

BAR MUTUAL INDEMNITY FUND LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

Company Number 218 2018

BAR MUTUAL INDEMNITY FUND LIMITED

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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, WC1V 7HZ on Tuesday, 28 July 2009 at 5.30pm for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 March, 2009 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

I. R. Jarrett, ACIS
Secretary

Date: 9 June 2009

- 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.

Michael Brindle Q.C. (appointed 20.01.2009)

Andrew Colman

Conrad Dehn Q.C.

Colin Edelman Q.C.

Sioban Healy

Judith Jackson Q.C.

Gavin Kealey Q.C.

Thomas Lowe Q.C.

Colin Reese Q.C.

Roger Stewart Q.C. (resigned 05.11.2008)

Christopher Symons Q.C. (appointed 03.12.2008)

David Wolfson Q.C.

Stephen Worthington Q.C.

SECRETARY

I.R. Jarrett ACIS

MANAGERS

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

Directors of Bar Mutual Management Company:

R. Cunningham I.R. Jarrett S. Jacobs P.T.E. Massey A. Salim

AUDITORS

Moore Stephens LLP, Chartered Accountants, St Paul's House, Warwick Lane, London, EC4M 7BP.

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 2009.

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

The Company has appointed Bar Mutual Management Company as sole managers to manage its business affairs and operations and has appointed Thomas Miller Investment Ltd to manage the Company's investment portfolio. Both Bar Mutual Management Company and Thomas Miller Investment Ltd 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, Conrad Dehn Q.C., Judith Jackson Q.C, Thomas Lowe Q.C. and David Wolfson Q.C. retire by rotation and being eligible, offer themselves for re-appointment. Michael Bowes Q.C., also retires by rotation but is not seeking re-appointment at the forthcoming Annual General Meeting. The Board wish to thank him for his contribution to the affairs of the Company

In addition Michael Brindle Q.C. and Christopher Symons Q.C. having been appointed Directors during the year must retire and being eligible will seek reappointment at the forthcoming Annual General Meeting.

Roger Stewart Q.C resigned during the year. The Board wish to thank him for his contribution to the affairs of the Company.

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 deficit arising out of the year's operations after tax was £(31,320) (2008 surplus - £16,456) and this was met out of reserves. The reserves now amount to £18,935,337 (2008-£18,966,657) 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 9) and the Balance Sheet (on page 10), 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 2009 to 31 March 2008.

	2009	2008
	£'000	£'000
Premium Written	12,678	11,838
Reinsurance Premium	(4,509)	(3,552)
Net claims paid	(7,719)	(9,379)
Operating expenses	(977)	(847)
(Deficit) on technical account	(527)	(1,940)
Net Investment Income	670	2,812
Surplus on ordinary activities before tax	143	872
Tax	(174)	(856)
(Deficit)/surplus for the financial year	(31)	16

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 1.36%.

In the second half of the year under review, and since the year end investment markets have been in turmoil but the Company's exposure has been protected by the fact that it holds 59% of the funds in Government securities and 2% in UCITS. Of the remainder, the only asset exposed to the markets was 18% held in Unit Trusts.

Capital resources for regulatory purpose's at £27.5m exceed's the required regulatory capital of £18.4m by £9.1m.

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 the 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.

BAR MUTUAL INDEMNITY FUND LIMITED

REPORT OF THE DIRECTORS (Contd)

The Annual Reports and Financial Statements for the year ended 31 March 2009 were approved by the Board for submission to the members of the Association 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 Committee comprising Messrs Conrad Dehn Q.C., Michael Bowes Q.C., and Andrew Colman 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. Roger Stewart Q.C. was also a member of the Committee until he resigned from the Board. The Committee met on two occasions in the course of the year.

The Investment Committee comprising Messrs Colin Reese Q.C., Michael Bowes Q.C., Sioban Healy, Thomas Lowe Q.C. and David Wolfson Q.C. assist the Board in reviewing in detail the performance of BMIF's investments and make 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 Reserves Committee comprising Messrs Colin Reese Q.C., Justin Fenwick Q.C., Gavin Kealey Q.C. and Stephen Worthington Q.C. assists the Board in reviewing in detail BMIF's 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 & Reinsurance Committee comprising Messrs Justin Fenwick Q.C., Richard Anelay Q.C., Conrad Dehn Q.C., Judith Jackson Q.C., and Gavin Kealey 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 BMIF's reinsurance programme. The Committee met on one occasion in the course of the year.

The Rules Committee comprising Messrs Justin Fenwick Q.C., Sioban Healey, Judith Jackson Q.C. and Thomas Lowe Q.C. review the terms on which insurance cover is provided by Bar Mutual. This Committee meets at the discretion of the Chairman and met on one occasion during the year.

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

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.

BAR MUTUAL INDEMNITY FUND LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

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 an S & P 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 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Income and Expenditure of the Company for that period. In preparing those Financial Statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time of the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have received guidance from the Managers on Directors' duties and responsibilities. The Directors have formed an Audit Committee, which is designed to satisfy the obligations imposed under The Prudential Guidance Guidelines issued by the Financial Services Authority.

BAR MUTUAL INDEMNITY FUND LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

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: 9 June 2009

BAR MUTUAL INDEMNITY FUND LIMITED

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

We have audited the Financial Statements of Bar Mutual Indemnity Fund for the year ended 31 March 2009 which are set out on pages 10 to 24. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

BAR MUTUAL INDEMNITY FUND LIMITED

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

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its deficit for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Moore Stephens LLP

Chartered Accountant and Registered Auditors
St Paul's House, Warwick Lane
London EC4M 7BP

Date: 9 June 2009

BAR MUTUAL INDEMNITY FUND LIMITED

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2009

	Note	2009 £	2008 £
TECHNICAL ACCOUNT GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross Premiums written	3	12,678,110	11,837,953
Reinsurance premiums	4	(4,508,457)	(3,552,286)
Earned premiums, net of reinsurance		<u>8,169,653</u>	<u>8,285,667</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	6,9	(13,298,286)	(8,498,836)
Reinsurers' share		<u>3,821,659</u>	<u>836,804</u>
Net claims paid (A)		<u>(9,476,627)</u>	<u>(7,662,032)</u>
Change in the provision for claims			
Gross amount	7	3,085,804	(2,233,331)
Reinsurers' share	8	<u>(1,328,524)</u>	<u>516,661</u>
Change in the net provision for claims (B)		<u>1,757,280</u>	<u>(1,716,670)</u>
Claims incurred, net of reinsurance (A+B)		<u>(7,719,347)</u>	<u>(9,378,702)</u>
Net operating expenses	10	(976,752)	(847,286)
Balance on the technical account		<u>(526,446)</u>	<u>(1,940,321)</u>
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account as above		(526,446)	(1,940,321)
Investment income	11	2,014,009	2,664,635
Unrealised gains on investments	13	(1,251,622)	234,409
Investment expenses and charges	11	<u>(92,728)</u>	<u>(86,467)</u>
Surplus on ordinary activities before tax		143,213	872,256
Tax on ordinary activities	19	<u>(174,533)</u>	<u>(855,800)</u>
(Deficit)/surplus for the financial year		(31,320)	16,456
Surplus at 31 March, 2008		<u>18,966,657</u>	<u>18,950,201</u>
Surplus at 31 March, 2009		<u>18,935,337</u>	<u>18,966,657</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 14 to 25 form an integral part of these Financial Statements.

BAR MUTUAL INDEMNITY FUND LIMITED

		BALANCE SHEET	
		As at 31 March 2009	
	Note	2009	2008
		£	£
ASSETS			
Investments			
Other financial investments	12	47,741,056	51,996,209
Reinsurers' share of technical provisions			
Claims outstanding	8	2,072,827	3,401,351
Debtors			
Debtors arising out of direct insurance operations	14	23,660	33,284
Debtors arising out of reinsurance operations	15	911,031	683,501
Other debtors	16	536,282	122,309
		<u>1,470,973</u>	<u>839,094</u>
Other assets			
Cash at bank	25	7,270,934	4,892,442
Prepayments and accrued income			
Accrued interest-interest earned but not yet received on fixed interest securities		380,538	406,941
TOTAL ASSETS		<u><u>58,936,328</u></u>	<u><u>61,536,037</u></u>
LIABILITIES			
Reserves			
Income and Expenditure Account		18,935,337	18,966,657
Technical provisions			
Claims outstanding - gross amount	7	30,954,405	34,040,209
Creditors			
Creditors arising out of reinsurance operations		1,995,656	1,876,184
Other creditors including taxation	17	568	461,150
		<u>1,996,224</u>	<u>2,337,334</u>
Accruals and deferred income	18	7,050,362	6,191,837
TOTAL LIABILITIES		<u><u>58,936,328</u></u>	<u><u>61,536,037</u></u>

The notes on pages 14 to 25 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: 9 June 2009 by:

Director:

Director:

Signed on behalf of the Managers: Peregrine Massey

Bar Mutual Management Company

BAR MUTUAL INDEMNITY FUND LIMITED

**CASH FLOW STATEMENT
For the year ended 31 March 2009**

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

	Note	2009 £	2008 £
Surplus on ordinary activities before tax		143,213	872,256
Investment return		(762,387)	(2,899,044)
Investment expenses *		92,728	86,467
Balance on the general business technical account		<u>(526,446)</u>	<u>(1,940,321)</u>
(Increase) in debtors	21	(579,084)	(578,253)
Increase in creditors	22	977,186	1,524,272
(Decrease)/increase in net provision for claims		<u>(1,757,280)</u>	<u>1,716,669</u>
Net difference between accruals and cash basis		<u>(1,359,178)</u>	<u>2,662,688</u>
Net cash (outflow)/inflow from operating activities	23	<u><u>(1,885,624)</u></u>	<u><u>722,367</u></u>

CASH FLOW STATEMENT

Net cash (outflow)/inflow from operating activities	23	(1,885,624)	722,367
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Returns on investment and servicing of finance

Interest received		2,029,912	2,748,625
Unit Trust distributions received	11	10,500	7,875
Investment expenses		<u>(91,672)</u>	<u>(88,956)</u>
		<u>1,948,740</u>	<u>2,667,544</u>

Taxation

Corporation tax paid	19(c), 20	(688,156)	(794,652)
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(Decrease)/increase in cash, deposits and investments in the year	24,25	<u><u>(625,040)</u></u>	<u><u>2,595,259</u></u>
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CASHFLOWS WERE INVESTED AS FOLLOWS:

	Note	2009 £	2008 £
Increase in cash at bank	25	2,378,492	423,796
<u>Net portfolio investment/(disinvestment)</u>			
Purchases/ (disposals) of debt securities and other fixed income securities	25	5,953,562	(4,282,065)
(Disposals)/purchases of units in Unit Trusts	25	<u>(8,957,094)</u>	<u>6,453,528</u>
	24,25	<u><u>(625,040)</u></u>	<u><u>2,595,259</u></u>

BAR MUTUAL INDEMNITY FUND LIMITED

Cash Flows-Continued

The figures in the cash flow statement differ from those in the Income and Expenditure account because of the different basis of preparation of the two statements. The former is prepared using the cash basis of accounting whereas the latter is prepared on the accruals basis. The accruals basis takes account of the fact that income may be earned and expenditure incurred in a period other than that in which the cash consideration for the transaction passes.

The notes on pages 14 to 25 form an integral part of these Financial Statements.

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

These Financial Statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Section 255 and Schedule 9A of the Companies Act 1985 and in accordance with applicable accounting standards in the UK and with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006). The Companies Act 1985 heading "Profit and Loss Account" is replaced by "Income and Expenditure Account" throughout these Financial Statements consistent with the mutual status of the Company. The particular accounting policies adopted are described below.

(a) 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.

(b) 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, 2009, 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, 2009; 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)

(c) Reinsurance Recoveries

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

(d) 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.

(e) 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.

(f) Taxation

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

(g) 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 2009 the Company gave a general discount on premiums of 15% (2008 – discount of 15%). Gross premiums written are reported net of this discount. The Company reserves the right to call the discounted premium from members.

BAR MUTUAL INDEMNITY FUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. Reinsurance premiums**

In respect of the year ended 31 March 2009, the Company had reinsurance cover relating to claims and settlement costs of £3,500,000 in excess of £1,500,000 for the first claim, £4,250,000 in excess of £750,000 for the second claim and £4,500,000 in excess of £500,000 for the third and subsequent claims.

During the year BMIF purchased a further Stop Loss Reinsurance 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 £1,827,000 (2008: £1,694,177) from the Company in respect of management fees for the period.

6. Claims Paid

	2009	2008
	£	£
Gross claims and settlement costs	12,254,772	7,531,185
Claims handling (note 9)	1,043,514	967,651
	<u>13,298,286</u>	<u>8,498,836</u>

7. Change in gross provision for claims

	2009	2008
	£	£
Gross claims outstanding at end of year	30,954,405	34,040,209
Gross claims outstanding at beginning of year	34,040,209	31,806,878
(Decrease)/increase in gross provision for claims	<u>(3,085,804)</u>	<u>2,233,331</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 2b).

BAR MUTUAL INDEMNITY FUND LIMITED

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 2008/2009 policy year.

8. Change in reinsurers' share of technical provisions

	2009	2008
	£	£
Reinsurers' share of claims outstanding at end of year	2,072,827	3,401,351
Reinsurers' share of claims outstanding at beginning of year	3,401,351	2,884,690
(Decrease)/increase in reinsurers' share of claims outstanding	<u>(1,328,524)</u>	<u>516,661</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 16 for the details of the reinsurance cover purchased by the Company.

9. Management costs

The Companies Act 1985, Schedule 9A 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)

	2009	2008
	£	£
Acquisition costs (note 10)	491,166	455,458
Claims handling (note 6)	1,043,514	967,651
Administration expenses (note 10)	250,560	232,344
	<u>1,785,240</u>	<u>1,655,453</u>
A separate fee is paid to the Investment Managers and included in investment expenses and charges. (note 11)		
Investment management expenses	41,760	38,724
Management fees	<u>1,827,000</u>	<u>1,694,177</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

	2009	2008
	£	£
a) Acquisition costs	491,166	455,458
b) <u>Administration expenses</u>		
Legal and Professional Fees	110,496	35,063
Directors' & Officers' Liability Insurance	19,425	19,950
AGM & Printing Costs	38,819	46,141
Charitable donations – LawCare	10,000	10,000
FSA statutory fees for authorisation	28,190	12,897
Auditors' remuneration - audit of Financial Statements	21,955	23,054
Auditors' remuneration - other services	5,600	20,969
Management administration expenses	250,560	232,344
Other expenses	541	(8,590)
	<u>976,752</u>	<u>847,286</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 other services comprises fees for tax computations, audit of regulatory returns, fees for control audit work and general advice. The decrease in fees compared to last year was due to fees incurred in relation to the control audit of management controls.

There were no Directors' emoluments during the year.

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Investment income

	2009	2008
	£	£
Interest on listed investments	2,006,133	2,353,216
Loss on foreign exchange	(470,345)	-
Bank deposit interest	44,180	51,160
Unit trust distributions	10,500	7,875
	<u>1,590,468</u>	<u>2,412,251</u>
Gains on realisation of investments	423,541	252,384
	<u>2,014,009</u>	<u>2,664,635</u>

Investment expenses and charges

	2009	2008
	£	£
Bank, custodial and other charges	50,968	47,743
Investment management expenses (see note 9)	41,760	38,724
	<u>92,728</u>	<u>86,467</u>

12. Other Financial Investments

	Market Value	Market Value	Cost	Cost
	2009	2008	2009	2008
	£	£	£	£
Other financial				
Investments comprise:				
Units in unit trusts	9,509,014	20,837,233	11,025,688	19,982,781
Absolute Return Funds	1,513,360	1,242,826	1,275,045	1,259,955
Fixed interest securities	36,718,682	29,916,149	35,403,979	29,465,505
	<u>47,741,056</u>	<u>51,996,208</u>	<u>47,704,712</u>	<u>50,708,241</u>
	Market Value	Market Value	Cost	Cost
	2009	2008	2009	2008
	£	£	£	£
Unit trusts	8,624,630	6,521,165	10,141,304	5,666,713
UCITS – Cash	884,384	14,316,068	884,384	14,316,068
	<u>9,509,014</u>	<u>20,837,233</u>	<u>11,025,688</u>	<u>19,982,781</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.

BAR MUTUAL INDEMNITY FUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. Other Financial Investments - (continued)**

The Companies Act 1985 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

	2009	2008
	£	£
Cost (see note 12)	47,704,712	50,708,241
Market value (see note 12)	47,741,056	51,996,208
Unrealised gains at year end	<u>36,344</u>	<u>1,287,967</u>
Unrealised (losses)/gains movement for the year	<u>(1,251,621)</u>	<u>234,409</u>

14. Debtors arising out of direct insurance

	2009	2008
	£	£
Debts due from Members (Premiums)	37,221	47,254
VAT loan debts from Members	20,630	20,380
Provision for doubtful debts	<u>(34,191)</u>	<u>(34,350)</u>
Debtors arising out of direct insurance	<u>23,660</u>	<u>33,284</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 £911,031 (2008 £683,501) are reinsurance recoveries which are due from reinsurers.

16. Other Debtors

Other Debtors of £536,282 (2008 £122,309) includes recoveries expected from claims against third parties and a tax debt due from HMRC of £52,795.

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Other creditors including taxation

	2009	2008
	£	£
Insurance Premium tax	568	322
Taxation (note 19(c))	-	460,828
	<u>568</u>	<u>461,150</u>

18. Accruals and deferred income

	2009	2008
	£	£
Accrued expenses	38,440	36,384
Deferred income –premiums received in advance	7,011,922	6,155,453
	<u>7,050,362</u>	<u>6,191,837</u>

19. 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:

Income and Expenditure account	2009	2008
	£	£
UK corporation tax (Note 19b)	168,745	840,856
Deferred tax (note 19c)	-	14,944
Under provision prior year & interest on tax	5,788	-
	<u>174,533</u>	<u>855,800</u>

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

	2009	2008
	£	£
Surplus on ordinary activities before tax	<u>143,213</u>	<u>872,257</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008-30%)	40,100	261,677
<i>Effects of :</i>		
Non-taxable mutual insurance operations	147,405	582,096
Non-taxable dividend distribution on unit trusts	(2,940)	(2,363)
Other expenses allowable for tax purposes	(1,473)	-
Small companies relief	(14,347)	(554)
Current tax charge	<u>168,745</u>	<u>840,856</u>

BAR MUTUAL INDEMNITY FUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****19. Taxation – (continued)****(c) Balance sheet**

	2009	2008
	£	£
<u>Taxation (debtor)/creditor</u>		
Taxation creditor brought forward	460,828	399,680
Payment of corporation tax	(688,156)	(794,652)
	<u>(227,328)</u>	<u>(394,972)</u>
UK corporation tax for the current year	174,533	855,800
Debtor as at 31 March	<u>(52,795)</u>	<u>460,828</u>

Provisions for taxation – deferred taxation

	2009	2008
	£	£
Opening balance	-	(14,944)
Charge for the year	-	14,944
	<u>-</u>	<u>-</u>

20. Cash flow statementCorporation tax

	2009	2008
	£	£
Tax creditor b/fwd	460,828	399,680
UK corporation tax for the current year	174,533	855,800
Tax debtor c/fwd	52,795	(460,828)
Taxation paid	<u>668,156</u>	<u>794,652</u>

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Cash flow statement – movement in debtor balances

	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 & note 15)	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>

The comparatives for last year were:

	At 31 March 2008	At 1 April 2007	Decrease/ (increase) In Year £
Arising out of direct insurance	£ 33,284	£ 35,619	2,335
Arising out of reinsurance operations (see note below)	683,501	8,319	(657,182)
Other	122,309	201,959	79,650
Arising out of Deferred Tax	-	14,944	14,944
	<u>839,094</u>	<u>260,841</u>	<u>(578,253)</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)

22. Cash flow statement – movement in creditor balances

	At 31 March 2009	At 1 April 2008	Increase/ (decrease) 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>

The comparatives for last year were:

	At 31 March 2008	At 1 April 2007	Increase/ (decrease) in Year
	£	£	£
Deferred Income –			
Premiums received in advance	6,155,453	6,114,322	41,131
Arising out of reinsurance operations	1,876,184	395,540	1,480,644
Accrued expenses	27,001	24,092	2,909
Insurance premium tax	322	734	(412)
	<u>8,058,960</u>	<u>6,534,688</u>	<u>1,524,272</u>

23. Net cash flow from operating activities

	2009	2008
	£	£
Operating Activities		
Premiums received from Members *	13,544,452	11,865,227
Reinsurance paid	(4,388,985)	(2,071,643)
Claims paid	(13,659,464)	(8,419,186)
Reinsurance recovered	3,594,129	161,620
Other operating cash payments	(975,756)	(813,651)
Net cash (outflow)/inflow from operating activities	<u>(1,885,624)</u>	<u>722,367</u>

* Premiums received from members during the year include premiums received in advance in respect of the year to 31 March 2009 (see note 18).

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Movement in opening and closing portfolio investments

	2009	2008
	£	£
Net cash inflow for the period	2,378,492	423,796
Portfolio investments	(3,003,532)	2,171,463
Movement arising from cash (outflow)/inflow	(625,040)	2,595,259
Movement in investment valuations	(1,251,621)	234,409
Movement for the year	(1,876,661)	2,829,668
Portfolio investments at 1 April	56,888,650	54,058,982
Portfolio investments at 31 March	55,011,990	56,888,650

25. Movement in cash, deposits and investments in the year

	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 comparative figures for last year were:

	At 1st April 2007 £	Cash flow Movement £	Changes To market Value £	At 31st March 2008 £
Cash at bank *	4,468,646	423,796	-	4,892,442
Fixed interest securities	34,410,127	(5,542,020)	1,048,042	29,916,149
Absolute Return Funds	-	1,259,955	(17,129)	1,242,826
Units in unit trusts	15,180,209	6,453,528	(796,504)	20,837,233
	<u>54,058,982</u>	<u>2,595,259</u>	<u>234,409</u>	<u>56,888,650</u>

* The large cash balance reflects the premiums received in advance before the year end.

26. 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