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You have requested access to a copy of a report prepared by PricewaterhouseCoopers LLP ("PwC") on the non statutory financial statements of Solicitors Indemnity Fund for the year ended 31 December 2012 prepared for the Directors of the Administering Company, Solicitors Indemnity Fund Limited (the "report").The Solicitors Indemnity Fund Administering Fund to whom the report is addressed, has confirmed that a copy of the report may be provided to you. PwC* has consented to release of the report to you on conditions listed below, which by continuing to read you have accepted:

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7. These terms and any dispute arising from them, whether contractual or non-contractual, are subject to English law and the exclusive jurisdiction of English courts.

SOLICITORS INDEMNITY FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS

PURPOSE AND PRINCIPAL ACTIVITIES

The Solicitors Indemnity Fund (the "Fund") is a statutory fund established in 1987 under section 37 of the Solicitors Act 1974 and governed by the Solicitors' Indemnity Rules. It provided professional indemnity insurance to the legal profession with up to £1million of cover per claim for all members until 1 September 2000, when the Council of The Law Society decided to require firms to purchase insurance in the open market. The Fund therefore went into run-off on 1 September 2000. The purpose of the Fund is to:

- Manage the ongoing notified claims arising from the pre 2000 period where professional indemnity insurance was provided and settle the liabilities arising. The number of notified cases has been decreasing as cases meet their statutory limitation periods and the number of claims outstanding has been decreasing as claims have been managed and concluded; and

- Manage claims and settle associated liabilities arising from solicitors, where their post cessation open market insurance has expired, and there is no successor insurer to assume the liability. During 2012 this cover was extended to cover claims as far as 2020 (previously 2017). The Law Society of England and Wales ("The Law Society") is responsible for ensuring the profession is protected beyond 2020 in this respect.

RESULT FOR THE YEAR

The activities of the Fund gave rise to a deficit after tax of £472,000 for the year (2011: profit of £929,000): in addition, the Fund suffered unrealised losses on its investment portfolio of £291,000 (2011: gain of £254,000).

During 2012 The Law Society decided to increase the period for post cessation cover, referred to above, for an additional three year period, extending from 1 October 2017 to 30 September 2020. The assumption of those liabilities is reflected in these Financial Statements, and amounts to £2.9million, comprising £2.2million of estimated claims costs, and £0.7m of projected administrative expenses. The assumption of these further liabilities is reflected in the Income and Expenditure account on page 8.

The losses referred to above were mitigated by a favourable performance of the Fund's existing claims liabilities, largely driven by the continuing receipt of claims recoveries at a higher rate than projected. In addition, the Fund earned £602,000 of realised investment return in the year, but suffered £291,000 of unrealised losses on its portfolio of government bonds.

Further information in relation to claims, expenses and investment performance is provided on page 4 below.

ADMINISTRATION OF THE FUND

Solicitors Indemnity Fund Limited acts as the administering company (the "Company") which is responsible for the administration and governance over the Fund. It vests assets and recharges all invoiced transactions on behalf of the Fund. The Directors of the Company are responsible for the governance of the Fund.

In 2010, Solicitors Indemnity Fund Limited entered into an administrative services agreement with Vision Underwriting Limited for the provision of various administrative and claims handling services in respect of the run-off of the Fund for a period of ten years until 2020. Solicitors Indemnity Fund Limited agreed to pay £4.7 million, payable on a reducing basis over ten years, to Vision Underwriting Limited for the provision of these services. During 2012, an escrow agreement was concluded and signed which represents the remaining outstanding fees of £1.8million under the management agreement. As these fees are legally in the ownership of the Fund, albeit with restricted use these will continue to be reflected within the SIF financial statements until such time as they are paid out in full.

The Directors are currently giving consideration to the provision of resources in respect of the extended period of post cessation cover referred to above: provision for these costs has been made on an estimated basis in these financial statements.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of the administering Company comprises non-executive Directors drawn from the legal profession or with relevant insurance expertise. The following were Directors during the financial year under review and up to the date of signing of the financial statements:

D. A. McIntosh - *Chairman*
J. K. Holder
D. Hudson
M. R. Mathews
W. R. Treen

The Board of Directors has delegated certain powers and duties to Committees established by it and receives reports of their proceedings. The Board Committees, together with a brief description of their remit is as follows:

Finance and Audit Committees (incorporating Investment Committee)

J. K. Holder - *Chairman*
D. Hudson
M. R. Mathews
D. A. McIntosh

The Committees review the financial statements and interim financial reporting, the annual expenditure budget and ad hoc financial matters, and keep under review the investment performance and asset allocation. The Committees review the effectiveness of the internal processes with financial management representatives and external auditors and reports on it to the Board.

Claims Committee

W. R. Treen - *Chairman*
D. A. McIntosh

The Claims Committee was established in April 1998 to review claims handling procedures, the cost of legal advice on claims from an external panel of solicitors and appointments to that panel.

RISKS AND UNCERTAINTIES

As noted above the Fund business carries significant uncertainties and the financial statements include significant judgements around claims costs and provisions, based on past historic experience. As noted below the claims provisions are reviewed on a regular basis to ensure they reflect up to date information and are considered the Fund's key performance measure. Further details of the claims provision is included in note 8.

DISCONTINUED ACTIVITIES

The Fund ceased to provide indemnity and was put into run-off on 1 September 2000 and therefore all its activities are treated and accounted for as discontinued operations. However, the Fund will continue to exist as a going concern to settle its liabilities, and therefore the financial statements have not been prepared on a break-up basis.

CLAIMS

During the year under review some cases were settled, some new cases were notified and some were re-opened, however, by the year end the number of the Fund's open claims increased by 23, from 166 at 31 December 2011 to 189 at 31 December 2012. There were overall costs on gross claims of £1.2 million (2011: savings £0.8 million), brought about by an increase in gross claims provisions of £1.4 million (2011: reduction £1.4 million), from £7.6 million at 31 December 2011 to £9.0 million at 31 December 2012, whilst claims payments, net of claims recoveries, and including internal claims costs, during the year were a net recovery of £34,000 (2011: net cost of £670,000). Amounts recoverable from reinsurers decreased by £204,000 (2011: increased by £15,000) in the year, whilst reinsurance recoveries were £406,000 (2011: £29,000).

The indemnity year ended 30 September 2008 was the first year of cover by the Fund agreed by The Law Society, in which the Fund assumed liabilities in respect of claims notified by practices that ceased without successors after 31 August 2000, and which have had the benefit of six years of post cessation cover from the open market qualifying insurers. The cover provided by the Fund was extended during 2012 with the Fund assuming the run-off liabilities for a further three years of post-cessation cover. This change has been reflected in the income statement and balance sheet of these financial statements.

Further to that transaction, provision has been made within the Gross Claims Provision for the total estimated future liabilities arising from these types of claims based on the best information currently available of £4.6 million (2011: £3.6 million).

INVESTMENTS

The Fund's investment strategy is to hold a portfolio consisting of UK Government Securities, managed gilts funds and a managed cash fund. Further details are provided in note 6.

OPERATING EXPENDITURE

The charges incurred by the Fund during the year for the provision of administrative and run-off services by Vision Underwriting Limited were £0.7 million (2011: £0.9 million). Other operating expenses incurred during the year were £0.2 million (2011: £0.2 million), giving total gross operating expenses incurred of £0.9 million (2011: £1.1 million). The fee received from Vision Underwriting Limited in respect of its use of the Fund's premises was £nil as the operations relocated during 2011 (2011:£13,000).

As explained in Note 1(j) provision is made for all future costs expected to be incurred by the Fund while it is in run-off, although any administrative costs do not need to be provided for to the extent future investment returns would meet the liabilities. The directors consider that all costs incurred by the Fund fully relate to claims handling costs in relation to closure of the Fund. As such, one hundred per cent (2011: one hundred per cent) expected net operating expenses to close are allocated to claims handling and provided in full in the year (note 8).

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and this has been confirmed by the Directors.

THE LAW SOCIETY

The financial statements of the Fund are consolidated with the financial statements of The Law Society as at 31 December 2012 based on an assessment by The Law Society that the Fund should be a consolidated part of the Group due to the control of the Fund and its entitlement to surplus accumulated reserves. Copies of The Law Society financial statements can be obtained from The Law Society, Law Society Hall, 113 Chancery Lane, London, WC2A 1PL.

D. A. McIntosh
Chairman

Dated 21st March 2013

STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Company is responsible, on behalf of the Fund, for preparing the financial statements for the Fund for each period which give a true and fair view of the financial transactions of the Fund during the period under review and of the disposition at the end of the period of its assets and liabilities. The Company has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and in certain areas the spirit of the ABI SORP. In preparing those financial statements, the Company:

- selects suitable accounting policies and applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepares the financial statements for the discontinued activities of the Fund on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Company is also responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time, the financial transactions and the assets and liabilities of the Fund. It is further responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

D. A. McIntosh
Chairman

Dated 21st March 2013

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF SOLICITORS INDEMNITY FUND LIMITED

We have audited the non-statutory financial statements of Solicitors Indemnity Fund (the "Fund") for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Statement of total recognised gains and losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of these non-statutory financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the Directors of the Solicitors Indemnity Fund Limited (the "Directors") are responsible for the preparation of the non-statutory financial statements, in their capacity as Directors of the entity holding, managing and administering the Solicitors Indemnity Fund, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for management's purposes to assist the Directors to discharge their stewardship obligations and fiduciary responsibility in respect of the Fund under the By-Laws in accordance with our engagement letter dated 1 October 2012 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the Fund, save where expressly agreed by our prior consent in writing.

Scope of the audit of the non-statutory financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory financial statements sufficient to give reasonable assurance that the non-statutory financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the non-statutory financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on non-statutory financial statements

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
21 March 2013

SOLICITORS INDEMNITY FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £000	2011 £000
DISCONTINUED OPERATIONS	1(a)		
Gross claims recoveries (costs)	4	**34**	(670)
Reinsurance recoveries		**406**	29
Net claims recoveries (costs)		**440**	(641)
(Increase)/decrease in gross provision for claims	8	**(1,446)**	1,408
(Decrease)/increase in amount recoverable from reinsurers	8	**(204)**	15
(Increase)/decrease in net provision for claims		**(1,650)**	1,423
(Increase)/decrease in claims incurred net of reinsurance		**(1,210)**	782
Realised losses on fixed asset investments	3	**(12)**	(191)
Income from fixed asset investments	2	**623**	667
Investment expenses		**(9)**	(33)
Investment return		**602**	443
Contributions receivable	1(f)	**2**	-
(Deficit)/surplus before taxation	4	**(606)**	1,225
Taxation credit/(charge)	5	**134**	(296)
Realised (deficit)/surplus for the year		**(472)**	929
Surplus brought forward		**22,710**	21,527
Other unrealised (losses)/gains	3	**(291)**	254
Surplus carried forward		**21,947**	22,710

There is no difference between the (deficit)/surplus before taxation and the results for the years stated above and their historical cost equivalents.

The notes on pages 11 to 16 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012**	2011
		£000	£000
(Deficit)/surplus for the financial year		**(472)**	929
Unrealised (losses)/gains on fixed asset investments	3	**(291)**	254
Total recognised losses and gains relating to the financial year		**(763)**	1,183

SOLICITORS INDEMNITY FUND

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012 £000	2011 £000
Assets			
Investments	6	**28,451**	31,872
Reinsurers' Share of Claims Provision	8	**-**	204
Debtors	7	**636**	263
Cash held in Escrow		**1,815**	-
Cash and Bank		**157**	888
Total Assets		**31,059**	33,227
Liabilities			
Gross Claims Provision	8	**(8,994)**	(7,548)
Creditors	9	**(118)**	(2,969)
Total Liabilities		**(9,112)**	(10,517)
Net Assets		**21,947**	22,710
Retained Surplus		**21,947**	22,710

Approved on behalf of Solicitors Indemnity Fund

D. A. McIntosh
Chairman 21st March 2013

On behalf of Solicitors Indemnity Fund Limited, in capacity as administrators of the Fund.

The notes on pages 11 to 16 form part of these financial statements.

1. ACCOUNTING POLICIES

(a) Basis of preparation

Following the decision of the Council of The Law Society in June 1999 to move to market insurance, the Fund went into run-off on 1 September 2000. Consequently, in order to comply with Financial Reporting Standard (FRS) 3 (Reporting Financial Performance) it is necessary to report the activities of the Fund as "Discontinued operations". As the Fund will continue as a going concern to settle ongoing claims and other liabilities the financial statements are not prepared on a break-up basis.

The Solicitors Indemnity Fund Limited, that administers the Fund, holds title to all of the assets which are beneficially held for the Fund. It has legal title to all assets and liabilities relating to the Fund. In accordance with the initial set up guidelines for the Fund, all of the assets and liabilities are recorded in these financial statements as if they belong to the Fund, and are not recognised in the financial statements of Solicitors Indemnity Fund Limited.

(b) Reporting standards

The financial statements are prepared in accordance with applicable UK accounting standards and certain aspects of the ABI SORP.

(c) Basis of accounting

The financial statements are prepared under the historical cost convention with the exception of the valuation of investments (see (d) below).

Significant estimates are outlined in individual policies.

(d) Valuation of investments

Investments, comprising listed securities, are valued at their mid-market value at Balance Sheet date on a portfolio basis. Upward revaluations are taken to the Revenue account where they are a reversal of previously recognised impairments or treated as unrealised where the value is an increase above historical cost. Impairments to the value of investments are taken to the revaluation reserve where they are a reversal of previously recognised upward revaluations or the profit and loss account where they fall below historical cost. Profits and losses on sales of investments are measured by reference to the carrying value.

(e) Investment income

Interest on fixed interest securities and gilts are accounted for on an accruals basis.

Income from managed gilts funds are remitted bi-annually from the fund but are accounted for on an accruals basis.

(f) Contributions

Contributions are accounted for on the accruals basis.

(g) Reinsurance recoveries

Reinsurance recoveries are accounted for as and when payment becomes due based on the liability being incurred.

(h) Claims costs

Claims costs are made up of claims handling costs including the costs of panel solicitors and internal claims handling staff, damages paid out, other costs net of recoveries. Claims are accounted for as and when payment is authorised and recoveries are recognised at the point they become virtually certain and they can be measured.

(i) Claims provisions

Estimation techniques are used to determine the Gross Claims Provision which represents the estimated outstanding liabilities relating to all indemnity years.

Ultimate claim settlements are estimated by the use of statistical projections of historical data, together with case by case reviews of notified losses, and are based on information available at the time the estimates are made. This is done at regular intervals during the year. There is uncertainty as to the quantum of the ultimate settlement of the liabilities which is inherent in the process of estimating such that, in the normal course of events, unforeseen or unexpected future developments could cause the ultimate cost of settling the outstanding liabilities to differ from that currently estimated. Any differences between provisions and subsequent settlements are dealt with in later accounting periods as actual costs and recoveries are known. Claims provisions include the estimated future costs of panel solicitors and of internal claims handling staff, including overheads. Claims provisions are not discounted.

1. ACCOUNTING POLICIES (continued)

(i) Claims provisions (continued)

Recoveries provisions
Recoveries are recognised at the point at which they become virtually certain, practically when the Fund is notified of entitlement to amounts and they can be measured. The Fund does not make provision for other potential future recoveries due to the uncertainty of whether any amounts can be recovered.

Reinsurance provisions
Reinsurance policies are held to provide cover for the risk associated with uncertainties of claims settlements and costs. Claims are made against policies to the extent that criteria have been met. Amounts are recognised to the extent that the Directors believe they are recoverable with provision made for any doubtful debts.

(j) Run-off costs

In accordance with FRS3 and the ABI SORP, provision is made for future run-off costs as the Fund is in wind down. Under the SORP it is not necessary to provide for future anticipated administrative run-off costs to the extent that they are offset by the expected future investment return of the Fund. The directors consider that all costs incurred by the Fund fully relate to claims handling costs in relation to closure of the Fund and so are fully provided for in 2012 (2011: fully provided for).

(k) Deferred taxation

Deferred taxation is recognised in respect of all timing differences (except those noted as exceptions in the accounting standard) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(l) Cash Flow Statement

As the financial statements of the Fund are consolidated within the financial statements of The Law Society, which are available at 113 Chancery Lane, London, WC2A 1PL, the Fund has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 1 (Revised1996) (Cash Flow Statements).

2. INVESTMENT INCOME

	2012	2011
	£000	£000
Fixed interest and deposits	**579**	634
Interest on payments into court	**44**	33
	623	667

3. GAINS AND LOSSES ON INVESTMENTS

	2012	2011
	£000	£000
Net realised (losses)	**(12)**	(191)
Net unrealised (losses)/ gains	**(291)**	254
	(303)	63

4. (DEFICIT)/SURPLUS BEFORE TAXATION

(Deficit)/surplus before taxation is stated after charging / (crediting) the following amounts:

	2012	2011
Expenditure in the year:	**£000**	£000
Administration service charges for claims handling costs recharged from Vision Underwriting Limited	**745**	890
Premises, computer, insurance and other operating costs	**47**	58
Legal and professional	**99**	141
Audit	**58**	59
Total operating expenditure in the year	**949**	1,148
Less: Asset Licence fee received from Vision Underwriting Limited	**-**	(13)
Net operating expenditure in the year, included in gross claims costs	**949**	1,135
Movement in provision for run-off costs	**(224)**	(578)
Net expenses incurred	**725**	557

Administrative costs

The administrative costs of £0.7 million (2011: £0.9 million) relate to payments by the Fund to Vision Underwriting Limited under the administrative agreement disclosed in further detail within the Directors Report.

Asset Licence Income

In 2010 the Fund entered into a licence agreement with Vision Underwriting Limited for its use of the Fund's premises. The fee charged by the Fund to Vision Underwriting Limited for their use was £nil (2011: £12,653). This agreement expired during 2011 when the business relocated.

Other

Audit expenditure of £58,000 (2011: £59,000) is in respect of the audit of the financial statements. No amounts have been paid to the auditors in respect of non-audit services (2011: nil).

Directors' emolument costs of £61,788 (2011: £61,703) are charged directly to the Fund and are included above within legal and professional costs.

4. (DEFICIT)/SURPLUS BEFORE TAXATION (continued)

Analysis of gross claims costs within the income and expenditure account is as follows:

	2012	2011
	£000	£000
Amounts paid	(1,150)	(825)
Recoveries received	2,133	1,290
Internal claims costs	(949)	(1,135)
Gross claims recoveries/(costs)	34	(670)

5. TAXATION (CREDIT)/CHARGE

	2012	2011
	£000	£000
(a) Analysis of (credit)/charge in the year		
Current Tax - Income tax (credit)/charge on deficit/surplus for the year	(190)	281
Adjustment in respect of prior years	45	-
Deferred tax charge	11	15
Tax charge on (deficit)/surplus for the year	(134)	296
(b) Factors affecting tax (credit)/charge for the year		
(Deficit)/surplus before taxation	(606)	1,225
Tax at 20% (2011: 20%)	(121)	245
Capital allowances more than depreciation	(11)	(15)
Expenses disallowed for tax purposes	1	1
Tax on unrealised (losses)/ gains	(59)	50
Actual current tax (credit)/charge	(190)	281

6. INVESTMENTS

	2012	2011
	£000	£000
Managed gilts fund	19,306	17,915
Managed cash fund	3,016	7,195
UK government bonds	6,129	6,762
	28,451	31,872

Investments consist of a mix of gilts, cash funds and UK government gilts of varying maturity dates up to 2017 with coupon rates of between 4.75% to 9%. The historic cost of investments amounts to £27.6 million (2011: £30.7 million).

7. DEBTORS

	2012	2011
	£000	£000
Deferred tax asset	49	60
Income tax recoverable	209	-
VAT recoverable	181	1
Other debtors	197	202
	636	263

All amounts are considered to be due within one year. Some element of the deferred tax asset may fall due in more than one year but it has not been separated out here as the timing of the future surpluses required is uncertain.

Deferred tax assets comprise of accelerated capital allowances:

	£000
Balance as at 1 January 2012	60
Deferred tax charge on deficit for the financial year	(11)
Balance as at 31 December 2012	49

8. CLAIMS PROVISION

The Claims provisions are made in accordance with the accounting policies and as explained in the report of the Directors they carry a significant level of judgement and rely on estimation techniques based on past experience and available information.

There are three main aspects to the provision as follows:

	31/12/2012	31/12/2011	Movement
	£000	£000	£000
Gross case reserves	2,939	3,952	(1,013)
Expected case recoveries	(2,263)	(3,999)	1,736
Net case reserves/(recoveries)	676	(47)	723
IBNR	4,579	3,632	947
Run off costs	3,739	3,963	(224)
	8,994	7,548	1,446
Recoverable under reinsurance arrangements	-	(204)	204
	8,994	7,344	1,650

a) Case reserves – provision is made for known cases. Estimates are made by specialist claims experts and panel solicitors of the likely damages and potential costs involved in settling the claim, as well as any expected recoveries to be made. These are revised on a regular basis based on updated information as the claims progress. Recoveries are only recognised when management and external advisors believe it is reasonably certain that amounts will be received. These provisions are sensitive to changes in the complexity of the case and the potential outcome and therefore damages changing.

8. CLAIMS PROVISION (continued)

As explained in note 10 there are additional significant assets over which the Fund has some title or claim, which may lead to potential future recovery. However, there is such uncertainty over the timing and amount of any recovery that no estimate can be made of the value of the asset.

b) Incurred but not reported (IBNR) – An actuarial estimate is made of those cases where the event that triggers a claim has already happened i.e. an act of negligence has occurred at some time in the past but is presently unknown to the Fund because it has not been reported. When disclosed to the Fund it would still be subject to any statutory limitation provisions applying. The risk exposure of all IBNR claims reduces over time as cases reach their primary or statutory limitation period. There remains significant risk in the post 6 year run-off provision as this is an undeveloped and immature area of business that took effect from 1 September 2007 when the Fund began providing cover for post 6 year run-off claims.

c) Run off costs – as the Fund is in run-off, estimated future costs are all recognised in the accounts. In 2012 and 2011 the majority of the provision is based on the agreed contract with Vision Underwriting Limited and therefore the uncertainty in this aspect of the provision has been reduced. The main uncertainty is the period of time for which the Fund will need to manage ongoing claims and this will depend on the complexity of the remaining cases. In 2012 the provision includes estimates of maintaining some claims handling services until 2030, however the level is expected to gradually decrease. Significant uncertainty remains in relation to the claims handling costs associated with the post cessation cover referred to in paragraph (b) above.

9. CREDITORS

	2012	2011
	£000	£000
Excess of loss insurance recoveries repayable	**-**	10
Income tax payable	**-**	2,887
Other tax and social security payable	**16**	19
Accruals and deferred income	**50**	53
Claims payable	**52**	-
	118	2,969

10. CONTINGENT GAINS AND LOSSES

There are a number of assets over which the Fund has some title/ claim which may lead to potential future recoveries. These potential assets are not recognised as part of the provisions for recoveries as, in the opinion of the Directors, they are so uncertain that they cannot be practically measured and hence no estimate is included here.

11. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors the ultimate controlling party is the Council of The Law Society by virtue of it being the controlling party of the Fund.

Copies of The Law Society's financial statements can be obtained from The Law Society, Law Society Hall, 113 Chancery Lane, London, WC2A 1PL. Consolidated financial statements including this company are prepared by The Law Society, which is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2012.