THE WREN INSURANCE ASSOCIATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 30 June 2015

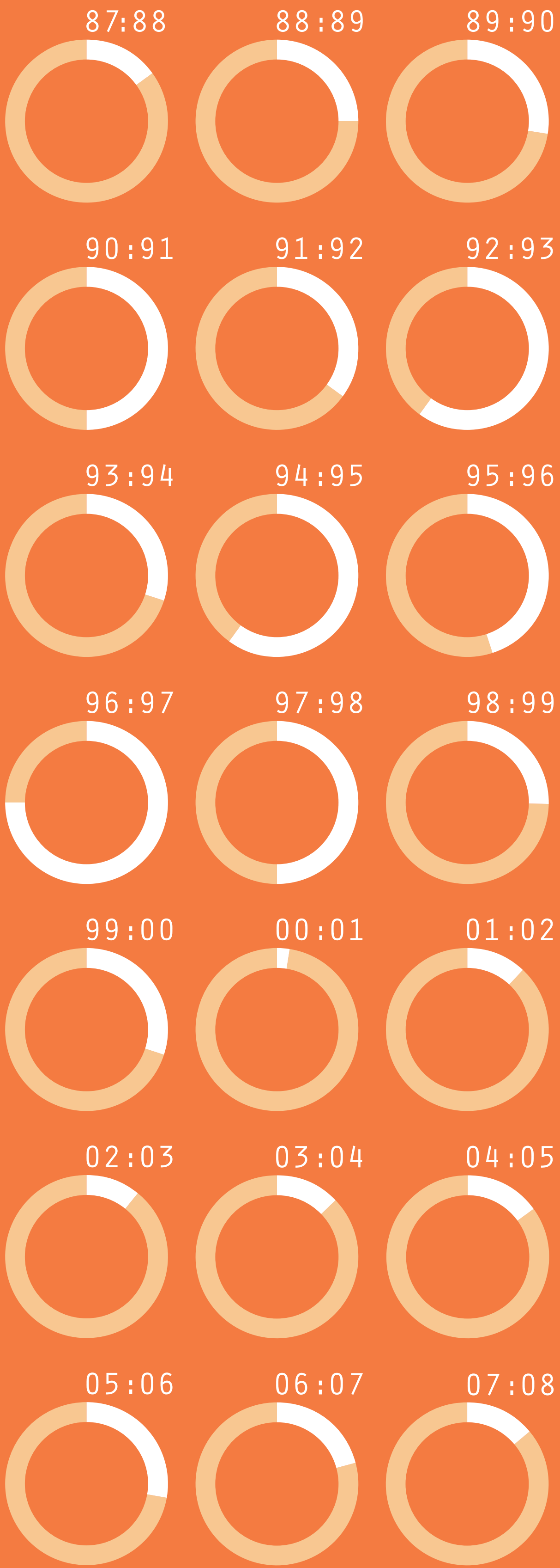
2015

Wren

CONTENTS

2015

Return of call as a proportion of advance call (closed years)



Finance and Underwriting

With the Association in a strong financial position, in March 2015 the Board was able to approve a return of call of £1.5 million from the 2007/08 policy year. As a result of this, and despite a strong underwriting performance, the Association's financial statements for the year ended 30 June 2015 show a deficit after tax of £0.8 million. Although claims incurred were higher than in the previous year, this is largely because improvements to underlying claims have resulted in lower reinsurance recoveries. The Association's free reserves at 30 June 2015 were £28.4 million and they therefore remain comfortably within the benchmark range set by the Association's economic capital strategy.

The renewal at 1 July saw rates held but, with many firms beginning to report a higher level of fee income, there was an overall increase in premiums. Calls and premiums were therefore higher by £0.6 million compared to last year.

Reinsurance costs were £0.5 million lower than the previous year despite the higher premium income (to which reinsurance costs are proportionate), reflecting a rate reduction achieved at the renewal of the main reinsurance contract. The premium paid to the Association's aggregate reinsurer was also lower.

The investment income credited to the policy year, which is based on the expected longer-term rate of return, was at a similar level to the previous year, at just under £2.0 million.

Claim payments were much lower than in the previous year, which saw a number of significant claim settlements. This year only £1.7 million was paid, while the net provision for outstanding claims rose by £2.7 million. However, this movement disguises the fact that the gross provision for claims actually fell by £1.5 million and it was a fall in the outstanding recovery from reinsurers of £4.2 million that drove the net increase. These lower reinsurance recoveries resulted mainly from the improvement to one claim notification in 2004/05 and the release of surplus claims reserves in 2011/12, both of which benefited reinsurers. The movements in claims reserves are reflected in the Association's balance sheet, which shows that the provision for gross outstanding claims fell from £28.4 million to £26.9 million, while the reinsurers' share of these gross provisions fell from £9.1 million to £4.9 million. Overall, net claims incurred for the year were £4.4 million, compared to the £1.8 million experienced in 2014.

Operating costs were 3.6% higher than in 2014 at just under £4.0 million and the balance on the underwriting (technical) account was a surplus of £55,000.

The actual investment return achieved for the year, at £1.4 million, was lower than the longer-term rate, which resulted in a transfer from the investment reserve of £477,000. The asset classes that contributed to this underperformance were corporate bonds and cash, which continued to earn very low rates of return. More detailed commentary on the investment performance is set out in the investment report below.

The Association's investments grew by £4.8 million to £49.2 million, which reflects the £1.4 million of investment return generated plus the transfer of £3.4 million of new money into the portfolio.

As part of its policy year review carried out in March 2015, the Board agreed to make a transfer of £1.0 million from the income and expenditure account in the 2007/08 policy year to the general reserve. This reserve has therefore grown to stand at £12.75 million at 30 June 2015. As noted above, the total free reserves of the Association have fallen from £29.2 million to £28.4 million over the course of the year to 30 June 2015, but the Association's overall financial position remains very strong.

The Board also agreed in March 2015 that there was no need for a general rate increase at 1 July 2015.

Investments

A key driver of markets over the last twelve months has been the price of crude oil. At the end of June 2014 it was at $112 per barrel. A year later it was $61, having gone as low as $45 in mid-January. Conspiracy theorists would have the rationale as a plot by the Saudis to over-supply the market and squeeze the US fracking sector, or a plot by the US to increase the sanction pressure on the Russians. While both these consequences may have suited some interested parties, the underlying fact was that the global economy was slowing, particularly in China and also in Europe.

China has been steadily deflating its economic bubble, discouraging further property speculation and damping down on leverage whilst liberalising its equity markets. Although the latter may have proved difficult to control, capital expenditure has reduced significantly and the annualised economic growth rate has slowed to a reported 7.0%.

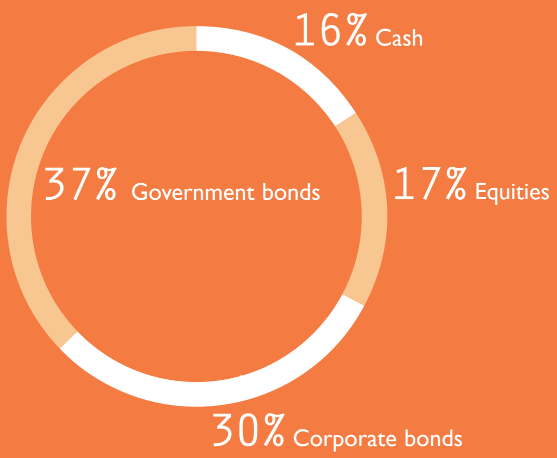
In Europe, the falling cost of energy pushed low inflation into mild deflation and, in combination with faltering growth in Germany, France and Italy, was critical in pushing the European Central Bank (ECB) to commit to full blown Quantitative Easing (QE). In the event, the recovery in the oil price in the New Year swiftly countered further deflation concerns and a steady increase in bank lending showed through in Eurozone growth numbers for the first quarter of 2015. Nevertheless, the ECB is conducting QE by purchasing euro-government bonds. In the second quarter of 2015 the headlines on Greece became a distraction but ultimately had more of an effect on the euro currency than bond values. However, markets were somewhat volatile and there was some spill-over into Sterling bonds.

The UK economy has been remarkably resilient throughout 2014, only slowing slightly in the first quarter of 2015. The IMF estimate of 2.5% growth for the calendar year looks likely to be met. At the same time inflation has been influenced by reduced energy costs and the official CPI measure is only just above zero. This combination of growth and absent inflation has placed the Bank of England (BoE) in a dilemma in terms of interest rates. Like the US Federal Reserve (the Fed), it is keen to move away from the very low rate levels that have been in place since 2009. The economy has recovered and the key question is whether inflation is going to pick up. Opinions are divided amongst central bankers.

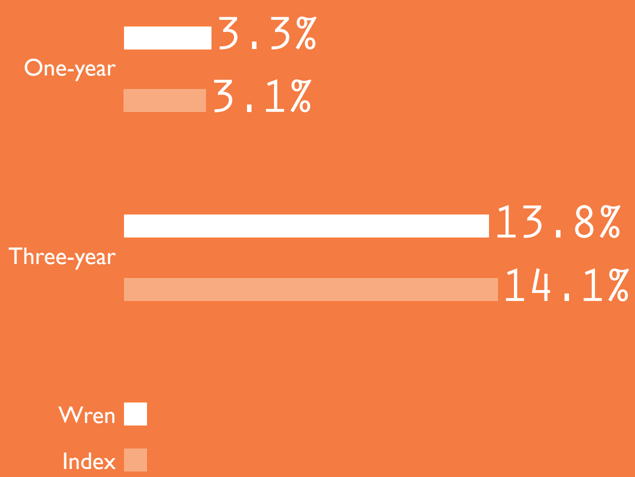
A September 2015 rate rise in the US is widely anticipated, but this could be pushed back should second quarter data disappoint. The Fed wants to see unemployment continuing to decline and inflation continuing to rise towards the 2% target. In the UK, the Monetary Policy Committee will be keeping a close eye on rising real wages and pricing in the service sector, which seems to be the main beneficiary of incremental spending. The first rate hike looks possible either at the end of 2015 or early 2016. The Governor of the BoE has signalled that the peak base rate in this cycle could be only a little above 2%, which compares to 5.75% before the crisis.

If the Fed and the BoE do take the plunge and lift official rates, it would be reasonable to assume that yields will not fall further in the foreseeable future. All bonds performed well as the oil price fell but yields rose, giving back some of the gains after the January low. Gilts provided the best returns (+4.6%) followed by corporate bonds (+3.7%) and the index-linked gilts (+1.5%). The portfolio is now defensively positioned for rising yields in both gilts and corporate bonds.

Investment holdings at 30 June 2015



Investment performance compared to benchmark



Stock markets remained volatile over the year to 30 June 2015. The FTSE 100 oscillated within a 1,000 point band (14%) but finished the year almost unchanged. Once income is included, the portfolio's UK equities returned +2.4%. The global equities benefited from Sterling's weakness which increased the returns for a Sterling investor (reversing the trend in the previous year) and the globalequity fund returned +11.4%.

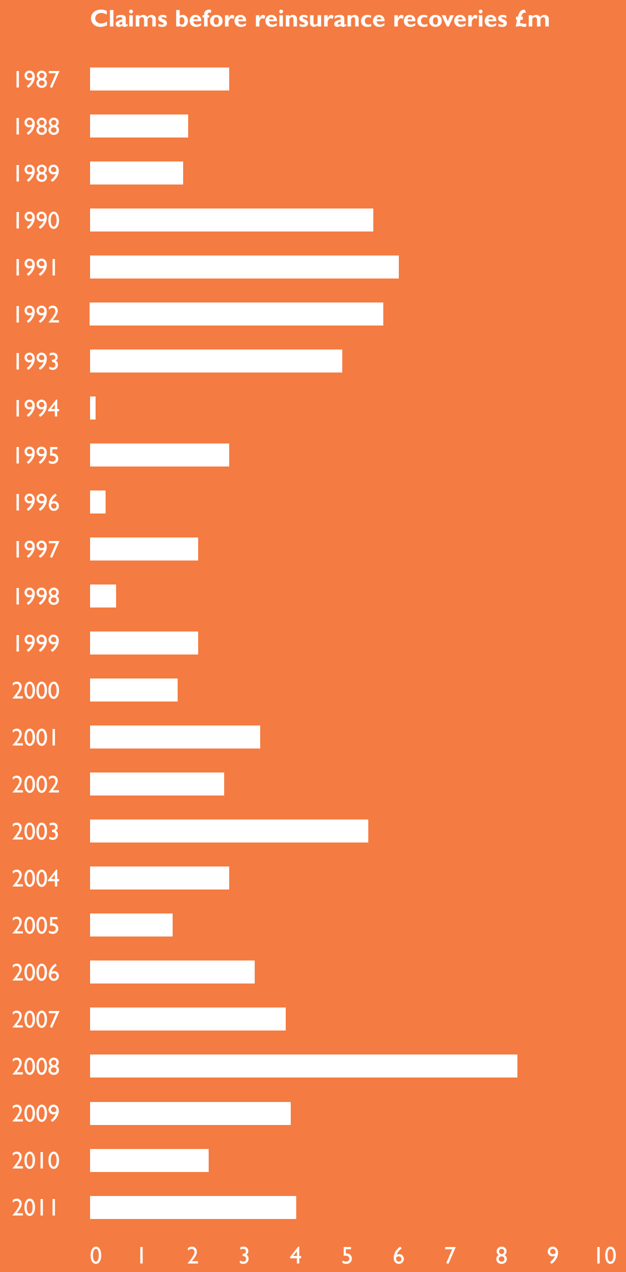
The portfolio as a whole returned +3.3% for the year to 30 June 2015 compared to the benchmark return of +3.1%. Over the rolling three year period, the portfolio returned an annualised return of +4.4% versus +4.5% from the benchmark. Over the same period the best returns came from equities (+10.9% p.a.) followed by corporate bonds (+5.8%). The returns from gilts and index-linked gilts were +1.4% and +1.3% respectively.

Claims

The number of matters notified to the Association has fallen over the last policy year. This may reflect the fall in the number of projects in which Members were involved during the recession. Given the significant increase in construction activity since the recession, it may also indicate that, when the construction industry is busy, pursuit of claims is not a priority. Most notifications continue to be made in relation to UK projects, although a number of notifications have been made in relation to overseas projects, which reflects the fact that during the recession a number of Members sought to supplement their revenues by working abroad. As far as existing claims are concerned, the year to 30 June 2015 saw the settlement of a number of claims on good terms, many of them as a result of mediation, which is increasingly seen by all parties as a way of avoiding the high legal costs, and the risks, of protracted litigation through the courts.

Contract review

Members have continued to secure instructions on projects over the past year in a wide variety of sectors, both overseas and throughout the UK. Some of these are on dormant projects that have now secured funding but the majority are new instructions. The use of BIM is becoming more widespread and, as a result, more appointments include a BIM Protocol. The introduction of the Principal Designer role by the new CDM Regulations in April 2015 has proved to be a particular challenge for many Members, given the expectation by many clients that the architect, as Lead Designer, should carry out the role, notwithstanding that few Members currently have the requisite capability to undertake it, or the ability to comply with some of the statutory obligations imposed by the drafting.



(Data in 2012, 2013 and 2014 policy years is insufficient to make accurate projections)

Risk management

The most recent programme of Wren risk management reviews of Member offices in the UK and overseas commenced in March 2015 and is due to conclude towards the end of 2016. Updates and additions to the Wren Risk Management Guidelines continue to be published on the Wren website to reflect the most recent developments in the construction industry, new or pending legislation (notably, the latest CDM Regulations) and Members' claims experience.

Rules of the Association

No changes were made to the Rules of the Association during the year.

Wren Scholarships

Following the inaugural five in 2013, a further five scholarships were awarded in the summer of 2014 to Keith Diplock (Kent School of Architecture), Thomas Glover (Royal College of Art), Lucy Moroney (Architectural Association School of Architecture), Rebecca Muirhead (Bartlett School of Architecture) and Victoria Slater (University of Liverpool). As before the award winners were given the opportunity to be individually mentored by Members of the Association. Feedback from the original five indicated that they had found this particularly useful. Scholars 'old and new' had the opportunity to meet each other at the annual Members' forum in March 2015.

The directors have pleasure in presenting their report together with the audited financial statements for the year to 30 June 2015.

The principal activity of the Association is the insurance of the professional indemnity risks of architects and other building design professionals. The strategic report on the preceding pages provides a summary of the principal matters affecting the Association's business during the year.

The names of the directors are shown on page 16. At the annual general meeting on 25 March 2015, Messrs B J Cooke, D P Coyne, J J Hall and M Wright retired by rotation and did not stand for re-election. Messrs J A Greaves, J T Pickard, I M Rudolph and J N E Thompson were appointed to fill the resultant vacancies on the Board. The Members also reappointed Mrs S J Peat, who had been appointed by the Directors on 18 July 2014.

Directors' Indemnity Insurance

The Association purchases directors' and officers' liability insurance in respect of all the Association's directors.

Audit

So far as each of the persons who are directors at the time of this report are aware, there is no relevant audit information of which the Association's auditors are unaware and the directors confirm that they have taken all 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 Association's auditors are aware of that information.

Moore Stephens LLP have indicated their willingness to continue as the Association's auditors and, subject to no objections being received, will be deemed to be reappointed in accordance with Section 487 of the Companies Act 2006.

R J H Pullen Chairman
16 September 2015

2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, statutory directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements 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 Association will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

To the Members of the Wren Insurance Association Limited

We have audited the financial statements of The Wren Insurance Association Limited for the year ended 30 June 2015 which are set out on pages 8 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Thomas Reed
(Senior Statutory Auditor)
for and on behalf of
Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street
London EC1A 4AB

18 September 2015

INCOME AND EXPENDITURE ACCOUNT

for the year ended 30 June 2015

Technical account – general business	Note		2015 £		2014 £
Earned premiums, net of reinsurance					
Calls and premiums	2	**9,874,393**		9,297,415	
Return calls	2	**(1,470,315)**		(2,439,319)	
			8,404,078		6,858,096
Reinsurance premiums			**(1,919,371)**		(2,398,262)
			6,484,707		4,459,834
Allocated investment return transferred from the non-technical account			**1,961,497**		1,921,779
			8,446,204		6,381,613
Claims paid					
Gross amount		**(1,768,324)**		(7,903,110)	
Reinsurers' share		**15,093**		4,879,216	
		(1,753,231)		(3,023,894)	
Change in the provision for claims	3				
Gross amount		**1,505,217**		11,319,361	
Reinsurers' share		**(4,181,439)**		(10,131,841)	
		(2,676,222)		1,187,520	
Claims incurred net of reinsurance			**(4,429,453)**		(1,836,374)
Net operating expenses	4		**(3,962,082)**		(3,823,732)
Balance on the technical account			**54,669**		721,507

Non-technical account	Note	2015 £	2014 £
Balance on the technical account		**54,669**	721,507
Investment income	5	**1,385,909**	1,868,216
Allocated investment return transferred to the general business technical account	6	**(1,961,497)**	(1,921,779)
Net (deficit)/surplus before taxation		**(520,919)**	667,944
Taxation	7	**(254,338)**	(326,205)
Net (deficit)/surplus after taxation		**(775,257)**	341,739
Surplus at 30 June 2014		**8,292,900**	8,907,146
Net transfer from investment reserve	6 & 10	**476,848**	44,015
Net transfer to general reserve	10	**(1,000,000)**	(1,000,000)
Surplus at 30 June 2015		**6,994,491**	8,292,900

There are no recognised gains and losses other than those included in the income and expenditure account.
All amounts are derived from continuing operations.

The notes on pages 11 to 15 form part of these financial statements.

BALANCE SHEET
as at 30 June 2015

Assets	Note	2015 £	2014 £
Financial investments	8	**49,248,738**	44,358,555
Reinsurers' share of technical provisions			
Claims outstanding	9	**4,919,801**	9,101,240
Debtors			
Reinsurance operations		**15,093**	4,562,587
Direct insurance operations – Members		**14,752**	3,826
Prepayment		**25,000**	25,000
Cash at bank		**2,877,087**	2,295,016
Accrued income		**138,061**	137,775
		57,238,532	60,483,999
Liabilities			
Capital and reserves			
Investment reserve	10	**8,705,319**	9,182,167
General reserve	10	**12,750,000**	11,750,000
Income and expenditure account	10	**6,994,491**	8,292,900
		28,449,810	29,225,067
Technical provisions			
Gross outstanding claims		**26,900,037**	28,405,254
Creditors			
Direct insurance operations – Members		**1,486,930**	2,466,549
Reinsurance operations		**113,794**	46,326
Taxation		**104,609**	165,398
Other creditors		**183,352**	175,405
		28,788,722	31,258,932
		57,238,532	60,483,999

Approved by the Board on 16 September 2015

R J H Pullen Director
A D Stanford Director

J P Rodgers Wren Managers

The notes on pages 11 to 15 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 30 June 2015

	2015 £	2014 £
Net calls received from Members	**7,424,459**	7,806,678
Reinsurance premiums paid	**(1,851,903)**	(2,492,376)
Claims paid	**(1,779,250)**	(7,877,614)
Reinsurance recoveries received	**4,562,587**	490,932
Net cash inflow/(outflow) from general insurance transactions	**8,355,893**	(2,072,380)
Dividends received	**197,213**	273,386
Other investment income received	**769,802**	697,731
Other operating cash payments	**(4,110,374)**	(3,937,203)
Net cash inflow/(outflow) from operating activities (see below)	**5,212,534**	(5,038,466)
Corporation Tax paid	**(315,127)**	(310,834)
Net increase/(decrease) in cash and investments	**4,897,407**	(5,349,300)
Cash flows were applied as follows:		
Increase/(decrease) in cash balances	**582,071**	(217,072)
Net purchase/(sale) in investments	**4,315,336**	(5,132,228)
	4,897,407	(5,349,300)

NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net surplus before tax to net cash flow from operating activities

	2015	2014
Net (deficit)/surplus before taxation	**(520,919)**	667,944
Change in provisions for claims	**2,676,222**	(1,187,520)
Decrease/(increase) in insurance and other debtors	**4,536,282**	(4,356,942)
(Decrease)/increase in insurance and other creditors	**(904,204)**	890,759
Realised investment gains	**(171,874)**	(638,002)
Change in market value of investments	**(402,973)**	(414,705)
Net cash inflow/(outflow) from operating activities	**5,212,534**	(5,038,466)

Movement in opening and closing portfolio investments net of financing

		2015		2014
Net cash inflow/(outflow) for the period		**582,071**		(217,072)
Net purchase/(sale) in investments	**4,315,336**		(5,132,228)	
Realised investment gain	**171,874**		638,002	
Net portfolio investment		**4,487,210**		(4,494,226)
Change in market value of investments		**402,973**		414,705
Portfolio investments and cash 30 June 2014		**46,653,571**		50,950,164
Portfolio investments and cash 30 June 2015		**52,125,825**		46,653,571

The notes on pages 11 to 15 form part of these financial statements.

1 Accounting policies

i Basis of accounting

These Financial Statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Part 3 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) under the Companies Act 2006 and in accordance with applicable accounting standards in the U.K. The Statutory 'Profit and Loss Account' is replaced by an 'Income and Expenditure Account' in these financial statements consistent with the mutual status of the Association. The financial statements comply with the Statement of Recommended Practice issued in December 2005 by the Association of British Insurers (as amended December 2006). The particular accounting policies adopted are described below.

ii Policy year accounting

The Association's business is accounted for on an annual basis. For the purposes of reporting to mutual Members, all transactions, including calls, reinsurance premiums payable, claims and reinsurance recoveries are allocated to the policy year to which they relate. In the case of claims and reinsurance recoveries, the appropriate year is decided by the date on which the claim or the incident giving rise to the potential claim is notified to the Association. Other income and expenditure is allocated to the current policy year except investment returns which are allocated to policy years on the same basis as they are credited to the technical account – general business.

Members remain liable for their rateable proportions of any excess of claims and expenses over income for any open policy year and may, at the discretion of the Directors, have returned to them any balance not retained and applied for the purposes of the Association. Underwriting years are closed only when the Directors are satisfied that the information on claims payable is sufficiently reliable to enable the outcome of that year to be determined with reasonable accuracy.

The income and expenditure account presents the aggregate of changes during the financial year on all policy years, both open and closed.

iii Calls and premiums

Calls and premiums are credited to the income and expenditure account as and when charged to Members. Return calls are accounted for when approved by the Directors, but credited to the members account on renewal as at 1st July.

Outward reinsurance premiums are accounted for in the same period as calls and premiums for the related insurance.

iv Claims and reinsurance recoveries

Claims incurred include all claims and claims settlement expense payments made during the year and the movement in the provision for outstanding claims.

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claim amounts that have been charged to the income and expenditure account.

v Investment income

Investment income includes interest and dividends receivable for the year.

Net gains or losses on the disposal of investments (representing the difference between net proceeds and purchase cost) are credited or charged to the income and expenditure account as and when realised. Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their purchase price or previous valuation.

The transfer from the investment reserve represents the difference (net of tax) between the actual investment income for the year and the investment return allocated to the technical account – general business.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

1 Accounting policies (continued)

vi Allocation of investment return

An allocation is made from the non-technical account to the technical account – general business in respect of the longer-term investment return on the total investment portfolio, since these investments relate wholly to the technical provisions and Members' funds held for mutually insured risks.

vii Claims outstanding

The Association underwrites professional liability risks on a 'claims made' basis. Claims outstanding represent the Managers' assessment of the ultimate cost of claims reported at the balance sheet date.

The Association reserves individual claims notified on a 'worst likely outcome' basis. Estimates for the cost of claims are made by legally experienced claims handlers who base their estimates on the information available about the individual claim and experience of similar cases. Where it is not yet possible to make an assessment of the likely outcome of a claim, a statistically derived reserve is applied based on the development of similar notifications in earlier policy years. In addition, IBNER (incurred but not enough reserved) provisions are applied to aggregate outstanding estimates for each policy year using percentages that reflect the stage of development of the policy year.

In the case of policies incepting less than thirty-six months before the balance sheet date, the information available is frequently inadequate to form a reliable basis for case by case estimates. Accordingly, claims reserves are also calculated on the basis of standard actuarial claims projection techniques and stochastic modelling based on historical claims patterns, adjusted for inflation and other variables such as the volume of business transacted by the membership, to predict their potential ultimate cost. The principal assumption underlying this approach is that past experience is a reliable basis for projecting the ultimate cost of claims for more recent years.

Any surplus IBNER provisions will be automatically released once the policies to which they relate have been in existence for longer than thirty-six months. By contrast, in years where it appears to the Managers that the actual claims experience is likely to be worse than the original provisions established, those provisions are increased accordingly.

The provision for outstanding claims is based on information available at the balance sheet date. The majority of claims are settled only after extensive investigation and negotiation, which can take a number of years to complete. Accordingly, the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being greater or less than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business in later years.

viii Investments

Investments are shown at market (bid) value.

2 Net calls and premiums

	2015 £	2014 £
Advance calls and premiums – current year	**9,874,393**	9,297,415
Returns of call – 2007/08	**(1,470,315)**	–
Returns of call – 2006/07	**–**	(1,462,294)
Returns of call – 2005/06	**–**	(992,501)
Returns of call – 2004/05	**–**	15,476
	(1,470,315)	(2,439,319)

All business is written in the UK and calls relate wholly to one class of business – professional indemnity insurance.

3 Movement in prior years' claims provisions

Included within the change in provision for claims is a credit of £750,942 (2014 – £3,009,226) relating to prior years made up as follows:

	2015 £	2014 £
Net provision at beginning of year	**19,304,014**	20,491,534
Net payments during the year in respect of these provisions	**(1,246,512)**	(2,434,426)
Net provision carried forward in respect of claims provided for at the end of the previous year	**(17,306,560)**	(15,047,882)
Overprovision in respect of prior years	**750,942**	3,009,226

4 Net operating expenses

	2015 £	2014 £
Acquisition costs	**503,300**	530,250
Administrative expenses	**3,458,782**	3,293,482
	3,962,082	3,823,732

Acquisition costs represent the management cost of underwriting, including the renewal of the entry of existing Members, negotiations with potential Members and the processing of entry documentation.

Included in administrative expenses are:

- Risk management fees of £670,000 (2014 – £640,000) payable to the Managers in respect of the conduct of the Association's risk management programme.
- Directors' remuneration of £89,949 (2014 – £92,164).
- Auditors' remuneration of £26,500 (2014 – £26,000). In addition to their audit fee, Moore Stephens LLP were paid £6,930 (2013 – £6,930) in respect of taxation services.

The Association has no employees. Management services are provided by Tindall Riley & Co Limited (trading as Wren Managers).

5 Net investment income

	2015 £	2014 £
Income from fixed interest investments	**737,554**	675,894
Dividends receivable from equities	**202,635**	270,847
Bank and other interest	**27,112**	18,530
Profit on the realisation of investments	**171,874**	638,002
Change in unrealised gains on investments	**402,973**	414,705
Investment income	**1,542,148**	2,017,978
Investment management expenses	**(156,239)**	(149,762)
Net investment income	**1,385,909**	1,868,216

6 Investment return

	2015 £	2014 £
Allocated investment return	**1,961,497**	1,921,779

Investment income is allocated to the technical account general business on the basis of longer-term rates of investment return. The longer-term return is based on historical real rates of return and current inflation expectations adjusted for consensus economic and investment forecasts. The return is calculated by applying these rates to the investible assets held during the period on a monthly basis. The following average rates have been used:

	2015	2014
Bonds	**4.1%**	4.1%
Equities	**7.3%**	7.5%

A transfer of £476,848 has been made from the investment reserve equivalent to the deficit of actual return against the longer-term return for the year (net of tax).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2015

6 **Investment return (continued)**	2015 £	2014 £
Ten-year comparison of allocated return with actual returns		
Net investment income since 1 July 2005 (2004)	**19,603,685**	21,220,132
Allocated return since 1 July 2005 (2004)	**16,738,567**	16,120,305
Surplus of actual return above allocated return	**2,865,118**	5,099,827

7 Taxation

By virtue of its mutual status the Association is not liable to tax on its insurance operations. It is liable to tax on its income and net gains from investments.

Analysis of charge in period	2015 £	2014 £
UK Corporation Tax	**237,748**	333,051
Under/(over) provision in previous year	**16,590**	(6,846)
Total tax charge	**254,338**	326,205

Factors affecting tax charge for period

The tax assessed for the period is different from the standard rate of Corporation Tax in the UK, 20.75% (2014 – 23%). The differences are explained below:

	2015 £	2014 £
Net (deficit)/surplus before tax	**(520,919)**	667,944
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 20.75%	**(108,091)**	153,627
Effects of:		
Non-taxable mutual insurance operations	**387,590**	241,678
UK dividends not taxable	**(41,751)**	(62,254)
Current tax charge (see above)	**237,748**	333,051

8 Investments

Investments comprise fixed interest investments (UK government securities and corporate bonds), equities and deposits with credit institutions. All fixed interest investments and equities are listed.

	Deposits with credit institutions £	Fixed interest investments £	Equity investments £	Total £
Purchase of investments	16,280,650	4,459,446	2,327,310	23,067,406
Sale of investments	(13,240,436)	(3,191,758)	(2,319,876)	(18,752,070)
Realised gains	–	(79,687)	251,561	171,874
Net portfolio investment	3,040,214	1,188,001	258,995	4,487,210
Unrealised gains	–	412,033	(9,060)	402,973
Change in value of portfolio	3,040,214	1,600,034	249,935	4,890,183
Market value at 1 July 2014	4,740,437	31,463,178	8,154,940	44,358,555
Market value at 30 June 2015	**7,780,651**	**33,063,212**	**8,404,875**	**49,248,738**
Cost at 1 July 2014	4,740,437	29,887,338	6,871,228	41,499,003
Cost at 30 June 2015	7,780,651	31,075,339	7,130,223	45,986,213

9 Reinsurers' share of technical provisions

The Association holds security in the form of letters of credit issued by AA or above (Standard & Poor's) rated banking institutions in respect of £4,919,801 of the amounts recoverable on claims paid and outstanding (2014 – £7,808,716).

10 Reserves

	Investment reserve £	General reserve £	Income and expenditure account £	Total £
Balance at 1 July 2013	9,226,182	10,750,000	8,907,146	28,883,328
Transfer from investment reserve	(44,015)	–	44,015	–
Transfer to general reserve	–	1,000,000	(1,000,000)	–
Surplus for the financial year	–	–	341,739	341,739
Balance at 30 June 2014	9,182,167	11,750,000	8,292,900	29,225,067
Transfer from investment reserve	(476,848)	–	476,848	–
Transfer to general reserve	–	1,000,000	(1,000,000)	–
Deficit for the financial year	–	–	(775,257)	(775,257)
Balance at 30 June 2015	**8,705,319**	**12,750,000**	**6,994,491**	**28,449,810**

The Association is incorporated as a company limited by guarantee and does not therefore have share capital.

The investment reserve comprises the cumulative net transfers from the income and expenditure account equivalent to the net unallocated return on the Association's investment portfolio.

The general reserve has been established in accordance with Rule 36(1) of the Association to provide for any unforeseen contingencies, claims, expenses, losses or other outgoings of the Association. Transfers to this reserve are considered upon closure of each policy year. To date, the 1987/88 to 2007/08 policy years have been closed.

11 Related parties transactions

The Board, comprising up to 13 representatives of the membership of the Association and two Manager nominees, is appointed to oversee the management of the Association on behalf of the Members. The directors of the Association are related parties as defined by FRS8 – Related Party Disclosures. Because of the mutual nature of the Association, all Members, being both insurer and insured, are in effect related parties.

The aggregate of transactions with Members is disclosed in the financial statements and, in the opinion of the directors, there are no individual transactions, or connected transactions, the disclosure of which is necessary for an understanding of the financial statements.

Tindall Riley & Co Limited (trading as Wren Managers) manages the Association and received £4,265,000 (2014 – £4,175,000) in respect of management fees and risk management services.

DIRECTORS

The Wren Insurance Association Limited, Limited by Guarantee

Board of Directors

R J H Pullen (Chairman)
C Bennie
L Edwards
J A Greaves
S C Johnson
A J Niven
S J Peat
H H Phillips
J T Pickard
J P Rich
I M Rudolph
W J Ryan
A D Stanford
J N E Thompson
H O Wells

Registered Office

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London EC4R 9AN

Companies House Number 2054592

Managers

Tindall Riley & Co Limited
Trading as:
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Regis House
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London EC4R 9AN

Auditors

Moore Stephens LLP
150 Aldersgate Street
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EC1A 4AB

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2015