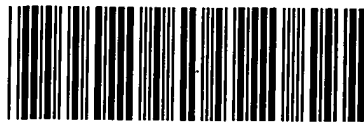


BINOMIAL GROUP LIMITED
31 December 2014

Registered Number: 3675407

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COMPANIES HOUSE

Binomial Group Limited

Reports and Accounts 2014

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Binomial Group Limited

Directors and Officers

Directors

K J Morris

A Ball

S Quadrio Curzio (appointed 3 January 2014 / resigned 21 January 2014)

J Hosgood (appointed 3 January 2014 / resigned 21 January 2014)

J Cronly (appointed 3 January 2014 / resigned 20 January 2014)

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

Binomial Group Limited

Strategic Report

For the year ended 31 December 2014

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.

Strategic Report

Sabre Insurance Company Limited ("Sabre") is a motor insurer writing private car, commercial vehicle and taxi business in the UK.

Despite difficult market conditions, Sabre increased its pre-tax profit to a record £60.2 million (2013: £56.6 million), and its gross written premium to £149.3 million (2013: £140.0 million). The profit was largely due to an excellent underwriting result, which benefited considerably from higher than expected prior year reserve releases.

In January 2014 the entire shareholding in Binomial Group Limited, the immediate parent company of Sabre, was acquired by private equity funds advised by BC Partners. The previous shareholders in Binomial remain significant investors in the group and active members of the management team and, following the change of control, there has been no significant change to the business.

Although still acceptable, current year underwriting performance has weakened against a background of market prices that had been falling since the second half of 2012. The LASPO reforms, which include the banning of referral fees for personal injury cases and the reduction in fees for claimant representatives, were progressively introduced during 2013 and, although these appeared to be having beneficial effects initially, both in terms of reduced personal injury frequency and lower costs settlements, personal injury frequency has now returned to pre-LASPO levels. Further reform of the medical reporting regime is in process, but we are not optimistic that this will have a significant beneficial effect.

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. One of the two properties that Sabre owned was sold at a small profit to book value during 2014 leaving only Sabre House, which the company occupies, and which was subject to a small upward revaluation in the year.

Market pricing levels continued to deteriorate in 2014, as they have been since mid-2012. However, a number of commentators and firms running market indices are, more recently, starting to see evidence of increasing prices. This may, at least in part, be because of the perceived failure of LASPO reforms to bring beneficial effects, contributing to a run of poor current-year underwriting results across the motor insurance industry. In my report last year I speculated that prices would rise in the second half of 2014; if this did occur, it was only to a small extent. However, it may be that the market will experience more significant rises during 2015. I also mentioned the Competition Commission (now the CMA) study into private motor insurance; this was ultimately a damp squib with the CMA backing off reforms to both credit hire and credit repair and making only weak reforms to Most Favoured Nation clauses. However, none of the reforms or, indeed, the lack of them should have a deleterious effect on Sabre.

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. 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 actuarial reviews of claims development.

The composition of our investment portfolio has been designed to minimise risks of adverse movements in assets 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 £1.75 million in property, equivalent to less than 1% of total investments. As a result of the portfolio composition we also consider liquidity risk and cash flow risk to be negligible.

Binomial Group Limited

Strategic Report (continued)

For the year ended 31 December 2014

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.

There is, at last, a firm date for implementation of Solvency II; our preparations are well advanced and we anticipate being Solvency II compliant in the appropriate timeframe.

Sabre's staff are responsible for the Group's achievements in 2014 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 9% remains at a low absolute level, although somewhat higher than previous years. Analysis shows that there was no particular theme or underlying reason for this.

During the year, Sabre conducted an Environmental, Social and Governance review with specialist advisers from PwC. They reported that our overall standards were satisfactory, with notable positive scores in governance and workplace areas and identified some areas for improvement such as energy use in Sabre House, more structured community engagement and better reporting of our approach to ESG issues. A number of our ESG activities were previously conducted on ad hoc basis, but we have now adopted a formal ESG policy and these activities are better coordinated across the company.

Although there are some signs of prices hardening, 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 2015.

Directors' Report

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:

	2014	2013
	£'000	£'000
Dividends paid on ordinary shares	75,635	21,615

Directors

Following the change of control of the Group on 3rd January 2014, Stefano Quadrio Curzio, Joseph Cronly and Jonathan Hosgood became directors of Sabre Insurance Company Limited's parent company, Binomial Group Limited. All three subsequently became directors of Sabre Insurance Company Limited on 22 January 2014. Jonathan Hosgood and Stefano Quadrio Curzio resigned from the board of Binomial Group Limited on 21 January whilst Joseph Cronly resigned from the board of Binomial Group Limited on 20 January. 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 2014 represented approximately 1 day of average daily purchases through the year (2013: 2 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 (2013: nil). The group made no charitable donations (2013: £499,990) during the year.

Binomial Group Limited

Directors' Report (continued)

For the year ended 31 December 2014

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 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

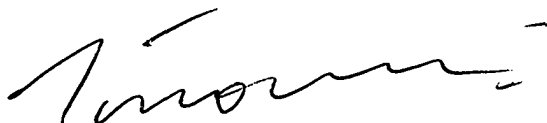
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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



17 March 2015

Binomial Group Limited

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 31 December 2014 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 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 2014 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.

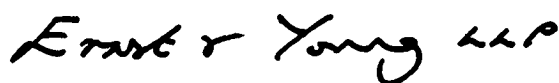
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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

18 March 2015

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 paragraph 9 and part 1 of schedule 6 (as modified by part 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 3 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 2014, 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 2014 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.

(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 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.
- (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 2014

	Note	2014 £'000	£'000	2013 £'000	£'000
Gross premiums written	1	149,274		140,006	
Outward reinsurance premiums		<u>(10,275)</u>		<u>(10,486)</u>	
			138,999		129,520
Change in the net provision for unearned premiums			<u>(6,958)</u>		<u>8,797</u>
Earned premiums, net of reinsurance			132,041		138,317
Other technical income			2,105		1,493
Total technical income			<u>134,146</u>		<u>139,810</u>
Claims paid					
- Gross amount		(74,245)		(78,022)	
- Reinsurers' share		<u>5,904</u>		<u>2,412</u>	
		<u>(68,341)</u>		<u>(75,610)</u>	
Change in the provision for claims					
- Gross amount		26,381		(1,290)	
- Reinsurers' share		<u>(10,248)</u>		<u>13,444</u>	
		16,133		12,154	
Claims incurred, net of reinsurance	6		<u>(52,208)</u>		<u>(63,456)</u>
Net operating expenses	2		(26,812)		(22,458)
Balance on technical account from continuing operations			55,126		53,896

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 2014

	Note	2014 £'000	£'000	2013 £'000	£'000
Balance on technical account from continuing operations			55,126		53,896
Investment income	3	9,976		9,765	
Unrealised gains/(losses) on investments	3	2,797		(84)	
Realised losses on investments	3	(7,531)		(6,964)	
Investment expenses and charges	3	<u>(151)</u>		<u>(24)</u>	
			5,091		2,693
Other charges			(5)		(3,201)
Profit on ordinary activities before taxation	5		60,212		53,388
Taxation charge on profit on ordinary activities	7		(12,758)		(12,394)
Profit on ordinary activities after taxation			<u>47,454</u>		<u>40,994</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 2014

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

Binomial Group Limited

Consolidated Balance Sheet As at 31 December 2014

	Note	2014 £'000	£'000	2013 £'000	£'000
ASSETS					
Investments					
Land and buildings	9	1,750		3,300	
Other financial investments	9	<u>203,239</u>		<u>248,245</u>	
			204,989		251,545
Reinsurers' share of technical provisions					
Claims outstanding		29,399		39,647	
Provision for unearned premiums		<u>4,333</u>		<u>4,676</u>	
			33,732		44,323
Debtors					
Debtors arising out of direct insurance operations - intermediaries		12,060		7,592	
Debtors arising out of direct insurance operations - policyholders		13,597		11,321	
Other debtors	11	<u>155</u>		<u>81</u>	
			25,812		18,994
Other Assets					
Tangible assets	12	633		748	
Cash at bank and in hand		<u>14,528</u>		<u>16,469</u>	
			15,161		17,217
Prepayments and accrued income					
Accrued interest		1,996		2,394	
Deferred acquisition costs		13,111		10,547	
Prepayments		<u>476</u>		<u>466</u>	
			15,583		13,407
Total Assets			<u>295,277</u>		<u>345,486</u>

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

Binomial Group Limited

Consolidated Balance Sheet (continued)

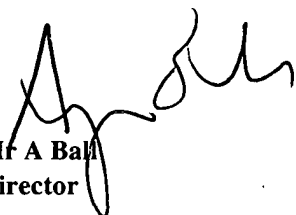
As at 31 December 2014


	Note	2014 £'000	£'000	2013 £'000	£'000
LIABILITIES					
Capital and reserves					
Called up share capital		162		162	
Capital redemption reserve	14	253		253	
Profit and loss account	14	45,807		73,989	
Shareholder's Funds	15		46,222		74,404
Technical Provisions					
Provision for unearned premiums		75,424		68,809	
Claims outstanding		147,425		173,806	
			222,849		242,615
Creditors					
Creditors arising out of direct operations		650		674	
Creditors arising out of reinsurance operations	19	12,894		12,903	
Other creditors including taxation and social security	17	9,315		12,110	
			22,859		25,687
Accruals and deferred income			3,347		2,780
Total Liabilities			<u>295,277</u>		<u>345,486</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 17 March 2015.

Signed on behalf of the Board by:


Mr A Ball
Director


Mr K Morris
Director

Binomial Group Limited


Balance Sheet As at 31 December 2014

	Note	2014 £'000	£'000	2013 £'000	£'000
ASSETS					
Investments					
Investments	10	<u>13,669</u>	13,669	<u>13,669</u>	13,669
Current Assets					
Debtors	11	7		530	
Cash at bank and in hand		<u>13</u>		<u>9,505</u>	
			20		10,035
Total Assets			<u>13,689</u>		<u>23,704</u>
LIABILITIES					
Capital and reserves					
Called up share capital	13	162		162	
Capital redemption reserve	14	253		253	
Profit and loss account	14	<u>13,273</u>		<u>19,466</u>	
Shareholder's Funds	15		13,688		19,881
Creditors	17		1		3,823
Accruals and Deferred Income			-		-
Total Liabilities			<u>13,689</u>		<u>23,704</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 17 March 2015.

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 2014

	2014 £'000	2013 £'000	2013 £'000
Net cash inflow from operating activities		43,979	40,961
Taxation			
Corporation tax paid	<u>(12,175)</u>	<u>(12,175)</u>	<u>(10,465)</u>
			(10,465)
Capital Expenditure			
Purchase of tangible fixed assets	<u>(132)</u>	<u>(132)</u>	<u>(403)</u>
			(403)
Net cash inflow before financing		<u>31,672</u>	<u>30,093</u>
Equity dividends paid		(75,635)	(21,615)
Increase/(decrease) in cash in the year		<u>(43,963)</u>	<u>8,478</u>

Notes to the Consolidated Cash Flow Statement

Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit	60,212	53,388
Depreciation	247	225
Realised and unrealised (profit)/loss on other investments	3,486	7,048
Unrealised gain/(loss) on investment properties	1,050	-
(Increase)/decrease in debtors	(6,405)	576
(Increase)/decrease in prepayments	(10)	(382)
(Decrease)/increase in technical provisions	(22,330)	(8,737)
(Increase)/decrease in reinsurer's share of technical provisions	10,591	(13,686)
(Decrease)/increase in creditors	(3,428)	2,532
(Decrease)/increase in accruals	567	(3)
Net cash inflow from operating activities	<u>43,979</u>	<u>40,961</u>

Binomial Group Limited

Notes to the Consolidated Cash Flow Statement (continued) As at 31 December 2014

Cash flows were invested as follows:

	2014 £'000	£'000	2013 £'000	£'000
Increase/(decrease) in cash holdings		(1,941)		(5,133)
Net portfolio investment				
Investment property	(1,750)			
Fixed income securities	(49,022)		13,611	
Liquidity Funds	10,000		-	
		(40,772)		13,611
Net investment/(decrease) in cash flows		<u>(42,713)</u>		<u>8,478</u>

Movement in opening and closing portfolio investments net of financing

	2014 £'000	£'000	2013 £'000	£'000
Net cash flow for the year	(1,941)		(5,133)	
Portfolio investments	<u>(40,772)</u>		<u>13,611</u>	
		(42,713)		8,478
Changes in market value		<u>(4,534)</u>		<u>(7,048)</u>
		(47,247)		1,430
Portfolio investments net of financing at 1 January 2014		<u>268,014</u>		<u>266,584</u>
Portfolio investments net of financing at 31 December 2014		<u>220,767</u>		<u>268,014</u>

Movement in cash, portfolio investments and financing

	At 1 January 2014	Cashflow	Non cash movement	Changes to market values	At 31 December 2014
Cash at bank and in hand	16,469	(1,941)	-	-	14,528
Fixed income securities	198,245	(49,022)	-	(4,734)	144,489
Liquidity Funds	50,000	10,000	-	-	60,000
Investment properties	3,300	(1,750)	-	200	1,750
	<u>268,014</u>	<u>(42,713)</u>	<u>-</u>	<u>(4,534)</u>	<u>220,767</u>

Binomial Group Limited

Notes to the Accounts

1) Segmental analysis

a. Analysis of direct insurance by geographical segment.

	2014 £'000	2013 £'000
Gross premiums written - United Kingdom	149,274	140,006

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

	2014 Gross premiums written £,000	2014 Gross premiums earned £,000	2014 Gross incurred claims £,000	2014 Gross operating expenses £,000	2014 Re- insurance balance £,000
Motor insurance:					
Third Party Liability	2,439	1,308	(183)	246	906
Other	146,835	141,351	48,047	26,566	14,059
	149,274	142,659	47,864	26,812	14,965
	2013 Gross premiums written £,000	2013 Gross premiums earned £,000	2013 Gross incurred claims £,000	2013 Gross operating expenses £,000	2013 Re- insurance balance £,000
Motor insurance:					
Third Party Liability	1,871	2,151	(2,922)	325	1,755
Other	138,135	146,652	82,235	22,133	(7,367)
	140,006	148,803	79,313	22,458	(5,612)

2) Net operating expenses

Technical account	2014 £,000	2013 £,000
Gross written commission	13,800	12,590
Other acquisition costs	12,969	9,262
Change in deferred acquisition costs	(2,564)	(1,472)
Administrative expenses	2,607	2,078
	26,812	22,458

3) Investment return

	2014 £,000	2013 £,000
Investment income		
Income from other investments	9,976	9,765
Unrealised gains/(losses) on investments	2,797	(84)
	12,773	9,681
Investment expenses and charges		
Gain/(loss) on the realisation of investments	(7,531)	(6,964)
Investment management expenses & interest	(151)	(24)
	(7,682)	(6,988)
Total investment return	5,091	2,693

Binomial Group Limited

Notes to the Accounts (continued)

4) Staff costs & Directors' emoluments

	2014	2013
	£,000	£,000
Wages & salaries	6,362	7,938
Social Security costs	737	980
Other pension costs	404	399
	<u>7,503</u>	<u>9,317</u>

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

	2014	2013
Management	9	8
Underwriting	45	46
Claims	63	64
Administration	12	13
	<u>129</u>	<u>131</u>

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

	2014	2013
	£,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 (2013: £nil).

5) Profit on ordinary activities before taxation

	2014	2013
	£,000	£,000
Profit on ordinary activities before tax is stated after:		
Depreciation charge for the year	247	225
Auditors' remuneration for audit services	128	99

Fees relating to non-audit services to the auditor accrued by the Group during the year were £13,800 (2013: £9,000). These were in relation to tax compliance services.

Binomial Group Limited

Notes to the Accounts (continued)

6) Claims Incurred, Net of Reinsurance	2014	2013
	£,000	£,000
Claims paid net of reinsurance	68,341	75,610
Change in outstanding claims reserve		
Gross Amount		
Opening provision	(173,806)	(172,516)
Closing provision	147,425	173,806
Movement in provision	<u>(26,381)</u>	<u>1,290</u>
Reinsurance		
Opening provision	39,647	26,203
Closing provision	(29,399)	(39,647)
Movement in provision	<u>10,248</u>	<u>(13,444)</u>
Net claims incurred	<u>52,208</u>	<u>63,456</u>

The claims incurred figure is decreased by £27,153,000 (2012: £18,379,000) 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

	2014	2013
	£,000	£,000
Profit on ordinary activities before taxation	60,213	53,388
UK corporation tax on profits of the period	11,097	12,027
Group relief payable	1,886	-
Adjustments in respect of previous years	-	(3)
Total current tax	<u>12,983</u>	<u>12,024</u>
Deferred tax:		
Effect of rate change	-	(36)
Origination and reversal of timing differences	(226)	406
Adjustments in respect of previous years	1	-
Tax on profit on ordinary activities	<u>12,758</u>	<u>12,394</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 21.49% (2013 – 23.25%), whereas the current tax assessed for the year ended 31 December 2014 as a percentage of profit before tax is 21.56% (2013 – 22.52%). The reasons for this difference are explained below:

	2014	2013
	£,000	£,000
Profit on ordinary activities before taxation	60,213	53,388
Standard rate of Corporation Tax of 21.49% (2013: 23.25)	12,941	12,412
Capital allowances in the year in excess of depreciation	(4)	(34)
Expenses not deductible for tax purposes	6	18
Timing differences	-	(369)
	<u>12,943</u>	<u>12,027</u>
UK corporation tax charge for the year		
Adjustments in respect of previous years	40	(3)
Current tax charge in the year	<u>12,983</u>	<u>12,024</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:

	2014	2013
	£,000	£,000
Dividend paid on ordinary shares	75,635	21,615

9) Investments - Group

	Current Value		Historical Cost	
	2014	2013	2014	2013
	£,000	£,000	£,000	£,000
Land and buildings				
Property occupied by the group, freehold	1,750	1,550	1,950	1,950
Other investment property, freehold	-	1,750	4,500	4,500
Total land and buildings	<u>1,750</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	82,283	196,628	85,000	202,098
UK Government gilts, one to five years to maturity	59,821	-	59,982	-
UK corporate bonds, less than one year to maturity	-	476	-	486
UK corporate bonds, one to five years to maturity	1,135	1,141	954	954
	<u>143,239</u>	<u>198,245</u>	<u>145,936</u>	<u>203,538</u>
UK Liquidity Funds	60,000	50,000	60,000	50,000
Total investments	<u>204,989</u>	<u>251,545</u>	<u>212,386</u>	<u>259,988</u>

The currently held investment property was valued at existing use value of £1.75 million on 8 October 2014 by Hughes Ellard Limited. During the year one investment property was sold, realising a profit of £1.1 million.

Binomial Group Limited

Notes to the Accounts (continued)

10) Investments - Company

	Net Book Value		Historical Cost	
	2014	2013	2014	2013
	£,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 (2013: £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	
	2014	2013	2014	2013
	£,000	£,000	£,000	£,000
Amounts due from group undertakings	-	-	7	530
Deferred tax asset	15	-	-	-
Other debtors	140	81	-	-
	<u>155</u>	<u>81</u>	<u>7</u>	<u>530</u>

12) Tangible assets

	Fixtures & fittings £,000	Computer equipment £,000	Total £,000
Cost			
At 1 January 2014	495	1,492	1,987
Additions	12	120	132
Disposals	-	-	-
At 31 December 2014	<u>507</u>	<u>1,612</u>	<u>2,119</u>
Depreciation			
At 1 January 2014	426	813	1,239
Charge	26	221	247
Disposals	-	-	-
At 31 December 2014	<u>452</u>	<u>1,034</u>	<u>1,486</u>
Net book value			
At 31 December 2014	<u>55</u>	<u>578</u>	<u>633</u>
At 31 December 2013	<u>69</u>	<u>679</u>	<u>748</u>

13) Share capital

	2014 £,000	2013 £,000
Authorised:		
20,000,000 (2013: 20,000,000) ordinary shares of £1 each	<u>162</u>	<u>162</u>
Allotted, issued and fully paid:		
20,000,000 (2013: 20,000,000) 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 2014	253	73,989	253	19,466
Profit for the year	-	47,454	-	69,442
Dividends paid	-	(75,635)	-	(75,635)
At 31 December 2014	253	45,807	253	13,273

15) Reconciliation of movements in shareholders' funds

	Group		Company	
	2014	2013	2014	2013
	£,000	£,000	£,000	£,000
Opening shareholders' funds	74,404	55,025	19,881	21,431
Profit for the year	47,454	40,994	69,442	20,065
Dividends paid	(75,635)	(21,615)	(75,635)	(21,615)
Closing shareholders' funds	46,222	74,404	13,688	19,881

16) Deferred taxation

The Corporation Tax rate has been reduced to 21% with effect from 1 April 2014 and 20% from 1 April 2015. As the 20% rate had been substantively enacted at the Balance Sheet date this rate has been applied in the measurement of the Company's deferred tax assets and liabilities as at 31 December 2014.

The movement on the deferred tax (asset)/liability during the year was:

	2014	2013
	£,000	£,000
Liability/(asset) brought forward	211	(157)
Increase/(decrease) in asset	(226)	368
(Asset)/liability carried forward	(15)	211

The deferred tax (asset)/liability consists of the tax effect of timing differences in respect of:

	Group		Company	
	2014	2013	2014	2013
	£,000	£,000	£,000	£,000
Accelerated capital allowances	5	231	-	-
Other timing differences	(20)	(20)	-	-
	(15)	211	-	-

17) Other creditors: Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£,000	£,000	£,000	£,000
Other taxation and social security	2,185	1,738	-	-
Payable to parent company	1,886	-	-	-
Other creditors	108	3,947	1	3,823
Deferred tax provision	-	211	-	-
Corporation tax	5,136	6,214	-	-
	9,315	12,110	1	3,823

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 £9,765,580 (2013: £9,765,580) has been accrued (included in "creditors arising out of reinsurance operations"). 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

The immediate parent company is Barb BidCo Limited (registered office 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.