BAR MUTUAL INDEMNITY FUND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Company Number 218 2018

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members will be held at Devereux Chambers, Devereux Court, London, WC2R 3JH on Tuesday 6 October 2020 at 5.00pm for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 March 2020 and, if they are approved, to adopt them;

To appoint Directors; and

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

By Order of the Board

K. Halpenny
Secretary

Date: 2 July 2020

Notes:

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

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

DIRECTORS

DIRECTORS OF BAR MUTUAL INDEMNITY FUND LIMITED

Colin Edelman QC	(Chairman)
Michael Brindle QC	(Deputy Chairman)
David Railton QC	(Deputy Chairman)
Rebecca Sabben-Clare QC	(Deputy Chairman)
Ahmed Salim	(Chief Executive Officer)
Rajiv A A Harnal	(Chief Financial Officer)
Thomas Coghlin QC	
Gregory Denton-Cox	
Jasbir Dhillon QC	
Charles Dougherty QC	
Nina Goolamali QC	
Alexandra Healy QC	Resigned 23 October 2019
Michael Horne QC	
Christopher Pocock QC	
Nathaniel Rudolf	Appointed 11November 2019
Simon Salzedo QC	
David Scorey QC	
Sharif Shivji QC	
Fiona Sinclair QC	
Joanna Smith QC	

CHAIRMAN'S REPORT

Bar Mutual's Financial Position as at 31 March 2020

Results for the year to 31 March 2020

The ravages of the covid-19 pandemic reversed what would otherwise have been a satisfactory financial performance for the year to 31 March 2020. In my Chairman's Interim Report of January 2020 I noted that the financial forecast for the year to 31 March 2020 was a modest targeted loss of £0.7m. I explained that the forecast loss was part of a controlled strategy to gradually reduce the level of excess capital held by Bar Mutual so that it was within the target range set by its risk appetite, a policy guiding the amount of capital in excess of its liabilities for claims Bar Mutual should target.

The result for the financial year to 31 March 2020 is in fact a deficit of £1.570m.

Considering very briefly the factors giving rise to this loss, the first observation is that the cost of claims has been relatively stable. The total net claims incurred for the year was £12.6m (this is the amount paid in the financial year adjusted for any reinsurance recoveries and changes in the claims reserves), which is not much different from the total of £12.2m incurred to 31 March 2019. Two developments have however driven the adverse result for the year to 31 March 2020. The first is an increase in the premium Bar Mutual paid for its reinsurance programme, under which it transfers the cost of claims above a fixed amount to reinsurers. This year the premium paid for the reinsurance programme increased from £3.1m to £3.5m. The increase in reinsurance costs was of course factored into the forecast in my January Interim Report. The second and more important development was the late reduction in the return generated on Bar Mutual's investments. Last year I was able to report a net investment return to 31 March 2019 of £2.4m (a return of 3.59% of the total funds invested). In contrast, this year, the investment return fell to £0.7m (0.81%). Although the investment markets were lashed by the measures taken to contain the covid-19 pandemic, producing unprecedentedly difficult and volatile investment market conditions in the first quarter of 2020, it is worth noting that Bar Mutual's investment portfolio nevertheless managed to produce a positive return. For this, it is appropriate that I thank our Investment Managers and the Investment Committee for the work they have done in steering our investments through these extraordinarily challenging times.

Bar Mutual's capital position

Despite the loss for the year, I am pleased to inform Members that Bar Mutual remains in a very strong financial position. As at 31 March 2020 it's regulatory capital stands at £40.8m against a regulatory capital requirement of £19.0m.

The level of capital Bar Mutual targets is determined by the risk appetite agreed by the Board. Bar Mutual's risk appetite requires it to hold an amount in capital within a lower and upper target level. As at 31 March 2020 the lower target level for capital under this policy was £30.3m and the upper target level was £41.6m. With capital of £40.8m Bar Mutual's regulatory capital is a shade below the upper target level. The Board remains confident that Bar Mutual's capitalisation puts it in a strong position to face the future, even where the environment is as volatile and uncertain as the current one.

Covid-19

The Board is well aware of the severe financial difficulties many of Bar Mutual's Members face as a result of the arrival of the covid-19 pandemic. There has been a dramatic reduction in the work of much of the publicly funded Bar, and this collapse in work is of course not confined to this sector of the Bar. With a view, therefore, to relieving the financial pressure on some of its Members, Bar Mutual has offered Members facing financial difficulties the option of paying their annual Bar Mutual premium due on or before 1 April 2020 in two tranches, with the second tranche payable by 31 December 2020. In a further measure intended to provide assistance to the self-employed Bar as a whole, the Board has also made a significant contribution to the Barristers' Benevolent Fund. I should add that the Board will naturally continue to keep the position and its response to it under review.

Minimum Terms of Cover for Self-Employed Barristers

I reported last year on the introduction of Minimum Terms of Cover for Self-Employed Barristers by the Bar Standards Board ("the BSB Minimum Terms"). One result of this is that Bar Mutual is now required to insure the legacy liabilities of some of its Members. Under the BSB Minimum Terms, where a Member held an ownership interest in a BSB approved multi-person entity and returns to practice, either as a self-employed barrister or as a single person entity, the Member's practice will be treated as the successor practice (and there may be more than one successor practice) of the prior multi-person entity practice. This is the case even if Bar Mutual did not previously insure the multi-person entity. Not all multi-person entities seek insurance from Bar Mutual and indeed there are occasions when Bar Mutual declines to offer insurance to multi-person entities. . The mutual obligation to seek and for Bar Mutual to provide insurance under the BSB Handbook does not apply to multi-person entities.

In order to mitigate the potential financial impact on Bar Mutual of claims generated by multi-person entities that had not been insured by Bar Mutual when they ceased to exist but will be insured as a prior practice under a Member's policy with Bar Mutual, the terms of cover are to be amended as of 1 August 2020 to introduce a limit of cover of £0.5m to claims made by Members in these circumstances.

As an additional measure intended to reflect the risk of claims to Bar Mutual, a premium surcharge will also be applied to Members purchasing insurance from Bar Mutual where they had an ownership interest in a multi-person entity which had not been insured by Bar Mutual when it ceased to exist.

Board of Directors

In accordance with the terms of the Board's Nominations Policy, Gregory Denton-Cox will be not be seeking re-election to the Board at the Annual General Meeting in October 2020, having served the maximum period provided for in that policy. Greg was appointed to the Board in 2010 and has served on the Audit and Risk Committee (as Deputy Chairman) and as a member of the Investment Committee. He has provided invaluable assistance on a range of regulatory issues and on company law matters. On behalf of the Board and all Members I would like to express our heartfelt thanks to him for the time he has committed to Bar Mutual whilst continuing to develop a very busy commercial practice. We wish him well for the future.

A second Director who will be stepping away from the Board is Nina Goolamali QC. Nina joined the Board in 2015 and has made a valuable contribution to the work of the Audit and Risk Committee, the Legal Services Act Committee and the Nominations Committee. The demands of her thriving practice are taking her away from the Board, and on behalf of the Members and her fellow Directors I wish to put on record our gratitude for her industry as a director of Bar Mutual.

Finally, I would like to take this opportunity to thank all my fellow Directors for the time and effort they dedicate to ensuring the continued success of Bar Mutual which is now in its 32nd year of operation. As ever, I also wish to thank our Managers for their quality of service they provide in running Bar Mutual.

Colin Edelman

Colin Edelman QC
Chairman
2 July 2020

STRATEGIC REPORT

Review of the Year

The Directors present their Strategic Report on the Company for the year ended 31 March 2020.

The Company continued to provide professional indemnity insurance to self-employed barristers and entities authorised by the Bar Standards Board in England and Wales. The deficit arising out of the year's operations after tax was £1.570m (2019 surplus £0.343m) and this was transferred from reserves. The reserves now amount to £36.316m (2019 - £37.886m) and have been retained to meet claims and the solvency requirement under The Financial Services and Markets Act 2000. The Directors anticipate no significant changes in the Company's future activities.

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

Principal Risks and Uncertainties

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

The Company operates a risk transfer strategy by purchasing reinsurance and so safeguarding its reserves. During the year ended 31 March 2020, about 50 % of the reinsurance contract was placed at Lloyd's (2019: 44%) with the balance placed with insurance companies in the UK. This is consistent with the placement last year. Note 6 in the Financial Statements explains the Company's reinsurance programme.

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

Key Performance Indicators

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

STRATEGIC REPORT (continued)

Financial results
The Statement of Income and Movement in Reserves (on page 17) and the Statement of Financial Position (on page 18) together with the notes to the Financial Statements set out the Company's financial position in detail.

The following table compares key financial information for the year-ended 31 March 2020 and 31 March 2019.

	2020	2019
	£'000	£'000
Premium Written	15,853	13,860
Reinsurance Premium	(3,504)	(2,182)
Change in net provision for unearned premium	(166)	-
Net claims incurred	(12,582)	(12,173)
Operating expenses	(1,744)	(1,406)
Deficit on technical account	(2,143)	(1,901)
Investment Income	620	2,674
Surplus/(deficit) before tax	(1,523)	773
Tax	(47)	(431)
Surplus/(deficit) for the financial year	(1,570)	342
Free Reserves at 31 March	36,316	37,886

Investments

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

- To maintain sufficient funds to cover Bar Mutual' s claims liabilities and Bar Mutual' s required regulatory capital;
- To preserve capital in real terms (CPI rate of inflation) over a five year period.

The investment return for the year under review was 0.81% (2019: 3.59 %%).

The Company's Current and Future Plans

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

STRATEGIC REPORT (continued)

Company's Current and Future Plans (continued)

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

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

	£'000
Regulatory Capital Reserves as at 31 March 2020	
Tier 1 Basic Own Funds	40,820
Tier 2 Ancillary Own Funds	9,507
Total Regulatory Capital	50,327
Solvency Capital Requirement	19,014
Lower capital target	30,285
Upper capital target	41,557

At the year end the Company had met its objectives of being in a strong financial position with Tier 1 reserves for regulatory purposes at £40.820m, which is comfortably within its defined target limits.

IMPACT OF COVID-19

The Directors have assessed the impact of COVID-19 in the following areas of the business

Premiums

The covid-19 outbreak has not had an impact on Bar Mutuals premium income for the year ended 31 March 2020 as all policies with the company were renewed and a substantial part of the premium was paid well before the onset of covid-19. The fee income declared by the Company's members at renewal in March 2020 is in respect of the immediately preceding calendar year. Although some of the Company's Members are likely to see a fall in fee income for the 2020 calendar year, particularly the publicly funded Bar, it is possible that due to issues arising out of the outbreak some other practice areas may see an increase in fee income thereby offsetting to an extent the drop in earnings and resulting hopefully in only a limited impact on the fee income declared to the Company at the 2021 renewal and in turn its premium income for the year.

Investments

Covid-19 and the global response to it triggered a significant decline in the pace of economic activity across the globe. The ensuing global recession is widely expected to be deeper than any experienced in the post-war period. At this point, because the eventual duration of the outbreak is unknown, the length and severity of the recession is difficult to foretell.

Because of the deterioration in the economic outlook, financial markets have become extremely volatile and this has resulted in significant declines in asset prices across equity markets. Since January 2020 the portfolio was cautiously positioned, which has helped to mitigate losses. The elevated level of financial market volatility is likely to persist until there is greater clarity on the likely path of covid-19. Nevertheless, equity markets rallied strongly in the immediate aftermath of covid-19 on the back of significant monetary policy stimulus announced by various central banks. Fiscal policy was also supportive, as various governments announced plans to help mitigate the negative economic impact of the pandemic

IMPACT OF COVID-19

Claims

Although it is very early days, covid-19 is unlikely to generate material claims for the Company's Members. It is more likely that claims will be made against insurers and against brokers in respect of policy wordings if policies do not respond.

Reinsurance

The Company's reinsuring brokers consider that the current estimated impact on the global reinsurance capital base is approximately 5%. This is a much improved position compared to the 20% forecast originally assumed and is partly explained by investment markets having moved significantly upwards during this period. This also underlines, however, the extent to which (re)insurers' balance sheets are sensitive to investment market volatility.

Reinsurers' Solvency II ratios are commonly accepted as a more meaningful assessment of financial strength. On this basis, the average solvency ratio fell by 19 percentage points in Q1, down from 211% to (a still comfortable) 192%. A few companies actually saw an increase in solvency – expected dividend payments are normally deducted from Q4 solvency ratios and, given the suspension of dividends at many companies, these amounts have now been added back to available capital

Rating agencies continue to assess covid-19's impact. Although covid-19 will remain a negative rating factor in the near to medium term, widespread downgrades are not anticipated by the rating agencies. As would normally be the case, the vast majority of (re)insurers' ratings reviewed globally so far this year have been affirmed at the same level.

The Company's reinsurance programme was in place before the onset of covid-19 and as the reinsurers on its programme are A- rated it is reasonable to assume that the Company's reinsurance programme will respond.

Impact on operations:

The Company outsources management of its operations to Bar Mutual Management Company (a subsidiary Company of Thomas Miller) ("the Managers"), who implemented a swift move to remote working on the onset of covid-19 to enable the Company's operations to continue remotely.

Illness and staff shortage:

The Board of the Company is satisfied that the Managers have sufficient resources to meet the demands of conducting the day-to-day business of the Company in the face of the disruption caused by covid-19.

In summary, the Directors are confident that the Company is well placed to deal with the consequences of covid-19 on its business and that the Company is financially well reserved for any short-term fall in its investments.

COMPANIES ACT SECTION 172(1)

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

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

COMPANIES ACT SECTION 172(1) (continued)

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

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

2. The interests of the Company's employees

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

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

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

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

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

The Company considers the best interests of its Members as a priority. This has included donating £100,000 to the Barristers Benevolent Fund to help those of its Members suffering financial hardship because of covid-19. It also acts as a sounding board on behalf of its Members on legal issues and either makes or assists in making representations to protect its Members' interests to regulators as well as governmental bodies.

As a service orientated organisation, the Company does not have a material impact on the environment. The Board has established a policy on climate change, which is owned by the Company's Risk Officer. The policy considers the risk of climate change associated with the Company.

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

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

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

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

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

Colin Edelman QC
Chairman
Date: 2 July 2020

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the Financial Statements for the year ended 31 March 2020.

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

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

The Company has no employees.

The Board of Directors 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 Company. The cost of the insurance is met by the Company and is detailed in note 9 to the Financial Statements.

Risk Management

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

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

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

Directors and Officers

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

In accordance with the Articles of Company, Jasbir Dhilon QC, Charles Dougherty QC, David Railton QC, Rebecca Sabben-Clare QC, David Scorey QC retire by rotation and, being eligible, will seek reappointment at the Annual General Meeting on 6 October 2020.

Nathaniel Rudolf having been appointed during the year, must retire and, being eligible, will seek reappointment at the Annual General Meeting on 6 October 2020.

Gregory Denton-Cox also retires by rotation but having served the maximum period permissible under the Company's nominations policy is not eligible for re-appointment to the Board at the meeting on 6 October and will therefore be retiring from the Board.

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 two formal meetings in the financial year: in July 2019 and, and December 2019.

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 Company's Articles of Company and Rules.

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

The Annual Reports and Financial Statements for the year ended 31 March 2019 were approved by the Board in July 2019 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 David Railton QC (Chairman), Gregory Denton-Cox (Deputy Chairman), Nina Goolamali QC, Christopher Pocock QC, Nathaniel Rudolf, Simon Salzedo QC, David Scorey QC and Fiona Sinclair QC assists the Board in reviewing the effectiveness of the Company's internal control processes, the Internal Audit reports, approving the year-end Statutory audits, monitoring the Managers responses to findings and recommendations of Internal audit and statutory audit and assessing the business risks of the Company. The Committee met on three occasions in the course of the year.

The Claims Committee comprising Colin Edelman QC (Chairman), Michael Brindle QC, David Railton QC and Joanna Smith QC assists the Board in reviewing issues of principle arising in claims-related matters. The Committee also deals with applications for discretionary cover as and when such applications are made. The Committee met twice during the year and liaised frequently throughout the year on claims-related issues.

The Investment Committee comprising Jasbir Dhillon QC (Chairman), Thomas Coghlin QC, Gregory Denton-Cox, Charles Dougherty QC, Michael Horne QC, Rebecca Sabben-Clare QC and Sharif Shivji.QC assists the Board in reviewing in detail the performance of the Company's investments and making recommendations to the Board in respect of the Investment Policy and other investment related issues. The Committee met on three occasions in the course of the year.

The Management Fee and Oversight Committee comprising David Railton QC (Chairman), Colin Edelman QC, Sharif Shivji QC and Joanna Smith QC assists the Board in reviewing the effectiveness of the Managers and reporting to the board on the manager's management fee proposals. The Committee met once during the year.

The Nominations Committee comprising Colin Edelman QC (Chairman), Michael Brindle QC, Nina Goolamali QC, Rebecca Sabben-Clare QC and Sharif Shivji QC assists the Board in complying with the Company's and its Committees' Fit and Proper Policy. It also assists the Board on the policy it should adopt for the appointment of Directors and in identifying suitable potential candidates for appointment as Directors for the Board to consider. The Committee met once during the year.

Board Committees (continued)

The Reserves Committee comprising Michael Brindle QC (Chairman), Jasbir Dhillon QC, Simon Salzedo QC, Sharif Shivji QC and Joanna Smith QC assists the Board in reviewing in detail the Company's claims reserves, capital resources policy and regulatory capital position. It also provides a clear channel of communication between the Managers' actuaries and the Board. The Committee met twice during the year.

The Rating and Reinsurance Committee comprising Colin Edelman QC (Chairman), Charles Dougherty QC, Christopher Pocock QC, David Railton QC, Rebecca Sabben-Clare QC, David Scorey QC and Joanna Smith 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 ratings to be applied to the next policy year. The Committee also reviews Bar Mutual's reinsurance programme. The Committee met on two occasions during the year.

The Rules and Cover Committee comprising Colin Edelman QC (Chairman), Michael Brindle QC, Thomas Coghlin QC, Rebecca Sabben-Clare QC and Fiona Sinclair QC reviews the basis on which Bar Mutual provides insurance cover to Members. The Committee met once during the year.

The Legal Services Act Committee comprises Colin Edelman QC (Chairman), Michael Brindle QC, Nina Goolamali QC, and Michael Horne 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. There were no formal meetings of the Committee during the year, but the Committee liaised throughout the year on issues relating to the insurance of entities regulated by the Bar Standards Board.

Future developments

The future developments of the Company have been considered in the Chairman and the Strategic report.

Post balance sheet events

There have been no events since the balance sheet date, which either requires changes to be made to the figures included in the financial statements or to be disclosed by way of a note. The Directors will continue to monitor the impact of covid-19 on its business.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

AUDITORS

. The auditors BDO 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: 2 July 2020

Independent Auditor's Report to the Members of Bar Mutual Indemnity Fund Limited

Opinion

We have audited the financial statements of The Bar Mutual Indemnity Fund Limited (the 'Company') for the year ended 31 March 2020 which comprise the statement of income and movement in reserves, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

Key audit matter	How we addressed the key audit matter in the audit	Key observations
Valuation of technical provisions Note 7 The Company's financial statements (record gross technical provisions of £50.7m (2019 £50.0m), reinsurer share of £12.8m (2019 £14.7m) and net technical provisions of £37.9m (2019 £35.3m). Case estimates rely on: The correct and timely entry of claims information onto the claims system before the year end; and Adjustments being made to significant year end estimates and payments being absorbed by the Company's assessment of claims incurred but not enough reported ('IBNER'). IBNER modelling is reliant on: • Relevant claims data being input correctly into actuarial models; and • The application of appropriate actuarial techniques, judgements and assumption when assessing the IBNER. IBNER comprises a large proportion of total reserves as estimates are only made to the next stage of legal development. IBNER must therefore allow for prospective costs of future escalation of claims to more senior courts. The provision is calculated by an independent actuarial expert appointed by management utilising policy data and assumptions applied to the valuation calculations. We have assessed this area as being of significant risk to the audit due to the significance of these amounts in deriving the Company's results and because of the assumptions underpinning the calculation, which can be highly subjective.	In assessing the valuation of the technical provision, we performed the following procedures: • We used internal independent actuarial experts to assist with our consideration of the appropriateness of the methodology and assumptions underpinning the calculation of the provision and the accuracy of the calculation itself; • We have checked and agreed the independence and relevant expertise of both our and the Company's actuarial experts; • We have obtained and reviewed the actuarial reports prepared by the Company's actuary and used the work of our actuarial expert to check that all relevant judgements and estimates in the Company's calculation have been considered and appropriately challenged. Meetings were held between management's actuaries and our internal actuarial team to appropriately challenge the assumptions and methodology in the formation of our opinion • We have reviewed and assessed changes to the assumptions used in the technical provisions compared to previous years to check these are reasonable and in line with acceptable parameters based on our independent actuary's assessment; • We have reconciled and tested substantively reconciled and tested substantively the source data provided to management's actuary and to our reviewing actuary to the underlying policy data to check that calculations are based on accurate information;	Overall, based on the procedures performed we consider the technical provisions asset recognised by the Company within its financial statements and the assumptions and methodology used at 31 March 2020 to be reasonable.

	• We have agreed all case estimates above our performance materiality level and a sample of other case estimates to supporting documentation to check that any adjustments were accounted for in the correct period; • We have used substantive audit procedures including recalculation of the reinsurance recoveries to assess whether the reinsurers' share of large claims have been correctly recognised; • We have reviewed the outturn of prior years' estimates against the previous year's position; to assess the accuracy of previous estimates and the appropriateness of the methodology and • We have tested claim adjustments and payments after year end, that are greater than performance materiality through agreement to supporting documentation to check that these adjustments and payments were accounted for in the correct period.	

Our application of materiality

In planning and performing our audit we were influenced by our application of materiality. We set certain quantitative measures and thresholds for materiality, which together with other, qualitative, considerations, helped us to determine the scope of our audit and the nature, timing and extent of the procedures performed.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be £725,000 (2019: £800,000). The principal determinant in this assessment was net assets, which we consider to be the most relevant benchmark, as it reflects a key measure of the performance of an insurance body and is a measure of its ultimate financial health. Our materiality represents 2% (2019: 2.1%) of this number.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £543,750 (2019: £480,000) which represents 75% (2019: 60%) of the above materiality level.

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £14,500 (2019: £40,000). We also agreed to report differences below this thresholds that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of Bar Mutual Indemnity Fund Limited (continued)

An overview of the scope of the audit

Our approach to the audit was risk based, with our audit work being tailored to ensure that sufficient assurance was gained for us to be able to give an opinion on the financial statements as a whole. Specific audit procedures were carried out on all risk areas identified, including the key audit matters detailed above, and on all material balances and classes of transactions. The audit team performed all aspects of the audit with the use of appointed internal experts in assessing insurance liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements and estimations, for example in respect of the valuation of technical provisions.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, PRA and FCA rules, FRS 102 and FRS 103.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements.

Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment for monitoring compliance with laws and regulations;
- review of correspondence with the PRA and FCA; and
- review of the Company's breaches register and Internal Audit reports.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely, as auditor of the financial statements, we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Bar Mutual Indemnity Fund Limited (continued

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, within the directors' report set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent Auditor's Report to the Members of Bar Mutual Indemnity Fund Limited (continued

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were appointed by the members at the Annual General Meeting on 02 October 2019 to audit the financial statements for the years ending 31 March 2020. The period of total uninterrupted engagement, including previous renewals and reappointments is 31 years.

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tom Reed

Thomas Reed

Senior Statutory Auditor

For and on behalf of
BDO LLP
Statutory Auditor
London, UK

16 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF INCOME AND MOVEMENT IN RESERVES
For the year ended 31 March 2020

	Note	2020	2019
TECHNICAL ACCOUNT GENERAL BUSINESS		£	£
Earned premiums, net of reinsurance			
Gross Premiums written	5	15,852,890	13,860,275
Reinsurance premiums	6	(3,503,537)	(2,181,755)
Change in net provision for unearned premium		(166,151)	-
Earned premiums, net of reinsurance		12,183,202	11,678,520
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	7	(13,547,110)	(17,441,827)
Reinsurers' share	7	3,598,799	3,926,237
Net claims paid	A	(9,948,311)	(13,515,590)
Change in the provision for claims			
Gross amount	7	(695,733)	2,173,697
Reinsurers' share	7	(1,937,943)	(831,448)
Change in the net provision for claims	B	(2,633,676)	1,342,249
Claims incurred, net of reinsurance	A+B	(12,581,987)	(12,173,341)
Net operating expenses	9	(1,744,323)	(1,406,346)
Balance on the technical account	C	(2,143,108)	(1,901,167)
NON-TECHNICAL ACCOUNT			
Balance on the technical account		(2,143,108	(1,901,167)
Investment income	10	1,986,838	2,519,546
Unrealised gains/(losses) on investments	10	(1,230,788)	278,604
Investment expenses and charges	10	(135,754)	(124,508)
	D	620,296	2,673,642
Surplus/(losses) before tax	C+D	(1,522,812)	772,475
Tax charge	11	(46,791)	(430,825)
Surplus/(deficit) for the financial year		(1,569,603)	341,650
Reserves at 31 March, 2019		37,885,928	37,544,278
Reserves at 31 March, 2020		36,316,325	37,885,928

All income and expenses relate to continuing operations.

The notes on pages 23 to 43 form an integral part of these Financial Statements.

Company number 218 2018

STATEMENT OF FINANCIAL POSITION

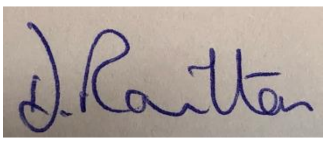
As at 31 March 2020

	Note	2020	2019
ASSETS		£	£
Investments			
Other financial investments	12	77,059,150	77,554,964
Reinsurers' share of gross technical provisions			
Claims outstanding	7	12,795,052	14,732,995
Debtors			
Debtors arising out of direct insurance operations	13	26,440	20,332
Debtors arising out of reinsurance operations	14	1,883,013	92,727
Other debtors	15	1,932,060	160,798
		3,841,513	273,857
Other assets			
Cash at bank	16	4,258,234	7,753,524
Prepayments and accrued income			
Accrued interest-interest earned but not yet received on fixed interest securities		152,542	181,603
Other prepayments and accrued income		24,667	16,990
TOTAL ASSETS		98,131,158	100,513,933
LIABILITIES AND RESERVES			
Reserves			
Free reserves		36,316,325	37,885,928
Technical provisions			
Provision for unearned premiums		166,151	-
Gross Claims outstanding	7	50,686,619	49,990,887
Creditors			
Creditor arising out of direct insurance operations		26,814	23,306
Creditors arising out of reinsurance operations	17	693,630	754,229
Other creditors including taxation	18	2,645	869,150
		723,089	1,646,685
Accruals and deferred income	19	10,238,974	10,990,433
TOTAL LIABILITIES AND RESERVES		98,131,158	100,513,933

The notes on pages 23 to 43 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: 2 July 2020 by:

Colin Edelman QC (Chairman)



David Railton QC (Deputy Chairman)

RAAHarnal

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

STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

Operating activities

	Note	2020	2019
		£	£
Premiums received		15,004,519	14,960,878
Reinsurance premium paid		(3,564,136)	(4,374,194)
Claims paid		(15,103,188)	(17,376,627)
Reinsurance recoveries received		1,808,513	5,605,153
Operating expenses paid		(1,687,921)	(1,276,607)
Taxation paid		(430,825)	-
Net cash (used)/provided by operating activities		(3,973,038)	(2,461,397)

Cash flows from investment activities

	Note	2020	2019
Purchase of investments		(107,436,983)	(78,367,490)
Sale of investments		106,344,430	78,884,190
Interest received		937,667	1,099,810
Dividends received		632,634	530,631
Net cash flow from investment activities		477,748	2,147,141
Net increase/(decrease) in cash and cash equivalents		(3,495,290)	(314,256)
Cash and cash equivalents at the beginning of the year		7,753,524	8,067,780
Cash and cash equivalents at the end of the year	16	4,258,234	7,753,524

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution and ownership

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

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

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

2. Significant accounting policies

2.1 Statement of compliance and basis of preparation

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

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

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

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

2.2 Gross premiums written

The gross premiums written are 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.

Unearned premium reserve

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

2.3 Claims

The Company insures members for claims that are made against them during the period of insurance. As such the financial statements recognise the expected cost of claims that are expected to have been notified to the insured members by the year end. Claims are recorded on a claims made basis and therefore there is no IBNR,(incurred but not reported)

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

2. Accounting policies (continued)

2.3 Claims (continued)

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

(i) Estimated claims and settlement costs as at 31 March 2020, on notified claims outstanding in all policy years;
(ii) An additional amount to provide against the costs of adverse development on estimated claims and circumstances notified to members as at 31 March 2020

(iii) A provision for the Managers' future claims handling costs in respect of (i) and (ii).

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

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

2.4 Reinsurance recoveries

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

2.5 Reinsurance premiums

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

2.6 Financial instruments

The Company has chosen to apply the recognition, measurement and disclosure requirements of FRS 102 in respect of financial instruments.

Financial instruments are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and are classified as either 'basic' or 'other' in accordance with Section 11 and Section 12 of FRS 102. Subsequent to initial recognition, they are measured as set out in note 2.7.

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

2.7 Other financial Investments

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

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

2. Accounting policies (continued)

2.7 Other financial Investments (continued)

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

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

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

2.8 Investment returns

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

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

2.9 Cash and cash equivalents

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

2.10 Foreign currencies

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

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

2. Accounting policies (continued)

2.11 Taxation

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

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

2.12 Provision for doubtful debts

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

2.13 Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

3. Critical accounting estimates and judgements

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

3.1 The ultimate liability arising from claims made under insurance contracts

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

3. Critical accounting estimates and judgements (continued)

3.2 Fair value estimations

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

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

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

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

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

As at 31 March 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Assets				
Fixed interest - Government	-	40,234	-	40,234
Fixed interest – Corporate	-	6,660	-	6,660
Equities & Alternatives	8,207	3,487	-	11,694
UCITS	17,465	-	-	17,465
Other-cash with financial institutions	1,006	-	-	1,006
	26,678	50,381	-	77,059

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

As at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Assets				
Fixed interest - Government	-	42,126	-	42,126
Fixed interest – Corporate	-	10,349	-	10,349
Equities & Alternatives	12,775	3,909	-	16,684
UCITS	-	8,395	-	8,395
	12,775	64,779	-	77,554

4 Management of Risk

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

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

4.1 Insurance risk – incorporating underwriting and reserving risk;

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

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

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

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

4.1 Insurance Risk

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

<u>Underwriting process</u>

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

The Company operates a tariff rating system based on earnings and so the underwriting parameters are fixed with no discretion.

<u>Reinsurance</u>

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

During the year ended 31 March 2020, about 50.45% of the reinsurance contract was placed at Lloyd's and the remaining 49.55% with insurance companies in the UK.

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

4. Management of Risk (continued)

4.1 Insurance Risk (continued)

Reserving process

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

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

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

	2020	2019
	£	£
Increase in loss ratio by 5 percentage points		
Gross	(792,645)	(693,014)
Net	(609,160)	(583,926)

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

4.2 Market Risk

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

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

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

4 Management of Risk

4.2 Market Risk (continued)

Currency exchange risk management

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

Interest rate risk management

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

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

Interest rate sensitivity analysis

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged will result in a £469k fall in the value of the Company's investments. A decrease of 100 basis points would have an equal and opposite effect.

Equity price risk

The Company is exposed to price risk through its holding of equities and alternatives as financial investments at fair value through profit and loss. At the year end the holding in equity instruments amounted to 11.5% of the investment portfolio (2019: 18.9%).

A 1% increase in equity values would be estimated to have increased the surplus before tax at the year-end by £89k. A 1% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

4.3 Credit Risk

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

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

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

Amounts recoverable on reinsurance contracts

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

4. Management of Risk (continued)

4.3 Credit Risk (continued)

Amounts due from Members

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

Counterparty risk with respect to cash and investments

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

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

As at 31 March 2020	**AAA/AA**	**A**	**BBB or less or not rated**	**Total**
	£'000	£'000	£'000	£'000
Fixed interest-Government	40,234	-	-	40,234
Fixed interest-Corporate	4,225	2,435	-	6,660
Equities & Alternatives	8,207	-	3,487	11,694
UCITS	17,465	-	-	17,465
Other-cash with financial institutions	-	-	1,006	1,006
Assets arising from reinsurance contracts	-	12,795	-	12,795
Reinsurance debtors	-	1,883	-	1,883
Cash at bank	-	-	4,258	4,258
Other	153	-	1,983	2,136
	70,284	17,113	10,734	98,131

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.3 Credit Risk (continued)

As at 31 March 2019	**AAA/AA**	**A**	**BBB or less or not rated**	**Total**
	£'000	£'000	£'000	£'000
Fixed interest-Government	42,126	-	-	42,126
Fixed interest-Corporate	4,520	5,829	-	10,349
Equities & Alternatives	12,775	-	3,909	16,684
UCITS	8,396	-	-	8,396
Assets arising from reinsurance contracts	-	14,733	-	14,733
Reinsurance debtors	-	93	-	93
Cash at bank	-	-	7,754	7,754
Other	182	-	198	380
	67,999	20,655	11,861	100,515

There were no past due or impaired assets at 31 March 2020 (2019: Nil).

4.4 Liquidity Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Company maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 March 2020, the Company's short term deposits (including cash and UCITs) amounted to £22.729m (2019: £16.150m). The Company has sufficient liquid assets to meet its liabilities as they fall due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.4 Liquidity Risk (continued)

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

As at 31 March 2020	**Short term liabilities**	**More than 1 year**	**2-5 years**	**Total**
	£'000	£'000	£'000	£'000
Technical provisions- UPR	86	43	37	166
Technical provisions- claims	16,434	13,694	20,559	50,687
Creditors arising out of direct insurance operations	27	-	-	27
Creditors arising out of reinsurance operations	694	-	-	694
	17,241	13,737	20,596	51,574

As at 31 March 2019	**Short term liabilities**	**More than 1 year**	**2-5 years**	**Total**
	£'000	£'000	£'000	£'000
Technical provisions- claims	17,110	12,620	20,261	49,991
Creditors arising out of direct insurance operations	23	-	-	23
Creditors arising out of reinsurance operations	754	-	-	754
Other creditors	669	-	-	669
	18,556	12,620	20,261	51,437

4. Management of Risk (continued)

4.4 Liquidity Risk (continued)

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

As at 31 March 2020	**Short term assets**	**After 1 year**	**2-5 years**	**Total**
	£'000	£'000	£'000	£'000
Fixed interest-Government	-	3,508	36,726	40,234
Fixed interest-Corporate	-	3,437	3,223	6,660
Equities & Alternatives	11,695	-	-	11,695
UCITS	17,465	-	-	17,465
Other-cash with financial institutions	1,006	-	-	1,006
Debtors arising from reinsurance contracts	4,149	3,457	5,189	12,795
Debtors arising out of direct insurance	1,883	-	-	1,883
Cash at bank	4,258	-	-	4,258
Other	2,110	-	-	2,110
	42,566	10,402	45,138	98,106

As at 31 March 2019	**Short term assets**	**After 1 year**	**2-5 years**	**Total**
	£'000	£'000	£'000	£'000
Fixed interest-Government	-	17,136	24,990	42,126
Fixed interest-Corporate	-	3,825	6,524	10,349
Equities & Alternatives	16,684	-	-	16,684
UCITS	8,396	-	-	8,396
Debtors arising from reinsurance contracts	5,043	3,719	5,971	14,733
Debtors arising out of direct insurance	93	-	-	93
Cash at bank	7,754	-	-	7,754
Other	363	-	-	363
	38,333	24,680	37,485	100,498

4.5 Operational risk

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

4. Management of Risk (continued)

4.6 Limitation of the sensitivity analysis

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

4.7 Capital management

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

The Company is subject to the Solvency II insurance regulatory regime, under which the Company's regulatory capital requirement, the Solvency Capital Requirement, has been assessed to be £19.014 million as at 31 March 2020. Under the Company's risk appetite, the Company aims to maintain regulatory capital above its regulatory capital requirement and within a target range of capital defined by lower and upper levels. The value of the lower target level has been set as a 1 in 20 year capital loss in excess of the regulatory capital requirement. This capital loss is assessed to be £11.272 million as at 31 March 2020. The value of the upper target level has been set as a 1 in 20 year capital loss on top of the lower target level. This capital loss is therefore also £11.272 million. This therefore gives a lower target level of regulatory capital of £30.285 million and an upper target level of regulatory capital of £41.557 million as at 31 March 2020.

The Company manages its regulatory capital position with reference to Tier 1 regulatory capital only, which at the year-end has been assessed to be £40.820 million. This therefore exceeds the Company's regulatory capital requirement by £21.806 million and falls within the target range of capital under the Company's risk appetite. However, the Prudential Regulation Authority has also approved the Company's application to recognise a portion of the deferred premiums that the Company may call upon for payment as additional Tier 2 regulatory capital, which at the year-end has been assessed to be £9.507 million. This therefore results in total regulatory capital of £50.327 million as at 31 March 2020, which exceeds the Company's regulatory capital requirement by £31.313 million.

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5. Gross premiums written

Premiums written are in relation to one class of insurance business, namely professional indemnity. In accordance with a practice the Company introduced in 1999 of providing, where appropriate given the financial circumstances of the Company, an annual premium deferral, the Company provided a deferral of 20% on premiums for the year ended 31 March 2020 (2019: 27.5%). Gross premiums written are reported net of this deferral. The Company reserves the right to call the deferred premium from members unless it has waived its right to do so.

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6. Reinsurance premiums

In respect of the year ended 31 March 2020, 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.

	2020	2019
	£	£
Treaty reinsurance	3,503,317	3,113,459
Reinstatement premium	220	(931,704)
	3,503,537	2,181,755

The Company purchased two three year Stop Loss Reinsurance policies covering the 2008 to 2010 and 2011 to 2013 policy years. The covers are subject to mandatory commutations. The first occurred on 1 April 2016 and the second on 1 April 2019 with the agreement of Hannover Re.

The Company did not purchase any further Stop Loss Policies.

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.

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

7. Claims and technical provisions

	2020	2019
	£	£
Gross claims paid	11,876,459	15,839,612
Claims handling (note 8)	1,670,651	1,602,215
	13,547,110	17,441,827

7. Claims and technical provisions (continued)

Insurance contract liabilities and assets

	2020	2019
	£	£
Gross technical provisions at the beginning of the year	49,990,887	52,164,583
Claims paid	(11,876,459)	(15,839,612)
Claims incurred	12,572,191	13,665,916
Change in gross technical provisions	695,732	(2,173,696)
Gross technical provision at the end of the year	50,686,619	49,990,887
Gross Reinsurance share of technical provision at the beginning of the year	14,732,995	15,564,443
Reinsurance share of paid claims	(3,598,799)	(3,926,237)
Reinsurance share of incurred claims	1,660,856	3,094,789
Change in gross reinsurance provisions	(1,937,943)	(831,448)
Reinsurers share of technical provisions at the end of the year	12,795,052	14,732,995
Net technical provisions	37,891,567	35,257,892

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

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 2019/2020 policy year.

7. Claims and technical provisions (continued)

Claims development tables

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

Gross estimate of ultimate claims cost attributable to policy year

Reporting Year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**2019 £'000**	**2020 £'000**
At the end of the reporting year	9,100	11,200	9,400	10,700	10,700	11,000	12,703	17,144	16,566	20,686
1 year later	9,100	11,868	10,202	10,487	9,500	10,607	16,469	18,354	14,374	
2 years later	8,300	12,149	12,350	8,900	8,500	16,220	16,941	18,497		
3 years later	7,900	10,550	11,369	8,250	7,528	13,860	15,036			
4 year later	7,600	10,126	13,040	8,611	7,729	12,509				
5 years later	7,850	13,039	12,819	7,443	7,297					
6 years later	8,062	14,565	11,545	6,805						
7 years later	7,635	14,486	11,153							
8 years later	7,630	14,395								
9 years later	7,637									
Estimate of ultimate claims	7,637	14,395	11,153	6,805	7,297	12,509	15,036	18,497	14,374	20,686
Cumulative payments to date	7,635	14,395	11,085	6,083	6,345	9,792	11,628	10,237	2,792	1,324
Liability recognised in statement of financial position	3	-	68	722	952	2,718	3,408	8,260	11,581	19,361

Total liability relating to last nine policy years	47,074
Other claims liabilities	3,613
Total gross technical provisions included in the statement of financial position	50,687

Net estimate of ultimate claims costs attributable to policy year

Reporting Year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**2019 £'000**	**2020 £'000**
At the end of the reporting year	9,100	11,200	9,400	10,700	10,700	11,000	11,600	12,976	12,867	14,671
1 year later	9,100	11,308	9,800	10,300	9,500	9,600	13,042	12,596	12,405	
2 years later	8,300	11,308	11,100	8,900	8,500	9,434	12,930	14,967		
3 years later	7,900	10,500	10,600	8,250	7,391	9,313	12,064			
4 year later	7,600	9,900	10,100	8,467	7,543	8,715				
5 years later	7,850	10,100	9,851	7,222	7,200					
6 years later	7,750	12,250	9,171	6,700						
7 years later	7,604	10,514	8,871							
8 years later	7,621	10,488								
9 years later	7,637									
Estimate of ultimate claims	7,637	10,488	8,871	6,700	7,200	8,715	12,064	14,967	12,405	14,671
Cumulative payments to date	7,635	10,488	8,807	5,943	6,345	6,876	9,633	9,597	2,792	1,324
Liability recognised in statement of financial position	3	-	64	757	855	1,839	2,431	5,370	9,613	13,346

Total liability relating to last nine policy years	34,278
Other claims liabilities	3,613
Total net technical provisions included in the statement of financial position	37,892

7. Claims and technical provisions (continued)

Change in reinsurers' share of technical provisions

	2020	2019
	£	£
Reinsurers' share of claims outstanding at end of year	12,795,052	14,732,995
Reinsurers' share of claims outstanding at beginning of year	14,732,995	15,564,443
Increase/(decrease) in reinsurers' share of claims outstanding	(1,937,943)	(831,448)

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

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

Please refer to note 6 on page 33 for the details of the reinsurance cover purchased by the Company.

8. Management costs

The Companies Act 2006 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 (i) acquisition costs, which in the case of the Company has been interpreted by the Directors and Managers as the cost of underwriting, processing renewals, premium adjustments and credit control; (ii) claims handling costs; and (iii) investment management expenses and administration expenses, which includes regulatory compliance, the preparation of accounts and general management.

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

	2020	2019
	£	£
Acquisition costs (note 9)	786,349	754,137
Claims handling (note 7)	1,670,651	1,602,215
Administration expenses (note 9)	401,143	384,711
	2,858,143	2,741,063
A separate fee is paid to the Investment Managers and included in investment expenses and charges (note 10)		
Investment management expenses	66,857	64,118
Management fees	2,925,000	2,805,181

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Net operating expenses

		2020	2019
		£	£
a)	Acquisition costs	786,349	754,137
b)	Administration expenses		
	Legal and professional fees	282,655	61,176
	Directors' & Officers' Liability insurance	60,448	68,395
	AGM & printing costs	30,185	9,679
	Charitable donations	15,000	(15,000)
	Regulatory fees	86,051	62,215
	Auditors' remuneration - Audit	81,012	77,808
	Management administration expenses	401,143	384,711
	Other expenses	1,480	3,225
		1,744,323	1,406,346

There were no Directors' emoluments during the year.

10. Investment income

	2020	2019
	£	£
Interest on listed investments	709,503	1,002,947
Gain on foreign exchange	(2,663)	(115)
Bank deposit interest	8,025	5,024
Dividends on equities	852,773	530,631
	1,567,638	1,538,487
Gains on realisation of investments	419,200	981,059
	1,986,838	2,519,546

Investment expenses and charges	**2020**	**2019**
	£	£
Bank, custodial and other charges	68,897	60,390
Investment management expenses (see note 8)	66,857	64,118
	135,754	124,508

Unrealised gains/ (loss) on investments

	2020	2019
	£	£
Cost (see note 12)	79,053,505	78,321,622
Market value (see note 12)	77,059,153	77,554,963
Unrealised gains/(loss) at year end	(1,994,352)	(766,659)
Unrealised gains/(loss) movement for the year	(1,230,788)	278,604

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation

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

Statement of income and movement in reserves	**2020**	**2019**
	£	**£**
UK corporation tax (Note 11c)	46,791	430,825
(Over)/under provision prior year & interest on tax	-	-
	46,791	430,825

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

	2020	**2019**
	£	**£**
Surplus/(deficit) on ordinary activities before tax	(1,522,812)	772,475
Surplus on ordinary activities multiplied by standard Rate of corporation tax in the UK of 19% (2019: 19%)	(289,334)	146,770
Effects of :		
Non-taxable mutual insurance operations	419,893	361,222
Non-taxable dividend distribution	(71,893)	(71,890)
Utilisation of losses, differences due to tax rates	-	-
Income tax expensed	(11,875)	(5,277)
Current year tax charge/(rebate)	46,791	430,825

(c) Statement of financial position

	2020	**2019**
	£	**£**
Taxation creditor		
Taxation (debtor)/creditor brought forward	198,850	(231,975)
(Recovery)/payment of corporation tax	(430,825)	-
	(231,975)	(231,975)
UK corporation tax for the current year	46,791	430,825
Creditor/(debtor) as at 31 March	(185,184)	198,850

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Other financial investments

	Market Value 2020 £	Market Value 2019 £	Cost 2020 £	Cost 2019 £
Other financial Investments comprise:				
Equities & Alternatives	11,694,516	16,683,834	12,965,123	16,654,712
UCITS	18,470,748	8,396,360	18,470,748	8,396,360
Fixed interest securities	46,893,886	52,474,769	47,617,632	53,270,550
	77,059,150	77,554,963	79,053,503	78,321,622

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.

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

13. Debtors arising out of direct insurance

	2020 £	2019 £
Debts due from Members (Premiums)	48,236	39,852
Provision for doubtful debts	(21,796)	(19,520)
Debtors arising out of direct insurance	26,440	20,332

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 Standards Board Members who have not paid their premiums so it may take appropriate action against them in accordance with the Code of Conduct.

14. Debtors arising out of reinsurance operations

Debtors arising out of reinsurance operations of £1,883,013 (2019: £92,727) are reinsurance recoveries which are due from reinsurers.

15. Other Debtors

	2020 £	2019 £
Sundry debtors	32,148	2,148
Claim recoveries due from third parties	1,714,728	158,650
Taxation repayment (note 11 c)	185,184	-
Debtors arising out of direct insurance	1,932,060	160,798

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Cash and cash equivalents

	2020	2019
	£	£
Cash at hand and in bank	4,258,234	7,753,524

17. Creditors arising out of reinsurance operations

	2020	2019
	£	£
Reinsurance creditor	693,630	754,229

18. Other creditors including taxation

	2020	2019
	£	£
Insurance Premium tax	2,645	1,488
Taxation (note 11(c))	-	198,850
Investments awaiting settlement	-	668,812
	2,645	869,150

19. Accruals and deferred income

	2020	2019
	£	£
Accrued expenses	215,685	124,881
Deferred income –premiums received in advance	10,023,289	10,865,552
	10,238,974	10,990,433

Premiums received in advance relate to premiums invoiced for the 2020 policy year and received prior to the year end.

20. Related party disclosures

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

All the Directors are Members of the Company other than the Chief Executive Officer and Chief Financial officer who are employed by the Managers. Save for their own insurance, the Directors have no financial interests in the Company, other than where Directors may have been instructed to act for a Member of the Company in a case funded by the Company. There was one material related party transaction during the year: the Company paid Joanna Smith QC £428,109 to defend a large claim made against a Member.

Bar Mutual Management Company received £2,925,000 (2019: £2,805,181) from the Company in respect of management fees for the year.

21. Location and nature of business

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

MANAGERS AND OFFICERS

MANAGERS

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

DIRECTORS OF BAR MUTUAL MANAGEMENT COMPANY:

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

SECRETARY

K. Halpenny

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

Registered in England and Wales No. 2182018

REGISTERED OFFICE

90 Fenchurch Street
London, EC3M 4ST

AUDITORS

BDO LLP
150 Aldersgate Street
London
EC1A 4AB