Binomial Group Limited

Report and Accounts for the year ended

31 December 2016

Registered number: 3675407

Directors and Officers

Directors

A Ball
K J Morris

Secretary

K J Morris

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered office

Sabre House
150 South Street
Dorking
Surrey
RH4 2YY

Binomial Group Limited
Strategic Report

For the year ended 31 December 2016

The principal activity of Binomial Group Limited ("the Company") during the year was that of a holding company. Binomial Group Limited has one fully-owned subsidiary, Sabre Insurance Company Limited ("Sabre"), which is a motor insurer writing private car, commercial vehicle and taxi business in the UK. Sabre is the only operating entity within the Binomial Group, therefore this report focuses on Sabre's results and financial position, which are materially identical to those of the consolidated group.

In 2016, Sabre reported gross written premium of £196.6 million (2015: £180.3 million), total comprehensive income before tax of £65.6 million (2015: £44.7 million) and post-tax profit of £52.5 million (2015: £35.1 million). This represents an excellent return on capital of 93.5%, based on net assets of £56.1 million at the start of 2016. Average premiums fell slightly following changes in mix of business, but growth was helped by a 16% increase in number of policies in force to 334,927 (2015: 288,952).

Current year loss performance for both 2016 and 2017 underwriting years remained strong, and in line with expectations. This was assisted by a fall in personal injury frequency occasioned by a change in portfolio mix. In addition, as in the previous three years, the profit was helped by reserve releases, which amounted to £19 million in 2016; this compared to the release of £22 million seen in 2015. These releases were due to prior year claims being settled for lower amounts than initially anticipated, with no change to our reserving policy. Sabre paid dividends of £54 million during 2016 while retaining a robust level of capital and maintaining a strong Solvency II balance sheet.

During 2016 James Ockenden, Chief Actuary, and Adam Westwood, Financial Controller were appointed to Sabre's board of directors. This recognises their already significant contribution at senior management level and anticipates their future contribution to the strategic direction of Sabre.

The Autumn Statement reforms that had been announced by the then Chancellor of the Exchequer in Autumn 2015 (targeting a reduction in whiplash claims) stalled following the change in leadership during 2016, but have more recently been the subject of a consultation paper. Currently, and subject of course to the results of the consultation, it seems that the government are determined to implement these reforms principally in order to reduce the impact of fraudulent claims. If they are successful in reducing total claims across the market, this will reduce insurers' costs, but may in turn lead to a reduction in total market premiums. However, while the outcome in terms of insurer profitability is still uncertain, we do not expect these reforms will be detrimental to Sabre's competitive position.

Market pricing levels, which had been deteriorating from mid-2012, started to rise in 2015. During 2016 market prices continued to increase at a steady level and seem set to continue to increase during 2017, which seems likely to continue given the recent change in the Ogden discount rate, which is discussed further below.

We have seen several competitors withdraw from private motor insurance this year and it is pertinent to mention that these have all been Gibraltar-based companies. It seems that a new regulator combined with the introduction of Solvency II has required insurers to review their capital position and in some cases increase capital substantially. There is also evidence that several companies that are still trading have experienced severe strains on their solvency. Should any of the larger companies stop trading this may increase opportunities for Sabre. The condition of Gibraltar-based insurers is also relevant to the recent consultation on the Financial Services Compensation Scheme (FSCS). We consider that the regulatory regime under which insurers operate should be taken into account when considering any changes to contributions; importantly, no significant PRA regulated general insurer has failed to date.

Sabre operates a very low risk investment strategy and the vast majority of its investment portfolio is held in cash and low-yielding short-term gilts. Consequently, investment returns were modest but predictable. 2% of the portfolio is invested in property, which comprises two buildings occupied by the company.

Solvency II came into effect on 1st January 2016. Sabre has worked on its implementation plan over the past few years and has been fully compliant since the start of the year. Sabre has enough capital on a Solvency II basis so that any growth opportunities presented by a rising market or by competitor weakness, particularly in solvency, can be taken advantage of.

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 excess of loss reinsurance. A significant contribution to control of claims costs is made by our claims department, the focus of which is setting reserves accurately and consistently, rapid settlement of valid claims and active vigilance against fraud. This is analysed further in note 3.2.1 of the Financial Statements.

On 27th February 2017 the Lord Chancellor announced that from 20th March 2017 the Ogden discount rate used in the calculation of lump-sum payments made to claimants was to be reduced from 2.5% to minus 0.75%. This change will significantly increase the cost of claim payments for all motor and liability insurers. While Sabre is highly resilient to such a change due to the attachment point of our excess of loss reinsurance programme, there is some impact on our net reserve position. The increase in net reserves calculated using a discount rate of minus 0.75% as compared to the same calculation using the previous discount rate of 2.5%, and hence the one-off impact of this change on Sabre included within the result for 2016 is £2.2m. As well as the impact on current claims, we believe that reinsurance pricing will increase and that market prices for car insurance will inevitably increase as a result.

Salient features of the financial statements are shown in the table below.

	Gross premiums written	Net earned premiums	Profit before tax and investments	
	2016	**2016**	**2016**	2015
	£'k	**£'k**	£'k	£'k
United Kingdom	**196,619**	**182,107**	**62,129**	43,038

	2016	2015
	£'k	£'k
Comprehensive income for the year before tax	65,607	44,657
Tax on profit on ordinary activities and OCI	(13,126)	(9,047)
Dividends paid	(53,975)	(25,644)
Profit retained for the financial year	(1,494)	9,966
Financial position - total assets	352,542	334,932
Shareholders' funds	**54,660**	56,154

Full details of the results are set out on page 7.

K Morris

Director

The directors present their annual report and audited financial statements for Binomial Group Limited (the Company) for the year ended 31 December 2016. The Binomial Group (the Group) consists of the Company together with its subsidiary, Sabre Insurance Company Limited.

Principal activity

The principal activity of the Group for the year under review has been, and continues to be, the transaction of motor insurance business and related investment of funds.

The number of policies in force at the balance sheet date increased to 334,927 (2015: 288,952)

Dividends

Interim dividends of £53,975k were paid during the year (2015: £25,644k). No final dividend has been declared (2015: £nil).

Auditors

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

Financial instruments

The financial risk management objectives of the Group in relation to financial instruments are set by the board of directors with a view to maintaining low volatility in investment performance. The majority of the financial instruments held by the Group are short term UK government bonds which are not considered subject to material credit risk, liquidity risk or cash flow risk. The composition of the investment portfolio by class of investment is designed to minimise price risk. Derivative instruments have not been used in the year and there were no derivatives held by the Group at year end.

Directors

There were no changes to the Directors during the year.

Going concern

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 International Financial Reporting 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Binomial Group Limited

Directors' Report

For the year ended 31 December 2016

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 Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

K Morris
Director
23 March 2017

Independent Auditor's Report to the Members of Binomial Group Limited

We have audited the financial statements of Binomial Group Limited for the year ended 31st December 2016 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Statement of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 pages 4 to 5, 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 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 and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.
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.

Ernst & Young LLP

Stuart Wilson (Senior statutory auditor)
For and on behalf of Ernst and Young LLP, statutory auditor
London
23 March 2017

Binomial Group Limited

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 £'k	2015 £'k
Gross earned premium	4	191,773	162,998
Reinsurance premium ceded	4	(9,666)	(11,373)
Net earned premium		182,107	151,625
Investment return	5	3,478	919
Instalment income		3,433	3,054
Other operating income	6	2,233	1,617
Total income		191,251	157,215
Insurance claims	7	(112,245)	(86,161)
Insurance claims recoverable from reinsurers	7	19,524	4,307
Net insurance claims		(92,721)	(81,854)
Commission expenses		(16,349)	(17,096)
Operating expenses	8	(16,574)	(14,308)
Total expenses		(32,923)	(31,404)
Operating profit		65,607	43,957
Finance costs		-	-
Profit before tax		65,607	43,957
Tax charge	9	(13,126)	(8,905)
Profit from continuing operations, net of tax		52,481	35,052
Profit from discontinued operations, net of tax		-	-
Profit for the year attributable to the owners of the company		52,481	35,052
Other Comprehensive Income			
Items that will not be reclassified to profit and loss:			
Revaluation gain on owner-occupied property	13	-	700
Tax charge on other comprehensive income		-	(142)
Total other comprehensive income for the year		-	558
Total comprehensive income for the year attributable to the owners of the company		52,481	35,610

The attached notes on pages 12 to 32 form an integral part of these financial statements.

Binomial Group Limited

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 £'k	2015 £'k
Assets			
Property, plant and equipment	13	4,034	3,017
Reinsurance assets	14	51,529	34,947
Deferred tax assets	11	-	6
Deferred acquisition costs	15	14,028	14,834
Insurance and other receivables	16	36,402	32,091
Prepayments, accrued income and other assets	17	2,166	2,184
Financial investments	18	234,290	177,354
Cash and cash equivalents	20	10,093	70,499
Total assets		352,542	334,932
Equity			
Issued share capital	21	162	162
Capital redemption reserve		253	253
Retained earnings		54,245	55,739
Total Equity		54,660	56,154
Liabilities			
Insurance liabilities	22	182,941	160,264
Unearned premium reserve	22	97,525	92,679
Trade and other payables including insurance payables	23	10,172	19,115
Deferred tax liabilities	11	5	-
Current tax liabilities	10	3,077	2,609
Accruals and deferred income		4,162	4,111
Total liabilities		297,882	278,778
Total equity and liabilities		352,542	334,932

The attached notes on pages 12 to 32 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2017.

Signed on behalf of the Board of Directors by:

Angus Ball

Director

Binomial Group Limited

Company Statement of Financial Position

As at 31 December 2016

	Notes	2016 £'k	2015 £'k
Assets			
Investment in subsidiary	19	**13,669**	**13,669**
Prepayments, accrued income and other assets	17	**7**	**8**
Cash and cash equivalents	20	**16**	**15**
Total assets		**13,692**	**13,692**
Equity			
Issued share capital	21	**162**	**162**
Capital redemption reserve		**253**	**253**
Retained earnings		**13,276**	**13,276**
Total Equity		**13,691**	**13,691**
Liabilities			
Current tax liability		**1**	**1**
Total liabilities		**1**	**1**
Total equity and liabilities		**13,692**	**13,692**

The attached notes on pages 12 to 32 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2017.

Signed on behalf of the Board of Directors by:

Angus Ball
Director

Binomial Group Limited
Group Statement of Cash Flow
for the year ended December 2016

	Notes	**2016** **£'k**	2015 £'k
Net cash generated from operating activities before investment of insurance assets		**47,423**	49,394
Cash generated from investment of insurance assets		**(56,936)**	(34,116)
Net cash generated from operating activities	26	**(9,513)**	15,278
Cash flows from investing activities			
Interest received		**4,856**	6,522
Purchases of property, plant and equipment		**(1,775)**	(185)
Net cash used by investing activities		**3,081**	6,337
Cash flows from financing activities			
Dividends paid		**(53,975)**	(25,644)
Net cash used by financing activities		**(53,975)**	(25,644)
Net increase/(decrease) in cash and cash equivalents		**(60,406)**	(4,029)
Cash and cash equivalents at the beginning of the year		**70,499**	74,528
Effect of foreign exchange rates		-	-
Cash and cash equivalents at the end of the year		**10,093**	70,499

Binomial Group Limited
Statement of Changes in Equity
for the year ended December 2016

Group

	Ordinary shareholders' equity	Capital redemption reserve	Retained earnings	Total equity
	£'k	£'k	£'k	£'k
Balance at 1 January 2015	162	253	45,773	46,188
Profit for the year	-	-	*35,052*	*35,052*
Other comprehensive income			*558*	*558*
Total comprehensive income	-	-	35,610	35,610
Dividends	-	-	(25,644)	(25,644)
Balance at 31 December 2015	162	253	55,739	56,154
Profit for the year	-	-	*52,481*	*52,481*
Other comprehensive income			-	-
Total comprehensive income	-	-	52,481	52,481
Dividends	-	-	(53,975)	(53,975)
Balance at 31 December 2016	162	253	54,245	54,660

Company

	Ordinary shareholders' equity	Capital redemption reserve	Retained earnings	Total equity
	£'k		£'k	£'k
Balance at 1 January 2015	162	253	13,273	13,688
Total comprehensive income	-	-	25,647	25,647
Dividends	-	-	(25,644)	(25,644)
Balance at 31 December 2015	162	253	13,276	13,691
Total comprehensive income	-	-	53,975	53,975
Dividends	-	-	(53,975)	(53,975)
Balance at 31 December 2016	162	253	13,276	13,691

Corporate information

Binomial Group Limited is a private limited company incorporated in the United Kingdom. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England.

1. Accounting policies

1.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The financial statements have been prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value.

As permitted by IFRS 4 *Insurance Contracts*, the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts. The Group has applied UK GAAP.

The consolidated financial statements values are presented in Pounds Sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated.

The Group and the Company present the statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settled the liability simultaneously.

1.2 Summary of significant accounting policies

(a) Premiums

Insurance and reinsurance written premiums comprise all amounts during the financial year in respect of contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year. All premiums are shown gross of commission payable to intermediaries (where applicable) and are exclusive of taxes, duties and levies thereon. Insurance and reinsurance premiums are adjusted by an unearned premium provision which represents the proportion of premiums that relate to periods of cover after the balance sheet date as described in (b) below.

(b) Technical provisions

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 claims, the ultimate cost of which cannot be known with certainty at the balance sheet date. Reinsurance recoveries (or amounts due from reinsurers) are accounted for in the same period as the related claim.

(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 for claims outstanding includes individual case estimates, an IBNR (incurred but not reported) 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 judgments or settlements until these are known to a high probability.

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 for 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. Claims provisions are not discounted, with the exception of PPO's, which are discussed more fully in note 2.1.

(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.

(c) 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. Such costs are identified as being directly attributable to the acquisition of business, or are indirectly attributed to acquisition activity through an allocation exercise.

(d) 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.

(e) Investment expense and charges

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

(f) Taxation

The taxation charge in the income statement is based on the taxable profits for the year. It is Group policy to relieve profits where possible by the surrender of losses from Group companies with payment for value.

Deferred tax is recognised in respect of all temporary 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.

(g) Valuation of investments

Investments are shown in the balance sheet as follows:

(i) Listed securities and equities at market bid price at the balance sheet date less accrued interest where applicable.
(ii) Investment properties at existing use value, valued by an external qualified surveyor, at least every three years. 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.

Financial investments are classified according to their nature and use. All financial investments held by the Group are classified as being held at fair value through the profit and loss account. While it is the Group's intention to hold the bonds within its portfolio to maturity, the Group recognises that certain assets may be sold in the normal course of business in order to enhance short-term liquidity. The Group invests only in financial assets which are quoted on liquid markets, therefore all investments are classified as 'level 1' under the IFRS hierarchy.

(h) 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 income statement and is included in administrative expenses. Owner-occupied property is revalued by an external qualified surveyor, at least every three years. Owner-occupied property is held at fair value, with subsequent revaluation gains taken through Other Comprehensive Income.

(i) Pensions

For staff who were employees on 8 February 2002, the Group operates a non-contributory defined contribution Company 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 Company personal pension scheme where the Group contributes an amount matching the contribution made by the staff member.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

(k) Insurance and other receivables

Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective *interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate* that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

(l) Trade and other payables, including insurance payables

Trade and other payables consist primarily of reinsurance balances and indirect taxes due. Reinsurance payables represent premiums payable to reinsurers in respect of contracts which have been entered into at the balance sheet date.

(m) Instalment income

Instalment income comprises the interest income earned on policyholder receivables, where outstanding premiums are settled by a series of instalment payments. Interest is earned over the term of the policy.

(n) Other operating income

Other operating income primarily consists of commissions resulting from the sale of auxiliary products connected to the Company's direct business. Such income is recognised once the related service has been performed. Typically, this will be at the point of sale of the product.

(o) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary for the year ended 31 December 2015 and exclude inter-company transactions. No profit and loss account is presented by the parent company as permitted by section 408 of the Companies Act 2006.

(p) Investment in subsidiaries

Investments in Group entities are carried in the Statement of Financial Position at cost less impairment. The Company assesses at each reporting date whether the investment is impaired.

Accounting developments

IFRS 9 – Effective after 2017

In July 2014, the IASB published IFRS 9 'Financial Instruments' with an effective date of 1 January 2018. IFRS 9 replaces the current financial instruments standard IAS 39, setting out new accounting requirements in a number of areas. The Company is currently assessing the standard's impact on its future Report and Accounts.

IFRS 15 – Effective after 2017

IFRS 15 'Revenue Contracts With Customers' was published by the IASB on 28 May 2014 and applies to an entity's first annual financial statements for a period beginning on or after 1 January 2018. Sabre has assessed that the implementation of this standard will have no material impact on the financial statements.

2. Critical accounting estimates and judgements

2.1 Valuation of insurance contracts

For the valuation of insurance contracts, estimates are made both for the expected ultimate cost of claims reported at the reporting date, consisting of a claims reserve and estimate of the sufficiency of these reserves (through the calculation of an Incurred But Not Enough Reported (IBNER) estimate, and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by accident years and types of claim. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The gross carrying value at the reporting date of insurance liabilities is £182,941k (2015: £160,264k).

Liability claims may be settled through a Periodic Payment Order ('PPO'), established under the Courts Act 2003, which allows a UK court to award damages for future loss or any other damages in respect of personal injury. The court may order that the damages either partly or fully take the form of a PPO. To date, the Company has one PPO within its outstanding claims reserve. Reinsurance is applied at the claim level, and therefore as PPOs generally result in a liability in excess of the Company's reinsurance retention, the net liability on acquisition of a PPO is not significantly different to that arising in a non-PPO situation. Management will continue to monitor the level of PPO activity. Once the level of projected PPO activity, and the volume of historical data available for modelling, becomes sufficient the firm will apply statistical modelling in respect of PPOs within the IBNR reserve.

3. Risk management

3.1 Risk and capital management

The Board of directors has ultimate responsibility for ensuring that the Company has sufficient funds to meet it liabilities as they fall due. The Company carries out detailed modelling of its assets and liabilities and the key risks to which these are exposed. This modelling includes the Company's own assessment of its capital requirements for solvency purposes. During the year, the Company complied fully with all internal and external regulatory capital requirements.

From 1 January 2016, the Company managed its Solvency with reference to the Solvency Capital Requirement (SCR) calculated using the Standard Formula. The Company has developed sufficient processes to ensure that the capital requirements under Solvency II are not breached, including the maintenance of capital at a level higher than that required through the Standard Formula. In previous years the firm managed its capital position on both a Solvency II basis and on the previous regulatory basis . From 1 January 2016, the firm considers its capital position to be its net assets on a Solvency II basis and monitors this in the context of the Solvency II SCR. As at 31 December 2016, the Company holds significant excess Solvency II capital.

3.2 Principal risks from insurance activities and the use of financial instruments

The Strategic Report sets out the principal risks faced by the Group. Detailed below is the Group's risk exposure arising from its insurance activities and use of financial instruments specifically in respect of insurance risk, market risk and counterparty risk.

3.2.1 Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group issues only motor insurance contracts, which usually cover twelve months duration. For these contracts, the most significant risks arise from severe weather conditions or single catastrophic events. For longer-tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of policyholders and geographical areas within the UK. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across policyholders. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on a non–proportional basis. This non–proportional reinsurance is excess–of–loss, designed to mitigate the Group's net exposure to single large claims or catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. There is no single counterparty exposure that exceeds 25% of total reinsurance assets at the reporting date.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

Sensitivities

The motor claim liabilities are primarily sensitive to the reserving assumptions noted above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear.

The table shows the impact of a 10% increase in the loss ratio applied to all underwriting years which have a material outstanding claims reserve, an increase in net outstanding claims of 10% across all underwriting years and with the impact of an increase in the operational costs associated with handling those claims.

	Increase/(decrease) in income statement		Increase/(decrease) in total equity	
	2016	2015	**2016**	2015
At 31 December	**£'k**	£'k	**£'k**	£'k
Insurance risk				
Impact of a 10% increase in loss ratio	**(14,078)**	(13,176)	**(14,078)**	(13,176)
Impact of a 10% increase in net OS claims and claims provision	**(13,616)**	(12,971)	**(13,616)**	(12,971)

3.2.3 Financial risks

(1) Counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The two main sources of counterparty risk for the company are investment counterparties and reinsurance recoveries.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. *At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance* purchase strategy, ascertaining suitable allowance for impairment.
- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long–term credit ratings.
- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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The following tables demonstrate the Group's exposure to credit risk in respect of overdue debt and counterparty creditworthiness.

Overdue debt

At 31 December 2016	Neither past due nor impaired £'k	Past due 1-90 days	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
Reinsurance assets	51,529				51,529
Insurance and other receivables	36,379	-	23		36,402
Corporate bonds	576				576
UK government debt	233,714				233,714
Short-term deposits with credit institutions	-				-
Cash at bank and in hand	10,093				10,093
Total	**332,291**	**-**	**23**	**-**	**332,314**

At 31 December 2015	Neither past due nor impaired £'k	Past due 1-90 days	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
Reinsurance assets	34,947				34,947
Insurance and other receivables	32,089	-	2		32,091
Corporate bonds	1,095				1,095
UK government debt	176,259				176,259
Short-term deposits with credit institutions	61,900				61,900
Cash at bank and in hand	8,599				8,599
Total	**314,889**	**-**	**2**	**-**	**314,891**

There were no material financial assets that would have been past due or considered for impairment at the year-end.

Exposure by credit rating

At 31 December 2016	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
Reinsurance assets	-	38,800	12,729	-	-	-	51,529
Insurance and other receivables	-	-	-	-	-	36,402	36,402
Corporate bonds	-	-	-	576	-	-	576
UK government debt	233,714	-	-	-	-	-	233,714
Short-term deposits with credit institutions	-	-	-	-	-	-	
Cash at bank and in hand	-	4	-	10,089	-	-	10,093
Total	**233,714**	**38,804**	**12,729**	**10,665**	**-**	**36,402**	**332,314**

At 31 December 2015	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
Reinsurance assets	-	33,237	1,710	-	-	-	34,947
Insurance and other receivables	-	-	-	-	-	32,091	32,091
Corporate bonds	-	519	-	576	-	-	1,095
UK government debt	176,259	-	-	-	-	-	176,259
Short-term deposits with credit institutions	61,900	-	-	-	-	-	61,900
Cash at bank and in hand	-	100	-	8,499	-	-	8,599
Total	**238,159**	**33,856**	**1,710**	**9,075**	**-**	**32,091**	**314,891**

Credit rating is determined with reference to an external credit rating agency, primarily Standard and Poor's.

(2) Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch or inability to raise sufficient liquid assets without suffering a substantial loss on realisation. The Group manages its liquidity risk through both ensuring that it holds sufficient cash and cash equivalent assets to meet all short-term liabilities, and matching the maturity profile of its financial investments to the expected cash outflows.

The liquidity of the Group's insurance liabilities and supporting assets is given in the tables below.

At 31 December 2016	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Corporate bonds	**576**	-	-	-	576	-
UK government debt	**233,714**	128,372	71,311	26,354	7,677	-
Cash and cash equivalents	**10,093**	10,093	-	-	-	-
Total	**244,383**	**138,465**	**71,311**	**26,354**	**8,253**	-

At 31 December 2016	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Insurance liabilities	**236,882**	103,962	86,874	32,230	12,371	1,445
Trade and other payables including insurance payables	**10,172**	10,172	-	-	-	-
Total	**247,054**	**114,134**	**86,874**	**32,230**	**12,371**	**1,445**

At 31 December 2015	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Corporate bonds	**1,095**	-	**519**	-	**576**	-
UK government debt	**176,259**	**57,821**	**71,715**	**24,077**	**16,228**	**6,418**
Cash and cash equivalents	**70,499**	**70,499**	-	-	-	-
Total	**247,853**	**128,320**	**72,234**	**24,077**	**16,804**	**6,418**

At 31 December 2015	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Insurance liabilities	**215,408**	**85,726**	**78,605**	**29,902**	**18,610**	**2,565**
Trade and other payables including insurance payables	**19,115**	**19,115**	-	-	-	-
Total	**234,523**	**104,841**	**78,605**	**29,902**	**18,610**	**2,565**

The above tables exclude unearned premium reserve as there are no liquidity risks inherent in them. The maturity of insurance liabilities is based upon an estimate of expected settlement date.

(3) Investment concentration risk

Excessive exposure to particular industry sectors or groups can give rise to concentration risk. The Group has no significant investment in any particular industrial sector and therefore is unlikely to suffer significant losses through its investment portfolio as a result of over-exposure to sectors engaged in similar activities or which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group's exposure by geographical area is outlined below.

At 31 December 2016	Corporate £'k	Sovereign £'k	Total £'k
UK	576	233,714	**234,290**
Total	**576**	**233,714**	**234,290**

At 31 December 2015	Corporate £'k	Sovereign £'k	Total £'k
UK	1,095	176,259	**177,354**
Total	**1,095**	**176,259**	**177,354**

(4) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. Currently the Group holds only fixed rate securities.

The Group's interest risk policy requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity. The Group has no significant concentration of interest rate risk.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

Note that the Group's investment portfolio has been designed such that the cash flows yielded from investments match the projected outflows inherent primarily within the claims reserve. While these insurance liabilities are shown on an undiscounted basis under IFRS, *their economic value will move broadly in line with the underlying assets.*

	Increase/(decrease) in income statement		Increase/(decrease) in total equity	
At 31 December	**2016 £'k**	**2015 £'k**	2016 £'k	2015 £'k
Interest rate				
Impact of a 100 basis point increase in interest rates on financial investments	**(1,170)**	(9,141)	**(1,170)**	(9,141)
Owner-occupied property				
Impact of a 15% decrease in property markets	**(515)**	(368)	**(515)**	(368)

3.2.4 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

4. Net earned premium

Continuing operations	**2016 £'k**	2015 £'k
Gross earned premium:		
Gross written premium	196,619	180,253
Movement in unearned premium reserve	(4,846)	(17,255)
	191,773	162,998
Reinsurance premium ceded:		
Premium payable	(10,020)	(11,432)
Movement in unearned premium reserve	354	59
	(9,666)	(11,373)
Total	**182,107**	**151,625**

5. Investment return

Continuing operations	**2016 £'k**	2015 £'k
Investment income:		
Interest income from debt securities	4,469	5,849
Cash and cash equivalent interest income	182	269
Investment property income	3	21
Investment fees	(50)	(40)
	4,604	6,099
Net realised gains/(losses)		
Investment property	(515)	-
Debt securities at fair value through profit and loss	(3,609)	(5,129)
	(4,124)	(5,129)
Net unrealised gains/(losses)		
Investment property	-	-
Debt securities at fair value through profit and loss	2,998	(51)
	2,998	(51)
Total	**3,478**	919

6. Other operating income

Continuing operations	**2016 £'k**	2015 £'k
Marketing fees	955	767
Fee income from the sale of auxilliary products and services	125	98
Other technical income	300	-
Administration fees	853	752
Total	**2,233**	**1,617**

7. Net insurance claims

	2016			2015		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Continuing operations	**£'k**	£'k	£'k	£'k	£'k	£'k
Current accident year claims paid	44,856	-	44,856	36,330	-	36,330
Prior accident year claims paid	44,712	(3,296)	41,416	36,991	(3,151)	33,840
Movement in insurance liabilities	22,677	(16,228)	6,449	12,840	(1,156)	11,684
Total	**112,245**	**(19,524)**	**92,721**	**86,161**	**(4,307)**	**81,854**

Claims handling expenses for the year ended 31 December 2016 of £5,878k (2015: £4,885k) have been included in the above. Note that the gross and net movements in insurance liabilities include amounts of £26,241k and £2,184k respectively directly related to the increase in case reserves following the announcement of a reduction in the Ogden discount rate made in February 2017.

8. Operating expenses

	2016	2015
	£'k	£'k
Staff costs	5,342	4,134
Property costs	218	145
IT expense including IT depreciation	3,937	3,343
Other depreciation	29	26
Industry levies	2,523	3,150
Other operating expenses	4,525	3,510
Total	**16,574**	**14,308**

The table below analyses the average monthly number of persons employed by the Group's operations:

	2016	2015
Operations	129	121
Support	25	23
Total	**154**	**144**

The aggregate remuneration of those employed by the Group's operations comprised:

	2016	2015
	£'k	£'k
Wages and salaries	4,472	3,439
Social security costs	516	394
Pension costs	240	197
Other staff costs	113	104
Total	**5,342**	4,134

The table below analyses the Auditor's remuneration in respect of the Group's operations.

	2016	2015
	£'k	£'k
Fees payable for the audit of the Company's Annual Accounts	116	115
Fees payable for the audit of regulatory reporting	52	10
Total audit fees	168	125
Taxation advisory services	19	11
Other consultancy services	28	-
Total non-audit services	47	11
Total	215	136

The aggregate amount paid to directors during the year was as follows.	**2016** **£'k**	**2015** **£'k**
Remuneration	600	400
	600	**400**

Highest paid director	**2015** **£'k**	**2015** **£'k**
Remuneration	400	200
	400	**200**

Contributions were made to defined contribution pension schemes on behalf of no directors (2014: 0).

9. Tax charge

	Group		Company	
	2016	2015	**2016**	2015
Continuing operations	**£'k**	£'k	**£'k**	£'k
Current taxation:				
Charge/(credit) for the year	**11,129**	6,897	-	1
Group relief payable/(receivable)	**1,987**	1,999	-	-
	13,116	8,896	-	1
Deferred taxation (note 11):				
Origination and reversal of temporary differences	**10**	8	-	-
Effect of tax rate change on opening balance	-	1	-	-
	10	9	-	-
Current taxation	**13,116**	8,896	-	1
Deferred taxation (note 11)	**10**	9	-	-
Tax charge for the year	**13,126**	8,905	-	1

Tax recorded in Group Other Comprehensive Income is as follows. The tax charge through Other Comprehensive Income for the solo entity is £nil (2014: £nil, 2013: £nil).

	2016	2015
Continuing operations	**£'k**	£'k
Current taxation	-	142
	-	142

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 20.00% (2015: 20.25%) as follows:

	Group		Company	
	2016	2015	**2016**	2015
Continuing operations	**£'k**	£'k	**£'k**	£'k
Profit/(loss) before tax	**65,607**	**43,951**	**53,975**	**25,648**
Expected tax charge	13,120	8,900	10,795	5,194
Effect of:				
Disallowable Group Income	-	-	(10,795)	(5,193)
Disallowable expenses	6	4	-	-
Adjustment of deferred tax to average rate of 20.25%	-	1	-	-
Tax charge for the year	13,126	8,905	-	1
Effective income tax rate	20.01%	20.26%	0.00%	0.00%

10. Current tax

Group

	2016	2015
	£'k	£'k
Per balance sheet:		
Current tax assets	-	-
Current tax liabilities	(3,077)	(2,609)
	(3,077)	(2,609)

Company

	2016	2015
	£'k	£'k
Per balance sheet:		
Current tax assets	-	-
Current tax liabilities	(1)	(1)
	(1)	(1)

11. Deferred tax

The following are the deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting years.

	Provisions and other temporary differences	Depreciation in excess of capital allowances	Total
	£'k	£'k	£'k
At 1 January 2016	(18)	12	(6)
Credit/(charge) to the income statement on continuing operations	1	10	11
Credit to other comprehensive income	-	-	-
Credit direct to equity	-	-	-
Other movements	-	-	-
At 31 December2016	**(17)**	**22**	**5**

	2016	2015
	£'k	£'k
Per balance sheet:		
Deferred tax assets	-	6
Deferred tax liabilities	**(5)**	-
	(5)	6

There is no deferred tax asset or liability held by the Binomial Group Limited solo entity (2015: £nil, 2013: £nil).

On 1 April 2015 the UK rate of Corporation tax changed from 21% to 20%, and will reduce further to 19% and 17% from 1 April 2017 and 1 April 2020 respectively. Note that the closing deferred tax attributes are recognised with reference to the 17% rate as there is insufficient certainty to know when the various items on which deferred tax is recognised will unwind.

12. Dividends

	£ per share	2016 £'k	2015 £'k
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2015	125	**20,229**	10,744
Interim dividend for the year ended 31 December 2016	81	**13,059**	7,725
Interim dividend for the year ended 31 December 2016	128	**20,687**	7,175
		53,975	25,644

13. Property, plant and equipment

	Owner occupied £k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
Cost				
At 1 January 2015	**1,750**	**507**	**1,612**	**3,869**
Additions	-	18	167	185
Revaluation	700	-	-	700
At 1 January 2016	**2,450**	**525**	**1,779**	**4,754**
Additions	**1,500**	**153**	**122**	**1,775**
At 31 December 2016	**3,950**	**678**	**1,901**	**6,529**
Accumulated depreciation and impairment				
At 1 January 2015	-	452	1,034	1,486
Charge for the year	-	26	225	251
At 1 January 2016	-	**478**	**1,259**	**1,737**
Charge for the year	-	**29**	**214**	**243**
Impairment losses on revaluation	**515**	-	-	-
At 31 December 2016	**515**	**507**	**1,473**	**2,495**
Carrying amount				
As at 31 December 2016	**3,435**	**171**	**428**	**4,034**
As at 31 December 2015	2,450	47	520	3,017

The Company holds two owner-occupied properties, Sabre House and the Old House, which are both managed by the Company. The properties are measured at fair value which is arrived at on the basis of a valuation carried out on 19 October 2015 by Hurst Warne and Partners LLP. The valuation was carried out on an open-market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. Property was purchased in January 2016 at a premium above the fair value, determined in the October 2015 valuation exercise, as such an impairment loss has been recorded. The fair value measurement of owner occupied property of £3,435k (2015: £2,450k) has been categorised as a Level 3 fair value based on the non-observable inputs to the valuation technique used. The following table shows a reconciliation to the closing fair value for the Level 3 owner occupied property at valuation:

	Owner occupied £'k
At 31 December2015	2,450
Purchase	**1,500**
Revaluation	**(515)**
At 31 December2016	**3,435**

The fair value was derived using a methodology based upon recent transactions for similar properties, which have been adjusted for the specific characteristics of the property. The significant non-observable inputs used in the valuation are expected rental value per square foot (2016: £213/sq.ft, 2015: £201/sq.ft) and estimated marketing and letting void. The fair value of the owner occupied property would increase (decrease) if the expected rental value per foot were to be higher (lower) and the marketing and letting void were to be lower (higher).

The carrying amount of revalued assets had they been held at cost is as follows:

	Owner occupied	
	Cost	Fair value
	£'k	£'k
At 31 December2015	1,750	2,450
Purchase	1,500	1,500
Revaluation	-	(515)
At 31 December2016	3,250	3,435

14. Reinsurance assets

	2016	2015
	£'k	£'k
Reinsurers' share of general insurance liabilities	46,783	30,555
Reinsurers' share of UPR	4,746	4,392
Total	**51,529**	**34,947**

Note that £24,057k of the year-on-year increase in the reinsurers' share of general insurance liabilities is directly attributable to the decrease in the Ogden discount rate announced in February 2017.

15. Deferred acquisition costs

	2016	2015
	£'k	£'k
At 1 January	14,834	13,111
Net increase/decrease during the year	(806)	1,723
At 31 December	14,028	14,834

16. Insurance and other receivables

	2016	2015
	£'k	£'k
Receivables arising from insurance and reinsurance contracts:		
Due from policyholders	18,657	17,302
Due from brokers and intermediaries	17,768	14,600
Impairment of broker and intermediary receivables	(100)	(100)
Other loans and receivables:		
Other debtors	77	289
Total	36,402	32,091

The carrying value of insurance and other receivables approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

17. Prepayments, accrued income and other assets

Group

	2016 £'k	2015 £'k
Accrued interest and rent	1,388	1,594
Prepayments and accrued income	778	592
Total	**2,166**	**2,184**

Company

	2016 £'k	2015 £'k
Amounts due from group undertaking	7	8
Total	**7**	**8**

The carrying value of prepayments, accrued income and other assets approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

18. Financial investments

	2016 £'k	2015 £'k
Debt securities held at fair value through the profit and loss account		
Corporate	576	1,095
Sovereign	233,714	176,259
Total	**234,290**	**177,354**

All financial investments are classified as level 1 under the fair value hierarchy. The fair value classification of owner-occupied property is discussed in note 13.

19. Investments – Company

At 31 December	2016 £'k	2015 £'k
Unlisted shares in group undertakings	13,669	13,669

There was no impairment of the value of company investments during the year (2015: £nil)

The Company owns the following percentage of the issued share capital in the company issued below.

Company	Holding	Nature of business
Sabre Insurance Company Limited	100%	Insurance company

20. Cash and cash equivalents

Group

	2016 £'k	2015 £'k
Cash at bank and in hand	**10,093**	8,599
Short-term deposits with credit institutions	**-**	61,900
Total	**10,093**	**70,499**

Company

	2016 £'k	2015 £'k
Cash at bank and in hand	**16**	15
Total	**16**	**15**

The effective interest rate on short-term deposits with credit institutions for the year ended 31 December 2016 was 0.19% (2015: 0.55%) and average maturity was 1 day (2015: 1 day).

21. Share capital

	2016 £'k	2015 £'k
Authorised		
162,006 Ordinary shares of £1 each	**162**	162
Issued and fully paid: equity shares		
162,006 Ordinary shares of £1 each	**162**	162

All shares are unrestricted and carry equal voting rights.

22. Insurance liabilities, unearned premium reserve

	2016 £'k	2015 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	**182,941**	160,264
Unearned premium reserve	**97,525**	92,679
Total	**280,466**	**252,943**
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	**(46,783)**	(30,555)
Unearned premium reserve	**(4,746)**	(4,392)
Total	**(51,529)**	**(34,947)**
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	**136,158**	129,709
Unearned premium reserve	**92,779**	88,287
Total	**228,937**	**217,996**

The development of gross and net general insurance liabilities is shown below.

Binomial Group Limited
Notes to the Financial Statements
As at 31 December 2016

Gross insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	Total £'k
Estimate of ultimate claims costs:								
At end of accident year	77,415	98,735	103,139	84,939	75,649	103,599	111,518	
One year later	74,349	95,818	103,989	70,567	65,639	90,133		
Two years later	77,740	90,631	94,297	63,197	62,039			
Three years later	73,686	84,962	92,478	65,313				
Four years later	72,141	81,715	97,170					
Five years later	71,540	80,514						
Six years later	74,822							
Seven years later								
Eight years later								
Nine years later								
Current estimate of cumulative claims	74,822	80,514	97,170	65,313	62,039	90,133	111,518	
Cumulative payments to date	(69,107)	(79,291)	(73,135)	(48,070)	(47,317)	(53,324)	(38,964)	
Liability recognised in balance sheet	**5,715**	**1,223**	**24,035**	**17,243**	**14,722**	**36,809**	**72,554**	**172,301**
2009 and prior								**7,484**
Claims handling provision								**3,156**
Total								**182,941**

Net insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	Total £'k
Estimate of ultimate claims costs:								
At end of accident year	61,912	94,171	89,901	77,316	74,609	97,288	104,808	
One year later	69,055	90,742	81,403	64,071	65,639	85,814		
Two years later	72,475	87,494	75,938	59,301	60,953			
Three years later	69,649	81,950	73,606	57,739				
Four years later	68,001	78,509	74,304					
Five years later	67,100	77,534						
Six years later	66,926							
Seven years later								
Eight years later								
Nine years later								
Current estimate of cumulative claims	66,926	77,534	74,304	57,739	60,953	85,814	104,808	
Cumulative payments to date	(65,425)	(76,684)	(67,253)	(48,070)	(47,316)	(53,325)	(38,964)	
Liability recognised in balance sheet	**1,501**	**850**	**7,051**	**9,669**	**13,637**	**32,489**	**65,844**	**131,041**
2005 and prior								**1,961**
Claims handling provision								**3,156**
Total								**136,158**

Movements in insurance liabilities, unearned premium reserve and reinsurance assets

	Gross £'k	Reinsurance £'k	Net £'k
At 1 January 2015	147,425	(29,399)	118,026
Cash paid for claims during the year	(68,173)	2,931	(65,242)
Increase/(decrease) in liabilities:			
Arising from current-year claims	105,445	(6,272)	99,173
Arising from prior-year claims	(24,433)	2,185	(22,248)
At 31 December 2015	160,264	(30,555)	129,709
Claims reported	179,725	(35,186)	144,539
Incurred but not reported	(22,380)	4,631	(17,749)
Claims handling provision	2,919	-	2,919
At 31 December 2015	160,264	(30,555)	129,709
Cash paid for claims during the year	**(83,675)**	**3,293**	**(80,382)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**113,512**	**(6,709)**	**106,803**
Arising from prior-year claims	**(7,160)**	**(12,812)**	**(19,972)**
At 31 December 2016	**182,941**	**(46,783)**	**136,158**
Claims reported	**186,284**	**(26,487)**	**159,797**
Incurred but not reported	**(6,499)**	**(20,296)**	**(26,795)**
Claims handling provision	**3,156**	**-**	**3,156**
At 31 December 2016	**182,941**	**(46,783)**	**136,158**

Note that £26,241k of the gross and £2,184k of the net year-on-year increases in the general insurance liabilities is directly attributable to the decrease in the Ogden discount rate announced in February 2017.

23. Trade and other payables, including insurance payables

Group

	2016 £'k	2015 £'k
Insurance creditors	**890**	931
Due to reinsurers	**3,041**	13,265
Due to related parties	**1,063**	760
Trade and other creditors	**502**	326
Other taxes	**4,676**	3,833
Total	**10,172**	**19,115**

The carrying value of trade and other payables, including insurance payables approximates to fair value. There are no amounts expected to be settled more than 12 months after the reporting date.

24. Classification and valuation of financial assets

The following table summarises the classification of financial instruments:

	Financial assets/liabilities				Non-financial assets / liabilities	**2016**
	At fair value	AFS	Loans and receivables	At amortised cost		
	£'k	£'k	£'k	£'k	£'k	**£'k**
Assets						
Financial investments	234,290	-	-	-	-	**234,290**
Total assets	234,290	-	-	-	-	**234,290**

Fair value measurement

The carrying value of financial assets is in all cases equal to their fair value. All financial investments are classified as 'Level 1' under the IFRS hierarchy. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities which can be accessed at the measurement date. As such market value has been determined with reference to a reliable third-party valuation. Owner-occupied property is valued based upon an independent third-party valuation, and is classified as 'Level 3' under the IFRS hierarchy as discussed in Note 13 above.

25. Related party transactions

The immediate parent undertaking is Barb Bidco Limited, registered address 13-14 Esplanade, St Helier, Jersey, JE1 1BD. The ultimate parent undertaking at the balance sheet date was Barbados TopCo Limited (registered office Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GY1 4HY), a company incorporated in Guernsey.

The Group holds the following balances due to Barb BidCo Limited, a 100% owned group company, in respect of group relief payments to be settled within one year. 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.

	2016	2015
	£'k	£'k
Barb BidCo Limited		
Due to	**1,063**	**759**
Total	**1,063**	**759**

The key management personnel of the Company are the Directors. There were no balances outstanding with the Directors at year-end. There were no transactions entered into with the Directors during 2016 and 2015 other than the remuneration disclosed in note 8.

26. Notes to the cash flow statement

	2016 £'k	2015 £'k
Profit for the year	**52,481**	35,052
Adjustments for:		
Depreciation	**243**	251
Unrealised valuation losses on investment property	**515**	-
Interest receivable	**(4,856)**	(6,118)
Tax charge	**13,126**	8,905
Operating cash flows before movements in working capital	**61,509**	38,090
Movements in working capital:		
Change in reinsurance assets	**(16,582)**	(1,215)
Change in insurance and other receivables	**(4,312)**	(6,293)
Change in prepayments and other assets	**19**	(117)
Change in insurance liabilities including DAC and UPR	**28,329**	28,372
Change in trade and other payables	**(8,895)**	2,122
Cash used by operations	**60,068**	60,959
Taxes paid	**(12,646)**	(11,565)
Net cash flow used by operating activities before investment of insurance assets	**47,422**	49,394
Fair-value losses	**685**	5,178
Revaluation of investment property	**-**	
Proceeds from sale of invested assets	**(127,297)**	(119,165)
Purchases of invested assets	**69,677**	79,871
Total	**(9,513)**	15,278