BAR MUTUAL INDEMNITY FUND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Company Number 2182018

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members will be held at the chambers of Rebecca Sabben-Clare KC, 7 Kings Bench Walk, Temple, London EC4Y 7DS on 5 October 2023 at 5.30pm for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 March 2023 and, if they are approved, to adopt them;

To re-appoint Directors; and

To re-appoint the auditor and authorise the Directors to fix their remuneration.

By Order of the Board

K. Halpenny
Secretary

Date: 5 July 2023

Notes: i) A Member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on their behalf. A person so appointed must be a Member of the Company. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.

ii) An agenda booklet for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting will be available on the Bar Mutual web site prior to the meeting.

DIRECTORS

DIRECTORS OF BAR MUTUAL INDEMNITY FUND LIMITED

Rebecca Sabben-Clare KC	Chair
Jasbir Dhillon KC	Deputy Chair
Christopher Pocock KC	Deputy Chair
Ahmed Salim	Chief Executive Officer
Rajiv A Harnal	Chief Financial Officer
Sushma Ananda	
Ruth Bala	Appointed 19 May 2022
Thomas Coghlin KC	
Charles Dougherty KC	
Colin Edelman KC	Chair, Resigned 6 July 2022
Richard Handyside KC	
Michael Horne KC	Resigned 20 April 2022
Anna Markham	
Rebecca Murray	Appointed 19 May 2022
Robert Purves	Appointed 19 May 2022
David Railton KC	Deputy Chair, Resigned 21 March 2023
Nathaniel Rudolf KC	
Simon Salzedo KC	
David Scorey KC	
Sharif Shivji KC	
Fiona Sinclair KC	Resigned 21 March 2023
Steven Snowden KC	Appointed 24 May 2022

CHAIR'S REPORT

Operating Results for the year to 31 March 2023

In the Chair's Interim Report of January 2023 the forecast result for the year was a modest profit of £0.2m. The Interim Report explained that the change in fortunes – the result for the previous year had been a profit of £2.3m – was due primarily to reduction in the value of some of Bar Mutual's investment holdings. Bar Mutual's investments could not escape the turmoil caused by the combination of a return of acute levels of inflation and the government's "Mini-budget" in September 2022.

It was noted in the Interim Report that Bar Mutual would be updating its IT systems. The IT system is over 20 years old and requires attention. The forecast total cost for modernising the IT system is £0.915m. The modernisation project is well under way and the actual costs incurred for the year of £0.482m are slightly below the forecast of £0.500m this year. The balance of the expenditure is to be incurred next year.

The Managers' Actuaries have completed their annual exercise of assessing and recommending the level of claims reserves Bar Mutual should hold in its accounts to meet the cost of the indemnity it provides to its Members for claims made against them. Adverse movements in the claims for the 2019/20 and 2020/21 policy years have impacted the claims reserves for the period to 31 March 2023, and therefore the results. And this year, additional regard has been had to the impact of inflation on Bar Mutual's claims liabilities. The result of both these considerations has been to increase the provision for claims.

Despite the costs of the IT modernisation project and the increased provision for claims, the performance of Bar Mutual's insurance operations for the year produced a surplus of £2m. It is only when regard is had to the investment losses of approximately £3.3m that Bar Mutual's results were tipped into the red for the year, with a modest operating deficit of £0.356m.

It is not uncommon for Bar Mutual to report an operating deficit. In recent years it reported a loss in the accounts to 31 March 2018 (£4m); 31 March 2020 (£1.6m) and to 31 March 2021 (£3m). Bar Mutual does not aim to make a profit from its operations: it aims to offer insurance to Members at approximate cost, reflecting claims experience in each practice area.

The primary relevance of surpluses and deficits in Bar Mutual's yearly operating results is its effect on the amount of capital Bar Mutual holds and, crucially, the amount by which Bar Mutual's capital exceeds what it is required to hold as regulatory capital by the Prudential Regulation Authority (the "**PRA**"), Bar Mutual's Solvency Capital Requirement ("**SCR**"). The qualifying capital Bar Mutual uses for the purposes of assessing its regulatory capital position (its "**Tier 1 Capital**") stands at £42.198m. With an SCR of £25.178m Bar Mutual's Tier 1 capital comfortably exceeds its regulatory capital requirement by £17.020m – a solvency ratio of 168% (and therefore remains within the targets mandated by its risk appetite).

Bar Mutual has obtained the PRA's approval to it recognising as Tier 2 Capital a portion of the premium deferrals that it has to date allowed its Members in respect of open policy years.

Combining Tier 1 and Tier 2 capital results in total qualifying capital of £54.787m and improves Bar Mutual's solvency ratio to 217.6%.

On any view, Bar Mutual continues to be a well-capitalised insurance company and protected against the risk of unexpected adverse events impacting its solvency position.

CHAIR'S REPORT (continued)

Activity throughout the year

Support for the Profession

As Members will know, Bar Mutual was founded in order to provide the self-employed Bar with insurance arrangements that are stable and secure. Its other aims are to ensure that its terms of cover meet the requirements of the Bar, and that it provides, where permissible by its founding documents, general support to the self-employed Bar.

For several years now Bar Mutual has made an annual contribution to Wellbeing at the Bar, a charitable organisation providing support for and assistance with the mental health of self-employed barristers, clerks and pupils. As well as being a worthy charitable cause for Bar Mutual to support, the Board believes that the services provided by Wellbeing at the Bar can reduce the risk of claims against its Members and in turn Bar Mutual.

On occasion, Bar Mutual is called upon to support the specialist bar associations. Thus, in 2012/13 Bar Mutual amended its terms of cover in response to a request from COMBAR in connection with the formulation of standard contractual terms for commercial cases (now known as the COMBAR Terms), and Bar Mutual agreed a prescribed indemnity for purely contractual obligations. In the course of the current financial year, Bar Mutual was called upon by the Criminal Bar Association (the "**CBA**") in connection with its "No Returns" action, under which members of the CBA, following a ballot of its members, agreed to cease accepting instructions to appear in cases where another advocate is or was instructed as the trial advocate but could no longer act in the case. The CBA's actions were driven by a concern that the low level of legal aid fees was causing a flight of barristers from criminal practice and therefore adversely impacting the administration of justice. As regards insurance, the CBA's worry was that the No Returns policy might result in a flood of applications against its members to pay wasted costs. Following a request for assistance from the CBA, BMIF agreed to waive the excess applicable to wasted costs cases.

Diversity

In July 2022 the PRA, FCA and the Bank of England published a joint discussion paper directed at regulated firms on the issue of how best to achieve greater diversity and inclusion. Of relevance to Bar Mutual is the regulators' view that the risk of groupthink is reduced by "increased diversity, in particular at senior levels". Both the Legal Services Board and the Bar Standards Board have also at different times focused on the issue of diversity.

Bar Mutual therefore took the opportunity in the course of the year to update its policy on diversity which includes, for the first time the requirement to collect appropriate data on the diversity of the Board.

CHAIR'S REPORT (continued)

Rating

A core feature of Bar Mutual's approach to setting the underwriting rates it charges for the different areas of practice declared to it at renewal is fairness between Members. Bar Mutual's Underwriting Policy requires the Board to "*...aim to achieve a fair allocation of premium between Members by reference to the risk they present to Bar Mutual by virtue of the type and volume of work they undertake*".

The Board regularly reviews its approach to setting the rates for areas of practice. This year the Board amended the treatment of reinsurance costs. The costs of reinsurance is currently the second largest item of annual expenditure for Bar Mutual, preceded by the costs of claims. The cost of reinsurance protection for the financial year to 31 March 2023 was £5.887m. For the 2023/24 renewal the cost of Bar Mutual's reinsurance protection was apportioned on the basis of the gross notified claims for each area of practice. The previous approach was to divide the annual cost of reinsurance between areas of practice on the basis of historical reinsurance recoveries for each area of practice. The Board has revised its treatment of the reinsurance costs in Bar Mutual's underwriting model because it considers the revised approach to be a more equitable way of apportioning this item of cost.

Directors

The January 2023 Interim Report noted that one of Bar Mutual's long-serving Directors, David Railton KC, would be retiring from the Board in March 2023. There are a total of three Directors stepping down from the Board.

I recorded our collective thanks to David Railton KC for his years of unflagging service to Bar Mutual in my January report. This service included membership of the Audit and Risk Committee and the Management Fee and Oversight Committee, both of which he chaired. He was in addition a member of the Claims Committee and the Rating and Reinsurance Committee.

Fiona Sinclair KC has retired from self-employed practice, a huge loss to the profession. She also retired from the Board in March. Fiona, joined the Board in 2017 and has served on the Audit and Risk Committee, the Claims Committee, the Rules and Cover Committee and the Nominations Committee. Her contribution to the work of all four Committees has been greatly appreciated. I wish to record in particular the Board's deep appreciation for the work she carried out in the course of this year revising Bar Mutual's terms of cover into a simpler format.

Sharif Shivji KC will be stepping away from the Board at the end of this year and I will have more to say about Sharif's contribution to Bar Mutual next year. In the meantime, I record our great thanks to David, Fiona and Sharif for their willingness to give up so many hours of their time and provide their expertise, for the benefit of all Members.

Finally, I would like to take this opportunity to thank all my fellow Directors for the time and effort they dedicate to ensuring the continued success of Bar Mutual. I also wish to thank our Managers for the outstanding quality of the service they continue to provide in running Bar Mutual.

Rebecca Sabben-Clare KC
Chair
5 July 2023

STRATEGIC REPORT

Review of the Year

The Directors present their Strategic Report on the Company for the year ended 31 March 2023.

The Company continued to provide professional indemnity insurance to self-employed barristers and entities authorised by the Bar Standards Board in England and Wales. The deficit arising from the year's operations after tax was £0.356m (2021: surplus £2.386m) and this was transferred from reserves. The reserves now amount to £35.330m (2022: £35.686m) and have been retained to meet claims and the solvency requirement under The Financial Services and Markets Act 2000. The Directors anticipate no significant changes in the Company's future activities.

The principal movements of note are those relating to gross premiums written, gross claims paid and the investment return. Gross Premium written has increased during the year due to the decrease in the deferral rate as further explained in note 5. The principal movements relating to gross claims paid and investment returns are detailed in the Chair's Report.

Principal Risks and Uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by the Audit & Risk Committee and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company, the compliance team and finance department. They perform an important oversight role.

The Company operates a risk transfer strategy by purchasing reinsurance and so safeguarding its reserves. During the year ended 31 March 2023, about 47.4% of the reinsurance contract was placed at Lloyd's (2022: 50.15%) with the balance placed with reinsurance companies in the UK. This is consistent with the placement last year. Note 6 in the Financial Statements explains the Company's reinsurance programme.

The principal risk facing the Company as an insurance company is a severe claims experience. The claims history demonstrates that, quite unexpectedly, claims can climb to levels that could have an impact on the Company's financial strength were it not adequately reserved.

Key Performance Indicators

The Company's objective is to benefit its Members through the provision of professional indemnity insurance on a mutual basis, and its ability to continue do so is partly measured by its solvency position. The key performance indicator is the amount by which the Company's capital resources exceed the Company's regulatory capital requirement, its Solvency Capital Requirement, with reference to a target range, as explained in note 4.7.

STRATEGIC REPORT (continued)

Financial results

The Statement of Income and Movement in Reserves (on page 24) and the Statement of Financial Position (on page 25) together with the notes to the Financial Statements set out the Company's financial position in detail.

The following table compares key financial information for the year-ended 31 March 2023 and 31 March 2022.

	2023 £'000	2022 £'000
Gross Premiums Written	22,711	18,191
Reinsurance Premium	(5,841)	(5,341)
Change in net provision for unearned premium	(24)	1
Net claims incurred	(12,971)	(10,119)
Operating expenses	(1,796)	(1,260)
Surplus on technical account	2,078	1,472
Net investment (losses)/income	(3,321)	1,117
(Deficit)/surplus before tax	(1,243)	2,589
Tax	887	(203)
(Deficit)/surplus for the financial year	(356)	2,386
Free Reserves at 31 March	35,330	35,686

Investments

The Directors have set in place formal investment policies and objectives. The objectives of the Investment Policy are the following:

- To maintain sufficient funds to cover its known claim liabilities and its required regulatory capital; and
- To preserve capital in real terms (CPI rate of inflation) over the medium term, the medium term being defined as a period of five years.

The investment return for the year under review was a negative 3.30% (2022: positive 1.80%).

The Company's Current and Future Plans

The Company's central objective is to provide professional indemnity insurance to its Members at a price that is fair and reasonable. Generating profits for distribution to shareholders is not one of the Company's objectives. Rather, it will only seek to generate sufficient profit where necessary to strengthen its financial and solvency position to ensure that it can continue to provide professional indemnity insurance to self-employed barristers in the longer term.

Company's Current and Future Plans (continued)

The Company has a target range in excess of its regulatory capital requirement, with upper and lower target levels, within which its regulatory capital reserves should sit. The Company bases its target ranges on its Tier 1 Regulatory Capital.

The upper and lower targets have been calculated with reference to a 1 in 20 year capital loss. The targets are shown in the table below:

	£'000
Regulatory Capital Reserves as at 31 March 2023	
Tier 1 Basic Own Funds	42,198
Tier 2 Ancillary Own Funds	12,589
Total Regulatory Capital	54,787
Solvency Capital Requirement	25,178
Lower capital target	37,021
Upper capital target	48,864

At the year end the Company had met its objectives of being in a strong financial position with Tier 1 reserves for regulatory purposes at £42.198m, which is within its defined target limits.

COMPANIES ACT SECTION 172(1)

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of the Company and benefit the Members as a whole; and in doing so to have regard to various other stakeholder interests, including the Managers, regulators, brokers and reinsurers.

As a mutual insurer, Bar Mutual exists for the benefit of its Members, who are also the insureds of the Company. The key decisions made in the year are the continuance of the reinsurance programme and the pricing of member premiums. The key factors under section 172(1) are considered further below:

1. The likely consequences of any long-term decision.

Bar Mutual operates in a stable business environment. It has an annual business plan and, as a result, any decisions taken by the Board that produce an adverse financial result can quickly be identified and corrected. The Board's scope for making adjustments is assisted by regulatory approval for the Company to utilise notional capital (Tier 2 capital) in order to meet any short-term reductions in its capital resources.

2. The interests of the Company's employees.

The Company has no employees. It has outsourced its day-to-day operations to the Managers. Two employees of the Managers have been appointed to the Company's Board as executive directors.

3. The need to foster the Company's business relationships with suppliers, customers and others.

The Company's primary focus, as a mutual insurer, is the provision of insurance to its Members at rates that are fair and reasonable, and ensuring that its Members are provided with an outstanding claims handling service.

The Managers report to the Company on the performance of suppliers and its relationship with others, including insurance and professional regulators.

4. The impact of the Company's operations on the community and the environment.

The Company considers the best interests of its Members as a priority. It makes an annual donation of £11,000 to Wellbeing at the Bar, which is a charity set up to support the challenges facing barristers on a daily basis. It acts as a sounding board on behalf of its Members on legal issues and either makes or assists in making representations to protect its Members' interests to regulators as well as governmental bodies. The Company also makes discretionary payments, if it is in the interest of the Company, its Members or the wider public.

As a service orientated organisation, the Company does not have a material impact on the environment. The Board has established a policy on climate change, which is owned by the Company's Risk Officer. The policy considers the risk of climate change associated with the Company. The Board bears ultimate responsibility for managing the financial risks arising from climate change. Their responsibilities include:

- Understanding and assessing the risks to which Bar Mutual is exposed and their effect on solvency, liquidity and the ability to pay claims, together with their potential to cause reputational risk;
- Setting the tone by exercising effective oversight of risk management and controls and ensuring that adequate resources and sufficient skills and expertise are devoted to managing the financial risks from climate change; and
- Reviewing Bar Mutual's investment portfolio to determine climate-related risk factors.

Bar Mutual has no direct exposure to climate change risks but will continually analyse its exposure as regards the risks to which its Members might be exposed. Consideration of indirect climate change related financial risks such as the impact on its investment portfolio following unanticipated or premature write-downs or devaluation will also be monitored.

Bar Mutual does not meet the definition of a large unquoted company and therefore does not fall under the scope of the Streamlined Energy and Carbon reporting (SECR) requirements. Energy, carbon and usage information has therefore not been disclosed.

COMPANIES ACT SECTION 172(1) (continued)

5. The desirability of the Company maintaining a reputation for high standards of business conduct.

The Board has in place a conduct risk policy that applies to both the Board and the Managers. The policy is intended to ensure that the Company has due regard to the interests of its Members whilst keeping them, and the integrity of the markets in which they operate, at the heart of everything it does.

6. The need to act fairly between Members of the Company.

The Company's conduct risk policy ensures that Members are treated fairly. In addition, the Board has established a conflicts of interest policy which ensures that any Director's conflict of interest is appropriately disclosed and dealt with at Board level.

The Directors therefore consider that the requirements of Section 172(1) are appropriately addressed by the Company's policies and procedures.

Rebbeca-Sabben Clare KC
Chair
Date: 5 July 2023

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual Report and the Financial Statements for the year ended 31 March 2023.

The Company has appointed Thomas Miller Professional Indemnity Limited as sole Managers to manage its business affairs and operations and has appointed Thomas Miller Investment Limited to manage the Company's investment portfolio. Both Thomas Miller Professional Indemnity Limited and Thomas Miller Investment Limited are owned by Thomas Miller Holdings Limited.

The duties of the Managers and details of their remuneration are detailed in note 8 to the Financial Statements.

The Company has no employees.

The Board of Directors has effected a Directors' and Officers' Liability Insurance Policy to indemnify the Directors or Officers of the Company against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Director or Officer of the Company. The insurance also covers the Company's loss when it is required or permitted to indemnify the Directors or Officers pursuant to the law, common or statutory, or the Articles of Company. The cost of the insurance is met by the Company and is detailed in note 9 to the Financial Statements.

Risk Management

The Company's risk management is overseen by the Audit & Risk Committee. The Committee considers the type and scale of risk that the Company is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision making.

Information on how these risks are managed is disclosed in Note 4 to the Financial Statements.

During the year, the Committee reviewed and approved the Company's risk management policies and procedures in the context of Solvency II.

Directors and Officers

The names of the Directors of the Company who served during the year are shown on page 2.

In accordance with the Articles of Company, Thomas Coghlin KC, Charles Dougherty KC, Nathanial Rudolf KC, Rebecca Sabben-Clare KC and David Scorey KC retire by rotation and, being eligible, will seek reappointment at the forthcoming Annual General Meeting to be held on 5 October 2023.

DIRECTORS' REPORT (continued)

Directors and Officers (continued)

The following Directors as per the recommendation of the Board's Effectiveness review offer themselves for re-election annually as a result of having served for more than nine years in office. The remainder of the Board confirm their independence:

1. Jasbir Dhillon KC
2. Christopher Pocock KC
3. Sharif Shivji KC

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

(a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and

(b) They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Meetings of the Directors

The Board of the Company held three formal meetings in the financial year: in, July 2022 December 2022 and March 2023.

The Directors also maintained contact with the Managers between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Company's Articles of Association and Rules.

The Directors received and discussed written reports from the Managers on financial development, investment of its portfolio, renewals, reinsurance, major claims paid and outstanding and claims reserves.

The Annual Reports and Financial Statements for the year ended 31 March 2022 were approved by the Board in July 2022 for submission to the Members of the Company at the Annual General Meeting.

Board Committees

The Board has delegated specific authority to a number of committees. The Board is informed of the main issues discussed as all minutes of the meetings of the committees are distributed to the Board.

The Audit and Risk Committee comprising Christopher Pocock KC, (Chair), Simon Salzedo KC (Deputy Chair), Ruth Bala, Anna Markham, Nathaniel Rudolf KC and Robert Purves assists the Board in reviewing the effectiveness of the Company's internal control processes, the Internal Audit reports, recommending that the Board approve the year-end financials, monitoring the Managers' responses to findings and recommendations of Internal audit and statutory audit and assessing the business risks of the Company. The Committee met on three occasions in the course of the year.

Board Committees (continued)

The Claims Committee comprising Rebecca Sabben-Clare KC (Chair), Charles Dougherty KC, David Scorey KC (Deputy Chair), Nathaniel Rudolf KC and Steven Snowden KC assists the Board in reviewing issues of principle arising in claims-related matters. The Committee also deals with applications for discretionary cover as and when such applications are made. The Committee met twice during the year and liaised frequently throughout the year on claims-related issues.

The Investment Committee comprising Jasbir Dhillon KC (Chair), Charles Dougherty KC (Deputy Chair), Thomas Coghlin KC, Sharif Shivji KC, Richard Handyside KC and Rebecca Murray assists the Board in reviewing in detail the performance of the Company's investments and making recommendations to the Board in respect of the Investment Policy and other investment related issues. The Committee met on three occasions in the course of the year.

The Management Fee and Oversight Committee comprising Christopher Pocock KC (Chair), Sharif Shivji KC (Deputy Chair), Rebecca Sabben-Clare KC and Anna Markham assists the Board in reviewing the effectiveness of the Managers and reporting to the Board on the Manager's management fee proposals. The Committee met once during the year.

The Nominations Committee comprising Rebecca Sabben-Clare KC (Chair), Tom Coghlin KC (Deputy Chair), Sharif Shivji KC and Ruth Bala assists the Board in complying with the Company's and its Committees' Fit and Proper Policy. It also assists the Board on the policy it should adopt for the appointment of Directors and in identifying suitable potential candidates for appointment as Directors for the Board to consider. The Committee met once during the year.

The Reserves Committee comprising Sharif Shivji KC (Chair), Richard Handyside KC (Deputy Chair), Jasbir Dhillon KC, Nathaniel Rudolf KC and Simon Salzedo KC assists the Board in reviewing in detail the Company's claims reserves, capital resources policy and regulatory capital position. It also provides a clear channel of communication between the Managers' Actuaries and the Board. The Committee met twice during the year.

The Rating and Reinsurance Committee comprising Rebecca Sabben-Clare KC (Chair), David Scorey (Deputy Chair), Sushma Ananda, Charles Dougherty KC, Christopher Pocock KC, Rebecca Murray and Steven Snowden KC assists the Board in reviewing in detail the rating system of the Company and making annual recommendations to the Board in respect of the ratings to be applied to the next policy year. The Committee also reviews Bar Mutual's reinsurance programme. The Committee met on two occasions during the year.

The Rules and Cover Committee comprising Rebecca Sabben-Clare KC (Chair), Sushma Ananda (Deputy Chair), Thomas Coghlin KC and Robert Purves reviews the basis on which Bar Mutual provides insurance cover to Members. The Committee met on three occasions during the year.

The Legal Services Act Committee comprising Rebecca Sabben-Clare KC (Chair), Christopher Pocock KC (Deputy Chair), Richard Handyside KC and Rebecca Murray assists the Board in its response to the effect of the introduction of the Legal Services Act on the Members of Bar Mutual Indemnity Fund. There were no formal meetings of the Committee during the year, but the Members of the Committee liaised on issues within the Committee terms of reference.

DIRECTORS' REPORT (CONTINUED)

Future developments

The future developments of the Company have been considered in the Chair's report and the Strategic report.

Post balance sheet events

There have been no events since the balance sheet date, which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report and Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

AUDITOR

The Board will be recommending to the Members that they approve the re-appointment of Mazars as Bar Mutual's statutory auditor and authorise the Directors to fix their remuneration at the forthcoming Annual General Meeting scheduled for 5 October 2023.

Rebecca Sabben-Clare KC
Chair

Date: 5 July 2023

Independent auditor's report to the Members of Bar Mutual Indemnity Fund Limited

Opinion

We have audited the financial statements of Bar Mutual Indemnity Fund Limited ("the company") for the year ended 31 March 2023 which comprise of the Statement of Income and Movement in Reserves, the Statement of Financial Position, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;

Independent auditor's report to the Members of Bar Mutual Indemnity Fund Limited (cont.)

Conclusions relating to going concern (continued)

- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Reviewing the company's Own Risk and Solvency Assessment including the financial forecasts for the company over the next three years based on different assumptions and scenarios;
- Reviewing the forecast Solvency Table for the three year period to 2026 (which formed part of the actuarial claims reserves review);
- Evaluating the appropriateness of the key assumptions in their forecasts by reviewing supporting evidence in relation to these key assumptions;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Obtaining and reviewing the company's Reserves Committee meeting pack dated June 2023 which included the actuarial claims reserves review; a copy of the key performance and risk indicators; and a copy of the Business Risk Assessment; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

Independent auditor's report to the Members of Bar Mutual Indemnity Fund Limited (cont.)

These matters, together with our findings, were communicated to the Audit and Risk Committee through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Valuation of Gross Claims Outstanding - Specifically the valuation of the provision for Incurred But Not Enough Reported ("IBNER") **Gross Claims Outstanding - £53,649,597 (2022: £50,800,049)** *Refer to Note 2 "Significant accounting policies – Claims", Note 3 "Critical accounting estimates and judgements", and Note 7 "Claims and technical provisions"* The valuation of gross claims outstanding is a key area of judgement and management estimation. Professional indemnity insurance is inherently more uncertain than other classes of business, and for the company these are often more complex claims given their longer tail. The long tail claims settlement pattern, volatile nature of the company's claims experience and their unique position as sole insurer for self-employed Barristers in England and Wales makes it more difficult to predict, with accuracy, the estimated total claims costs. The company underwrites professional indemnity insurance on a 'claims made' basis and recognises gross claims outstanding primarily made up of case reserves and a provision for IBNER. The provision for IBNER is the most subjective and, therefore, it was identified as a significant risk and key audit matter.	With the involvement of our actuarial team, we performed the following audit procedures: • Gained an understanding of the reserving process used by the actuaries; • Assessed the flow of data and tested the completeness and accuracy of key system generated reports used in the reserving process; • Performed data integrity tests and confirmed that the data used by the actuaries in the reserving models is consistent with the audit work performed over premiums and claims paid; • Compared the actual gross incurred position at 31 March 2023 with that last seen at 31 March 2022 prepared by the company's actuaries and considered the reasons for differences; • Performed diagnostic checks to understand the developments in the paid and incurred data; • Considered the appropriateness of the actuarial methodologies and assumptions applied and performed an independent reserve projection and compared the results with those derived by the company's actuaries; and • Evaluated the appropriateness of the allowances made for adverse claims development by performing our own bootstrapping exercise and reviewing the consistency of the methodology applied in calculating

	both the actuarially derived and contingency margins applied. **Our observations:** Based on these procedures, we found that the valuation of the Gross Claims Outstanding, specifically the valuation of the provision for IBNER, to be reasonable.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£690,000
How we determined it	1.95% of Total Equity (Free reserves)
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that Total Equity (Free reserves) was the most relevant benchmark as it best represents the financial stability and solvency of the company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £483,000, which represents 70% of overall materiality. In determining performance materiality, we considered a number of factors including the fact that this is our second year of auditing the company, our understanding of the company's control environment, the level and nature of misstatements identified in our previous audit and the number of errors we expect to arise in the current year's audit.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit

	above £21,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the "Annual Report and Financial Statements" other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the Members of Bar Mutual Indemnity Fund Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors 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 the directors 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 directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the Members of Bar Mutual Indemnity Fund Limited

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 (UK) 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: breaches of the regulatory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and the FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation and the Companies Act 2006.

Auditor's responsibilities for the audit of the financial statements (continued)

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of technical provisions (specifically IBNER) and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias; and
- Identifying any significant transactions outside of the normal course of business. Our approach included reviewing Board minutes and correspondence with the PRA and FCA.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the Members of Bar Mutual Indemnity Fund Limited

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 14 July 2021 to audit the financial statements for the year ending 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 March 2022 and 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit and Risk Committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Sam Porritt (Jul 7, 2023 11:35 GMT+1)

Sam Porritt (Senior Statutory Auditor)

For and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey

London

EC4M 7AU

Date: 7 July 2023

STATEMENT OF INCOME AND MOVEMENT IN RESERVES
For the year ended 31 March 2023

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TECHNICAL ACCOUNT GENERAL BUSINESS	Note	2023 £	2022 £
Earned premiums, net of reinsurance			
Gross Premiums written	5	22,710,510	18,191,107
Outward reinsurance premiums	6	(5,841,162)	(5,340,866)
Change in net provision for unearned premium		(24,297)	1,031
Earned premiums, net of reinsurance		16,845,051	12,851,272
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	7	(17,720,786)	(11,550,854)
Reinsurers' share	7	3,357,274	1,332,578
Net claims paid	A	(14,363,512)	(10,218,276)
Change in the provision for claims			
Gross amount	7	(2,849,548)	3,752,833
Reinsurers' share	7	4,242,101	(3,653,683)
Change in the net provision for claims	B	1,392,553	99,150
Claims incurred, net of reinsurance	A+B	(12,970,959)	(10,119,126)
Net operating expenses	9	(1,796,029)	(1,259,777)
Balance on the technical account	C	2,078,063	1,472,369

NON-TECHNICAL ACCOUNT	Note	2023 £	2022 £
Balance on the technical account		2,078,063	1,472,369
Investment income	10	398,576	2,132,065
Unrealised losses on investments	10	(3,355,865)	(623,376)
Investment expenses and charges	10	(364,077)	(392,092)
	D	(3,321,366)	1,116,597
(Deficit)/surplus before tax	C+D	(1,243,303)	2,588,966
Tax credit/(charge)	11	886,969	(203,338)
(Deficit)/surplus for the financial year		(356,334)	2,385,628
Reserves at 31 March, 2022		35,686,149	33,300,521
Reserves at 31 March, 2023		35,329,815	35,686,149

All income and expenses relate to continuing operations.

The notes on pages 27 to 50 form an integral part of these Financial Statements.

Company number 218 2018

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023	2022
ASSETS		£	£
Investments			
Other financial investments	12	81,598,919	82,955,686
Reinsurers' share of gross technical provisions			
Claims outstanding	7	15,781,277	11,539,176
Debtors			
Debtors arising out of direct insurance operations	13	23,824	21,734
Debtors arising out of reinsurance operations	14	1,220,233	745,588
Other debtors	15	1,919,900	2,751,861
		3,163,957	3,519,183
Other assets			
Cash at bank and in hand	16	10,814,846	9,966,385
Prepayments and accrued income			
Accrued interest-interest earned but not yet received on fixed interest securities		327,404	140,468
Other prepayments and accrued income		29,736	37,326
TOTAL ASSETS		111,716,139	108,158,224
LIABILITIES AND RESERVES			
Reserves			
Free reserves		35,329,815	35,686,149
Technical provisions			
Provision for unearned premiums	5	183,470	159,173
Gross claims outstanding	7	53,649,597	50,800,049
Creditors			
Creditor arising out of direct insurance operations		7,723	29,768
Creditors arising out of reinsurance operations	17	627,170	1,262,636
Other creditors including taxation	18	4,903	205,044
		639,796	1,497,448
Accruals and deferred income	19	21,913,460	20,015,405
TOTAL LIABILITIES AND RESERVES		111,716,139	108,158,224

The notes on pages 27 to 50 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and were signed on its behalf on Date: 5 July 2023 by:

Rebecca Sabben-Clare KC (Chair)

R.A.A. Harnal (Chief Financial Officer)

STATEMENT OF CASH FLOWS
For the year ended 31 March 2023

Operating activities

	Note	2023	2022
		£	£
Premiums received		24,100,580	23,579,207
Reinsurance premium paid		(6,476,628)	(4,793,545)
Claims paid		(15,970,527)	(14,239,556)
Reinsurance recoveries received		2,882,629	1,977,476
Operating expenses paid		(1,380,499)	(1,247,217)
Taxation paid		(158,627)	(237,340)
Net cash provided by operating activities		2,996,928	5,039,025

Cash flows from investment activities

	Note	2023	2022
Purchase of investments		(101,701,952)	(95,924,889)
Sale of investments		97,921,349	93,435,712
Interest received		935,606	552,267
Dividends received		696,530	452,652
Net cash flow from investment activities		(2,148,467)	(1,484,258)
Net increase in cash and cash equivalents		848,461	3,554,767
Cash and cash equivalents at the beginning of the year		9,966,385	6,411,618
Cash and cash equivalents at the end of the year	16	10,814,846	9,966,385

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution and ownership

The Company provides professional indemnity insurance to self-employed barristers and some Entities authorised by the Bar Standards Board in England and Wales. It is incorporated in England as a company limited by guarantee and not having a share capital. Its registered office is 90 Fenchurch Street, London, EC3M 4ST.

In pursuance of its business and in accordance with its Memorandum, Articles of Association and its Rules, the Company has the right to make calls on its Members to meet its liabilities. No specific provision is made in the accounts for any such calls unless and until the Directors decide that any such calls shall be made.

In the event of the winding up of the Company, after its liabilities have been satisfied, the remaining assets shall be distributed to the Members.

2. Significant accounting policies

2.1 Statement of compliance and basis of preparation

The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") and the Companies Act 2006.

The Financial Statements have been prepared under the provisions of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Financial Statements have been prepared on the historical cost basis, except for other financial investments which are presented at fair value.

The significant accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year.

2.2 Gross premiums written

The gross premiums written are net of deferral of premium as shown in note 5. The total receivable are for contracts with Members coming into force during the accounting period together with any premium adjustments relating to prior periods. The gross premiums written include provisions for doubtful debts and premiums returned to Members leaving the profession.

Unearned premium reserve

Cessation premium is received from retiring Members to obtain cover for six years. This premium is deferred over the period of cover and accounted for as an unearned premium reserve.

2.3 Claims

The Company insures Members for claims that are made against them during the period of insurance. As such the financial statements recognise the expected cost of claims that are expected to have been notified to the insured Members by the year end. Claims are recorded on a claims made basis.

The Company uses a number of standard actuarial techniques to determine its ultimate claims liability, based on past claims experience. These include development factor methods, the Bornhuetter-Ferguson method and other related analyses as appropriate.

The claims provision recognised in the Statement of Financial Position is made up of:

(i) Estimated claims and settlement costs as at 31 March 2023, on notified claims outstanding in all policy years;
(ii) An additional amount to provide against the costs of adverse development on estimated claims and circumstances notified to Members as at 31 March 2023; and
(iii) A provision for the Managers' future claims handling costs in respect of (i) and (ii).

Claims incurred in the statement of income and movement in reserves includes:

(i) Claims and costs paid during the year;
(ii) The claims handling costs of the Managers (see note 8); and
(iii) The movement in the claims provision (see note 7).

2.4 Reinsurance recoveries

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claims that have been charged to the Technical Account.

2.5 Reinsurance premiums

Reinsurance premiums payable are charged to the Technical Account on an accruals basis and to the policy year to which they apply.

2.6 Financial instruments

Financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and are classified as either 'basic' or 'other' in accordance with Chapter 11 and Chapter 12 of FRS 102. Subsequent to initial recognition, they are measured as set out below.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Financial assets being debtors, cash and prepayments are measured each year at amortised cost. The valuation of the other financial investments are discussed in Note 2.7.

2.7 Other financial Investments

The Company classifies its financial investments at fair value through profit or loss because they are managed and their performance is evaluated on a fair value basis.

Financial investments are recognised at trade date and subsequently measured at fair value. Fair values of financial investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of financial investments denominated in currencies other than UK sterling are translated into UK sterling on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the statement of income and movement in reserves in the period in which they occur.

Net gains or losses arising from changes in fair value of financial investments at fair value through profit or loss are presented in the statement of income and movement in reserves within 'Unrealised gains/ (losses) on investments' in the period in which they arise.

2.8 Investment returns

Investment return comprises dividend income from equities, income on fixed interest securities, interest on deposits and cash.

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis.

2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balance with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents in foreign currency are translated based on the relevant exchange rates at the reporting date.

2.10 Foreign currencies

Items included in the Financial Statements are measured in UK sterling which is the functional and presentational currency. Transactions in foreign currencies have been translated into UK sterling at the rate applicable for the month in which the transaction took place. At each reporting date monetary assets and liabilities that are denominated in foreign currencies are translated into UK sterling at the rates of exchange ruling at the end of the reporting period.

All exchange gains and losses, whether realised or unrealised, are included in foreign exchange gains and losses in the statement of income and movement in reserves.

2.11 Derivative financial instruments

Derivatives include forward foreign exchange contracts. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of income and movement in reserves.

2.12 Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

2.13 Provision for doubtful debts

A provision is made for doubtful debts arising out of direct insurance for amounts due from Members that have been outstanding for one year or more (see note 13).

2.14 Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue operations for at least twelve months from the date the financial statements are signed. For this reason, the going concern basis has been adopted in preparing the accounts.

3. Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The following critical accounting estimates and judgements are made by the Company:

3.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The main source of the uncertainty comes from the outcome of the claims presented to the Company. Estimates are made for the expected ultimate cost of claims, at the end of the reporting period (see note 7).

4 Management of Risk

The Company is governed by the Board of Directors which drives decision making within the Company from Board level through to operational decision making within the Managers. The Board considers the type and scale of risk that the Company is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision making.

The Company is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which the Company is exposed through its core activity as a provider of insurance services, and the broader range of risks. The Company's key risks are the following:

Insurance risk – incorporating underwriting and reserving risk;

Market risk – incorporating investment risk, and interest rate risk;

Credit risk –the risk that a counterparty is unable to pay amounts in full when due;

Liquidity risk –the risk that cash may not be available to pay obligations as they fall due; and

Operational risk –the risk of failure of internal processes or controls.

4.1 Insurance Risk

The Company's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on the Company from a Member. The risk is managed by the underwriting process, acquisition of reinsurance cover, and the management of claims costs.

Insurance risk is wholly concentrated on professional indemnity risks, with all business written in the UK.

Underwriting process

The Company has an underwriting policy which is approved by the Board annually which manages the underwriting risk. The policy sets out the processes by which the risk is managed.

The Company operates a tariff rating system that is applied to earnings and so the underwriting parameters are fixed with no discretion.

Reinsurance

The Company's reinsurance programme is designed to manage risk to an acceptable level and to optimise the Company's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, and additional fees break out cover.

During the year ended 31 March 2023, 47.4% of the reinsurance contract was placed at Lloyd's and the remaining 52.6% with reinsurance companies in the UK.

4. Management of Risk (continued)

4.1 Insurance Risk (continued)

The risk of the Company's reinsurers being unable to meet their obligations is presented in section 4.3 on Credit Risk.

Reserving process

The Company establishes provisions for unpaid notified claims and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as set out in Note 2 of the Financial Statements as directed and reviewed by the Audit and Risk Committee and the Reserving Committee. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by senior Members of Thomas Miller Professional Indemnity Limited.

The Company considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

The results of sensitivity testing are set out below, showing the impact on the surplus before tax and equity, gross and net of reinsurance. The impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	2023	2022
	£	£
Increase in loss ratio by 5 percentage points		
Gross	(1,135,526)	(909,555)
Net	(842,253)	(642,564)

A 5 per cent decrease in loss ratios would have an equal and opposite effect.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The main source of the uncertainty comes from the outcome of the claims presented to the Company. Estimates are made for the expected ultimate cost of claims which takes into account the effects of inflation, at the end of the reporting period (see note 7).

4 Management of Risk (continued)

4.2 Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The investment policy is formally reviewed every three years (but more frequently if required). The policy reflects the risk appetite of the Company and is designed to hold the risk to a level deemed acceptable while maximising return.

The Investment Strategy is formally reviewed annually and sets the parameters within which the Investment Manager must operate in investing the portfolio in order to meet the investment objectives set by the Board.

Currency exchange risk management

The currency risk exposure in the investment portfolio for Bar Mutual is trivial.

Interest rate risk management

Interest rate risk arises primarily from investments in fixed interest securities the value of which is inversely correlated to movements in market interest rates.

Interest rate risk is managed through the investment strategy and accordingly debt and fixed interest securities are predominantly invested in high quality corporate and government backed bonds.

Interest rate sensitivity analysis

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged will result in a £561k (2022: £515k) fall in the value of the Company's investments. A decrease of 100 basis points would have an equal and opposite effect.

Equity price risk

The Company is exposed to price risk through its holding of equities and alternatives as financial investments at fair value through profit and loss. At the year end the holding in equity instruments amounted to 15.23% of the investment portfolio (2022: 20.82%).

A 1% increase in equity values would be estimated to have increased the surplus before tax at the year-end by £125k (2022: £173k). A 1% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

4 Management of Risk (continued)

4.2 Market Risk (continued)

In accordance with section 11 of FRS 102, as a financial institution, the Company applies the requirements of FRS 102- Appendix to Section 2, paragraph 2A.1. This requires, for financial instruments held at fair value in the statement of financial position, disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (that is, price) or indirectly (that is, derived from prices).

Level 3 – Inputs for the assets that are not based on observable market data (that is, unobservable inputs).

The table below presents the Company's assets measured at fair value by level of the fair value hierarchy:

As at 31 March 2023	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Fixed interest - Government	-	42,904	-	42,904
Fixed interest – Corporate	-	13,155	-	13,155
Equities & Alternatives	14,655	-	-	14,655
UCITS	10,732	-	-	10,732
Other-cash with financial institutions	152	-	-	152
	25,539	56,059	-	81,598

As at 31 March 2022	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Fixed interest - Government	-	43,534	-	43,534
Fixed interest – Corporate	-	7,924	-	7,924
Equities & Alternatives	18,866	-	-	18,866
UCITS	12,488	-	-	12,488
Other-cash with financial institutions	143	-	-	143
	31,497	51,458	-	82,955

4 Management of Risk (continued)

4.3 Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

The key areas where the Company is exposed to credit risk are:

Amounts recoverable from reinsurance contracts;
Amounts due from Members; and
Counterparty risk with respect to cash and investments.

Amounts recoverable on reinsurance contracts

The Company is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Board considers the financial position of significant counterparties. The Company has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A" at the time the contract is made and no single reinsurer carries more than a 25% line. The terms of the reinsurance contract give the Company the right to remove any reinsurer whose rating falls below A at any time during the year. The Board reviews reinsurance annually before renewal.

Amounts due from Members

Amounts due from Members represent premium owing to the Company in respect of insurance business written. The risk of Member default is managed by the option of reporting Members to the Bar Standards Board for non-payment which may lead to disciplinary action against the Member.

Counterparty risk with respect to cash and investments

The Investment Strategy sets out the investment limits to which the investment manager has to adhere. All fixed interest and floating rate investments to have minimum long term debt rating of A- from S&P or A3 from Moody's. UCITS within which cash shall be held shall have a minimum rating of AAA from S&P or Moody's and no more than 20% of the total fund size shall be held within any one UCITS or with Bar Mutual's custodian bank. No rating is required for Equity and alternative holdings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. **Management of Risk (continued)**

4.3 Credit Risk (continued)

The following tables provide information regarding aggregate credit risk exposure for financial investments with external credit ratings.

As at 31 March 2023	**AAA/AA**	**A**	**BBB or less or not rated**	**Total**
	£'000	£'000	£'000	£'000
Fixed interest-Government	42,904	-	-	42,904
Fixed interest-Corporate	13,155	-	-	13,155
Equities & Alternatives	-	-	14,655	14,655
UCITS	10,732	-	-	10,732
Other-cash with financial institutions	152	-	-	152
Reinsurers' share of gross technical provisions - Claims outstanding	-	15,781	-	15,781
Debtors arising out of reinsurance operations	-	1,220	-	1,220
Cash at bank	-	10,815	-	10,815
Other	327	-	1,103	1,430
	67,270	27,816	15,758	110,844

As at 31 March 2022	**AAA/AA**	**A**	**BBB or less or not rated**	**Total**
	£'000	£'000	£'000	£'000
Fixed interest-Government	43,534	-	-	43,534
Fixed interest-Corporate	7,924		-	7,924
Equities & Alternatives	-	-	18,866	18,866
UCITS	12,488	-	-	12,488
Other-cash with financial institutions	143	-	-	143
Reinsurers' share of gross technical provisions - Claims outstanding	-	11,539	-	11,539
Debtors arising out of reinsurance operations	-	746	-	746
Cash at bank	-	9,966	-	9,966
Other	141	-	2,774	2,915
	64,230	22,251	21,640	108,121

There were £1k of assets past due or impaired (2022: £18k) and further information is included in note 13.

4. Management of Risk (continued)

4.4 Liquidity Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Company maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 March 2023, the Company's short term deposits (including cash and UCITs) amounted to £21.699m (2022: £22.597m). The Company has sufficient liquid assets to meet its liabilities as they fall due.

The tables below show the maturity analysis of financial liabilities of the remaining contractual liabilities at undiscounted amounts:

As at 31 March 2023	**Short term liabilities**	**More than 1 year**	**2-5 years**	**Total**
	£'000	£'000	£'000	£'000
Technical provisions- claims	19,686	14,246	19,718	53,650
Creditors arising out of direct insurance operations	7	-	-	7
Creditors arising out of reinsurance operations	627	-	-	627
Accruals	639	-	-	639
	20,959	14,246	19,718	54,923

As at 31 March 2022	**Short term liabilities**	**More than 1 year**	**2-5 years**	**Total**
	£'000	£'000	£'000	£'000
Technical provisions- claims	18,138	12,111	20,551	50,800
Creditors arising out of direct insurance operations	30	-	-	30
Creditors arising out of reinsurance operations	1,263	-	-	1,263
Accruals	133	-	-	133
	19,564	12,111	20,551	52,226

4. Management of Risk (continued)

4.4 Liquidity Risk (continued)

The tables below provide a maturity analysis of the Company's financial assets:

As at 31 March 2023	Short term assets	After 1 year	2-5 years	Total
	£'000	£'000	£'000	£'000
Fixed interest-Government	-	16,284	26,620	42,904
Fixed interest-Corporate	-	-	13,155	13,155
Equities & Alternatives	14,655	-	-	14,655
UCITS	10,732	-	-	10,732
Other-cash with financial institutions	152	-	-	152
Debtors arising from reinsurance contracts	5,790	4,191	5,800	15,781
Debtors arising out of reinsurance operations	1,220	-	-	1,220
Cash at bank	10,815	-	-	10,815
Other	2,302	-	-	2,302
	45,666	20,475	45,575	111,716

As at 31 March 2022	Short term assets	After 1 year	2-5 years	Total
	£'000	£'000	£'000	£'000
Fixed interest-Government	-	12,654	30,880	43,534
Fixed interest-Corporate	-	1,251	6,673	7,924
Equities & Alternatives	18,866	-	-	18,866
UCITS	12,488	-	-	12,488
Other-cash with financial institutions	143	-	-	143
Debtors arising from reinsurance contracts	4,120	2,751	4,668	11,539
Debtors arising out of reinsurance operations	746	-	-	746
Cash at bank	9,966	-	-	9,966
Other	2,952	-	-	2,952
	49,281	16,656	42,221	108,158

4.5 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks the Company has engaged Thomas Miller Professional Indemnity Limited as Managers to document all key processes and controls in a procedures manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Board of Directors. A human resource manual including all key policies has also been documented.

4.6 Limitation of the sensitivity analysis

The sensitivity analysis in section 4.2 shows the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above.

4.7 Capital management

The Company maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with the Company's risk appetite and the regulatory requirements.

The Company is subject to the Solvency II insurance regulatory regime, under which the Company's regulatory capital requirement, the Solvency Capital Requirement, has been assessed to be £25.178m as at 31 March 2023. Under the Company's risk appetite, the Company aims to maintain regulatory capital above its regulatory capital requirement and within a target range of capital defined by lower and upper levels. The value of the lower target level has been set as a 1 in 20 year capital loss in excess of the regulatory capital requirement. This capital loss is assessed to be £11.843m as at 31 March 2023. The value of the upper target level has been set as a 1 in 20 year capital loss on top of the lower target level. This capital loss is therefore also £11.843m. This therefore gives a lower target level of regulatory capital of £37.021m and an upper target level of regulatory capital of £48.864m as at 31 March 2023.

The Company manages its regulatory capital position with reference to Tier 1 regulatory capital only, which at the year-end has been assessed to be £42.198m. This therefore exceeds the Company's regulatory capital requirement by £17.020m and is within the target range of capital under the Company's risk appetite. However, the Prudential Regulation Authority has also approved the Company's application to recognise a portion of the deferred premiums that the Company may call upon for payment as additional Tier 2 regulatory capital, which at the year-end has been assessed to be £12.589m. This therefore results in total regulatory capital of £54.787m as at 31 March 2023 which exceeds the Company's regulatory capital requirement by £29.609m.

5. Gross premiums written

Premiums written are in relation to one class of insurance business, namely professional indemnity. The Company introduced a practice in 1999 of providing, where appropriate given the financial circumstances of the Company, an annual premium deferral. But there was no premium deferral for the year ended 31 March 2023 (2022: 7.5%). Gross premiums written are reported net of this deferral. The Company reserves the right to call the deferred premium from Members unless it has waived its right to do so.

	2023	2022
	£	£
Gross premium written	22,710,510	18,191,107

	2023	2022
	£	£
Unearned provision brought forward	159,173	160,203
Movement in the year	24,297	(1,031)
Unearned provision carried forward	183,470	159,173

6. Outward reinsurance premiums

In respect of the year ended 31 March 2023, the Company had reinsurance cover relating to claims and settlement costs of £250,000 in excess of £500,000 subject to a £500,000 aggregate deductible; £750,000 in excess of £750,000 subject to a £750,000 aggregate deductible; and £1,000,000 in excess of £1,500,000.

	2023	2022
	£	£
Treaty reinsurance	5,887,515	5,278,103
Reinstatement premium	(46,353)	62,763
	5,841,162	5,340,866

In arranging reinsurance contracts the Managers obtain and monitor credit ratings for each of the prospective reinsurers in order to ensure, as far as practicable, that recoveries will be settled if and when they fall due.

7. Claims and technical provisions

	2023	2022
	£	£
Gross claims paid	15,820,416	9,650,484
Claims handling (note 8)	1,900,370	1,900,370
	17,720,786	11,550,854

Insurance contract liabilities and assets

	2023	2022
	£	£
Gross technical provisions at the beginning of the year	50,800,049	54,552,882
Claims paid	(15,820,416)	(9,650,484)
Claims incurred	18,669,964	5,897,651
Change in gross technical provisions	2,849,548	(3,752,833)
Gross technical provisions at the end of the year	53,649,597	50,800,049
Gross Reinsurers' share of technical provisions at the beginning of the year	11,539,176	15,192,859
Reinsurers' share of paid claims	(3,357,274)	(1,332,578)
Reinsurers' share of incurred claims	7,599,375	(2,321,105)
Change in gross reinsurance provisions	4,242,101	(3,653,683)
Reinsurers' share of technical provisions at the end of the year	15,781,277	11,539,176
Net technical provisions	37,868,320	39,260,873

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular case and the ultimate cost of notified claims. The estimates for known outstanding claims are based on the best estimates and judgement of the Managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the statement of financial position date. The estimates are reviewed as required, and at least biannually. The gross provision for claims includes allowances for adverse development and the Managers' future claims handling costs (see note 2.3).

Reasonable allowances have been made for adverse claims development in the future. An allowance is assessed by an actuary employed by the Managers using standard actuarial techniques. This methodology projects the claims statistics forward, based on the historical pattern of Bar Mutual's claims experience and other factors. In addition to this actuarially-derived margin, a contingency margin is booked.

7. Claims and technical provisions (continued)

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2022/2023 policy year.

The policy year is for the period 1 April to 31 March. For example in the table below the policy year 2014 refers to the period 1 April 2014 to 31 March 2015.

The reporting year is the year ended 31 March.

No discount rate is applied to the claims provision.

7. Claims and technical provisions (continued)

Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each policy year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount shown in the statement of financial position.

Gross estimate of ultimate claims cost attributable to policy year

Reporting Year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000
At the end of the reporting year	10,700	10,700	11,000	12,703	17,144	16,566	20,686	15,862	13,719	17,772
1 year later	10,487	9,500	10,607	16,469	18,354	14,374	27,965	12,572	10,627	
2 years later	8,900	8,500	16,220	16,941	18,497	14,702	25,428	12,153		
3 years later	8,250	7,528	13,860	15,036	15,029	17,089	25,456			
4 year later	8,611	7,729	12,509	13,998	14,281	19,586				
5 years later	7,443	7,297	12,842	13,242	14,517					
6 years later	6,805	6,800	12,574	13,211						
7 years later	7,429	6,712	12,239							
8 years later	7,475	6,690								
9 years later	6,909									
Estimate of ultimate claims	6,909	6,690	12,239	13,211	14,517	19,586	25,456	12,153	10,627	17,772
Cumulative payments to date	6,791	6,581	12,022	12,531	12,347	13,506	16,115	6,277	2,571	722
Liability recognised in statement of financial position	118	109	217	680	2,170	6,080	9,341	5,876	8,056	17,050

Total liability relating to last nine policy years	49,697
Other claims liabilities	3,953
Total gross technical provisions included in the statement of financial position	53,650

Net estimate of ultimate claims costs attributable to policy year

Reporting Year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000
At the end of the reporting year	10,700	10,700	11,000	11,600	12,976	12,867	14,671	13,249	12,053	13,898
1 year later	10,300	9,500	9,600	13,042	12,596	12,405	17,343	11,879	9,399	
2 years later	8,900	8,500	9,434	12,930	14,967	12,521	16,654	11,407		
3 years later	8,250	7,391	9,313	12,064	11,976	13,920	17,307			
4 year later	8,467	7,543	8,715	11,646	11,648	12,756				
5 years later	7,222	7,200	8,911	10,806	11,243					
6 years later	6,700	6,800	8,881	10,689						
7 years later	7,300	6,712	8,506							
8 years later	7,335	6,690								
9 years later	6,769									
Estimate of ultimate claims	6,769	6,690	8,506	10,689	11,243	12,756	17,307	11,407	9,399	13,898
Cumulative payments to date	6,651	6,581	8,283	10,168	10,212	10,824	12,459	6,277	2,571	722
Liability recognised in statement of financial position	118	109	223	521	1,031	1,932	4,848	5,130	6,828	13,176

Total liability relating to last nine policy years	33,916
Other claims liabilities	3,952
Total net technical provisions included in the statement of financial position	37,868

7. Claims and technical provisions (continued)

Change in reinsurers' share of technical provisions

	2023	2022
	£	£
Reinsurers' share of claims outstanding at end of year	15,781,277	11,539,176
Reinsurers' share of claims outstanding at beginning of year	11,539,176	15,192,859
Increase/(decrease) in reinsurers' share of claims outstanding	4,242,101	(3,653,683)

The reinsurers' share represents the provision for that part of the gross claims provision, which is recoverable from reinsurers. It is based on estimated recoveries against actual claims and costs payments made, and estimated claims and costs provisions.

The movement in the reinsurers' share of outstanding claims is the difference between the provision at the start and at the end of the financial year.

Please refer to note 6 on page 41 for the details of the reinsurance cover purchased by the Company.

8. Management costs

The management fee paid to Thomas Miller Professional Indemnity Limited is apportioned between the different management functions. This fee has to be allocated to (i) acquisition costs, which in the case of the Company has been interpreted by the Directors and Managers as the cost of underwriting, processing renewals, premium adjustments and credit control; (ii) claims handling costs; and (iii) investment management expenses and administration expenses, which includes regulatory compliance, the preparation of accounts and general management.

In order to comply with this requirement, the Managers have made an apportionment.

	2023	2022
	£	£
Acquisition costs (note 9)	522,844	522,844
Claims handling (note 7)	1,900,370	1,900,370
Administration expenses (note 9)	342,763	342,763
	2,765,977	2,765,977
A separate fee is paid to the Investment Managers and included in investment expenses and charges (note 10)		
Investment management expenses	306,023	306,023
Management fees	3,072,000	3,072,000

9. Net operating expenses

	2023	2022
	£	£
a) Acquisition costs	522,844	522,844
b) Administration expenses		
Legal and professional fees	55,534	88,982
Directors' & Officers' Liability insurance	62,774	66,586
Directors' meeting expenses	4,676	3,741
Printing & subscription costs	61,013	34,839
IT modernisation project	481,822	-
Charitable donations	11,000	(7,000)
Regulatory fees	125,803	108,022
Auditor's remuneration - Audit of the company's annual accounts	102,704	79,560
Auditor's remuneration - Audit-related assurance services	25,096	19,440
Management administration expenses	342,763	342,763
	1,796,029	1,259,777

The auditor's remuneration disclosed above is inclusive of VAT.

There were no Directors' emoluments during the year.

10. Investment income

	2023	2022
	£	£
Interest on listed investments	751,442	469,525
(Loss)/gain on foreign exchange	(4,634)	18,293
Bank deposit interest	9,102	183
Dividends on equities	871,592	535,210
	1,627,502	1,023,211
(Losses)/gains on realisation of investments	(1,228,926)	1,108,854
	398,576	2,132,065

Investment expenses and charges

	2023	2022
	£	£
Bank, custodial and other charges	58,054	86,069
Investment management expenses (see note 8)	306,023	306,023
	364,077	392,092

Unrealised (losses)/gains on investments

	2023	2022
	£	£
Cost (see note 12)	84,994,823	82,745,274
Market value (see note 12)	81,598,921	82,955,686
Unrealised (losses)/gains at year end	(3,395,902)	210,412
Unrealised losses movement for the year	(3,355,865)	(623,376)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation

(a) By virtue of its mutual status, the Company is not liable to tax on its insurance operations. However, it is liable to tax on its investment income and net gains. The charge in the statement of income and movement in reserves represents:

Statement of income and movement in reserves	**2023**	**2022**
	£	**£**
UK corporation tax (Note 11c)	(162,811)	207,615
Over provision prior year & interest on tax	(44,804)	(4,277)
Total current tax	(207,615)	203,338
Deferred tax movement	(679,354)	-
Total tax (credit)/charge	(886,969)	203,338

(b) The tax assessed for the period differs from the standard rate of corporation tax in the UK (19 %) and is computed as follows:

	2023	**2022**
	£	**£**
(Deficit)/surplus on ordinary activities before tax	(1,243,303)	2,588,966
(Deficit)/surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(236,228)	491,904
Effects of :		
Re-measurement of deferred tax for changes in tax rates	(163,028)	-
Technical Account not subject to tax	(394,832)	(234,152)
Dividend income not taxable	(49,077)	(50,749)
Income tax expensed	1,017	612
Over provision prior year & interest on tax	(44,804)	(4,277)
Current year tax charge	(886,969)	203,338

(c) Statement of financial position

	2023	**2022**
	£	**£**
Taxation creditor		
Taxation creditor/(debtor) brought forward	203,431	237,433
Receipt	(4,184)	231,975
Over provision prior year & interest on tax	(44,804)	-
Payment corporation tax	(158,627)	(469,408)
	(4,184)	-
UK corporation tax for the current year	(158,627)	207,615
Corporation tax credit interest	-	(4,184)
Creditor/(debtor) as at 31 March	(162,811)	203,431
Deferred tax (asset) carried forward	(679,354)	-

The company is taxed on the investment return by virtue of its mutual status. The deferred tax asset arises on the investment losses in the year.

12. Other financial investments

	Market Value 2023 £	Market Value 2022 £	Cost 2023 £	Cost 2022 £
Other financial Investments comprise:				
Equities & Alternatives	14,655,068	18,866,487	15,380,768	17,423,934
UCITS & Other-cash	10,884,143	12,631,553	10,865,922	12,461,563
Fixed interest securities	56,059,710	51,457,646	58,748,133	52,859,777
	81,598,921	82,955,686	84,994,823	82,745,274

All holdings in fixed income securities are traded on markets which are not considered to be active but are valued based on quoted market prices. "Undertakings for Collective Investment in Transferable Securities" ("UCITS") are funds held for the short term.

The Companies Act 2006 identifies the categories of investment income to be disclosed in the Financial Statements. The investments are classified as financial assets measured at fair value through profit or loss (as per FRS 102 11.41). The Company's investment holdings do not fall into any specific category and as a result they are disclosed as "other financial investments".

Derivative financial instruments – Forward contracts

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk arising on certain other financial investments denominated in EUR and USD. At 31 March 2023, the outstanding contracts mature on 04 April 2023 and 04 May 2023. The Company is committed to buy USD1, 310,000 and sell USD2, 650,000.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR. The fair value of the forward foreign currency contracts is £18,663 (2022: £ 5,272). This is recorded within UCITS & Other-cash above.

13. Debtors arising out of direct insurance

	2023 £	2022 £
Debts due from Members (Premiums)	51,032	40,233
Provision for doubtful debts	(27,208)	(18,499)
	23,824	21,734

Debtors arising out of direct insurance due from Members comprises both outstanding premiums and short-term financing to Members in respect of recoverable input VAT on defence costs.

13. Debtors arising out of direct insurance (continued)

The Company actively pursues recovery of all outstanding debts and has a policy of reporting to the Bar Standards Board Members who have not paid their premiums so that the Bar Standards Board may take appropriate action against them in accordance with the provisions of the BSB Handbook.

14. Debtors arising out of reinsurance operations

Debtors arising out of reinsurance operations of £1,220,233 (2022: £745,588) are reinsurance recoveries which are due from reinsurers.

15. Other Debtors

	2023	2022
	£	£
Sundry debtors	83,473	7,340
Claim recoveries due from third parties	994,262	2,744,521
Corporation tax recoverable (note 11 c)	162,811	-
Deferred tax asset	679,354	-
	1,919,900	2,751,861

16. Cash and cash equivalents

	2023	2022
	£	£
Cash at hand and in bank	10,814,846	9,966,385

17. Creditors arising out of reinsurance operations

	2023	2022
	£	£
Reinsurance creditor	627,170	1,262,636

18. Other creditors including taxation

	2023	2022
	£	£
Insurance Premium Tax	4,903	1,613
Taxation (note 11(c))	-	203,431
	4,903	205,044

19. Accruals and deferred income

	2023	2022
	£	£
Accrued expenses	639,014	133,118
Deferred income - premiums received in advance	21,274,446	19,882,287
	21,913,460	20,015,405

Premiums received in advance relate to premiums invoiced for the 2023 policy year and received prior to the year end.

20. Related party disclosures

The Company has no share capital and is controlled by the Members who are also the insureds. There have been no related party transactions between the Company and its Members outside the normal course of business.

All the Directors are Members of the Company other than the Chief Executive Officer and Chief Financial Officer who are employed by the Managers. Save for their own insurance, the Directors have no financial interests in the Company, other than where Directors may have been instructed to act for a Member of the Company in a case funded by the Company. There has been one related party transaction during the year totalling £77,377.50 (2022: Nil). The Company paid Charles Dougherty KC a total of £77,377.50 to defend a claim made against one of its Members.

Thomas Miller Professional Indemnity Limited received £3,072,000 (2022: £3,072,000) from the Company in respect of management fees for the year which includes the salaries of the Executive Directors. This has been fully settled in the year.

21. Location and nature of business

The business consists of direct professional indemnity insurance in respect of third party liability, written within the United Kingdom.

MANAGERS AND OFFICERS

MANAGERS

Thomas Miller Professional Indemnity Limited,
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(A COMPANY LIMITED BY GUARANTEE)

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