

**BAR MUTUAL INDEMNITY FUND LIMITED**

**BAR MUTUAL INDEMNITY FUND LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2015**

Company Number 218 2018

## BAR MUTUAL INDEMNITY FUND LIMITED

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## BAR MUTUAL INDEMNITY FUND LIMITED

### 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 28 July 2015 at 5.30pm for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 March 2015 and, if they are approved, to adopt them;

To pass a Special Resolution to agree the amendments to the Articles of Association;

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: 9 June 2015

- 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**

Colin Edelman QC	(Chairman)
Michael Brindle QC	(Deputy Chairman)
Charles Flint QC	(Deputy Chairman)
Christopher Symons QC	(Deputy Chairman)
Stephen Arthur	
Gregory Denton-Cox	
Jasbir Dhillon QC	
Catherine Gibaud QC	Resigned 31 December 2014
Nina Goolamali	Appointed 25 February 2015
Alexandra Healy QC	
Michael Horne	
Leigh-Ann Mulcahy QC	
Christopher Pocock QC	
David Railton QC	
Rebecca Sabben-Clare QC	Appointed 26 February 2015
Rajeev Sheety	Resigned 21 July 2014
Sharif Shivji	
Joanna Smith.QC	Appointed 15 April 2015
David Wolfson QC	
Colin Wynter QC	Appointed 5 June 2014 Resigned 28 July 2014

#### **SECRETARY**

K. Halpenny

#### **MANAGERS**

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

Directors of Bar Mutual Management Company:

R. Cunningham  
R.A.A.Harnal  
S. Jacobs  
M. Levey  
A. Salim  
D. Simpson

#### **AUDITORS**

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

## BAR MUTUAL INDEMNITY FUND LIMITED

### CHAIRMAN'S REPORT

I am pleased to report to Members that, as at the end of its most recent financial year on 31 March 2015, Bar Mutual remains in sound financial health. As at the year-end, Bar Mutual produced a surplus of £1.671m which increased its free reserves to £32.903m.

### PREMIUMS

In spite of rates charged to members for the year having remained largely unchanged, premium income increased by 2.3% as a result of growth in Members' fee income. The premium deferral given to Members remained unchanged at 20% and equates to a value of £3.770m for the year.

### CLAIMS

Net claims paid in the year increased by £1.051m compared to last year but were offset by the release of claims margins and provisions of £1.170m reflecting the better than expected claims experience on the 2011 and 2013 policy years. Following the year-end Actuarial review the Board agreed to set net claims reserves (net of reinsurance and run off reserves) at £31.559m (2014: £29.963m).

### INVESTMENTS

Investment income for the year was £2.954m (2014: £0.763m). This represents a return of 4.88% compared to 1.46% last year. Positive returns were achieved on all the asset classes in the portfolio. The increased investment income is one of the primary reasons for the surplus in the year.

### REGULATORY

The amount and quality of capital resources that the regulator expects the Company to hold (its Individual Capital Guidance ("ICG")) at the year-end amounted to £25.731m. The Company's free reserves at the year end, that is to say its total assets less its liabilities (including for claims) amounted to £32.903m. Ordinarily therefore, the Company would exceed its ICG by £7.172m. However, due to the level of the Company's cash holdings as at 31 March 2015, its free reserves were notionally reduced by £3.539m. This is to take account of a counterparty risk (the potential insolvency of the Bank in which the cash was held), as required by the relevant rules relating to the calculation of the Company's admissible assets for regulatory purposes. Accordingly as at 31 March 2015, the Company was treated as having held capital resources of £29.364m (rather than £32.903m) and therefore to have exceeded its ICG by £3.633m.

### FUTURE DEVELOPMENTS

As Members will be aware, the Bar Standards Board (BSB) began to grant authorisation to practice to entities in April, shortly after the beginning of the current policy and financial year. Bar Mutual's position on the provision of insurance to those entities is that, for the current policy year, it will cover all single person entities authorised by the BSB on the same basis as it covers self-employed barristers and will deal with requests for cover from multi-person entities on a case by case basis. To date, Bar Mutual has agreed to cover 16 single person entities and one multi-person entity. The Board will be reviewing the question of cover for entities later in the year once the outcome of the BSB's current consultation on insurance arrangements for single person entities is known.

Colin Edelman QC  
Chairman  
9 June 2015



## BAR MUTUAL INDEMNITY FUND LIMITED

### STRATEGIC REPORT

#### 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 £1.671m (2014 – deficit £0.100m) and this was transferred to reserves. The reserves now amount to £32.903m (2014 - £31.232m) 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

#### 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 2015 and 31 March 2014.

	2015	2014
	£'000	£'000
Premium Written	15,081	14,742
Reinsurance Premium	(2,630)	(2,312)
Net claims incurred	(11,908)	(12,038)
Operating expenses	(1,349)	(1,213)
(Deficit) on technical account	(806)	(821)
Investment Income	2,954	763
Surplus on ordinary activities before tax	2,148	(58)
Tax	(477)	(42)
Surplus/(deficit) for the financial year	1,671	(100)
Free Reserves at 31 March	32,903	31,231

#### Investments

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

- To maintain sufficient funds to cover its known claims liabilities and its required regulatory capital;
- To preserve capital in real terms (CPI rate of inflation) over the medium term, the medium term being defined as a period of 3 to 5 years.

The investment return for the year under review was 4.88% (2014: 1.46 %).

#### Regulatory Capital

The amount and quality of capital resources that the regulator expects the Company to hold (its Individual Capital Guidance ("ICG")) at the year-end amounted to £25.731m. The Company's free reserves at the year end, that is to say its total assets less its liabilities (including for claims) amounted to £32.903m. Ordinarily therefore, the Company would exceed its ICG by £7.172m. However, due to the level of the Company's cash holdings as at 31 March 2015, its free reserves were notionally reduced by £3.539m. This is to take account of a counterparty risk (the potential insolvency of the Bank in which the cash was held), as required by the relevant rules relating to the calculation of the Company's admissible assets for regulatory purposes. Accordingly as at 31 March 2015, the Company was treated as having held capital resources of £29.364m (rather than £32.903m) and therefore to have exceeded its ICG by £3.633m.

#### 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, reinsurance risk and liquidity 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

### STRATEGIC REPORT (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 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.

**Liquidity risk** of the Company is mitigated by the availability of assets within the balance sheet of the Company, which can readily be converted into cash to meet liabilities as they fall due

### DIRECTORS REPORT

The Directors have pleasure in presenting their Report and the Financial Statements for the year ended 31 March 2015.

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 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 9 to the Financial Statements.

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.

### 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 Association, Michael Brindle QC, Sharif Shivji, Christopher Symons QC and David Wolfson QC retire by rotation and being eligible will seek reappointment at the Annual General Meeting on 28 July 2015.

Nina Goolamali and Rebecca Sabben-Clare QC having been appointed during the year must retire and being eligible will seek reappointment at the Annual General Meeting on 27 July 2015.

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.

### Meetings of the Directors

The Board of the Company held three formal meetings in June 2014, December 2014 and March 2015. They 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 Association's Articles and Rules.

## BAR MUTUAL INDEMNITY FUND LIMITED

### DIRECTORS REPORT (CONTINUED)

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

The Annual Reports and Financial Statements for the year ended 31 March 2014 were approved by the Board 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 Symons QC (Chairman), Stephen Arthur, Gregory Denton-Cox, Charles Flint QC, Alexandra Healy QC, Christopher Pocock QC and David Railton QC 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. The Committee met on three occasions in the course of the year.

**The Claims Committee** comprising Colin Edelman QC (Chairman), Michael Brindle QC, Charles Flint QC and Christopher Symons QC assists the Board in reviewing issues of principle arising in claims-related matters as they arise. The Committee met on two occasions in the course of the year and liaised frequently throughout the year about claims-related issues.

**The Investment Committee** comprising David Wolfson QC (Chairman), Gregory Denton-Cox, Jasbir Dhillon QC, Charles Flint QC, Catherine Gibaud Q (resigned), Michael Horne and Sharif Shivji assists the Board in reviewing in detail the performance of the Company 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 Committee** comprising Christopher Symons QC (Chairman), Colin Edelman QC, Alexandra Healy QC and David Railton QC assists the Board in finalising fee agreements with the Managers and Investment Managers. The Committee liaised regularly throughout the year.

**The Nominations Committee** comprising Colin Edelman QC (Chairman), Michael Brindle QC, Rebecca Sabben-Clare QC, Catherine Gibaud QC (resigned) and David Wolfson QC assists the Board in reviewing the membership of the Board and its committees and makes recommendations to the Board to fill vacancies. The Committee met on one occasion in the course of the year.

**The Reserves Committee** comprising Michael Brindle QC (Chairman), Stephen Arthur, Jasbir Dhillon QC, Alexandra Healy QC, and Sharif Shivji assists the Board in reviewing in detail the Company's claim reserves, claims reserves policy and provides 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 Colin Edelman QC (Chairman), Stephen Arthur, Rebecca Sabben-Clare QC, Leigh-Ann Mulcahy QC, Christopher Pocock QC, David Railton QC, and Christopher Symons QC assists the Board in reviewing in detail the rating system of the Company and making annual recommendations to the Board in respect of the rating to be applied to the next policy year. The Committee also reviews the Bar Mutual's reinsurance programme. The Committee met on two occasions in the course of the year.

**The Rules and Cover Committee** comprising Colin Edelman QC (Chairman), Michael Brindle QC, Rebecca Sabben-Clare QC, Michael Horne, Leigh-Ann Mulcahy QC and David Railton QC reviews the terms on which insurance cover is provided by the Company. This Committee met on one occasion in the course of the year.

**The Legal Services Act Committee** comprises Colin Edelman QC (Chairman), Michael Brindle QC, Catherine Gibaud QC (resigned), Leigh-Ann Mulcahy QC and Christopher Symons QC. The Committee 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. The committee met on two occasions in the course of the year.



**DIRECTORS REPORT (CONTINUED)**

**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. 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.

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.

**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.



Colin Edelman QC  
Chairman

Date: 9 June 2015

## 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 Limited for the year ended 31 March 2015, which are set out on pages 10 to 24. 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 7, 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.uk/apb/scope/private/cfm](http://www.frc.uk/apb/scope/private/cfm).

### **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 2015 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 matters prescribed by the Companies Act 2006**

In our opinion 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.

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 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

*Moore Stephens LLP*

Alexander Barnes (Senior Statutory Auditor)  
For and on behalf of Moore Stephens LLP, Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

Date: 11 June 2015

The maintenance and integrity of Bar Mutual Indemnity Fund Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BAR MUTUAL INDEMNITY FUND LIMITED

INCOME AND EXPENDITURE ACCOUNT  
For the year ended 31 March 2015

	Note	2015 £	2014 £
<b>TECHNICAL ACCOUNT GENERAL BUSINESS</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross Premiums written	3	15,080,582	14,742,256
Reinsurance premiums	4	(2,630,270)	(2,312,485)
Earned premiums, net of reinsurance		<u>12,450,312</u>	<u>12,429,771</u>
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	6,9	(10,789,478)	(9,211,593)
Reinsurers' share		625,016	97,685
Net claims paid	A	<u>(10,164,462)</u>	<u>(9,113,908)</u>
<b>Change in the provision for claims</b>			
Gross amount	7	(1,951,064)	(3,593,749)
Reinsurers' share	8	208,064	670,136
Change in the net provision for claims	B	<u>(1,743,000)</u>	<u>(2,923,613)</u>
Claims incurred, net of reinsurance	A+B	<u>(11,907,462)</u>	<u>(12,037,521)</u>
Net operating expenses	10	(1,348,950)	(1,213,207)
Balance on the technical account	A	<u>(806,100)</u>	<u>(820,957)</u>
<b>NON-TECHNICAL ACCOUNT</b>			
Investment income	11	1,624,592	2,405,958
Unrealised gains/(losses) on investments	13	1,497,882	(1,491,250)
Investment expenses and charges	11	(168,124)	(152,201)
	B	<u>2,954,350</u>	<u>762,507</u>
Surplus on ordinary activities before tax	A+B	2,148,250	(58,450)
Tax on ordinary activities	20	(476,787)	(41,622)
Surplus/(deficit) for the financial year		1,671,463	(100,072)
Surplus at 31 March, 2014		31,231,463	31,331,535
Surplus at 31 March, 2015		<u>32,902,926</u>	<u>31,231,463</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

Company number 218 2018

		<b>BALANCE SHEET</b>	
		<b>As at 31 March 2015</b>	
	Note	2015	2014
		£	£
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	12	68,136,819	64,224,764
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding	8	1,486,685	1,278,621
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	-	26,431
Debtors arising out of reinsurance operations	15	745,223	472,075
Other debtors	16	166,609	300,534
		<u>911,832</u>	<u>799,040</u>
<b>Other assets</b>			
Cash at bank	26	11,809,833	10,345,004
<b>Prepayments and accrued income</b>			
Accrued interest-interest earned but not yet received on fixed interest securities		332,150	438,223
Other prepayments and accrued income		16,088	16,088
		<u>82,693,407</u>	<u>77,101,740</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
<b>Reserves</b>			
Income and Expenditure Account		32,902,926	31,231,463
<b>Technical provisions</b>			
Claims outstanding - gross amount	7	36,161,298	34,210,234
<b>Creditors</b>			
Creditor arising out of direct insurance operations		23,069	21,677
Creditors arising out of reinsurance operations	18	1,053,621	1,058,977
Other creditors including taxation	17	477,668	104,715
		<u>1,554,358</u>	<u>1,185,369</u>
<b>Accruals and deferred income</b>	19	12,074,825	10,474,675
		<u>82,693,407</u>	<u>77,101,740</u>
<b>TOTAL LIABILITIES</b>			

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: 9 June 2015 by:

Director:



Colin Edelman QC

Signed on behalf of the Managers: R.A.A.Harnal

Director:



Christopher Symons QC

Bar Mutual Management Company Limited

BAR MUTUAL INDEMNITY FUND LIMITED

**CASH FLOW STATEMENT**  
For the year ended 31 March 2015

**Operating activities**

	Note	2015 £	2014 £
Surplus/(deficit) on ordinary activities before tax		2,148,250	(58,450)
Investment return		(3,122,474)	(914,708)
Investment expenses		168,124	152,201
Balance on the general business technical account		<u>(806,100)</u>	<u>(820,957)</u>
Increase in debtors	22	(112,792)	(66,836)
Increase in creditors	23	1,594,521	2,250,340
Increase in net provision for claims		1,743,000	2,923,613
Net difference between accruals and cash basis		<u>3,224,729</u>	<u>5,107,117</u>
Net cash inflow from operating activities	24	<u>2,418,629</u>	<u>4,286,160</u>

**CASH FLOW STATEMENT**

Net cash inflow from operating activities	24	2,418,629	4,286,160
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**Returns on investment and servicing of finance**

Interest received		1,046,728	1,784,685
Dividends received	11	683,937	280,468
Investment expenses		(167,555)	(159,839)
		<u>1,563,110</u>	<u>1,905,314</u>

**Taxation**

Corporation tax paid	20(c), 21	(102,737)	(488,516)
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Increase in cash, deposits and investments in the year	25,26	<u>3,879,002</u>	<u>5,702,958</u>
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**CASHFLOWS WERE INVESTED AS FOLLOWS:**

	Note	2015 £	2014 £
Increase/(decrease) in cash at bank	26	1,464,829	(2,747,004)
<u>Net portfolio investment/(disinvestment)</u> (Purchase)/disposal of debt securities and other fixed income securities	26	(67,645)	4,107,946
Purchase of equities	26	2,481,818	4,342,016
	25,26	<u>3,879,002</u>	<u>5,702,958</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, 2015, 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, 2015; 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) Dividends received from equities;
- (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).

##### (i) Reinsurance premiums

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

#### 3. Gross premiums written

In accordance with the practice that the Company introduced in 1999 of providing a premium deferral, where appropriate, the Company provided a general deferral of 20% on premiums for the year ended 31 March 2015 (2014: 20%). Gross premiums written are reported net of this deferral. The Company reserves the right to call the deferral 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 2015, 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.

	2015	2014
	£	£
Treaty reinsurance	2,255,174	2,402,060
Reinstatement premium	365,096	(459,531)
Stop loss reinsurance premium	179,226	1,389,701
Stop loss profit commission	(169,226)	(1,019,745)
	2,630,270	2,312,485

The Company purchased two three year Stop Loss Reinsurance policies covering 2008 to 2010 and 2011 to 2013 policy years. The covers are subject to mandatory commutations on 1 April 2016 and 1 April 2019 respectively. The Company may commute the policies at an earlier date with the agreement of Hannover Re. The policies provide 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.

The Company did not purchase a Stop Loss Policy for the current 2014 policy year.

The Stop loss reinsurance premium of £0.180m shown in the note above is made up of annual interest payable and broker maintenance fees on the stop loss account.

The Stop Loss Reinsurance commission shown in the note above of £0.169m (2014: £1.019m) relates to the interest earned on the Trust Fund Withheld Account (held for the Stop Loss Policy) and has been released as profit commission.

The treatment of the profit commission is in accordance with the ABI SORP Accounting for Insurance Business issued in December 2005 (as amended in December 2006).

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.

#### 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. There was only one related party transaction in the year. Leigh-Ann Mulcahy QC was paid £8,862 by the Company to defend a claim against one of its members.

Bar Mutual Management Company received £2,348,319 (2014: £2,339,999) from the Company in respect of management fees for the year.

**BAR MUTUAL INDEMNITY FUND LIMITED**

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

**6. Claims Paid**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Gross claims paid	9,448,206	7,875,072
Claims handling (note 9)	1,341,272	1,336,521
	10,789,478	9,211,593

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Gross claims outstanding at end of year	36,161,298	34,210,234
Gross claims outstanding at beginning of year	34,210,234	30,616,485
Increase in gross provision for claims	1,951,064	3,593,749

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).

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 2014/2015 policy year.

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Reinsurers' share of claims outstanding at end of year	1,486,685	1,278,621
Reinsurers' share of claims outstanding at beginning of year	1,278,621	608,485
Increase in reinsurers' share of claims outstanding	208,064	670,136

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.

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

	2015	2014
	£	£
Acquisition costs (note 10)	631,316	629,079
Claims handling (note 6)	1,341,272	1,336,521
Administration expenses (note 10)	322,055	320,914
	<u>2,294,643</u>	<u>2,286,514</u>
A separate fee is paid to the Investment Managers and included in investment expenses and charges (note 11)		
Investment management expenses	53,676	53,485
Management fees	<u>2,348,319</u>	<u>2,339,999</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

	2015	2014
	£	£
a) Acquisition costs	631,316	629,079
b) <u>Administration expenses</u>		
Legal and professional fees	154,621	10,695
Directors' & Officers' Liability insurance	64,353	60,454
AGM & printing costs	46,051	23,352
Charitable donations – LawCare	10,000	10,000
FCA statutory fees for authorisation	46,199	62,752
Auditors' remuneration - Audit of financial statements	53,195	41,521
- Taxation services	21,180	-
Governance internal audit fees	-	8,000
Capital reserves fees	-	46,440
Management administration expenses	322,055	320,914
Other expenses and data information requests	(20)	-
	<u>1,348,950</u>	<u>1,213,207</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 Law Care, which was formerly known as SolCare. Law Care provides help to solicitors and barristers suffering from work-related problems including stress, depression and addictive illnesses. There were no Directors' emoluments during the year.

**BAR MUTUAL INDEMNITY FUND LIMITED**

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

**11. Investment income**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest on listed investments	934,944	941,844
Gain on foreign exchange	(96,002)	379
Bank deposit interest	16,491	15,887
Dividends on equities	683,937	280,468
	1,539,370	1,238,578
Gains on realisation of investments	85,222	1,167,378
	1,624,592	2,405,956

**Investment expenses and charges**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Bank, custodial and other charges	114,448	98,716
Investment management expenses (see note 9)	53,676	53,485
	168,124	152,201

**12. Other financial investments**

	<b>Market Value 2015 £</b>	<b>Market Value 2014 £</b>	<b>Cost 2015 £</b>	<b>Cost 2014 £</b>
Other financial				
Investments comprise:				
Equities	21,157,559	18,945,412	19,008,040	17,785,011
UCITS Cash	7,115,630	5,856,840	7,115,630	5,856,840
Fixed interest securities	39,863,630	39,422,512	39,541,360	39,609,006
	68,136,819	64,224,764	65,665,030	63,250,857

All holdings in fixed income securities are in securities traded on recognised exchanges. "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 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

	2015	2014
	£	£
Cost (see note 12)	65,665,030	63,250,857
Market value (see note 12)	68,136,819	64,224,764
Unrealised gains at year end	<u>2,471,789</u>	<u>973,907</u>
Unrealised gains/(losses) movement for the year	<u>1,497,882</u>	<u>(1,491,250)</u>

14. Debtors arising out of direct insurance

	2015	2014
	£	£
Debts due from Members (Premiums)	-	54,330
Provision for doubtful debts	-	(27,899)
Debtors arising out of direct insurance	<u>-</u>	<u>26,431</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 £745,223 (2014: £472,075) are reinsurance recoveries which are due from reinsurers.

16. Other Debtors

Other debtors of £166,609 (2014: £300,534) includes recoveries expected from claims against third parties.

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Other creditors including taxation

	2015	2014
	£	£
Insurance Premium tax	881	1,978
Taxation (note 20(c))	476,787	102,737
	<u>477,668</u>	<u>104,715</u>

18. Creditors arising out of reinsurance operations

	2015	2014
	£	£
Reinsurance creditor	<u>1,053,621</u>	<u>1,058,977</u>

19. Accruals and deferred income

	2015	2014
	£	£
Accrued expenses	78,100	212,359
Deferred income – premiums received in advance	11,996,725	10,262,316
	<u>12,074,825</u>	<u>10,474,675</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:

Income and Expenditure account	2015	2014
	£	£
UK corporation tax (Note 20b)	476,787	102,737
(Over)/under provision prior year & interest on tax	-	(61,115)
	<u>476,787</u>	<u>41,622</u>

- (b) The tax assessed for the period differs from the standard rate of corporation tax in the UK (21 %) and is computed as follows:

	2015	2014
	£	£
Surplus/(deficit) on ordinary activities before tax	<u>2,148,250</u>	<u>(58,450)</u>
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	451,133	(13,444)
<i>Effects of:</i>		
Interest on tax instalments	-	(482)
Non-taxable mutual insurance operations	169,281	188,820
Non-taxable dividend distribution	(143,627)	(64,507)
Marginal relief	-	(7,650)
Current year tax charge	<u>476,787</u>	<u>102,737</u>

BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Balance sheet

	2015	2014
	£	£
<u>Taxation creditor</u>		
Taxation creditor brought forward	102,737	549,631
Payment of corporation tax	102,737	488,516
	-	61,115
UK corporation tax for the current year	476,787	41,622
Creditor as at 31 March	476,787	102,737

21. Cash flow statement

Corporation tax

	2015	2014
	£	£
Tax creditor b/fwd	102,737	549,631
UK corporation tax for the current year	476,787	41,622
Tax (creditor) c/fwd	(476,787)	(102,737)
Taxation paid	102,737	488,516

22. Cash flow statement – movement in debtor balances

	At 31 March 2015	At 1 April 2014	Decrease/ (increase) In Year
	£	£	£
Arising out of direct insurance	-	26,431	26,431
Arising out of reinsurance operations (see note below & note 15)	745,223	472,075	(273,148)
Other	182,697	316,622	133,925
	927,920	815,128	(112,792)

The comparatives for last year were:

	At 31 March 2014	At 1 April 2013	Decrease/ (increase) In Year
	£	£	£
Arising out of direct insurance	26,431	9,844	(16,587)
Arising out of reinsurance operations (see note below)	472,075	595,641	123,566
Other	316,622	142,807	(173,815)
	815,128	748,292	(66,836)

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 2015	At 1 April 2014	Increase/ (decrease) in Year
	£	£	£
Deferred Income –			
Premiums received in advance	11,996,725	10,262,316	1,734,409
Arising out of direct operations	23,069	21,677	1,392
Arising out of reinsurance operations	1,053,621	1,058,977	(5,356)
Accrued expenses	75,395	41,376	34,019
Insurance premium tax	881	1,978	(1,097)
	<u>13,149,691</u>	<u>11,386,324</u>	<u>1,763,367</u>

The comparatives for last year were:

	At 31 March 2014	At 1 April 2013	Increase in Year
	£	£	£
Deferred Income –			
Premiums received in advance	10,262,316	7,928,917	2,333,399
Arising out of direct operations	21,677	19,878	1,799
Arising out of reinsurance operations	1,058,977	1,314,873	(255,896)
Accrued expenses	41,376	40,170	1,206
Insurance premium tax	1,978	992	986
	<u>11,386,324</u>	<u>9,304,830</u>	<u>2,081,494</u>

24. Net cash flow from operating activities

	2015	2014
	£	£
<b>Operating Activities</b>		
Premiums received from Members *	16,841,422	17,059,068
Reinsurance paid	(2,635,626)	(2,568,381)
Claims paid	(10,826,745)	(9,213,458)
Reinsurance recovered	351,868	221,251
Other operating cash paid	(1,312,290)	(1,212,320)
Net cash (out)/in flow from operating activities	<u>2,418,629</u>	<u>4,286,160</u>

\* Premiums received from members during the year include premiums received in advance in respect of the year to 31 March 2016 (see note 19).



BAR MUTUAL INDEMNITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2015	2014
	£	£
Net cash (outflow)/inflow for the year	1,464,829	(2,747,004)
Portfolio investments	2,414,173	8,449,962
Movement arising from cash inflow	3,879,002	5,702,958
Movement in investment valuations	1,497,882	(1,491,250)
Movement for the year	5,376,884	4,211,708
Portfolio investments at 1 April	74,569,768	70,358,060
Portfolio investments at 31 March	79,946,652	74,569,768

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

	At 1st April 2014 £	Cash flow Movement £	Changes To market Value £	At 31st March 2015 £
Cash at bank *	10,345,004	1,464,829	-	11,809,833
Fixed interest securities	39,422,512	(67,645)	508,763	39,863,630
Equities	24,802,252	2,481,818	989,119	28,273,189
	<u>74,569,768</u>	<u>3,879,002</u>	<u>1,497,882</u>	<u>79,946,652</u>

The comparative figures for last year were:

	At 1st April 2013 £	Cash flow Movement £	Changes To market Value £	At 31st March 2014 £
Cash at bank	13,092,008	(2,747,004)	-	10,345,004
Fixed interest securities	35,804,775	4,107,946	(490,209)	39,422,512
Equities	21,461,277	4,342,016	(1,001,041)	24,802,252
	<u>70,358,060</u>	<u>5,702,958</u>	<u>(1,491,250)</u>	<u>74,569,768</u>

\* The large cash balance reflects the premiums received in advance before the year end as well as £5.9m 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