes 9 and 15 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

## **Opinion**

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 affairs of the Company at 30 November 2008, and of its results for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company's balance sheet is in agreement with the books of account.

In our opinion, the information given in the Directors' Report on pages 6 and 7 is consistent with the financial statements.

**Date: 14th July, 2009**

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**BDO Simpson Xavier**  
Registered Auditors



# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## BALANCE SHEET 30 NOVEMBER 2008

	Notes	30 November 2008 €	30 November 2007 €
<b>Fixed assets</b>			
Tangible fixed assets	8	47,291	67,726
Financial assets	9	11,119,977	22,998,207
		<u>11,167,268</u>	<u>23,065,933</u>
<b>Current assets</b>			
Debtors	10	3,521,703	4,219,698
Cash at bank and in hand		17,053,766	13,458,237
		<u>20,575,469</u>	<u>17,677,935</u>
<b>Creditors</b>			
Amounts falling due within one year	11	(15,598,970)	(12,022,296)
<b>Debtors</b> (amounts receivable after one year)	10	84,761,000	54,118,576
<b>Net assets</b>		<u>89,737,499</u>	<u>59,774,215</u>
<b>Total assets less current liabilities</b>		100,904,767	82,840,148
<b>Provision for liabilities and charges</b>			
Provision for claims	12	(100,604,767)	(72,599,564)
		<u>300,000</u>	<u>10,240,584</u>
<b>Reserves</b>			
Retained Reserves	13	<u>300,000</u>	<u>10,240,584</u>

The accounting policies and notes on pages 12 to 17 form part of these financial statements.

Approved by the Board and signed on its behalf by

L. K. SHIELDS     )  
                          )  
T. D. SHAW        )     DIRECTORS

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2008

	Notes	30 November 2008 €	30 November 2007 €
<b>Cash inflow/ (outflow) from operating activities</b>	<b>1</b>	<b>2,089,770</b>	<b>(2,254,244)</b>
<b>Return on investments and servicing of finance</b>			
Interest and dividends		1,680,260	1,591,339
Taxation		(155,334)	(310,014)
Capital expenditure	<b>2</b>	<b>(19,167)</b>	<b>(2,534,016)</b>
Increase/ (Decrease) in cash in the period		<u>3,595,529</u>	<u>(3,506,935)</u>
<b>Reconciliation of net funds to movement in net Funds (Note 18)</b>			
Increase/ (Decrease) in cash in the period		3,595,529	(3,506,935)
Net funds at beginning of the period		13,458,237	16,965,172
<b>Net funds at end of period</b>	<b>3</b>	<u>17,053,766</u>	<u>13,458,237</u>

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## ACCOUNTING POLICIES FOR THE YEAR ENDED 30 NOVEMBER 2008

### Accounting Policies

#### Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain investments to market value. The currency used in these financial statements in the euro as denoted by the symbol '€'.

#### Basis of preparation

The financial statements have been prepared in accordance with Accounting Standards generally accepted in Ireland and Irish statute comprising the Companies Acts 1963 to 2009. Accounting Standards generally accepted in Ireland in preparing financial statement giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issue by the Accounting Standards Board.

The financial statements have been prepared using accounting policies consistent with prior years.

The directors have prepared the financial statements on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and having adequate resources, to meet its obligations when they fall due.

The validity of the going concern basis is primarily dependent on :

- The ability of the company to continue to obtain reinsurance
- Reinsurance companies continuing to meet their obligations to the company (note 15)
- Market valuation on realisation of investments (notes 9 and 15)

The directors consider it appropriate to prepare the financial statements on the going concern basis. Based on the fact that reinsurance companies have continued to pay claims and the ongoing discussions with the reinsurance companies, the directors believe that the reinsurance companies will continue to meet their obligations to the company. The directors are also taking actions that are within their power to maximise value on the realisation of investments. The financial statements do not include any adjustments that would result if the going concern basis was not appropriate.

#### Contribution income

This consists of contribution income earned during the period. Unearned contribution income represents the proportion of contribution income levied in the year but which relates to unexpired periods of membership calculated on a time apportioned basis.

#### Claims outstanding

- (1) Outstanding claims comprise the estimated settlement cost, including defence costs, of all claims notified and made, but not settled at the balance sheet date. A separate assessment is made of the amount that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.
- (2) Gross contributions less claims paid and expenses are accumulated in a fund during the year of underwriting and second year (open years). The fund is carried forward in the balance sheet and adjusted if necessary, so that the final balance sheet for each underwriting year is sufficient to meet the cost of all outstanding claims. In the third year the underwriting result for the first year is released to the Income and Expenditure Account after allowing for all related outstanding claims.

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## ACCOUNTING POLICIES

### **Investments**

Investments are stated at market value. Unrealised gains or losses arising on the valuation of investments are dealt with in the Investment Revaluation Reserve (unrealised). On disposal of investments, a transfer is made to the Revenue Reserve (realised) from the Investment Revaluation Reserve (unrealised) in respect of gains and losses realised as a result of the disposal.

The market value of investments traded in active markets (such as publicly quoted entities) is based on quoted market prices at the balance sheet date. The quoted market price used for investments is the mid market price. The market value of investments that are not traded in an active market (for example unlisted bonds) is determined on the basis of latest available prices obtained from brokers who facilitate a market in such investments.

Investment income is accounted for on an accruals basis. Income comprises interest and dividends earned, together with realised gains and losses on disposal of investments.

### **Deferred taxation**

Provision is made at current rates for deferred taxation as a result of timing differences in the accounting and taxation treatment of investment income.

### **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Cost of fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is provided on a straight line basis at rates which are estimated to reduce the assets to their realisable values at the end of their expected useful lives which are set out below:

	<b>Expected useful life</b>
Computer equipment	5 years
Furniture and fittings	5 years

### **Pension arrangements**

The company operates a defined contribution pension scheme for its employees. Payments are charged to the income and expenditure account in the period to which they relate.

### **Provisions and contingencies**

No general provisions or contingencies are included in the financial statements in accordance with FRS 12 "Provisions, Contingent Liabilities and Contingent Assets".

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2008

### 1. Reconciliation of underwriting result to operating cash flow

	2008 €	2007 €
Underwriting result	503,347	-
Depreciation charges	39,602	48,234
Decrease/(increase) in debtors	607,368	(1,784,721)
Increase in creditors	3,576,674	1,094,586
(Decrease) in provision for claims (net of re-insurance)	(2,637,221)	(1,612,343)
	<u>2,089,770</u>	<u>2,254,244</u>

### 2. Capital Expenditure and Financial Investment

	2008 €	2007 €
Net purchases of financial assets	-	(2,521,210)
Purchase of tangible fixed assets	(19,167)	(12,806)
	<u>(19,167)</u>	<u>(2,534,016)</u>

### 3. Analysis of net funds

	2007 €	Cash flow €	2008 €
Cash at bank	13,458,237	3,595,529	17,053,766
	<u>13,458,237</u>	<u>3,595,529</u>	<u>17,053,766</u>

### 4. Underwriting Result

	2008 €	2007 €
Net contribution income:	1,909,128	2,157,376
Net surplus - Risk Management Seminar	16,010	-
Less:		
Legal fees	3,005	2,420
Actuaries fees	75,478	68,695
Depreciation	39,602	48,234
Other administration costs	1,060,846	858,538
Provision for future claims	242,860	1,179,489
	<u>503,347</u>	<u>-</u>

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2008

<b>5. Surplus before taxation</b>	<b>2008</b>	<b>2007</b>
	<b>€</b>	<b>€</b>
The surplus is arrived at after charging the following:		
Director's remuneration:		
For services as director	<u>123,251</u>	<u>109,083</u>
For management services	<u>152,583</u>	<u>115,500</u>
Auditors remuneration	<u>16,546</u>	<u>16,177</u>
Depreciation of tangible fixed assets	<u>39,602</u>	<u>48,234</u>
Investment Income:		
Interest and dividends	<u>1,694,811</u>	<u>1,512,260</u>
<b>6. Taxation</b>	<b>2008</b>	<b>2007</b>
	<b>€</b>	<b>€</b>
<b>Current year tax</b>		
Surplus before taxation	2,198,158	1,512,260
Gross deposit interest	4,041	70
Equity dividends – cash	(656,861)	(598,831)
Fees	63	32,884
DWT refunds	-	(9,594)
Income not subject to corporation tax	<u>(503,347)</u>	<u>-</u>
	<u>1,042,053</u>	<u>936,789</u>
The charge comprises:		
Corporation tax on interest income @ 25%	<u>260,513</u>	<u>234,197</u>
<b>7. Employees and Remuneration</b>	<b>2008</b>	<b>2007</b>
	<b>€</b>	<b>€</b>
The average number of persons employed by the company during the period was 4 (2007: 4).		
The staff costs are comprised of:		
Salary costs	<u>324,494</u>	<u>200,308</u>
Social welfare costs	<u>32,017</u>	<u>19,496</u>
Pension costs	<u>25,368</u>	<u>22,394</u>
	<u>381,879</u>	<u>242,198</u>

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2008

### 8. Tangible fixed assets

	Computer equipment €	Furniture & fittings €	Total €
<b>Cost</b>			
At 1 December 2007	696,955	139,580	836,535
Additions	19,167	-	19,167
	<hr/>	<hr/>	<hr/>
<b>At 30 November 2008</b>	<b>716,122</b>	<b>139,580</b>	<b>855,702</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 December 2007	652,686	116,123	768,809
Charge for the year	26,308	13,294	39,602
	<hr/>	<hr/>	<hr/>
<b>At 30 November 2008</b>	<b>678,994</b>	<b>129,417</b>	<b>808,411</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 30 November 2008</b>	<b>37,128</b>	<b>10,163</b>	<b>47,291</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 November 2007	44,269	23,457	67,726
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 9. Financial Assets

	2008 Market Value €	2008 Cost €	2007 Market Value €	2007 Cost €
Fixed Interest Securities	8,748,000	12,450,000	10,649,600	12,450,000
Irish Equities	2,367,987	9,000,379	12,282,184	9,000,379
US Equities	3,990	123,133	66,423	123,133
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 November 2008</b>	<b>11,119,977</b>	<b>21,573,512</b>	<b>22,998,207</b>	<b>21,573,512</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In June 2009, the directors have been advised by Bloxham Stockbrokers, that the Company's investment in the Saturn bond is potentially now worth between 0-3% of its original cost (original cost €8.4m) and that all interest payments with respect to the bond have been suspended. The market value of this bond as at 30 November 2008 was €7,056,000. Bloxhams have advised the Company that they are instituting legal proceedings for the recovery of the loss incurred.

The market values of investments as at 30 June 2009 are as follows:

	€
Fixed Interest Securities	1,687,243
Irish Equities	2,049,237
US Equities	1,077

This represents a further unrealised loss of €7,382,420 to 30 June 2009.

# SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2008

### 10. Debtors

	2008	2007
	€	€
Amounts receivable within one year:		
Unearned reinsurance balance	-	793,236
Reinsurance recoverable	2,868,000	2,670,000
Interest receivable	587,405	585,218
Other prepayments	34,447	46,579
Taxation recoverable	31,851	124,665
	<u>3,521,703</u>	<u>4,219,698</u>
Amounts receivable after more than one year:		
Reinsurance recoverable	<u>84,761,000</u>	<u>58,118,576</u>

### 11. Creditors

	2008	2007
	€	€
Amounts falling due within one year		
Deferred contribution income	14,799,693	10,516,813
Unearned contribution income	-	1,010,410
Other accruals	799,277	495,073
	<u>15,598,970</u>	<u>12,022,296</u>

### 12. Provision for claims

	2008	2007
	€	€
Outstanding claims provisions	<u>100,604,767</u>	<u>72,599,564</u>

### 13. Reserves

	Revenue Reserve (realised)	Investment Revaluation Reserve (unrealised)	Total
	€	€	€
At 1 December 2007	8,815,889	1,424,695	10,240,584
Surplus for the period	1,937,645	-	1,937,645
Unrealised loss on financial assets	-	(11,878,229)	(11,878,229)
<b>At 30 November 2008</b>	<u>10,753,534</u>	<u>(10,453,534)</u>	<u>300,000</u>

### 14. Related party transactions

Certain directors are partners in firms who are on the panel of solicitors acting for the fund in defending members interests. These firms are paid legal fees and reimbursed for outlays in the normal course of business.

### 15. Post balance sheet events

During June 2009, the directors have been advised by Bloxham Stockbrokers, that the Company's investment in the Saturn bond is potentially now worth between 0-3% of its original cost (original cost €8.4m) and that all interest payments with respect to the bond have been suspended. The impact on the net assets as at 30 November 2008, should the value of this bond be nil would be a reduction in net assets of €7,056,000. Bloxhams have advised the Company that they are instituting legal proceedings for the recovery of the loss incurred.

Also subsequent to the year end, certain Re-insurers have notified the Company that they are fully reserving their rights in relation to all periods in which they have reinsured the Company. These Re-insurers reinsured amounts ranging from 15 to 50 % of all balances ceded depending on the underwriting year. The Company is in discussions with these Re-insurers and recoveries are currently being received from these re-insurers.

### 16. Approval of financial statements

The financial statements were approved by the Board of Directors on 25th June, 2009.

# NOTES

# NOTES

# NOTES

