

**BAR MUTUAL**

**Directors Report and  
Financial Statements  
For the year ending 31 March 2010**

*Bar Mutual Indemnity Fund*



BAR MUTUAL  
IS MANAGED  
BY **THOMAS  
MILLER**

**BAR MUTUAL INDEMNITY FUND LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

Company Number 218 2018



## **BAR MUTUAL INDEMNITY FUND LIMITED**

<b>CONTENTS</b>	<b>PAGE</b>
Notice of Meeting	1
Directors and Managers	2
Report of the Directors	3-7
Report of the Auditors	8-9
Income and Expenditure Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Financial Statements	13-24
Registered Office	25



**NOTICE OF MEETING**


Notice is hereby given that the Annual General Meeting of the Members will be held at The General Council of the Bar, 289-293 High Holborn, London, and WC1V 7HZ on Tuesday, 27 July 2010 at 5.30pm for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 March, 2010 and, if they are approved, to adopt them;

To appoint Directors; and

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

By Order of the Board



**K. Halpenny**  
Secretary

Date: 10 June 2010

- 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 instead of him. 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 sent to Members prior to the meeting.

**BAR MUTUAL INDEMNITY FUND LIMITED**

**DIRECTORS AND MANAGERS**

**DIRECTORS OF BAR MUTUAL INDEMNITY FUND LIMITED**

Justin Fenwick Q.C. (Chairman)

Richard Anelay Q.C.

Michael Bowes Q.C. (resigned 28 July 2009)

Michael Brindle Q.C.

Andrew Colman

Conrad Dehn Q.C. (resigned 31 December 2009)

Colin Edelman Q.C.

Catherine Gibaud (appointed 28 August 2009)

Siobán Healy Q.C.

Judith Jackson Q.C. (resigned 31 December 2009)

Gavin Kealey Q.C.

Thomas Lowe Q.C.

David Railton Q.C. (appointed 31 March 2010)

Colin Reese Q.C.

Christopher Symons Q.C.

David Wolfson Q.C.

Stephen Worthington Q.C.

**SECRETARY**

I.R. Jarrett ACIS (resigned 31.12.2009)

K. Halpenny (appointed 31.12.2009)

**MANAGERS**

Bar Mutual Management Company, 90 Fenchurch Street, London, EC3M 4ST.

Directors of Bar Mutual Management Company:

R. Cunningham I.R. Jarrett (resigned 31.12.2009) S. Jacobs P.T.E. Massey A. Salim  
K. Halpenny (appointed 31.12.2009)

**AUDITORS**

Moore Stephens LLP, Chartered Accountants, 150 Aldersgate Street, London, EC1A 4AB.

## **BAR MUTUAL INDEMNITY FUND LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their Report and the Financial Statements for the year ended 31 March 2010.

The Company provides principally for the mutual insurance of Barristers against risks arising from professional negligence.

The Company has appointed Bar Mutual Management Company 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 Bar Mutual Management Company and Thomas Miller Investment Limited are owned by Thomas Miller Holdings Limited.

The Company has no employees.

The Board of Directors have 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 Association. The cost of the insurance is met by the Company and is detailed in note 10 to the Financial Statements.

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 auditors are 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 auditors are aware of that information.

### **DIRECTORS**

The Directors of the Company are shown on page 2.

In accordance with the Articles of Association, Justin Fenwick Q.C., Siobán Healy Q.C., Gavin Kealey Q.C., and Stephen Worthington Q.C. retire by rotation.

Conrad Dehn Q.C. and Judith Jackson Q.C. resigned during the year. The Board wishes to thank them for their contribution to the affairs of the Company.

In addition, Catherine Gibaud and David Railton Q.C. having been appointed Director during the year must retire and being eligible will seek reappointment at the forthcoming Annual General Meeting.

## BAR MUTUAL INDEMNITY FUND LIMITED

### REPORT OF THE DIRECTORS (Contd)

#### REVIEW OF THE YEAR

The Company continued to provide professional indemnity insurance to Barristers. The surplus arising out of the year's operations after tax was £321,430 (2009 deficit - £31,320) and this was transferred to reserves. The reserves now amount to £19,256,767 (2009-£18,935,337) and have been retained to meet claims and the solvency requirement under Financial Services and Markets Act 2000. The Directors anticipate no significant changes in the Company's future activities.

#### Financial Results

The Income and Expenditure Account (on page 10) and the Balance Sheet (on page 11), 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-end 31 March 2010 to 31 March 2009.

	2010	2009
	£'000	£'000
Premium Written	13,836	12,678
Reinsurance Premium	(4,373)	(4,509)
Net claims paid	(11,947)	(7,719)
Operating expenses	(990)	(977)
(Deficit) on technical account	(3,474)	(527)
Net Investment Income	5,261	670
Surplus on ordinary activities before tax	1,787	143
Tax	(1,466)	(174)
Surplus(deficit) for the financial year	321	(31)

The Directors have set in place formal investment policies and objectives. The primary objective is to conserve and accumulate capital to cover future obligations. Within and ancillary to this primary objective is a secondary objective to maximise the post-tax yield. The investment return for the year under review was 11.21%.

Capital resources for regulatory purposes at £27.5m exceed the required regulatory capital of £21m by £6.5m.

In the coming year the Company will carry on providing professional indemnity insurance to its members, maintain its financial strength, and the required level of capital resources.

#### Meetings of the Directors

The Board of the Company met formally on three occasions during the year to carry out the general and specific responsibilities entrusted to it by the Members under the Articles of Association.

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

The Annual Reports and Financial Statements for the year ended 31 March 2010 were approved by the Board for submission to the members of the Company at the Annual General Meeting.

## BAR MUTUAL INDEMNITY FUND LIMITED

### REPORT OF THE DIRECTORS (Contd)

#### 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 Committee** comprising Christopher Symons Q.C., Andrew Colman and Catherine Gibaud assists the Board in discharging its responsibilities for the integrity of the Financial Statements, compliance with the regulatory requirements, and assessing the Business Risk of the Company. Conrad Dehn Q.C. and Michael Bowes Q.C were also members of the Committee until they resigned from the Board. The Committee met on three occasions in the course of the year.

**The Investment Committee** comprising Colin Reese Q.C., Siobán Healy Q.C., Thomas Lowe Q.C. and David Wolfson Q.C. assist the Board in reviewing in detail the performance of the Company investments and make recommendations to the Board in respect of the Investment Policy and other investment related issues. Michael Bowes Q.C was also a member of the Committee until he resigned from the Board. The Committee met on three occasions in the course of the year.

**The Reserves Committee** comprising Colin Reese Q.C., Justin Fenwick Q.C., Gavin Kealey Q.C., Stephen Worthington Q.C. and Michael Brindle Q.C. assists the Board in reviewing in detail the Company claim reserves, claims reserves policy and Individual Capital Assessment and provide a clear channel of communication between the Managers' actuaries and the Board. The Committee met on two occasions in the course of the year.

**The Rating and Reinsurance Committee** comprising Justin Fenwick Q.C., Richard Anelay Q.C., Conrad Dehn Q.C., Siobán Healy Q.C., Judith Jackson Q.C., Gavin Kealey Q.C. and David Wolfson Q.C. assists the Board in reviewing in detail the rating system of the Company and to make annual recommendations to the Board in respect of the rating to be applied to the next policy year. The Committee also reviews the Company reinsurance programme. The Committee met on one occasion in the course of the year.

**The Rules Committee** comprising Justin Fenwick Q.C., Siobán Healey Q.C., Thomas Lowe Q.C. and Michael Brindle Q.C. reviews the terms on which insurance cover is provided by Bar Mutual. Judith Jackson Q.C. was a member of the Committee until she resigned from the Board. This Committee meets at the discretion of the Chairman and met on one occasion during the year.

**The Management Fee Committee** comprises Christopher Symons Q.C., Justin Fenwick Q.C, and Andrew Colman assists the Board in finalising fee agreements with the Managers and Investment Managers. Judith Jackson Q.C. was also a member of the Committee until she resigned from the Board. The Committee met on two occasions in the course of the year.

**The Legal Services Act Committee** comprises Michael Brindle Q.C., Colin Edelman Q.C., Justin Fenwick Q.C., Catherine Gibaud and Christopher Symons Q.C. The Committee is considering the impact of the Legal Services Act on the members of Bar Mutual Indemnity Fund. The Committee met on one occasion during the year.

## **BAR MUTUAL INDEMNITY FUND LIMITED**

### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **RISK MANAGEMENT**

The Company is exposed to financial risk through its assets and liabilities. The most significant risks are market risk, credit risk, insurance risk and reinsurance risk. The Company has policies and procedures in place to manage these risks.

Market risk is the risk of changes in the financial markets affecting the value of the Company's investments. It is managed by the Company's investment policy, which is monitored by means of reports from the Investment Manager to the members of the Investment Committee who in turn report to the Board.

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Company. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of financial reports from the Managers at Board meetings.

Insurance Risk is the risk associated with claims on the Company. Exposure is mitigated by a strategy of risk transfer through the Company's reinsurance programme, as well as holding adequate claims reserves.

Reinsurance risk is the risk that the Company has inadequate reinsurance cover or of the Company's reinsurers being unable to meet their obligations under the treaties. This risk is mitigated by only placing reinsurance with reinsurers holding a Standard & Poor rating of A- or higher and limiting the exposure to a maximum line with any one reinsurer of 25 per cent on any one layer. The ratings are kept under review and to date no reinsurer has fallen below the rating criteria.

Prior to the AGM, the Chairman Justin Fenwick Q.C., will distribute a Chairman's Report, which will include a detailed review of the Company's performance in the year ended 31 March 2010.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the 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. Under that law, 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). Under company 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## **BAR MUTUAL INDEMNITY FUND LIMITED**

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  
**REPORT OF THE DIRECTORS (CONTINUED)**

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.

## **AUDITORS**

The Company's auditors, Messrs Moore Stephens LLP, have expressed their willingness to continue to serve as the Company's auditors. A resolution for their re-appointment and to authorise the Directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting.



Justin Fenwick Q.C.  
Chairman

Date: 10 June 2010

## **BAR MUTUAL INDEMNITY FUND LIMITED**

### **Independent Auditors' Report to the Members of Bar Mutual Indemnity Fund**

We have audited the Company's Financial Statements for the year ended 31 March 2010, which comprise the Income and Expenditure, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

#### **Respective Responsibilities of Directors and Auditors**

As explained more fully in the Directors Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

#### **Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its surplus 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**BAR MUTUAL INDEMNITY FUND LIMITED**

**Independent Auditors' Report to the Members of Bar Mutual Indemnity Fund –  
(Continued)**

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records or 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.



Simon Gallagher (Senior Statutory Auditor)

For and on behalf of Moore Stephens LLP, Statutory Auditor  
150 Aldersgate Street, London EC1A 4AB

Date: 10 June 2010

**INCOME AND EXPENDITURE ACCOUNT**  
For the year ended 31 March 2010

	Note	2010 £	2009 £
<b>TECHNICAL ACCOUNT GENERAL BUSINESS</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross Premiums written	3	13,835,802	12,678,110
Reinsurance premiums	4	(4,373,276)	(4,508,457)
Earned premiums, net of reinsurance		<u>9,462,526</u>	<u>8,169,653</u>
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	6,9	(8,261,088)	(13,298,286)
Reinsurers' share		247,318	3,821,659
Net claims paid (A)		<u>(8,013,770)</u>	<u>(9,476,627)</u>
<b>Change in the provision for claims</b>			
Gross amount	7	(4,742,268)	3,085,804
Reinsurers' share	8	809,063	(1,328,524)
Change in the net provision for claims (B)		<u>(3,933,205)</u>	<u>1,757,280</u>
Claims incurred, net of reinsurance (A+B)		<u>(11,946,975)</u>	<u>(7,719,347)</u>
Net operating expenses	10	(989,455)	(976,752)
Balance on the technical account		<u>(3,473,904)</u>	<u>(526,446)</u>
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the general business technical account as above		(3,473,904)	(526,446)
Investment income	11	2,391,743	2,014,009
Unrealised gains on investments	13	2,992,932	(1,251,622)
Investment expenses and charges	11	(123,408)	(92,728)
Surplus on ordinary activities before tax		1,787,363	143,213
Tax on ordinary activities	20	(1,465,933)	(174,533)
Surplus/(deficit) for the financial year		321,430	(31,320)
Surplus at 31 March, 2009		18,935,337	18,966,657
Surplus at 31 March, 2010		<u>19,256,767</u>	<u>18,935,337</u>

All income and expenses relate to continuing operations. There are no recognised gains or losses other than those shown in the Income and Expenditure account.

The notes on pages 13 to 24 form an integral part of these Financial Statements.

**BAR MUTUAL INDEMNITY FUND LIMITED**

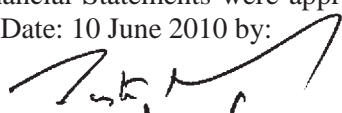
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		<b>BALANCE SHEET</b>	
		<b>As at 31 March 2010</b>	
	Note	2010	2009
		£	£
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	12	55,027,451	47,741,056
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding	8	2,881,890	2,072,827
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	57,238	23,660
Debtors arising out of reinsurance operations	15	654,729	911,031
Other debtors	16	237,659	536,282
		<u>949,626</u>	<u>1,470,973</u>
<b>Other assets</b>			
Cash at bank	26	6,177,028	7,270,934
<b>Prepayments and accrued income</b>			
Accrued interest-interest earned but not yet received on fixed interest securities		258,319	380,538
<b>TOTAL ASSETS</b>		<u><u>65,294,314</u></u>	<u><u>58,936,328</u></u>
<b>LIABILITIES</b>			
<b>Reserves</b>			
Income and Expenditure Account		19,256,767	18,935,337
<b>Technical provisions</b>			
Claims outstanding - gross amount	7	35,696,673	30,954,405
<b>Creditors</b>			
Creditors arising out of reinsurance operations	18	3,741,688	1,995,656
Other creditors including taxation	17	851,832	568
		<u>4,593,520</u>	<u>1,996,224</u>
<b>Accruals and deferred income</b>	19	5,747,354	7,050,362
<b>TOTAL LIABILITIES</b>		<u><u>65,294,314</u></u>	<u><u>58,936,328</u></u>

The notes on pages 13 to 24 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: 10 June 2010 by:

Director:



Director:



Signed on behalf of the Managers: Peregrine Massey



Bar Mutual Management Company Limited

**CASH FLOW STATEMENT**  
**For the year ended 31 March 2010**

**Reconciliation from surplus on ordinary activities before tax to net cash inflow from operating activities**

	Note	2010 £	2009 £
Surplus on ordinary activities before tax		1,787,363	143,213
Investment return		(5,384,675)	(762,387)
Investment expenses		123,408	92,728
Balance on the general business technical account		<u>(3,473,904)</u>	<u>(526,446)</u>
Decrease/(increase) in debtors	22	468,552	(579,084)
Increase in creditors	23	441,199	977,186
Increase/(decrease) in net provision for claims		3,933,205	(1,757,280)
Net difference between accruals and cash basis		<u>4,842,956</u>	<u>(1,359,178)</u>
Net cash inflow/(outflow) from operating activities	24	<u>1,369,052</u>	<u>(1,885,624)</u>

**CASH FLOW STATEMENT**

Net cash inflow/(outflow) from operating activities	24	1,369,052	(1,885,624)
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**Returns on investment and servicing of finance**

Interest received		2,488,170	2,029,912
Unit Trust distributions received	11	25,792	10,500
Investment expenses		(122,021)	(91,672)
		<u>2,391,941</u>	<u>1,948,740</u>

**Taxation**

Corporation tax paid	20(c), 21	(561,436)	(688,156)
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Increase/(decrease) in cash, deposits and investments in the year	25,26	<u>3,199,557</u>	<u>(625,040)</u>
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**CASHFLOWS WERE INVESTED AS FOLLOWS:**

	Note	2010 £	2009 £
(Decrease)/increase in cash at bank	26	(1,093,906)	2,378,492
<u>Net portfolio investment/(disinvestment)</u>			
Purchases of debt securities and other fixed income securities	26	581,632	5,953,562
Purchase/(disposals) of units in Unit Trusts	26	3,711,831	(8,957,094)
	25,26	<u>3,199,557</u>	<u>(625,040)</u>

## **BAR MUTUAL INDEMNITY FUND LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. Constitution**

The Company is incorporated in England as a company limited by guarantee and not having a share capital.

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 General Council of The Bar of England and Wales as set out in the Articles of Association.

#### **2. Accounting Policies**

##### **(a) Basis of preparation**

The Financial Statements are prepared in accordance with the provisions of Section 396 to the Companies Act 2006 and Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008 (SI 2008/410), and in compliance with applicable accounting standards and the ABI SORP Accounting for Insurance Business issued in December 2005 (as amended in December 2006).

##### **(b) Gross Premiums Written**

The gross premiums written are the total receivable 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.

##### **(c) Claims**

Claims are accounted for on a notifications basis.

The claims provision in the Balance Sheet represents:

- (i) Estimated claims and settlement costs as at 31 March, 2010, on notified claims outstanding in all policy years;
- (ii) An additional amount to provide against adverse development on estimated claims and reported circumstances as at 31 March, 2010; and
- (iii) A provision for the Managers' future claims handling costs in respect of (i) and (ii).

Claims incurred in the Income and Expenditure Account includes:

- (i) Claims and costs paid during the year;
- (ii) The claims handling costs of the Managers (see note 9); and
- (iii) The movement in the claims provision (see note 7)

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Accounting Policies (continued)**

(d) Reinsurance Recoveries

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claims that have been charged to the Income and Expenditure account.

(e) Investment income

This comprises:

- (i) Interest income received during the year adjusted in respect of interest receivable at the year end;
- (ii) Distributions receivable from unit trusts;
- (iii) Gains or losses from the disposal of investments.

(f) Investments

Investments are stated in the Balance Sheet at market value. Unrealised investment gains and losses represent the difference between the valuation of investments held at the balance sheet date and their purchase price or previous valuation. Unrealised gains and losses are accounted for through the Non Technical Account. Realised gains and losses are recognised at the time of disposal as gains/losses on realisation of investments.

(g) Taxation

Unrealised gains or losses as a result of movements in the market value of unit trusts are taxed through the Non-Technical Account.

(h) 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 14).

**3. Gross Premiums written**

In accordance with the practice the Company introduced in 1999 of providing a premium discount, where appropriate, in the year ended 31 March 2010 the Company gave a general discount on premiums of 12.5% (2009: – discount of 15%). Gross premiums written are reported net of this discount. The Company reserves the right to call the discounted premium from members.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4. Reinsurance premiums**

In respect of the year ended 31 March 2010, 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 layer.

In addition to the above the Company purchased a Stop Loss Reinsurance in 2008 which will run for a period of three years ending 31 March 2011.

In arranging reinsurance contracts the Managers obtain a credit rating 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.

**5. Related party disclosures**

The Company has no share capital and is controlled by the Members who are also the insureds. The resulting insurance transactions and transactions relating thereto are consequently deemed to be between related parties but these are the only transactions between the Company and the Members.

All the Directors are Members of the Company and, other than their own insurance, the Directors have no financial interests in the Company, other than where directors may have been instructed to act for a barrister in a case funded by the Company.

Bar Mutual Management Company received £1,877,775 (2009: £1,827,000) from the Company in respect of management fees for the year.

**6. Claims Paid**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Gross claims paid	7,188,573	12,254,72
Claims handling (note 9)	1,072,515	1,043,514
	<u>8,261,088</u>	<u>13,298,286</u>

**7. Change in gross provision for claims**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Gross claims outstanding at end of year	35,696,673	30,954,405
Gross claims outstanding at beginning of year	30,954,405	34,040,209
Increase/(Decrease) in gross provision for claims	<u>4,742,268</u>	<u>(3,085,804)</u>

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 judgment 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 balance sheet date. The estimates are reviewed as required, and at least annually. The gross provision for claims includes allowances for adverse development and the Managers' future claims handling costs (see note 2c).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Change in gross provision for claims – (continued)**

A reasonable allowance has been made for adverse claims development in the future. The 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 claims experience of Bar Mutual in the past and other factors.

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 2009/2010 policy year.

**8. Change in reinsurers' share of technical provisions**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Reinsurers' share of claims outstanding at end of year	2,881,890	2,072,827
Reinsurers' share of claims outstanding at beginning of year	2,072,827	3,401,351
Increase/(decrease) in reinsurers' share of claims outstanding	<u>809,063</u>	<u>(1,328,524)</u>

The reinsurers' share represents the provision for that part of the gross claims provision, which is recoverable from reinsurers and 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 4 on page 15 for the details of the reinsurance cover purchased by the Company.

**9. Management costs**

The Companies Act 2006 and Association of British Insurers (Statement of Recommended Practice) requires the management fee paid to Bar Mutual Management Company to be apportioned between the different management functions. This fee has to be allocated to acquisition costs, which in the case of Bar Mutual Indemnity Fund Limited has been interpreted by the Directors and Managers as the cost of underwriting, processing renewals, premium adjustments and credit control; claims handling costs; investment management expenses and administration expenses which include regulatory compliance, the preparation of accounts and general management.

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

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Management costs – (continued)**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Acquisition costs (note 10)	504,816	491,166
Claims handling (note 6)	1,072,515	1,043,514
Administration expenses (note 10)	257,523	250,560
	<u>1,834,854</u>	<u>1,785,240</u>
A separate fee is paid to the Investment Managers and included in investment expenses and charges. (note 11)		
Investment management expenses	42,921	41,760
Management fees	<u>1,877,775</u>	<u>1,827,000</u>

Claims handling costs are treated as part of claims paid (note 6). Acquisition and administration expenses are included in net operating expenses (note 10).

**10. Net operating expenses**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
a) Acquisition costs	504,816	491,166
b) <u>Administration expenses</u>		
Legal and Professional Fees	30,985	110,496
Directors' & Officers' Liability Insurance	34,804	19,425
AGM & Printing Costs	31,604	38,819
Charitable donations – LawCare	10,000	10,000
FSA statutory fees for authorisation	56,918	28,190
Auditors' remuneration - Audit of Financial Statements	24,839	21,955
- Tax	8,860	5,600
- Controls Review	8,625	-
- Other Services	18,170	-
Management administration expenses	257,523	250,560
Other expenses	2,311	541
	<u>989,455</u>	<u>976,752</u>

With the exception of 2005, in every year since 2001, at the original suggestion of the Bar Council, the Company has made a donation of £10,000 to LawCare, which was formerly known as SolCare. LawCare provides help to solicitors and barristers suffering from work-related problems, including stress, depression and addictive illnesses.

Auditors' remuneration for tax increased due to fees incurred in relation to a tax query from HMRC in relation of the treatment of management expenses in the tax computation. Other Services comprises fees relating to a management fee review, which assisted the Board in agreeing a three-year fee arrangement as well as setting up a structure for future fee negotiations.

There were no Directors' emoluments during the year.

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Investment income**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Interest on listed investments	1,600,327	2,006,133
Gain/(loss) on foreign exchange	149,771	(470,345)
Bank deposit interest	(29,592)	44,180
Unit trust distributions	25,792	10,500
	<u>1,746,298</u>	<u>1,590,468</u>
Gains on realisation of investments	645,445	423,541
	<u>2,391,743</u>	<u>2,014,009</u>

**Investment expenses and charges**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Bank, custodial and other charges	80,487	50,968
Investment management expenses (see note 9)	42,921	41,760
	<u>123,408</u>	<u>92,728</u>

**12. Other Financial Investments**

	<b>Market Value</b>	<b>Market Value</b>	<b>Cost</b>	<b>Cost</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other financial				
Investments comprise:				
Units in unit trusts	16,743,294	9,509,014	14,737,520	11,025,688
Absolute Return Funds	1,681,608	1,513,360	1,271,518	1,275,045
Fixed interest securities	36,602,549	36,718,682	35,989,137	35,403,979
	<u>55,027,451</u>	<u>47,741,056</u>	<u>51,998,175</u>	<u>47,704,712</u>

	<b>Market Value</b>	<b>Market Value</b>	<b>Cost</b>	<b>Cost</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Unit trusts	11,068,803	8,624,630	9,063,028	10,141,304
UCITS – Cash	5,674,491	884,384	5,674,492	884,384
	<u>16,743,294</u>	<u>9,509,014</u>	<u>14,737,520</u>	<u>11,025,688</u>

All holdings in fixed income securities are in securities traded on recognised exchanges. All investments in unit trusts are in authorised unit trusts. “Undertakings for Collective Investment in Transferable Securities” (“UCITS”) are funds held for the short term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**12. Other Financial Investments - (continued)**

The Companies Act 2006 states the categories of investment income to be disclosed in the Financial Statements. The Company's investment holdings do not fall into any specific category and as a result they are disclosed as "other financial investments".

**13. Unrealised gains on investments**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Cost (see note 12)	51,998,175	47,704,712
Market value (see note 12)	55,027,451	47,741,056
Unrealised gains at year end	<u>3,029,276</u>	<u>36,344</u>
Unrealised gains/(losses) movement for the year	<u>2,992,932</u>	<u>(1,251,621)</u>

**14. Debtors arising out of direct insurance**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Debts due from Members (Premiums)	33,076	37,221
VAT loan debts from Members	55,243	20,630
Provision for doubtful debts	(31,081)	(34,191)
Debtors arising out of direct insurance	<u>57,238</u>	<u>23,660</u>

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.

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

**15. Debtors arising out of reinsurance operations**

Debtors arising out of reinsurance operations of £654,729 (2009: £911,031) are reinsurance recoveries which are due from reinsurers.

**16. Other Debtors**

Other Debtors of £237,659 (2009: £536,282) includes recoveries expected from claims against third parties.

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. Other creditors including taxation**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Insurance Premium tax	130	568
Taxation (note 20(c))	851,702	-
	<u>851,832</u>	<u>568</u>

**18. Creditors arising out of reinsurance operations**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Reinsurance creditor	1,939,560	1,995,656
Stop loss reinsurance provision – Hannover Re	1,802,128	-
	<u>3,741,688</u>	<u>1,995,656</u>

The Company purchased a Stop Loss Reinsurance policy incepting 1 April 2008 and expiring 31 March 2011. The cover is subject to a mandatory commutation on 1 April 2016. The Company may commute the policy at an earlier date. This policy provides additional reinsurance protection to the Company in the event that the net claims costs in any or all the policy years covered by the policy exceed a specified amount. This amount will vary at the end of each financial year.

On commutation of the policy, if certain conditions set out in the policy are satisfied the Company may be entitled to profit commission.

**19. Accruals and deferred income**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Accrued expenses	160,327	38,440
Deferred income – premiums received in advance	5,587,027	7,011,922
	<u>5,747,354</u>	<u>7,050,362</u>

**20. 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 Income and Expenditure account represents:

<b>Income and Expenditure account</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
UK corporation tax (Note 20b)	1,465,933	168,745
Under provision prior year & interest on tax	-	5,788
	<u>1,465,933</u>	<u>174,533</u>

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. Taxation – (continued)**

- (b) The tax assessed for the period differs from the standard rate of corporation tax in the UK (28%) and is computed as follows:

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Surplus on ordinary activities before tax	<u>1,787,363</u>	<u>143,213</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	500,462	40,100
<i>Effects of:</i>		
Non-taxable mutual insurance operations	972,693	147,405
Non-taxable dividend distribution on unit trusts	(7,222)	(2,940)
Other expenses allowable for tax purposes	-	(1,473)
Small companies relief	-	(14,347)
Current tax charge	<u>1,465,933</u>	<u>168,745</u>

(c) **Balance sheet**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<u>Taxation creditor/(debtor)</u>		
Taxation (debtor)/creditor brought forward	(52,795)	460,828
Payment of corporation tax	<u>(561,436)</u>	<u>(688,156)</u>
	(614,231)	(227,328)
UK corporation tax for the current year	<u>1,465,933</u>	<u>174,533</u>
Creditor/(debtor) as at 31 March	<u>851,702</u>	<u>(52,795)</u>

**21. Cash flow statement**

Corporation tax

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Tax (debtor)/creditor b/fwd	(52,795)	460,828
UK corporation tax for the current year	1,465,933	174,533
Tax (creditor)/debtor c/fwd	<u>(851,702)</u>	<u>52,795</u>
Taxation paid	<u>561,436</u>	<u>668,156</u>

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22. Cash flow statement – movement in debtor balances**

	At 31 March 2010	At 1 April 2009	Decrease/ (increase) In Year
	£	£	£
Arising out of direct insurance	57,238	23,660	(33,578)
Arising out of reinsurance operations (see note below & note 15)	654,729	911,031	256,302
Other	237,659	483,487	245,828
	<u>949,626</u>	<u>1,418,178</u>	<u>468,552</u>

The comparatives for last year were:

	At 31 March 2009	At 1 April 2008	Decrease/ (increase) In Year
	£	£	£
Arising out of direct insurance	23,660	33,284	9,624
Arising out of reinsurance operations (see note below)	911,031	683,501	(227,530)
Other	483,487	122,309	(361,178)
	<u>1,418,178</u>	<u>839,094</u>	<u>(579,084)</u>

Debtors arising out of reinsurance operations relate to actual claim and settlement costs payments made on claim files where the retention level for reinsurance recoveries has been reached.

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23. Cash flow statement – movement in creditor balances**

	At 31 March 2010	At 1 April 2009	Increase/ (decrease) in Year
	£	£	£
Deferred Income –			
Premiums received in advance	5,587,027	7,011,922	(1,424,895)
Arising out of reinsurance operations	3,741,688	1,995,656	1,746,032
Accrued expenses	148,500	28,000	120,500
Insurance premium tax	130	568	(438)
	<u>9,477,345</u>	<u>9,036,146</u>	<u>441,199</u>

The comparatives for last year were:

	At 31 March 2009	At 1 April 2008	Increase in Year
	£	£	£
Deferred Income –			
Premiums received in advance	7,011,922	6,155,453	856,469
Arising out of reinsurance operations	1,995,656	1,876,184	119,472
Accrued expenses	28,000	27,001	999
Insurance premium tax	568	322	246
	<u>9,036,146</u>	<u>8,058,960</u>	<u>977,186</u>

**24. Net cash flow from operating activities**

	2010 £	2009 £
<b>Operating Activities</b>		
Premiums received from Members *	12,411,942	13,544,452
Reinsurance paid	(4,228,956)	(4,388,985)
Claims paid	(8,015,260)	(13,659,464)
Reinsurance recovered	503,620	3,594,129
Other operating cash recovered/(paid)	<u>697,706</u>	<u>(975,756)</u>
Net cash inflow/(outflow) from operating activities	<u>1,369,052</u>	<u>(1,885,624)</u>

\* Premiums received from members during the year include premiums received in advance in respect of the year to 31 March 2011 (see note 19).

**BAR MUTUAL INDEMNITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. Movement in opening and closing portfolio investments**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Net cash (outflow)/inflow for the year	(1,093,906)	2,378,492
Portfolio investments	4,293,463	(3,003,532)
Movement arising from cash inflow/(outflow)	3,199,557	(625,040)
Movement in investment valuations	2,992,932	(1,251,621)
Movement for the year	6,192,489	(1,876,661)
Portfolio investments at 1 April	55,011,990	56,888,650
Portfolio investments at 31 March	61,204,479	55,011,990

**26. Movement in cash, deposits and investments in the year**

	At 1st April 2009 £	Cash flow Movement £	Changes To market Value £	At 31st March 2010 £
Cash at bank *	7,270,934	(1,093,906)	-	6,177,028
Fixed interest securities	36,718,682	585,158	(701,292)	36,602,549
Absolute Return Funds	1,513,360	(3,526)	171,774	1,681,608
Units in unit trusts	9,509,014	3,711,831	3,522,449	16,743,294
	<u>55,011,990</u>	<u>3,199,557</u>	<u>2,992,932</u>	<u>61,204,479</u>

The comparative figures for last year were:

	At 1st April 2008 £	Cash flow Movement £	Changes To market Value £	At 31st March 2009 £
Cash at bank	4,892,442	2,378,492	-	7,270,934
Fixed interest securities	29,916,149	5,938,472	864,061	36,718,682
Absolute Return Funds	1,242,826	15,090	255,444	1,513,360
Units in unit trusts	20,837,233	(8,957,094)	(2,371,126)	9,509,014
	<u>56,888,650</u>	<u>(625,040)</u>	<u>(1,251,621)</u>	<u>55,011,990</u>

\* The large cash balance reflects the premiums received in advance before the year end as well as £1.601m held in a separate account in relation to Hannover Reinsurance. This account can only be accessed jointly with Hannover Reinsurance. The Company receives all the interest on this account.

**27. Location and nature of business**

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

**BAR MUTUAL INDEMNITY FUND LIMITED**

**BAR MUTUAL INDEMNITY FUND LIMITED  
(A COMPANY LIMITED BY GUARANTEE)**

Registered in England No. 2182018

**REGISTERED OFFICE**

90 Fenchurch Street  
London, EC3M 4ST







**BAR MUTUAL INDEMNITY FUND LIMITED**  
*(A Company limited by guarantee)*

*Registered Office*  
**90 Fenchurch Street, London EC3M 4ST**  
*Registered No. 2182018*

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