THE WREN INSURANCE ASSOCIATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 30 June 2013

2013

The Wren

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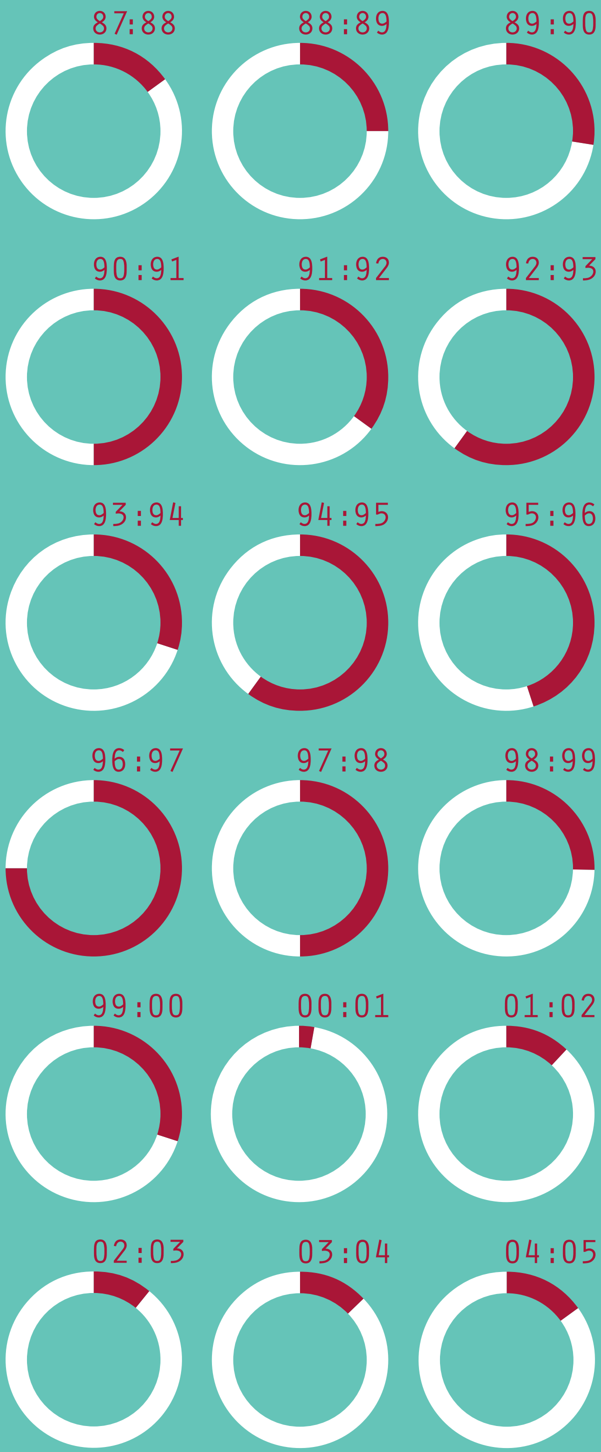
2013

DIRECTORS' REPORT

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



The directors have pleasure in presenting their report to the twenty-seventh annual general meeting together with the audited financial statements for the year to 30 June 2013.

The principal activity of the Association is the insurance of the professional indemnity risks of architects and other building design professionals. The directors' report on the following 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. Mr W J Ryan was appointed by the Directors on 12 September 2012 and reappointed at the annual general meeting on 10 April 2013. Messrs C Bennie, H H Phillips and R J H Pullen retired by rotation at the annual general meeting and were reappointed. Mr T A Kempster also retired by rotation but did not stand for re-election. Ms H O Wells was appointed to fill the vacancy resulting from Mr Kempster's retirement.

Finance and Underwriting

The Association's financial statements for the year ended 30 June 2013 show a small surplus for the year on the technical (underwriting) account and another solid investment return. Together, these combine to give an overall surplus after tax of just less than £0.8 million.

The technical account surplus of £0.5 million is an improvement on the deficit of £1.2 million seen last year and results from a combination of higher net calls and lower claims incurred. The renewal at 1 July 2012 saw a general rate increase for Members and the withdrawal of a 10% discount. This resulted in calls and premiums for the year rising from £8.9 million to £9.9 million.

However, in April 2013, the Board was able to approve returns of call of £1.1 million from the 2004/05 policy year and £0.3 million from the 2005/06 policy year. The total returns of £1.4 million were therefore higher than the £1.0 million returned last year.

Reinsurance costs were £0.2 million higher than last year, reflecting a further increase in the premium paid to the Association's aggregate excess reinsurer. This followed the larger increase in the premium paid last year, which resulted from an increase in potential recoveries. Operating costs were 1% lower than in 2012, at £3.7 million.

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 last year, at £1.7 million. The actual return achieved for the year was £2.4 million, which was lower than the £3.2 million earned in 2012, but which was adversely impacted by significant market movements in the last few weeks of the year. The actual return results in a transfer to the investment reserve of £0.5 million.

Net claims incurred for the year were £3.2 million, lower than the £4.5 million experienced in 2012. There were fewer claim settlements in the year, resulting in the amount paid out falling from £3.4 million in 2012 to £1.4 million this year. Improvements to the estimates of a number of larger claims saw a fall in the gross provision for claims and in the outstanding recoverables from reinsurers.

As part of its policy year review carried out in April 2013, the Board agreed to make transfers of £0.75 million from the income and expenditure account in the 2004/05 policy years to the general reserve. This reserve has therefore grown to stand at £10.75 million at 30 June 2013. Overall, the free reserves of the Association have grown from £28.1 million to £28.9 million over the course of the year to 30 June 2013 and therefore the Association's overall financial position is slightly better than it was 12 months ago. The reserves remain comfortably within the target range set by the Association's economic capital strategy.

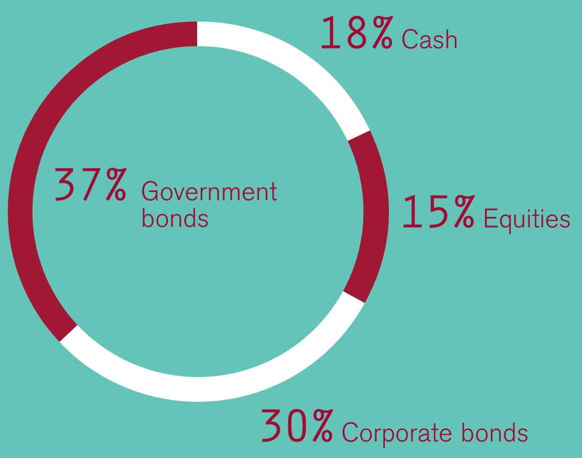
The Board agreed in April 2013 that there was no necessity for a general rate change at 1 July 2013. The number of Members has remained stable and as at 1 July 2013 stood at 55, compared to 56 the previous year.

Investments

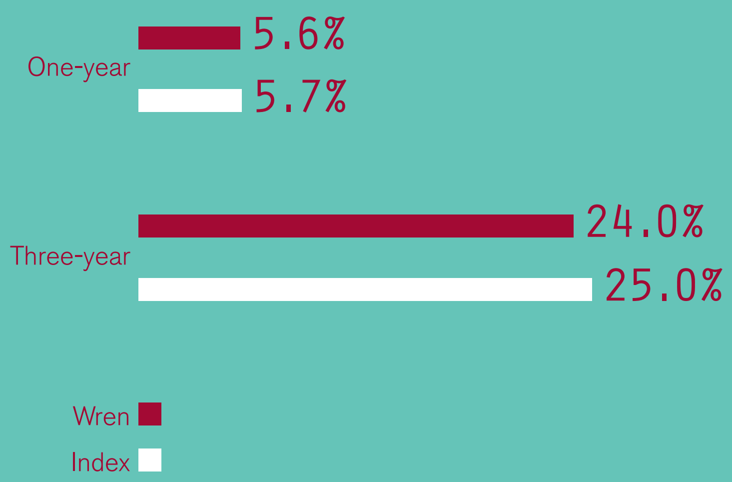
There has been a change in sentiment in financial markets over the last twelve months. Last year's concerns over weak economic growth across the globe, underlined by major downward revisions to forecasts from the IMF, have shifted in the last few months to contemplation of how soon the US Federal Reserve (the Fed) might start to withdraw monetary stimulus as the world's leading economy gathers pace.

In the first half of 2013, markets became increasingly confident about the US economic recovery. US housing prices continue to rise strongly, which is adding to consumer confidence. An increase in housing construction should help the employment situation and a virtuous economic cycle should be generated. The timing of the employment improvement is a matter of some debate, but the Fed has now expressed itself confident that progress should be strong enough to allow them to reduce their purchases of mortgage-backed and Treasury bonds, potentially ending completely by the middle of next year. Of course they reserve the right to remain highly flexible, but the bond market has recently convinced itself that the start of this tapering process could be soon and US bond yields have adjusted accordingly. Unfortunately, the US sets the tone for other developed markets and the UK and European markets have also seen bond yields rise significantly, even though there is little prospect of the removal of central bank stimulus this side of the Atlantic – indeed the opposite could be the case.

Investment holdings at 30 June 2013



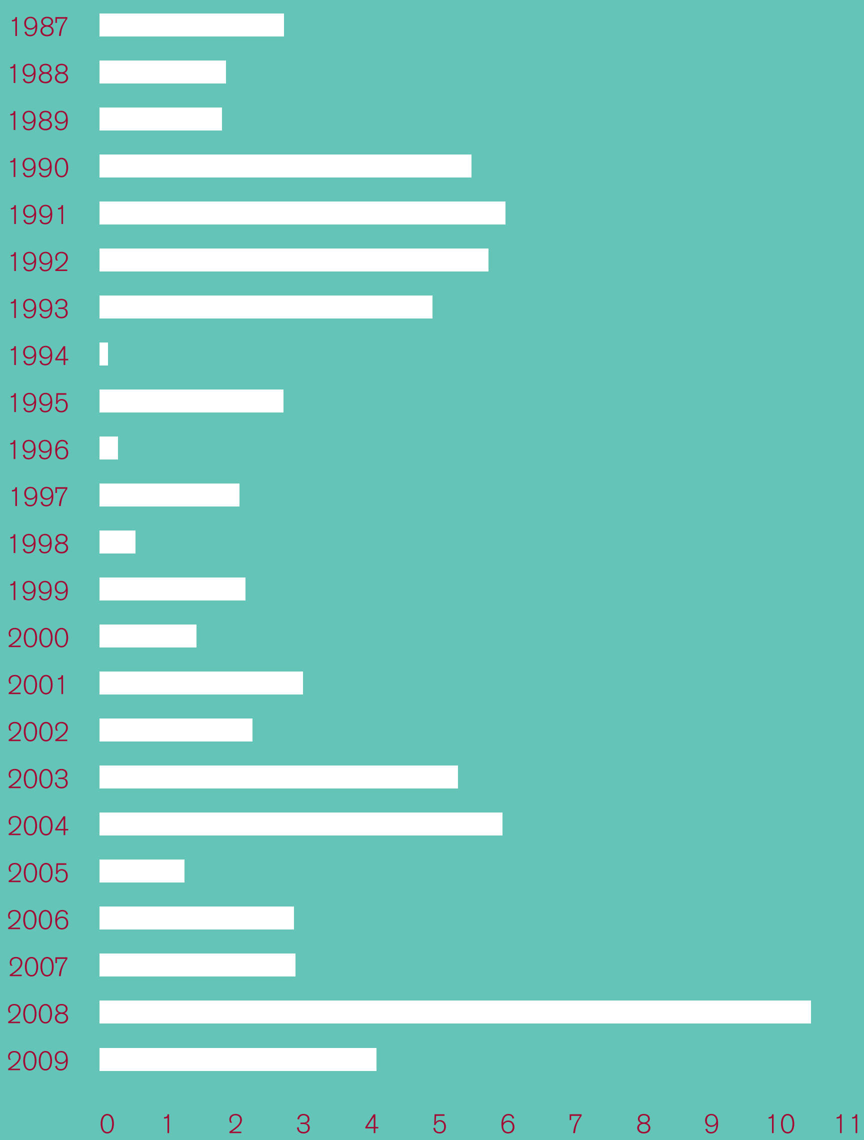
Investment performance compared to benchmark



The Association's financial year end coincided with concerns over the Fed withdrawing QE, which worried investment markets, although the situation has subsequently improved. This impacted government bonds in particular, which as a result returned minus 0.9% over the year. Corporate bonds did better, with an annual return of 7.5% but the best performing asset class was UK equities, which produced 17.3%. As noted in last year's report, the Board agreed to introduce two new growth asset classes into the portfolio at the expense of UK equities, following the completion of the triennial investment strategy review. During the course of the year, the Managers implemented the required changes by switching 5% of the portfolio into high yield bonds, managed by Shenkman Capital Management Ltd and a further 5% into global low volatility equities, managed by Veritas Asset Management UK Ltd. Since these investments were made, in January 2013, the Veritas funds have produced a return of 12.4%, but the high yield bonds have produced a negative return of -3.2%.

Overall, the portfolio produced a return of +5.6% for the financial year to 30 June 2013 which compares to the benchmark return of +5.7%. Over the last three years the Wren's annualised return was +7.5% versus the benchmark return of +7.6%.

Claims before reinsurance recoveries £m



(Data in 2010, 2011 and 2012 policy years insufficient to make accurate projections)

Claims

After a couple of years of decreasing notifications, the number of notifications has risen slightly over the last year, notwithstanding the reduction in the number of active projects in which Members are involved. Although many Members have in recent years worked overseas to compensate for the lack of projects in the UK, there has been no noticeable growth in the number of notifications arising out of foreign projects. However, in the UK, a number of clients continue to bring speculative claims in the run up to the completion of a project in order to try and make good financial losses they have suffered as a result of the recession. There has also been a tendency on the part of building owners and tenants who are suffering maintenance problems to bring claims immediately prior to the expiry of limitation periods. Neither of these types of claim stand up to close scrutiny, but are symptomatic of the difficulties in which the construction and property worlds currently find themselves. As in previous years, 2013 saw the settlement of a number of bona fide claims on good terms, with mediation increasingly being used as the means to achieve this, thanks in part to mediation being encouraged and endorsed by the Courts. The Association remains alert, however, to mediation being used by claimants with weak claims to obtain payment.

Contract review
Although the construction industry has continued to be adversely affected by the recession in the UK and Europe, the number of contracts sent for review by Members wishing to take advantage of the Association's contract review service has increased. Not all tenders turn into jobs, but Members have continued to be awarded projects abroad as well as enjoying increased activity in the UK in the commercial, residential, university, and to some extent, schools sectors, although many projects still continue to be procured on a stage-by-stage basis, as clients keep development opportunities under review.

Risk management
The most recent programme of Wren risk management reviews concluded in July 2013 and the next programme will commence in the Autumn of 2013. Updates and additions continue to be made to the Wren Risk Management Guidelines and Notes published on the Wren website to reflect developments in the construction industry, new or pending legislation and Members' claims experience.

Rules of the Association
The Board approved minor changes to two Rules with effect from 1 July 2013. These amendments clarify the cover position in relation to Legal Costs, Mitigation of Loss (Rule 20(8)(B)) and Products Liability (Rule 21(13)).

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.

A resolution to reappoint Moore Stephens LLP as the Association's auditors will be put to Members at the annual general meeting.

I would like to conclude by thanking all the directors for their contribution to the Association's affairs over the past twelve months and by making special mention of Tim Kempster, who retired from the Board in April. Tim was a founder Member of the Association in 1987 and one of the driving forces for its creation. He served continuously as a director for twenty-six years and we are all very grateful to him for his enthusiasm, guidance and steadfast support for the Association.

R J H Pullen Chairman
11 September 2013

2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 Ltd for the year ended 30 June 2013 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 Association's Members, as a body, in accordance with Sections 495 – 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the 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 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 Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 Association'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 financial statements. In addition, we read all the financial and non-financial information in the Directors' 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 June 2013 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 matter prescribed by the Companies Act 2006

In our opinion the information given in 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 or 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.

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

13 September 2013

INCOME AND EXPENDITURE ACCOUNT

for the year ended 30 June 2013

Technical account – general business	Note		2013 £		2012 £
Earned premiums, net of reinsurance					
Calls and premiums	2	**9,882,221**		8,878,526	
Return calls	2	**(1,438,087)**		(993,819)	
			8,444,134		7,884,707
Reinsurance premiums			**(2,710,784)**		(2,512,762)
			5,733,350		5,371,945
Allocated investment return transferred from the non-technical account	6		**1,680,242**		1,687,847
			7,413,592		7,059,792
Claims paid					
Gross amount		**(1,407,186)**		(3,361,264)	
Reinsurers' share		**177,957**		795,532	
		(1,229,229)		(2,565,732)	
Change in the provision for claims					
Gross amount		**1,367,333**		(4,026,480)	
Reinsurers' share		**(3,322,880)**		2,109,139	
		(1,955,547)		(1,917,341)	
Claims incurred net of reinsurance			**(3,184,776)**		(4,483,073)
Net operating expenses	4		**(3,710,853)**		(3,758,596)
Balance on the technical account			**517,963**		(1,181,877)

Non-technical account	Note	2013 £	2012 £
Balance on the technical account		**517,963**	(1,181,877)
Investment income	5	**2,360,379**	3,192,854
Allocated investment return transferred to the general business technical account	6	**(1,680,242)**	(1,687,847)
Net surplus before taxation		**1,198,100**	323,130
Taxation	7	**(404,059)**	(684,987)
Net surplus/(deficit) after taxation		**794,041**	(361,857)
Surplus at 30 June 2012		**9,410,323**	11,954,307
Net transfer to investment reserve	6 & 10	**(547,218)**	(1,182,127)
Net transfer to general reserve	10	**(750,000)**	(1,000,000)
Surplus at 30 June 2013		**8,907,146**	9,410,323

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 2013

Assets	Note	2013 £	2012 £
Financial investments	8	**48,438,076**	45,026,488
Reinsurers' share of technical provisions	9		
Claims outstanding		**19,233,081**	22,555,961
Debtors			
Reinsurance operations		**174,303**	791,878
Direct insurance operations – Members		**29,322**	–
Prepayment		**25,000**	–
Cash at bank		**2,512,088**	2,232,163
Accrued income		**143,621**	187,417
		70,555,491	70,793,907

Liabilities	Note	2013 £	2012 £
Capital and reserves			
Investment reserve	10	**9,226,182**	8,678,964
General reserve	10	**10,750,000**	10,000,000
Income and expenditure account	10	**8,907,146**	9,410,323
		28,883,328	28,089,287
Technical provisions			
Gross outstanding claims		**39,724,615**	41,091,948
Creditors			
Direct insurance operations – Members		**1,517,967**	1,034,235
Reinsurance operations		**140,440**	120,922
Taxation		**150,027**	312,890
Other creditors		**139,114**	144,625
		41,672,163	42,704,620
		70,555,491	70,793,907

Approved by the Board on 11 September 2013

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 2013

	2013 £	2012 £
Net calls received from Members	**8,927,865**	7,391,371
Reinsurance premiums paid	**(2,691,266)**	(2,716,765)
Claims paid	**(1,436,508)**	(3,361,264)
Reinsurance recoveries received	**795,532**	188,580
Net cash inflow from general insurance transactions	**5,595,623**	1,501,922
Dividends received	**291,473**	316,022
Other investment income received	**837,063**	664,184
Other operating cash payments	**(3,904,690)**	(3,851,150)
Net cash inflow/(outflow) from operating activities (see below)	**2,819,469**	(1,369,022)
Corporation Tax paid	**(566,922)**	(834,280)
Net increase/(decrease) in cash and investments	**2,252,547**	(2,203,302)
Cash flows were applied as follows:		
Increase in cash balances	**279,925**	207,167
Net purchase/(sale) in investments	**1,972,622**	(2,410,469)
	2,252,547	(2,203,302)

NOTES TO THE CASH FLOW STATEMENT

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

	2013	2012
Net surplus before taxation	**1,198,100**	323,130
Change in provisions for claims	**1,955,547**	1,917,341
Decrease/(increase) in insurance and other debtors	**607,049**	(609,854)
Increase/(decrease) in insurance and other creditors	**497,739**	(653,325)
Realised investment gains	**(1,331,633)**	(3,648,796)
Change in market value of investments	**(107,333)**	1,302,482
Net cash inflow/(outflow) from operating activities	**2,819,469**	(1,369,022)

Movement in opening and closing portfolio investments net of financing

		2013		2012
Net cash inflow for the period		**279,925**		207,167
Net purchase/(sale) in investments	**1,972,622**		(2,410,469)	
Realised investment gain	**1,331,633**		3,648,793	
Net portfolio investment		**3,304,255**		1,238,324
Change in market value of investments		**107,333**		(1,302,482)
Portfolio investments and cash 30 June 2012		**47,258,651**		47,115,642
Portfolio investments and cash 30 June 2013		**50,950,164**		47,258,651

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 UK. 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 in 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 Members' accounts 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 to 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 2013

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 36 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 36 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

	2013 £	2012 £
Advance calls and premiums – current year	**9,882,221**	8,878,526
Returns of call – 2005/06	**(325,973)**	–
Returns of call – 2004/05	**(1,112,114)**	–
Returns of call – 2003/04	**–**	(993,819)
	(1,438,087)	(993,819)

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 £1,647,223 (2012 – £61,727) relating to prior years made up as follows:

	2013 £	2012 £
Net provision at beginning of year	**18,535,987**	16,618,646
Net payments during the year in respect of these provisions	**(623,047)**	(1,995,167)
Net provision carried forward in respect of claims provided for at the end of the previous year	**(16,265,717)**	(14,561,752)
Overprovision in respect of prior years	**1,647,223**	61,727

4 Net operating expenses

	2013 £	2012 £
Acquisition costs	**517,500**	476,700
Administrative expenses	**3,193,353**	3,281,896
	3,710,853	3,758,596

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 £625,000 (2012 – £630,000) payable to the Managers in respect of the conduct of the Association's risk management programme.
- Directors' remuneration of £87,453 (2012 – £89,288).
- Auditors' remuneration of £25,500 (2012 – £26,250). In addition to their audit fee, Moore Stephens LLP were paid £6,600 (2012 – £6,420) in respect of taxation services.

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

5 Net investment income

	2013 £	2012 £
Income from fixed interest investments	**787,170**	621,641
Dividends receivable from equities	**271,250**	317,120
Bank and other interest	**26,319**	44,350
Profit on the realisation of investments	**1,331,633**	3,648,793
Change in unrealised gains/(losses) on investments	**107,333**	(1,302,483)
Investment income	**2,523,705**	3,329,421
Investment management expenses	**(163,326)**	(136,567)
Net investment income	**2,360,379**	3,192,854

6 Investment return

	2013 £	2012 £
Allocated investment return	**1,680,242**	1,687,847

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 rates have been used:

	2013	2012
Bonds	**3.1%**	3.6%
Equities	**7.0%**	7.0%

A transfer of £547,218 has been made to the investment reserve equivalent to the surplus of actual return over longer-term return for the year (net of tax).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

6 Investment return (continued)

10-year comparison of allocated return with actual returns	2013 £	2012 £
Net investment income since 1 July 2003 (2002)	**20,445,171**	19,017,021
Allocated return since 1 July 2003 (2002)	**15,449,498**	15,017,379
Surplus of actual return above allocated return	**4,995,673**	3,999,642

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	2013 £	2012 £
UK Corporation Tax	**461,285**	684,987
(Over)/under provision in previous year	**(57,226)**	–
Total tax charge	**404,059**	684,987

Factors affecting tax charge for period

The tax assessed for the period is different from the standard rate of Corporation Tax in the UK, 23.75% (2012 – 25.5%). The differences are explained below:

	2013 £	2012 £
Net surplus before tax	**1,198,100**	323,130
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 23.75%	**284,548**	82,398
Effects of:		
Non-taxable mutual insurance operations	**241,112**	761,107
UK dividends not taxable	**(64,375)**	(158,518)
Current tax charge (see above)	**461,285**	684,987

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	21,060,587	4,123,607	4,365,547	29,549,741
Sale of investments	(17,919,367)	(1,813,957)	(7,843,795)	(27,577,119)
Realised gains	–	107,319	1,224,314	1,331,633
Net portfolio investment	3,141,220	2,416,969	(2,253,934)	3,304,255
Unrealised (losses)/gains	–	(119,315)	226,648	107,333
Change in value of portfolio	3,141,220	2,297,654	(2,027,286)	3,411,588
Market value at 1 July 2012	5,619,367	29,956,930	9,450,191	45,026,488
Market value at 30 June 2013	**8,760,587**	**32,254,584**	**7,422,905**	**48,438,076**
Cost at 1 July 2012	5,619,367	28,395,678	8,673,930	42,688,975
Cost at 30 June 2013	8,760,587	30,812,647	6,419,995	45,993,229

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 £16,352,365 of the amounts recoverable on claims paid and outstanding (2012 – £19,675,150).

10 Reserves

	Investment reserve £	General reserve £	Income and expenditure account £	Total £
Balance at 1 July 2011	7,496,837	9,000,000	11,954,307	28,451,144
Transfer to investment reserve	1,182,127	–	(1,182,127)	–
Transfer to general reserve	–	1,000,000	(1,000,000)	–
Deficit for the financial year	–	–	(361,857)	(361,857)
Balance at 30 June 2012	8,678,964	10,000,000	9,410,323	28,089,287
Transfer to investment reserve	547,218	–	(547,218)	–
Transfer to general reserve	–	750,000	(750,000)	–
Surplus for the financial year	–	–	794,041	794,041
Balance at 30 June 2013	**9,226,182**	**10,750,000**	**8,907,146**	**28,883,328**

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 2004/05 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 Limited (trading as Wren Managers) manages the Association and received £4,075,000 (2012 – £4,035,000) 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
J E G Carr
B J Cooke
D P Coyne
C L A Edginton
L Edwards
J J Hall
S C Johnson
A J Niven
H H Phillips
W J Ryan
A D Stanford
H O Wells
M Wright

Registered Office

Regis House
45 King William Street
London EC4R 9AN

Managers

Tindall Riley Limited
Trading as:
Wren Managers
Regis House
45 King William Street
London EC4R 9AN

Auditors

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

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THE WREN INSURANCE ASSOCIATION LIMITED
REGISTERED OFFICE: REGIS HOUSE, 45 KING WILLIAM STREET, LONDON EC4R 9AN
TELEPHONE: 020 7407 3588

2013