

BINOMIAL GROUP LIMITED
31 December 2012

Registered Number 3675407



Binomial Group Limited

Reports and Accounts 2012

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Binomial Group Limited

Directors and Officers

Directors

K J Morris
A Ball

Secretary

K J Morris

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

Sabre House
150 South Street
Dorking
Surrey
RH4 2YY

Solicitors

DLA Piper
3 Noble Street
London
EC2V 7EE

Binomial Group Limited

Directors' Report

For the year ended 31 December 2012.

The directors present their annual report and the consolidated financial statements for the year ended 31 December 2012

Principal Activity

The principal activity of the Company during the year was that of a holding company. Binomial Group Limited has one fully owned subsidiary, Sabre Insurance Company Limited which provides motor underwriting capacity and has particular skills in underwriting risks that are normally difficult to insure. There are no other companies in the Group.

Business Review

2012 was a record year for Sabre with pre-tax profit of £39.25 million on Gross Written Premium of £150.5 million. The profit is significantly higher than for 2011 largely due to a superior underwriting result coupled with stronger investment returns, albeit on Gross Written Premium some £20 million below 2011.

The underwriting performance strengthened despite a background of both falling market prices in the second half of 2012 and continuing claim inflation, although at a cost of lower business volumes.

The expiry of the opt-out in the gender directive prohibiting gender differential pricing came into effect in December 2012 and it is too early to tell what impact this might have on Sabre's account. It is clear, however, that rates for younger females have already risen. None of the Jackson reforms have yet been implemented, the first of these will come into effect in April 2013 and providing there are no more significant changes prior to implementation, they will have a substantial beneficial impact on both the quantum and frequency of smaller bodily claims. The extent of this impact and the reduction it will cause in pricing is difficult to estimate. Sabre, however, is well prepared for these crucial changes.

During 2012 we continued to expand our direct business, which now comprises 22% of our premium.

The vast majority of Sabre's investment portfolio is held in cash and low-yielding short-term gilts, and consequently, investment returns were modest but predictable. A small part of the portfolio is held in two properties for which no revaluation was required in 2012.

Market conditions deteriorated particularly in the second half of 2012, the cause of which may have been competitors' 2011 results being much better than the previous year and, in many cases, showing an underwriting profit. There are several uncertainties for 2013, the impact of the opt-out to the gender directive and, consequently the split of the portfolio in the future between males and females and the effect that the Jackson reforms have on small bodily injury claims. Globally, the former should be price neutral unless fewer females and more males drive as a result. The latter should reduce prices, but to an extent that is not yet determinable. However, we expect price weakness to continue into 2013.

The main risks to Sabre are irrational competitor activity, volatility in claims, adverse development in claims reserves, a fall in asset values and credit risk in relation to reinsurers and other counterparties.

We mitigate the potential impact of competitor activity through our rigorous attitude towards controlling our pricing. The main Key Performance Indicator we use in our business tracks the strength of our current pricing and predicts the loss ratio outcome of business written. Additionally our underwriting department carefully monitors incoming business to ensure that it adheres to our underwriting guidelines.

Volatility in claims is controlled through the purchase of reinsurance. Significant contribution is also made by our claims department, the focus of which is rapid settlement of valid claims and active vigilance against fraud.

The risk of adverse developments in claims reserves is minimised by the long term stability of our claims management philosophy and regular internal actuarial reviews of claims development.

The composition of our investment portfolio has been designed to minimise risks of adverse movements in asset values. At the balance sheet date most of the investments were held in short-term government bonds or cash with no holdings in equities and only £3.3 million in property, equivalent to 1.35% of total investments. As a result of the portfolio composition we also consider liquidity risk to be negligible.

Binomial Group Limited

Directors' Report (continued)

For the year ended 31 December 2012

Business Review (continued)

To minimise credit risk we monitor the financial strength of our reinsurers and other counterparties to whom we are exposed and only contract with parties satisfying our criteria

Although there have been considerable delays in the regulatory timetable for Solvency II, our preparations are as far advanced as it is possible to be given the regulatory uncertainty. Although there have been considerable delays in the regulatory timetable for Solvency II, our preparations are as far advanced as it is possible to be given the regulatory uncertainty.

Sabre staff are responsible for the company's achievements in 2012 and I and my fellow directors would like to take this opportunity to thank them for their hard work during the year. Staff turnover at 6%, excluding retirements and temporary workers, was marginally higher than in 2011 and it was pleasing to note that no members of staff left to join a competitor.

Despite the weakening market conditions and uncertainties surrounding gender split and Jackson implementation, we will maintain our disciplined approach to pricing and to other aspects of our business and, by doing so, we expect that we will continue to outperform the market in 2013.

Results and Dividends

The trading results for the year, and the Group's financial position at the end of the year are shown in the attached financial statements.

The company has paid the following dividends during the year

	2012	2011
	£'000	£'000
Dividends paid on ordinary shares	19,130	15,765

Directors

There were no changes of directorship in the year. The directors of the Company are listed on page 3.

Creditor payment policy and practice

It is the Group's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

The amounts due to trade creditors as at 31 December 2012 represented approximately 1 day of average daily purchases through the year (2011 - 6 days).

Auditors

The Company has dispensed with the obligation to appoint auditors annually. Ernst & Young LLP have expressed their willingness to continue in office.

Political and Charitable Contributions

The group did not make any political contributions during the year.

The group made charitable donations totalling £250,011 (2011 - £503,447) during the year to various national charities.

Binomial Group Limited

Directors' Report (continued)

For the year ended 31 December 2012

Going Concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Business Review on pages 4 and 5

The Group has considerable financial resources and a diversity of customers and business sources across the UK motor insurance market. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

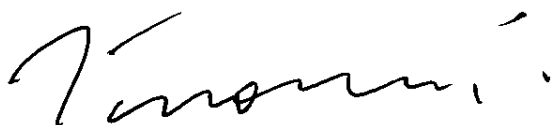
- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,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

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

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to have made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

By order of the Board



K J Morris
Secretary

13 March 2013

Binomial Group Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BINOMIAL GROUP LIMITED

We have audited the financial statements of Binomial Group Limited for the year ended 31 December 2012 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 21. 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 Directors' Responsibilities Statement 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 Ethical Standards for Auditors.

Scope of the audit of the 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 group's and the parent company'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 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.

In addition, we read all the financial and non-financial information in the report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatements or inconsistencies we consider the implications of our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit 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.

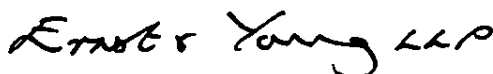
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



Denise Larnder (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2013

Binomial Group Limited

Statement of Accounting policies

(a) Basis of accounting

The group financial statements, which consolidate the financial statements of the company and its subsidiary undertaking, have been prepared in accordance with the provisions of schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The balance sheet of the parent company is prepared in accordance with the provisions of schedule 1 of the same regulations. The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of certain assets, and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP 2008). The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2012, as considered appropriate for an insurance group.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary for the year ended 31 December 2012 and exclude all intra-group transactions. No profit and loss account is presented by the parent company as permitted by Section 408 of the Companies Act 2006.

(c) Premiums

Written premiums are accounted for in the year they are notified. An additional adjustment is also made for new business and renewal premiums for risks inception in the current year, but not notified by the end of the accounting period. All premiums are shown gross of commission payable to intermediaries (where applicable) and are exclusive of taxes, duties and levies thereon. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related business being reinsured are accounted.

For the 2011 report and accounts the Directors concluded that it is appropriate to disclose the reinsurance cost payable in each year as written premium, which had previously only shown earned premiums.

Since the net result of this disclosure change had no impact on the result for the year and the impact on the total assets and total liabilities was not fundamental, the Directors chose not to restate prior year statements. The Directors considered that this change was not a change of accounting policy, but only of disclosure.

(d) Claims

Claims incurred include all losses occurring through the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date.

(e) Technical provisions

- (i) Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.
- (ii) The provision of claims outstanding includes individual case estimates, an IBNR provision and a provision for related claims handling costs. When claims are initially reported, case estimates are set at fixed levels based on previous average claims settlements. As soon as sufficient information becomes available, the case estimate is amended by a claim handler within the Claims Department to reflect the expected ultimate settlement cost of the claim, including external claims handling costs. The case estimate will be amended throughout the life of a claim as further information emerges. Case estimates generally do not allow for possible reductions in our liability due to contributory negligence, favourable court judgements or settlements until these are known to a high probability.

Binomial Group Limited

Statement of Accounting Policies (continued)

(e) Technical provisions (continued)

(ii) (continued)

The IBNR provision includes the estimated cost of claims incurred, but not reported, at the balance sheet date ("pure IBNR") and any difference between the case estimates and the estimated ultimate cost of reported claims ("IBNER"). The IBNR is set after considering the results of various statistical methods based on, inter alia, historical claims development trends, average claims costs and expected inflation rates. The provision for claims handling costs is estimated based on the number of outstanding claims at the balance sheet date and the estimated average internal cost of settling claims.

The provision of claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims, 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 less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of later years.

- (iii) Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset when business classes are managed together and a provision is made if an aggregate deficit arises.

(f) Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned.

(g) Investment income, realised and unrealised investment gains and losses

Investment income consists of interest receivable for the year. Income is credited to the profit and loss account at the amounts receivable, with no associated tax credit for income from the United Kingdom. Interest receivable is accounted for on an accruals basis.

Net realised gains / losses on investments are calculated as the difference between net sales proceeds and the cost of acquisition.

Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year. Net movements in the year are taken to the profit and loss account and disclosed as unrealised gains / (losses) on investments.

(h) Investment expenses and charges

Investment expenses and charges consist of the expenses relating to the management of the investment portfolio.

(i) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Binomial Group Limited

Statement of Accounting Policies (continued)

(j) Valuation of investments

Investments are shown in the balance sheet as follows

- (i) Listed securities and equities at mid market price at the balance sheet date less accrued interest where applicable
- (ii) Investment properties at open market value, valued by qualified external surveyors. If there has been a material reduction in property values since the last valuation date then the directors will reduce the valuations having regard to appropriate indices of the movement in property market capital values
- (iii) Unlisted shares at cost or valuation less any provision for an impairment in value

(k) Tangible Assets

Expenditure on computer equipment and fixtures and fittings is capitalised and depreciated over 5 years, the estimated useful economic lives of the assets on a straight line basis. Depreciation is charged to the technical accounts and is included in administrative expenses

(l) Pensions

For staff who were employees on 8 February 2002, the group operates a non-contributory defined contribution group personal pension scheme. The contribution by the group depends on the age of the employee.

For employees joining since 8 February 2002, the group operates a matched contribution group personal pension scheme where the group contributes an amount matching the contribution made by the staff member.

Binomial Group Limited

Consolidated Profit and Loss Account - Technical Account For the year ended 31 December 2012

	Note	2012 £'000	£'000	2011 £'000	£'000
Gross premiums written	1	150,488		170,103	
Outward reinsurance premiums		<u>(9,915)</u>		<u>(12,157)</u>	
			140,573		157,946
Change in the net provision for unearned premiums			<u>12,008</u>		<u>(28)</u>
Earned premiums, net of reinsurance			<u>152,581</u>		<u>157,918</u>
Other technical income			1,045		-
Total technical income			<u>153,626</u>		<u>157,918</u>
Claims paid					
- Gross amount		(85,182)		(71,819)	
- Reinsurers' share		<u>3,416</u>		<u>3,566</u>	
		<u>(81,766)</u>		<u>(68,254)</u>	
Change in the provision for claims					
- Gross amount		(24,208)		(27,511)	
- Reinsurers' share		<u>11,146</u>		<u>(13,184)</u>	
		<u>(13,062)</u>		<u>(40,695)</u>	
Claims incurred, net of reinsurance	6		(94,828)		(108,950)
Net operating expenses	2		(22,613)		(23,244)
Balance on technical account from continuing operations			36,185		25,724

The notes on pages 18 to 24 form an integral part of these accounts

Binomial Group Limited

Consolidated Profit and Loss Account: Non-technical Account For the year ended 31 December 2012

	Note	2012 £'000	£'000	2011 £'000	£'000
Balance on technical account from continuing operations			36,185		25,724
Investment income	3	11,420		10,568	
Unrealised gains/(losses) on investments	3	1,954		(9,100)	
Realised gains/(losses) on investments	3	(10,301)		(2,417)	
Investment expenses and charges	3	<u>(8)</u>		<u>(14)</u>	
			3,065		(963)
Other charges			(978)		(942)
Profit on ordinary activities before taxation	5		38,272		23,819
Taxation charge on profit on ordinary activities	7		(9,396)		(6,294)
Profit on ordinary activities after taxation			<u>28,876</u>		<u>17,525</u>

The notes on pages 18 to 24 form an integral part of these accounts

Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

All recognised gains and losses are dealt with in the profit and loss account

Binomial Group Limited

Consolidated Balance Sheet As at 31 December 2012

	Note	2012 £'000	£'000	2011 £'000	£'000
ASSETS					
Investments					
Land and buildings	9	3,300		3,300	
Other financial investments	9	<u>241,682</u>		<u>235,855</u>	
			244,982		239,155
Reinsurers' share of technical provisions					
Claims outstanding		26,203		15,057	
Provision for unearned premiums		<u>4,434</u>		<u>3,617</u>	
			30,637		18,674
Debtors					
Debtors arising out of direct insurance operations - intermediaries		7,822		9,358	
Debtors arising out of direct insurance operations - policyholders		11,210		5,624	
Other debtors	11	<u>309</u>		<u>192</u>	
			19,341		15,174
Other Assets					
Tangible assets	12	570		530	
Cash at bank and in hand		<u>21,602</u>		<u>18,759</u>	
			22,172		19,289
Prepayments and accrued income					
Accrued interest		2,780		1,942	
Deferred acquisition costs		9,075		8,887	
Prepayments		<u>84</u>		<u>141</u>	
			11,939		10,970
Total Assets			<u>329,071</u>		<u>303,262</u>

The notes on pages 18 to 24 form an integral part of these accounts

Binomial Group Limited

Consolidated Balance Sheet (continued) As at 31 December 2012

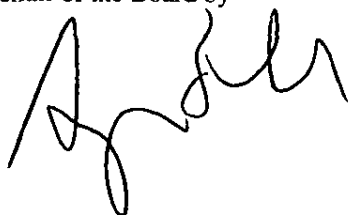
	Note	2012 £'000	£'000	2011 £'000	£'000
LIABILITIES					
Capital and reserves					
Called up share capital	13	162		162	
Capital redemption reserve	14	253		253	
Profit and loss account	14	54,610		44,864	
Shareholder's Funds	15		55,025		45,279
 Technical Provisions					
Provision for unearned premiums		77,364		88,555	
Claims outstanding		172,516		148,308	
			249,880		236,863
 Creditors					
Creditors arising out of direct operations		727		562	
Creditors arising out of reinsurance operations	19	12,196		12,363	
Other creditors including taxation and social security	17	8,460		4,613	
			21,383		17,538
 Accruals and deferred income			2,783		3,583
Total Liabilities			<u>329,071</u>		<u>303,262</u>

The notes on pages 18 to 24 form an integral part of these accounts


These financial statements were approved by the Board of directors on 13 March 2013

Signed on behalf of the Board by

Mr A Ball
Director



Mr K Morris
Director



Binomial Group Limited

Balance Sheet As at 31 December 2012

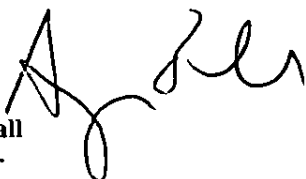
	Note	2012 £'000	£'000	2011 £'000	£'000
ASSETS					
Investments					
Investments	10	<u>13,669</u>		<u>13,669</u>	
			13,669		13,669
Current Assets					
Debtors	11	348		(18)	
Cash at bank and in hand		<u>9,002</u>		<u>12</u>	
			9,350		(5)
Total Assets			<u>23,019</u>		<u>13,664</u>
LIABILITIES					
Capital and reserves					
Called up share capital	13	162		162	
Capital redemption reserve	14	253		253	
Profit and loss account	14	<u>21,016</u>		<u>12,579</u>	
Shareholder's Funds	15		21,431		12,994
Creditors	17		1,588		670
Accruals and Deferred Income			-		-
Total Liabilities			<u>23,019</u>		<u>13,664</u>

The notes on pages 18 to 24 form an integral part of these accounts

These financial statements were approved by the Board of directors on 13 March 2013

Signed on behalf of the Board by

Mr A Ball
Director



Mr K Morris
Director



Binomial Group Limited

Consolidated Cash Flow Statement As at 31 December 2012

	2012 £'000	2011 £'000
Net cash inflow from operating activities	43,094	76,848
Taxation		
Corporation tax paid	<u>(6,708)</u>	<u>(7,886)</u>
	(6,708)	(7,886)
Capital Expenditure		
Purchase of tangible fixed assets	<u>(239)</u>	<u>(292)</u>
	(239)	(292)
Net cash inflow before financing	<u>36,147</u>	<u>68,669</u>
Equity dividends paid	(19,130)	(15,765)
Increase/(decrease) in cash in the year	<u>17,017</u>	<u>52,904</u>

Notes to the Consolidated Cash Flow Statement

Reconciliation of operating profit to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit	38,272	23,819
Depreciation	200	180
Realised and unrealised (profit)/loss on other investments	8,347	15,353
Unrealised gain/(loss) on investment properties	-	(3,836)
(Increase)/decrease in debtors	(4,849)	(4,356)
(Increase)/decrease in prepayments	57	961
(Decrease)/increase in technical provisions	12,829	32,962
(Increase)/decrease in reinsurer's share of technical provisions	(11,963)	9,567
(Decrease)/increase in creditors	1,001	2,588
(Decrease)/increase in accruals	(800)	(389)
Net cash inflow from operating activities	<u>43,094</u>	<u>76,848</u>

Binomial Group Limited

Notes to the Consolidated Cash Flow Statement (continued) As at 31 December 2012

Cash flows were invested as follows:

	2012 £'000	£'000	2011 £'000	£'000
Increase/(decrease) in cash holdings		2,843		7,811
Net portfolio investment				
Fixed income securities	174		9,092	
Liquidity Funds	<u>14,000</u>		<u>36,000</u>	
		14,174		45,092
Net investment/(decrease) in cash flows		<u>17,017</u>		<u>52,904</u>

Movement in opening and closing portfolio investments net of financing

	2012 £'000	£'000	2011 £'000	£'000
Net cash flow for the year	2,843		7,811	
Portfolio investments	<u>14,174</u>		<u>45,092</u>	
		17,017		52,904
Changes in market value		<u>(8,347)</u>		<u>(11,516)</u>
		8,670		41,388
Portfolio investments net of financing at 1 January 2012		<u>257,914</u>		<u>216,526</u>
Portfolio investments net of financing at 31 December 2012		<u>266,584</u>		<u>257,914</u>

Movement in cash, portfolio investments and financing

	At 1 January 2012	Cashflow	Non cash movement	Changes to market values	At 31 December 2012
Cash at bank and in hand	18,759	2,843	-	-	21,602
Fixed income securities	199,855	174	-	(8,347)	191,682
Liquidity Funds	36,000	14,000	-	-	50,000
Investment properties	3,300	-	-	-	3,300
	<u>257,914</u>	<u>17,017</u>	-	<u>(8,347)</u>	<u>266,584</u>

Binomial Group Limited

Notes to the Accounts

1) Segmental analysis

a Analysis of direct insurance by geographical segment

	2012	2011
	£'000	£'000
Gross premiums written - United Kingdom	<u>150,488</u>	<u>170,103</u>

b Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance by class -

	2012	2012	2012	2012	2012
	Gross	Gross	Gross	Gross	Re-
	premiums	premiums	incurred	operating	insurance
	written	earned	claims	expenses	balance
Motor insurance	£,000	£,000	£,000	£,000	£,000
Third Party Liability	2,782	5,856	1,488	815	(253)
Other	147,706	156,640	107,902	21,798	5,717
	<u>150,488</u>	<u>162,496</u>	<u>109,390</u>	<u>22,613</u>	<u>5,464</u>
	2011	2011	2011	2011	2011
	Gross	Gross	Gross	Gross	Re-
	premiums	premiums	incurred	operating	insurance
	written	earned	claims	expenses	balance
Motor insurance	£,000	£,000	£,000	£,000	£,000
Third Party Liability	11,465	11,184	12,745	1,562	2,872
Other	158,638	155,274	86,585	21,682	15,287
	<u>170,103</u>	<u>166,458</u>	<u>99,330</u>	<u>23,244</u>	<u>18,159</u>

2) Net operating expenses

Technical account	2012	2011
	£,000	£,000
Gross written commission	13,845	13,182
Other acquisition costs	6,879	5,207
Change in deferred acquisition costs	(188)	1,805
Administrative expenses	<u>2,077</u>	<u>3,050</u>
	<u>22,613</u>	<u>23,244</u>

3) Investment return

	2012	2011
	£,000	£,000
Investment income		
Income from other investments	11,420	10,568
Unrealised gains/(losses) on investments	<u>1,954</u>	<u>(9,100)</u>
	<u>13,374</u>	<u>1,468</u>
Investment expenses and charges		
Gain/(loss) on the realisation of investments	(10,301)	(2,417)
Investment management expenses & interest	<u>(8)</u>	<u>(14)</u>
	<u>(10,309)</u>	<u>(2,430)</u>
Total investment return	<u>3,065</u>	<u>(962)</u>

Binomial Group Limited

Notes to the Accounts (continued)

4) Staff costs & Directors' emoluments

	2012	2011
	£,000	£,000
Wages & salaries	5,721	4,837
Social Security costs	653	533
Other pension costs	386	342
	<u>6,760</u>	<u>5,712</u>

The average number of employees including executive directors during the year was as follows

	2012	2011
Management	8	11
Underwriting	45	41
Claims	65	62
Administration	11	10
	<u>129</u>	<u>124</u>

The aggregate amount of emoluments paid to or receivable by directors during the year was as follows

	2012	2011
	£,000	£,000
Fees	-	-
Emoluments	400	400
Contributions to defined contribution pension scheme	-	-
	<u>400</u>	<u>400</u>
Highest paid director		
Emoluments	200	200
Contributions to defined contribution pension scheme	-	-
	<u>200</u>	<u>200</u>

The group made no contributions to money purchase pension schemes relating to directors in the year (2011 £nil)

5) Profit on ordinary activities before taxation

	2012	2011
	£,000	£,000
Profit on ordinary activities before tax is stated after		
Depreciation charge for the year	200	180
Auditors' remuneration for audit services	95	80

Fees relating to non-audit services to the auditor accrued by the group during the year were £10,000 (2011 £10,980)

Binomial Group Limited

Notes to the Accounts (continued)

6) Claims Incurred, Net of Reinsurance	2012	2011
	£,000	£,000
Claims paid net of reinsurance	81,766	68,254
Change in outstanding claims reserve		
Gross Amount		
Opening provision	(148,308)	(120,797)
Closing provision	172,516	148,308
Movement in provision	<u>24,208</u>	<u>27,511</u>
Reinsurance		
Opening provision	15,057	28,241
Closing provision	(26,203)	(15,057)
Movement in provision	<u>(11,146)</u>	<u>13,184</u>
Net claims incurred	<u>94,828</u>	<u>108,950</u>

The claims incurred figure is increased by £232,000 (2011 £9,392,000 increase) due to movement in the loss provision made at the beginning of the year for outstanding claims incurred in previous years and the loss provision shown at the end of the year in respect of such outstanding claims, less payments made during the year

7) Taxation

(a) UK tax on results for the period

	2012	2011
	£,000	£,000
Profit on ordinary activities before taxation	38,272	23,819
UK corporation tax on profits of the period	9,548	6,418
Adjustments in respect of previous years	6	(20)
Total current tax	<u>9,554</u>	<u>6,398</u>
Deferred tax		
Effect of rate change on opening balance	(1)	(7)
Origination and reversal of timing differences	(157)	(114)
Adjustments in respect of previous years	-	17
Tax on profit on ordinary activities	<u>9,396</u>	<u>6,294</u>

Binomial Group Limited

Notes to the Accounts (continued)

7) Taxation (continued)

(b) Factors affecting current year tax charge

The UK standard rate of corporation tax is 24.5% (2011 – 26.5%), whereas the current tax assessed for the year ended 31 December 2012 as a percentage of profit before tax is 24.9% (2011 – 26.9%). The reasons for this difference are explained below

	2012	2011
	£,000	£,000
Profit on ordinary activities before taxation	38,272	23,819
Standard rate of Corporation Tax of 24.5% (2011 – 26.5%)	9,377	6,312
Capital allowances in the year in excess of depreciation	(1)	1
Income not taxable	-	1
Expenses not deductible for tax purposes	14	23
Timing differences	158	81
	<u>9,548</u>	<u>6,418</u>
UK corporation tax charge for the year		
Adjustments in respect of previous years	6	(20)
Current tax charge in the year	<u>9,554</u>	<u>6,398</u>

(c) Factors affecting future tax charges

The impact of deferred tax can be seen in note 16

8) Dividends

The following dividends have been paid in respect of the year

	2012	2011
	£,000	£,000
Dividend paid on ordinary shares	19,130	15,765

9) Investments - Group

	Current Value		Historical Cost	
	2012	2011	2012	2011
	£,000	£,000	£,000	£,000
Land and buildings				
Properties occupied by the group, freehold	1,550	1,550	1,950	1,950
Other investment properties, freehold	1,750	1,750	4,500	4,500
Total land and buildings	<u>3,300</u>	<u>3,300</u>	<u>6,450</u>	<u>6,450</u>
Debt securities and other fixed income securities:				
UK Government gilts, less than one year to maturity	189,052	196,048	194,479	203,422
UK Government gilts, one to five years to maturity	-	-	-	-
UK corporate bonds, less than one year to maturity	946	1,173	971	1,184
UK corporate bonds, one to five years to maturity	1,684	2,634	1,440	2,411
	<u>191,682</u>	<u>199,855</u>	<u>196,890</u>	<u>207,017</u>
UK Liquidity Funds	50,000	36,000	50,000	36,000
Total investments	<u>244,982</u>	<u>239,155</u>	<u>253,340</u>	<u>249,467</u>

The investment properties were valued at open market value of £3.30 million on 14 July 2011 by Hughes Ellard Limited

Binomial Group Limited

Notes to the Accounts (continued)

10) Investments - Company

	Net Book Value		Historical Cost	
	2012	2011	2012	2011
	£,000	£,000	£,000	£,000
Unlisted shares in group undertakings	13,669	13,669	13,669	13,669

There was no impairment in the value of company investments in the year (2011 £nil)

The company owns the following percentages of the issued share capital of the subsidiary undertaking list below

Company	Percentage Holding	Nature Of Business
Sabre Insurance Company Ltd	100.00%	Insurance Company

11) Other Debtors

	Group		Company	
	2012	2011	2012	2011
	£,000	£,000	£,000	£,000
Amounts due from group undertakings	-	-	(17)	(18)
Deferred tax asset	157	-	365	-
Other debtors	152	192	-	-
	<u>309</u>	<u>192</u>	<u>348</u>	<u>(18)</u>

12) Tangible assets

	Fixtures & fittings £,000	Computer equipment £,000	Total £,000
Cost			
At 1 January 2012	445	900	1,345
Additions	24	215	239
Disposals	-	-	-
At 31 December 2012	<u>469</u>	<u>1,115</u>	<u>1,584</u>
Depreciation			
At 1 January 2012	350	464	814
Charge	43	157	200
Disposals	-	-	-
At 31 December 2012	<u>393</u>	<u>621</u>	<u>1,014</u>
Net book value			
At 31 December 2012	<u>76</u>	<u>494</u>	<u>570</u>
At 31 December 2011	<u>95</u>	<u>435</u>	<u>530</u>

13) Share capital

	2012 £,000	2011 £,000
Authorised		
162,006 (2011 162,006) ordinary shares of £1 each	<u>162</u>	<u>162</u>
Allotted, issued and fully paid		
162,006 (2011 162,006) ordinary shares of £1 each	<u>162</u>	<u>162</u>

Binomial Group Limited

Notes to the Accounts (continued)

14) Reserves

	Group		Company	
	Capital Redemption Reserve	Profit and Loss Account	Capital Redemption Reserve	Profit and Loss Account
	£,000	£,000	£,000	£,000
At 1 January 2012	253	44,864	253	12,579
Profit for the year	-	28,876	-	27,567
Dividends paid	-	(19,130)	-	(19,130)
At 31 December 2012	253	54,610	253	21,016

15) Reconciliation of movements in shareholders' funds

	Group		Company	
	2012	2011	2012	2011
	£,000	£,000	£,000	£,000
Opening shareholders' funds	45,279	43,519	12,994	13,945
Profit for the year	28,876	17,525	27,567	14,814
Dividends paid	(19,130)	(15,765)	(19,130)	(15,765)
Closing shareholders' funds	55,025	45,279	21,431	12,994

16) Deferred taxation

The deferred tax rate applied in the measurement of the Company's deferred tax asset as at 31 December 2012 is 23% (2011 NIL)

The movement on the deferred taxation asset during the year was

	2012	2011
	£,000	£,000
Asset brought forward	-	104
Increase/(decrease) in asset	(157)	(104)
Asset carried forward	(157)	-

The deferred taxation asset consists of the tax effect of timing differences in respect of

	Group		Company	
	2012	2011	2012	2011
	£,000	£,000	£,000	£,000
Accelerated capital allowances	231	248	-	-
Other timing differences	(388)	(248)	(365)	(223)
	(157)	-	(365)	(223)

17) Other creditors: Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£,000	£,000	£,000	£,000
Other taxation and social security	2,187	1,965	-	-
Other creditors	1,618	871	1,588	893
Deferred tax provision	-	-	-	(223)
Corporation tax	4,655	1,777	-	-
	8,460	4,613	1,588	670

Binomial Group Limited

Notes to the Accounts (continued)

18) Other creditors: Amounts falling due after more than one year

There were no amounts falling due after more than one year

19) Reinsurance

Prior to its acquisition by the Company, Sabre Insurance Company Limited effected an unlimited aggregate excess of loss reinsurance policy with Norwich Union Insurance Limited, the effect of which is to limit the Company's exposure to any possible deterioration in reserves for claims occurring in 2001 and prior years. The reinsurance policy also protects the Company against any reinsurance bad debts in respect of these claims.

If the development of the 2001 and prior years is favourable and the aggregate losses fall below the attachment point of the reinsurance contract, there is an obligation in respect of this contract to pay an additional reinsurance premium to Norwich Union Insurance Limited.

Due to favourable development of claims on these years, an additional reinsurance premium of £9,636,300 (2011 £9,590,234) has been accrued (included in "creditors arising out of reinsurance operations"). The movement on the premium due for the current year of £46,066 is shown in the Technical Account under Outward Reinsurance Premiums. The additional premium is not due to be paid until all claims in respect of 2001 and prior years are finally settled.

20) Related party transactions

The company has taken advantage of the exemption not to disclose any transactions with entities that are part of Binomial Group Limited group which qualify as related parties, due to the preparation of consolidated financial statements by the company.

21) Ultimate parent undertaking

In the opinion of the directors there is no one controlling party.