SABRE INSURANCE GROUP PLC

Sabre delivers strong results, in line with expectations

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading private motor insurance underwriters, reports its full year results for the year ended 31 December 2017.

Financial highlights

	2017	**2016**
Gross written premium	£210.7m	£196.6m
Net loss ratio	46.5%	47.7%
Expense ratio	22.0%	21.6%
Combined operating ratio	68.5%	69.3%
Underwriting profit	£59.0m	£55.9m
Adjusted profit after tax	£53.3m	£53.9m
Solvency coverage ratio	160%	128%
Return on opening SCR	92.1%	93.2%
Return on tangible equity	81.8%	96.3%

- Continued focus on underwriting discipline which led to an improvement in our combined operating ratio of 68.5% (FY 2016: 69.3%)
- Loss ratio decreased to 46.5% (FY 2016: 47.7%) benefitting from continued positive prior year claims experience and continued cautious pricing strategy in 2017
- Expense ratio stable at 22.0% (FY 2016: 21.6%) reflecting the Group's tight control of costs and variable cost base
- Underwriting profit [(1)] increased by 5.5% to £59.0m (FY 2016: £55.9m)
- Adjusted profit after tax of £53.3m (FY 2016: £53.9m), and EPS of 14.5p (FY 2016: 17.0p), with £0.7m of investment losses compared to a gain of £3.5m in prior year
- Delivered strong returns, with return on opening SCR of 92.1% (FY 2016: 93.2%) and return on tangible equity of 81.8% (FY 2016: 96.3%)
- Strong organic capital generation resulting in a solvency coverage ratio of 160% (FY 2016: 128%), at the top end of our 140%-160% target range
- Controlled growth in GWP of 7.2% to £210.7m (FY 2016: £196.6m)

Operational highlights

- Completed successful main market IPO in December 2017
- High levels of service and support delivered to our customers and brokers throughout the year
- Appointment of a strong PLC board to complement the experienced executive and operational management team
- Direct websites re-designed to improve customer journey and sales conversion
- Progressed the transition to a new hybrid cloud IT infrastructure, due to complete in mid-2018
- Maintained high levels of staff retention, with staff employed at IPO now shareholders in the business

Note (1): Underwriting profit is calculated as net earned premium less net insurance claims and total expenses

Geoff Carter, Chief Executive Officer of Sabre, said:

"I am pleased to be announcing that Sabre delivered a strong financial and operational performance in 2017 as we present our first set of results as a listed company."

"Sabre has a number of competitive advantages which have contributed to this success. Our strong underwriting capability underpinned by our expert analysis and unique data set based on over 15 years' of experience provides us with an unrivalled ability to price risk across the risk spectrums. This, together with our diversified multi-channel distribution network and strong claims management expertise, has been key to driving our strong financial performance in 2017 including delivering a combined operating ratio of 68.5%."

"I would like to thank all of our people for their contributions to the business in what has been a transformational year for Sabre. Our successful IPO allows us to continue to build on our competitive strengths and we look to the future with confidence and excitement, focused on delivering long-term value to all of our stakeholders."

Dial in details and webcast:

The Group will host an update webcast for investors and analysts at 8:30am GMT on 22 March 2018, link to webcast: https://3xscreen.videosync.fi/2018-03-22-sabre-insurance/.

Dial-in: United Kingdom: +44 20 3713 5011, Access code: 492-915-541

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014

The annual report will shortly be available for inspection via the National Storage Mechanism at morningstar.co.uk/uk/NSM and also on the sabre website www.sabreplc.co.uk/investors

Forward looking statements

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect Sabre's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Sabre's business, results of operations, financial position, prospects, growth or strategies and the industry in which it operates.

Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. Save as required by law or regulation, Sabre disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

Media enquiries:

Tulchan Communications
James Macey-White & Michelle Clarke 0207 353 4200
Sabre@tulchangroup.com

For investor enquiries:

Geoff Carter & Adam Westwood 0330 024 4696
adam.westwood@sabre.co.uk

CHIEF EXECUTIVE'S BUSINESS REVIEW

I am pleased to present my first Chief Executive's review following our successful listing on the Main Market of the London Stock Exchange in December 2017. The support we received from a wide range of high quality investors is testament to the strength of our business, the wider Sabre team, and our prospects going forward. I would like to welcome our new shareholders. I am also pleased to announce another strong financial and operational performance driven both by underwriting discipline and our competitive strengths. Reporting such a strong business performance while also completing a successful IPO is testament to the strength of the Sabre team and a great achievement.

Strategic progress and focus

Our strategy has been consistent for many years – we focus on underwriting private motor insurance in the UK, and our success is underpinned by several core trading principles:

- Maintaining market leading underwriting performance through a disciplined and actuarially driven pricing strategy
- Expanding our extensive and proprietary dataset combined with investment in data enrichment
- Maintaining a broad underwriting footprint with unique business model biased toward the specialist, higher premium segments
- Utilising our robust and effective claims management function to ensure a firm but fair approach to claims
- Effectively leveraging our diversified, multi-channel distribution network
- Targeting controlled attractive growth across the cycle whilst maintaining our underwriting discipline

- Using our streamlined operating model to efficiently control expenses
- Ensuring a prudent case and a consistent portfolio reserving approach
- Maintaining a conservative approach to risk management through the use of reinsurance, a simple and low risk investment strategy and prudent solvency coverage ratio.

These principles have been used to inform our key performance indicators ('KPIs'), the most important of which is our combined operating ratio which reflects the strength of our underwriting capabilities. We will report on these KPIs regularly and see these as the means by which our success and progress should be judged.

We are agnostic about the mix of business that we underwrite and the proportion of business from each distribution channel, although we have traditionally attracted policies from the higher average premium segment than the more mainstream motor insurers.

We believe that our extensive and proprietary data set which stretches back 15 years, our sophisticated pricing model and our analytical skills provide ample opportunity to deliver controlled growth across the cycle within our current market. Any expansion in our product offering over the medium term would be complementary to the business we already write and supplement the strong profitability and shareholder returns we achieve in our core activities.

In summary, we generate high quality profitability through our disciplined, actuarially-driven underwriting strategy. This, combined with a focus on operating efficiencies, means we continually deliver strong organic capital generation, underpinning our sustainable dividend policy across the cycle.

Performance in 2017

Our key focus is the profitability of the business that we underwrite. This was positive in 2017 with a loss ratio of 46.5% and combined operating ratio of 68.5%. Our strong cost discipline across the organization resulted in an expense ratio of 22.0%, including distribution costs.

We saw an increase in GWP of 7.2% to a total of £210.7m with strong contributions from both our broker channel and direct brands with little additional marketing expenditure.

At our IPO we announced our intention to operate within a solvency coverage ratio range of 140% to 160%. Given this, it is pleasing to report that at year end our solvency position was 160%, evidence of our strong balance sheet, organic surplus capital generation and conservative approach to risk management.

Our people

I would like to pay tribute to our people. Sabre benefits from an incredibly talented, long serving and committed workforce. Many people have stepped up to ensure the business continued to perform very strongly as the directors led the IPO process.

Given this, we were delighted to be able to reward all staff employed at the point of listing with share awards. All staff received at least £3,600, with significant additional awards based on years of service.

On behalf of all the staff I would also like to thank Keith Morris and Angus Ball, the two founders of the modern Sabre. They established a unique and exceptionally successful strategy and culture that the management team have maintained and intend to evolve in conjunction with our new board.

Life as a listed company

Looking to the years ahead I would like to reiterate our strategic focus which will guide everything we do. Sabre has historically delivered strong returns for our shareholders. Those returns have been the direct result of our business having underwriting discipline and a streamlined operating model, giving us confidence we can continue to deliver our targeted payout ratio of 70% going forward, with additional distributions of surplus capital to maintain our solvency coverage ratio within our target range.

The IPO in December allows us to continue to build on our competitive advantages with absolute consistency in our strategy and a more diverse shareholder base. That is why we are confident we can continue to deliver attractive and consistent returns regardless of the market environment.

We are confident that Sabre will prove to be an attractive investment as we focus on ensuring our activities continue to deliver long-term shareholder value.

Outlook

The Group has delivered a strong financial performance in 2017 and remains focused on its core principles of market leading underwriting performance and delivering attractive returns. Whilst our strategy seeks to deliver controlled growth across the cycle, we will not drive short term growth at the expense of underwriting profitability or shareholder returns.

The impact of the Ogden rate uncertainty and industry-wide reductions in personal injury frequency resulted in competitive pricing pressure in the last few weeks in 2017 and this continued into the first two months of this year, resulting in a modest reduction in premium income relative to the equivalent period last year. However, we have since taken pricing actions, reflecting the reductions in personal injury frequency, and as a result in recent weeks, we have seen premium income come back to the run rate seen in the same period in 2017. Throughout the period we have continued to focus on our high quality underwriting performance, ensuring that new business is written in line with a combined operating ratio consistent with our historical average.

Looking into the rest of 2018, we are confident that our focus on our core principles will continue to deliver a strong underwriting performance with a combined operating ratio in line with, or better than, our historical average. This will allow us to continue to strengthen our capital position even further, and underpins our confidence in delivering an attractive dividend in 2018, per our stated policy.

CHIEF FINANCIAL OFFICER'S REVIEW

Highlights

	2017	2016
Gross written premium	£210.7m	£196.6m
Net loss ratio	46.5%	47.7%
Combined operating ratio	68.5%	69.3%
Underwriting profit	£59.0m	£55.9m
Adjusted profit after tax	£53.3m	£53.9m
Profit after tax	£45.3m	£52.3m
Solvency coverage ratio	160%	128%
Return on opening SCR	92.1%	93.2%
Return on tangible equity	81.8%	96.3%

The Group's operations continued to achieve strong profitability in 2017, reporting a combined operating ratio for the year of 68.5%. Premium grew in-line with expectation during 2017, with favourable market conditions allowing for an increase in written premium while holding a consistent loss ratio on business written. This allowed us to grow our underwriting profit to £59.0m, from £55.9m in 2016. Adjusted profit before tax was adversely affected by investment losses of £0.7m on the Group's portfolio of UK Government bonds, compared to a gain of £3.5m in 2016. Group profit after tax in 2017 includes £7.5m cost related to the corporate transaction activity carried out during the year.

The Directors have not proposed a final dividend for 2017, in line with the dividend strategy set out in the Group's prospectus at the time of IPO. Further, the Group did not pay an interim dividend in November 2017. As such, the Group carries significant excess capital, over its Solvency Capital Requirement, into 2018.

The Group has introduced Return on Tangible Equity ("ROTE") as a key performance indicator, as it provides a measure of the efficiency with which the Group utilises its available resources. The Group's ROTE reduced to 81.8% at 31 December 2017 from 96.3% at 31 December 2016, primarily due to the Group's decision to increase the minimum level of excess capital it holds over its Solvency Capital Requirement ("SCR").

Revenue

	2017	2016
Gross earned premium	£203.1m	£191.8m
Net earned premium	£186.9m	£182.1m
Other technical income	£1.9m	£2.2m
Customer instalment income	£3.8m	£3.4m
Investment return	(£0.7m)	£3.5m

The Group saw an increase in gross written premium of 7.2% in 2017, across both the broker and direct channels. Despite increasing reinsurance costs resulting primarily from the Ogden rate change in February 2017, net earned premium also increased by 2.6%. Other technical income continues to generate a small contribution to profit, down on 2016 primarily due to a one-off credit in the prior year. As the Group operates a primarily broker-based business, it does not expect to generate significant non-premium income. Investment return was below that recorded in 2016, down by £4.2m. The Group invests almost exclusively in UK Government bonds. It generally holds these investments to maturity, therefore any market value movements, which can generate in-year gains and losses, are unwound as the bonds regress towards par value. In 2016, there was a significant increase in the market value of low-risk investment bonds following the UK's vote to leave the European Union. In 2017, bond values decreased, possibly due to the increase in the official rate of interest in November.

Operating Expenditure

	2017	2016
Net claims incurred	£86.9m	£86.8m
Current-year loss ratio	57.0%	57.6%
Financial year loss ratio	46.5%	47.7%
Net operating expenses	£41.0m	£39.4m
Expense ratio	22.0%	21.6%
Combined operating ratio	68.5%	69.3%

Net claims incurred and net operating expenses are presented after reclassifying £6.0m (FY 2016: £5.9m) of claims expenses from net claims incurred into operating expenses. Net claims incurred were reflective of the Group's strong underwriting performance achieved in 2017. The loss ratio benefitted from continued positive development on prior-year claims and cautious pricing in advance of the Group's reinsurance renewal. In line with prior years and the Group's expectation, the current accident-year loss ratio continues to exceed the Group's expected ultimate loss ratio and the actual financial-year loss ratio, reflective of the reserve held against relatively uncertain current-year claims. Net operating expenses reflect a stable expense ratio over the year, with the Group having maintained a tight control of costs and favouring variable cost bases through outsourcing operations, which are heavily volume-dependent.

Taxation

In 2017 the Group paid £10.2m in corporation tax, an effective tax rate of 18.3%, as compared to an effective tax rate of 17.6% in 2016. The effective tax rate charged to the Group is slightly below the prevailing UK corporation tax due to a deductible interest expense incurred by the Group prior to IPO. Post-IPO, the Group structure has been simplified such that no such interest expense is incurred and as such the effective tax rate should revert to the marginal rate of UK corporation tax.

Earnings per Share

	2017	2016
Basic earnings per share	14.5p	17.0p
Diluted earnings per share	14.5p	17.0p

Basic and diluted Earnings per share for 2017 is 14.5 pence compared to 17.0 pence for 2016. This reduction is primarily a result of the one-off costs in 2017 associated with the corporate transaction. Adjusted earnings per share, which excludes these adjusting items, is 17.5 pence, which better reflects the earnings generated by the underlying core business.

Cash and Investments

	2017	2016
UK Government bonds	£243.5m	£233.7m
Corporate bonds	£0.5m	£0.6m
Cash and cash equivalents	£34.4m	£10.5m

The Group continues to hold a low-risk investment portfolio and cash reserves sufficient to meet its future claims liabilities. The increase in cash and financial investments against the previous year is the result of the decision to increase the level of solvency capital held on an ongoing basis to 140% to 160% and the payment of an interim dividend in November 2016, whereas no interim dividend was paid in November 2017.

Insurance liabilities

	2017	2016
Gross insurance liabilities	£242.4m	£182.9m
Reinsurers' share of insurance liabilities	£103.0m	£46.8m
Net insurance liabilities	£139.4m	£136.2m

The Group's net insurance liabilities continue to reflect the underlying profitability and volume of business written. There was a significant increase in gross insurance liabilities in 2017, driven primarily by a small number of large claims. As the Group holds excess-of-loss reinsurance contracts across its entire book at an excess of £1.0m, the majority of these claims were absorbed by the reinsurance market, which drove the 120.1% increase in the reinsurers' share of insurance liabilities.

Leverage

The Group continues to hold no external debt. All of the Group's capital is considered 'Tier 1' under Solvency II. The Directors continue to hold the view that this currently allows the greatest operational flexibility for the Group.

Dividends

The Group paid £31.7m to shareholders as dividends in 2017 and £55.9m in 2016. In both years, the Group operated a policy to pay out all excess capital over the Solvency Capital Requirement plus a suitable buffer. However, in 2017 the last such dividend was in July, as compared to November in 2016, hence the lower overall dividend in 2017. This allowed the Group to build significant excess capital prior-to IPO. Dividend policy post-IPO is to pay out an ordinary dividend of 70% of profit after tax, subject to a preferred operating window of 140% to 160% of excess Solvency II net assets. The Group will consider passing excess capital to shareholders by way of a special dividend.

Calculation of Key Performance Indicators

Gross Written Premium
The Group's GWP comprises all premiums in respect of policies underwritten in a particular financial period regardless of whether such policies relate in whole or in part to a future financial period. The ability to underwrite policies and generate premium is a key measure of the Group's implementation of its strategy, and the Directors believe this measure is an appropriate quantification of how successful the Group is at achieving its strategy.

Loss Ratio
Loss ratio measures net insurance claims (2017: £92,912k, 2016: £92,721k), less claims handling expenses (2017: £6,044k, 2016: £5,878k), relative to net earned premium (2017: £186,866k, 2016: £182,107k, expressed as a percentage.

Expense Ratio
The Group's expense ratio is a measure of total expenses (which comprises commission expenses and operating expenses) (2017: £34,994k, 2016: £33,488k), plus claims handling expenses (2017: £6,044k, 2016: £5,878k), relative to NEP, (2017: £186,866k, 2016: £182,107k) expressed as a percentage.

Combined Operating Ratio
The Group's combined ratio is the ratio of total expenses (which comprises commission expenses and operating expenses) (2017: £34,994k, 2016: £33,488k), plus net insurance claims (2017: £92,912k, 2016: £92,721k) relative to NEP, (2017: £186,866k, 2016: £182,107k), expressed as a percentage.

Adjusted Profit After Tax
The Group's adjusted profit after tax measures profit from operations, net of tax (2017: £45,343k, 2016: £52,293k), adjusted to offset the effect of amortisation of intangible assets (2017: £887k, 2016: £1,619k) and exceptional expenses excluding tax (2017: £7,058k, 2016: £0) which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions).

	£'k
Profit after tax	45,343
Add:	
Amortisation of intangible assets	887
Exceptional items	7,542
Tax on exceptional items	(484)
Adjusted profit after tax	53,288

Solvency Coverage Ratio
The Group is required to maintain regulatory capital at least equal to its SCR. The SCR is calculated based upon the risks presented by the Group's operations and the various elements of its balance sheet. The Group's solvency coverage ratio is the ratio of the Group's regulatory capital in a particular period (2017: £97,873k. 2016: £74,283k) to its SCR (2017: £61,087k, 2016: £57,852k) for the same period, expressed as a percentage.

Return on Tangible Equity
The ability to generate profits while maintaining capital at an appropriate level is an important part of the Group's strategy, and the Directors believe that Return on Tangible Equity is an appropriate quantification of how successful the Group is in achieving this strategy. Return on Tangible Equity is measured as the ratio of the Group's adjusted profit after tax to its average tangible equity over the financial year (2017: £65,181k, 2016: £55,981k), expressed as a percentage.

	2017 (£'k)	**2016 (£'k)**	**2015 (£'k)**
IFRS net assets	231,993	212,816	216,099
Intangible assets	156,279	156,279	156,279
Goodwill	501	1,388	3,007
Tangible equity	75,213	55,149	56,813
Average tangible equity	**65,181**	**55,981**	

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	**2017** **£'k**	2016 £'k
Gross earned premium	4	**203,139**	191,773
Reinsurance premium ceded	4	**(16,273)**	(9,666)
Net earned premium		**186,866**	182,107
Investment return	5	**(749)**	3,478
Instalment income		**3,837**	3,433
Other operating income	6	**1,893**	2,242
Total income		**191,847**	191,260
Insurance claims	7	**(151,456)**	(112,245)
Insurance claims recoverable from reinsurers	7	**58,544**	19,524
Net insurance claims		**(92,912)**	(92,721)
Commission expenses		**(16,884)**	(16,349)
Operating expenses	8	**(18,110)**	(17,139)
Total expenses		**(34,994)**	(33,488)
Operating profit before exceptional items and amortisation of intangible assets		**63,941**	65,051
Exceptional items	9	**(7,542)**	–
Amortisation of intangible assets		**(887)**	(1,619)
Profit before tax		**55,512**	63,432
Tax charge	10	**(10,169)**	(11,139)
Profit for the year attributable to the owners of the Company		**45,343**	52,293
Other comprehensive Income			
Total other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to the owners of the Company		**45,343**	52,293
Basic earnings per share (pence per share)		**14.50**	16.99
Diluted earnings per share (pence per share)		**14.50**	16.99

The attached notes form an integral part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 £'k	2016 £'k
Assets			
Goodwill	22	**156,279**	156,279
Intangible assets	23	**501**	1,388
Property, plant and equipment	14	**3,874**	4,034
Reinsurance assets	15	**110,488**	51,529
Deferred tax assets	12	**20**	–
Deferred acquisition costs	16	**14,673**	14,028
Insurance and other receivables	17	**38,808**	37,042
Prepayments, accrued income and other assets	18	**2,854**	2,166
Financial investments	19	**244,031**	234,290
Cash and cash equivalents	20	**34,425**	10,492
Total assets		**605,953**	511,248
Equity			
Issued ordinary share capital	21	**249**	45,396
Issued preference share capital		**–**	202,719
Share premium account		**205,241**	–
Own shares		**1**	–
Merger reserve		**48,404**	–
Retained earnings		**(21,902)**	(35,299)
Total equity		**231,993**	212,816
Liabilities			
Insurance liabilities	24	**242,388**	182,941
Unearned premium reserve	24	**105,122**	97,525
Trade and other payables including insurance payables	25	**15,876**	9,108
Deferred tax liabilities	12	**–**	5
Current tax liabilities	11	**907**	3,077
Accruals	26	**9,667**	5,776
Total liabilities		**373,960**	298,432
Total equity and liabilities		**605,953**	511,248

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2018.

Signed on behalf of the Board of Directors by:

Adam Westwood
Director

Consolidated Statement of Cash Flows
for the year ended December 2017

	Notes	2017 £'k	2016 £'k
Net cash generated from operating activities before investment of insurance assets		**60,666**	49,816
Cash used by investment of insurance assets		**(10,490)**	(52,813)
Net cash generated from/(used by) operating activities	29	**50,176**	(2,997)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(77)**	(1,775)
Net cash used by investing activities		**(77)**	(1,775)
Cash flows from financing activities			
Issue of ordinary share capital		**205,333**	532
Redemption of preference shares		**(202,719)**	–
Redemption of ordinary share capital		**–**	(200)
Corporate reorganisation		**2,916**	–
Dividends paid		**(31,696)**	(55,908)
Net cash used by financing activities		**(26,166)**	(55,576)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**10,492**	70,840
Net increase/(decrease) in cash and cash equivalents		**23,933**	(60,348)
Cash and cash equivalents at the end of the year		**34,425**	10,492

Consolidated Statement of Changes in Equity
for the year ended December 2017

	Notes	Ordinary Shareholder Equity £'k	Preference share capital £'k	Share premium account £'k	Own shares £'k	Merger reserve £'k	Retained earnings £'k	Total equity £'k
Balance at 1 January 2016		**45,064**	**202,719**	**–**	**–**	**–**	**(31,684)**	**216,099**
Profit for the year		–	–	–	–	–	52,293	52,293
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	52,293	52,293
Shares issued		532	–	–	–	–	–	532
Shares redeemed		(200)	–	–	–	–	–	(200)
Dividends		–	–	–	–	–	(55,908)	(55,908)
Balance at 31 December 2016		**45,396**	**202,719**	**–**	**–**	**–**	**(35,299)**	**212,816**
Profit for the year		–	–	–	–	–	45,343	45,343
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	45,343	45,343
Establishment of Sabre Insurance Group plc	28	250	–	–	–	–	(250)	–
Dividends	13	–	–	–	–	–	(31,696)	(31,696)
Corporate reorganisation	28	(45,397)	(202,719)	205,241	1	48,404	–	5,530
Balance at 31 December 2017		**249**	**–**	**205,241**	**1**	**48,404**	**(21,902)**	**231,993**

Corporate information

Sabre Insurance Group plc is a company incorporated in England and Wales. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England. The nature of the Group's operations is the writing of general insurance for motor vehicles. The Company's principal activity is that of a holding company. All of the Company's subsidiaries are located within the United Kingdom, and share a registered office with the Company, with the exception of Barbados TopCo Limited, which is located in Guernsey, registered office Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY.

1. Accounting policies

1.1 Corporate reorganisation

Sabre Insurance Group plc was incorporated as a limited company on 21 September 2017. On 11 December 2017, Sabre Insurance Group plc acquired the entire share capital of the former ultimate holding company of the Group, Barbados TopCo Limited. Sabre Insurance Group plc was introduced as a new parent to the Sabre Insurance Group by the principal investors who were the same before and after the reorganisation.

Sabre Insurance Group plc's ordinary shares were admitted to trading on the London Stock Exchange on 11 December 2017. On the basis that the transaction was effected by creating a new parent that is itself not a business, the transaction is considered to be outside the scope of IFRS 3 Business Combinations. It has therefore been accounted for using the pooling of interest method as a continuation of the existing Group. The result is that the Consolidated Financial Statements of Sabre Insurance Group plc are the same as those previously presented by Barbados TopCo Limited, except for the share capital being that of Sabre Insurance Group plc.

1.2 Basis of preparation

These financial statements present the Sabre Insurance Group plc group financial statements for the year ended 31 December 2017, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, as well as the comparatives.

The financial statements of the Group have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRSs), 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.

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

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 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.

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.

1.3 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) Insurance liabilities

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 incurred but not reported ("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 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 and 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 consolidated statement of comprehensive income. Claims provisions are not discounted, with the exception of PPOs (periodic payment orders), 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 consolidated statement of comprehensive income 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 / (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 Company 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

Listed securities and equities at market bid price at the date of the statement of financial position less accrued interest where applicable.

Financial investments are classified according to their nature and use. All financial investments held by the Company are classified as being held at fair value through the statement of comprehensive income. While it is the Company's intention to hold the bonds within its portfolio to maturity, the Company recognises that certain assets may be sold in the normal course of business in order to enhance short-term liquidity. The Company 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 five years, the estimated useful economic lives of the assets on a straight line basis. Depreciation is charged to the consolidated statement of comprehensive income and is included in administrative expenses. Owner-occupied property is held at fair value, with subsequent revaluation gains taken through other comprehensive income. A fair value assessment of the owner-occupied property is undertaken at each reporting date with any material changes in fair value recognised. Owner-occupied property is also revalued by an external qualified surveyor, at least every three years.

(i) Goodwill

Goodwill only arises upon a business combination and is initially measured as the residual cost of the business combination after recognising the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

1. Accounting policies continued

(j) Intangible assets

Acquired businesses are reviewed to identify assets that meet the definition of an intangible asset in accordance with IAS 38 'Intangible Assets'. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful economic lives of intangibles assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets relating to customer relationships are amortised over a five-year period.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

(k) Pensions

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

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

Contributions to defined contribution schemes are recognised in the consolidated statement of comprehensive income in the period in which they become payable.

(l) 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.

(m) 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 statement of comprehensive income.

(n) 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 date of the financial position.

(o) 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 using the effective interest method.

(p) Other operating income

Other operating income consists of marketing fees, commissions resulting from the sale of ancillary products connected to the Group's direct business, and other non-insurance income such as administrative fees charged on 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.

(q) Basis of consolidation

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are entities over which the Group has control. Subsidiary companies are consolidated using the acquisition method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases. In preparing these consolidated financial statements, any intra-group balances, unrealised gains and losses or income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

(r) Share-based payments
The fair value of equity instruments granted under share-based payment plans are recognised as an expense and spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date, excluding the impact of any non-market vesting conditions. At the date of each statement of financial position, the Group revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

(s) Earnings per share
Basic earnings per share are calculated by dividing profit after tax attributable to equity shareholders of the parent company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share requires that the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These arise from awards made under share-based incentive schemes. Share awards with performance conditions attaching to them are not considered to be dilutive unless these conditions have been met at the reporting date. Shares held in employee share trusts are excluded from the weighted average number of shares in issue until they have vested unconditionally with the employees.

1.4 New standards, amendments and interpretations not yet effective and not early adopted
At the date of authorisation of these financial statements, the following standards and interpretations were assessed to be relevant and are effective for annual periods beginning on or after 1 January 2018:

Description	Effective date (period beginning)
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 9 Financial Instruments	1 January 2021 (Deferred elected)
IFRS 17 Insurance Contracts	1 January 2021

The Group intends to adopt the standards and interpretations in the reporting period when they become effective. The Board does not anticipate that the adoption of these standards and interpretations in future periods will materially impact the Group's financial results in the period of initial application although there will be revised presentations to the financial statements and additional disclosures.

The Group has not early adopted these standards and their impact is yet to be fully assessed. However, based on the Directors' current assessment, the impact is not expected to be significant. IFRS 17 was released in May 2017; therefore the Directors are yet to assess the implications of this standard on the subsequent financial reporting of the Group.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 and which was endorsed by the EU in 2016. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and is effective for annual periods beginning on or after 1 January 2018. The Board does not anticipate that the introduction of this standard would have a material impact on the Group's financial results. In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the adoption of IFRS 17, the forthcoming accounting standard for insurance contracts. The amendments to IFRS 4 include a deferral approach that provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until 1 January 2021. The Group is eligible to apply the deferral approach. The Group expects to take advantage of this deferral approach and delay its adoption of IFRS 9 until 1 January 2021 to align with the effective date of IFRS 17 as introduced by the amendments to IFRS 4 Insurance Contracts.

IFRS 17 Insurance Contracts
The effective date for IFRS 17 is 1 January 2021. Following the issuance of the full and final version of IFRS 17, the Group plans to perform a detailed impact assessment of the implementation of IFRS 17 and IFRS 9 on its results, financial position and cash flows during 2018.

IFRS 16 Leases
IFRS 16 is effective for periods beginning on or after 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This is in contrast to the current standard which differentiates between operating and finance leases. The Group's current analysis is that this will not have a material impact on the Group's results.

IFRS 15 Revenue from Contract with Customers
IFRS 15 is effective for periods beginning on or after 1 January 2018. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group's current analysis is that this will not have a material impact on the Group's results.

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 £242,388k (2016: £182,941k).

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 two PPOs 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 Group has sufficient funds to meet its liabilities as they fall due. The Group carries out detailed modelling of its assets and liabilities and the key risks to which these are exposed. This modelling includes the Group's own assessment of its capital requirements for solvency purposes. Prior to 1 January 2016 the assessment was submitted to the PRA as the Individual Capital Assessment ("ICA"). The ICA quantified the insurance market, counterparty, liquidity and operational risk within the Group.

From 1 January 2016, the Group has managed its solvency with reference to the Solvency Capital Requirement ("SCR") calculated using the Standard Formula. The Group 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 Sabre Insurance Company Limited managed its capital position on both a Solvency II basis and on the previous regulatory basis. From 1 January 2016, the Group 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 2017, the Company holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

	As at 31 December 2017 £'k	As at 31 December 2016 £'k
Equity		
Ordinary share capital	249	45,396
Preference share capital	–	202,719
Share premium	205,241	–
Own shares	1	–
Merger reserve	48,404	–
Retained earnings	(21,902)	(35,299)
Total	**231,993**	**212,816**

The Solvency II position of the Group is given below:

	As at 31 December 2017 £'k	As at 31 December 2016 £'k
Total tier 1 capital	**97,873**	74,283
SCR	**61,087**	57,852
Excess capital	**36,786**	16,431
Solvency coverage ratio (%)	**160%**	128%

The following table sets out a reconciliation between IFRS net assets and Solvency II net assets:

	As at 31 December 2017 £'k	As at 31 December 2016 £'k
Adjusted IFRS net assets	**75,213**	**54,638**
Unearned premium reserve	105,122	97,525
Deferred acquisition costs	(14,673)	(14,028)
Solvency II premium provision	(68,199)	(63,562)
IFRS risk margin (1)	12,389	12,004
Discount claims provision	1,822	1,604
Solvency II risk margin	(8,486)	(8,987)
Change in deferred tax	(5,315)	(4,911)
Solvency II net assets	**97,873**	**74,283**

(1) In line with industry practice, the IFRS risk margin is an explicit additional reserve in excess of the actuarial best estimate which is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims.

The adjustments set out above have been made for the following reasons:

- **Adjusted IFRS net assets:** Equals Group net assets on an IFRS basis, less goodwill and intangibles.
- **Removal of unearned premium reserve and deferred acquisition costs:** The unearned premium reserve must be added back as premium and deferred acquisition costs must be removed as they are not deferred under Solvency II.
- **Solvency II premium provision:** A premium reserve reflecting the future cash in and outflows in respect of insurance contracts is calculated and this must be discounted under Solvency II.
- **IFRS risk margin:** Solvency II reserves must reflect a true "best estimate" basis. Therefore, the IFRS risk margin is removed from the claims reserve.
- **Discount claims provision:** The provision held against future claims expenditure for claims incurred is discounted in the same way as the Solvency II premium provision.
- **Solvency II risk margin:** The Solvency II risk margin represents the premium that would be required were the Group to transfer its technical provisions to a third party, and essentially reflects the SCR required to cover run-off of claims on existing business. This amount is calculated by the Group through modelling the discounted SCR on a projected future balance sheet for each year of claims run-off.
- **Change in deferred tax:** As the move to a Solvency II basis balance sheet increases the net asset position of the Group, a deferred tax liability is generated to offset the increase.

The Group's SCR, expressed on a risk module basis, is set out in the following table:

	As at 31 December 2017 £'k	As at 31 December 2016 £'k
Interest rate risk	**1,482**	495
Equity risk	**–**	–
Property risk	**859**	859
Spread risk	**88**	94
Currency risk	**204**	185
Concentration risk	**–**	–
Correlation impact	**(815)**	(519)
Market risk	**1,818**	1,114
Counterparty risk	**3,306**	1,444
Underwriting risk	**56,860**	56,043
Correlation impact	**(2,982)**	(1,591)
Basic SCR	**59,002**	57,010
Operating risk	**7,400**	5,753
Loss absorbing effect of deferred taxes	**(5,315)**	(4,911)
Total Solvency Capital Requirement	**61,087**	**57,852**

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as a going concern; and
- to maximise the income and capital return to its equity.

The Board monitors and reviews the broad structure of the Group's capital on an ongoing basis. This review includes consideration of the extent to which revenue in excess of that which is required to be distributed should be retained.

The Group's objectives, policies and processes for managing capital have not changed during the historical period.

3. Risk management continued

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 Underwriting

The Group has identified that, in general, recognition from revenue in insurance contracts can be complex. However, given the short-term nature of the Group's policies, this is not a source of material risk to the Group.

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 12 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: one-off occurrence; changes in market factors such as public attitude to claiming: economic conditions; and 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 and a 10% increase in net outstanding claims across all underwriting years, taking into account the impact of an increase in the operational costs associated with handling those claims.

At 31 December	Increase/(decrease) in profit before tax		Increase/(decrease) in total equity	
	2017 £'k	2016 £'k	2017 £'k	2016 £'k
Insurance risk				
Impact of a 10% increase in loss ratio	**(13,228)**	(14,078)	**(13,228)**	(14,078)
Impact of a 10% increase in net outstanding claims and claims provision	**(11,511)**	(13,616)	**(11,511)**	(13,616)

3.2.2 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 Company's exposure to credit risk:

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Audit and 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 Company 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.

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

Overdue debt

At 31 December 2017	Neither past due nor impaired £'k	Past due 1-90 days £'k	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
Reinsurance assets	**110,488**	–	–	–	**110,488**
Deferred tax assets	**20**	–	–	–	**20**
Insurance and other receivables	**38,806**	–	2	–	**38,808**
Corporate bonds	**547**	–	–	–	**547**
UK government debt	**243,484**	–	–	–	**243,484**
Cash at bank and in hand	**34,425**	–	–	–	**34,425**
Total	**427,770**	**–**	**2**	**–**	**427,772**

At 31 December 2016	Neither past due nor impaired £'k	Past due 1-90 days £'k	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	**37,019**	–	23	–	**37,042**
Corporate bonds	**576**	–	–	–	**576**
UK government debt	**233,714**	–	–	–	**233,714**
Cash at bank and in hand	**10,492**	–	–	–	**10,492**
Total	**333,330**	–	23	–	**333,353**

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

3. **Risk management** continued

Exposure by credit rating

At 31 December 2017	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	–	83,408	27,080	–	–	–	110,488
Deferred tax assets	–	–	–	–	–	20	20
Insurance and other receivables	–	–	–	–	–	38,511	38,511
Corporate bonds	–	–	–	547	–	–	547
UK government debt	–	243,484	–	–	–	–	243,484
Short-term deposits with credit institutions	–	–	–	–	–	–	–
Cash at bank and in hand	–	6,796	–	27,629	–	–	34,425
Total	**–**	**333,688**	**27,080**	**28,176**	**–**	**38,531**	**427,475**

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	–	–	–	–	–	37,042	37,042
Corporate bonds	–	–	–	576	–	–	576
UK government debt	–	233,714	–	–	–	–	233,714
Cash at bank and in hand	–	4	399	10,089	–	–	10,492
Total	**–**	**272,518**	**13,128**	**10,665**	**–**	**37,042**	**333,353**

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 Company 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 Company's insurance liabilities and supporting assets is given in the tables below.

At 31 December 2017	Total £'k	Within 1 year £'k	1 – 3 years £'k	3 – 5 years £'k	5 – 10 years £'k	Over 10 years £'k
Corporate bonds	547	–	547	–	–	–
UK government debt	243,483	105,951	93,146	34,666	9,720	–
Cash and cash equivalents	34,425	34,425	–	–	–	–
Insurance and other receivables	38,511	38,511	–	–	–	–
Total	**316,966**	**178,887**	**93,693**	**34,666**	**9,720**	**–**

At 31 December 2017	Total £'k	Within 1 year £'k	1 – 3 years £'k	3 – 5 years £'k	5 – 10 years £'k	Over 10 years £'k
Insurance liabilities	299,609	141,001	109,537	43,568	5,503	–
Trade and other payables including insurance payables	19,834	19,834	–	–	–	–
Total	**319,443**	**160,835**	**109,537**	**43,568**	**5,503**	**–**

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	10,492	10,492	–	–	–	–
Insurance and other receivables	37,042	37,042	–	–	–	–
Total	**281,824**	**175,906**	**71,887**	**26,354**	**7,677**	**–**

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	17,961	17,961	–	–	–	–
Total	**254,843**	**121,923**	**86,874**	**32,230**	**12,371**	**1,445**

The above tables include the expected claims on unearned premiums within insurance liabilities. 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 Company 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 Company's portfolio consists primarily of UK government debt, therefore the risk of government default does exist, however the likelihood is extremely remote. The Company continues to monitor the strength and security of these government bonds.

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

At 31 December 2017	Corporate £'k	Sovereign £'k	Total £'k
UK	547	243,484	**244,031**
Total	**547**	**243,484**	**244,031**

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

(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 Company 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 Company'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 profit after tax		Increase/(decrease) in total equity	
At 31 December	2017 £'k	2016 £'k	2017 £'k	2016 £'k
Interest rate				
Impact of a 100 basis point increase in interest rates on financial investments	**(1,984)**	(4,539)	**(1,984)**	(4,539)
Owner-occupied property				
Impact of a 15% decrease in property markets	**(515)**	(515)	**(515)**	(515)

3.2.3 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 Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company 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

	2017 £'k	2016 £'k
Gross earned premium:		
Gross written premium	**210,736**	196,619
Movement in unearned premium reserve	**(7,597)**	(4,846)
	203,139	191,773
Reinsurance premium ceded:		
Premium payable	**(19,017)**	(10,020)
Movement in unearned premium reserve	**2,744**	354
	(16,273)	(9,666)
Total	**186,866**	**182,107**

Information is reported to the chief operating decision makers and the Board on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board. The company provides only one product to clients, which is motor insurance, which is written solely in the UK. The company has no other lines of business, nor does it operate outside of the UK. The Gross Written Premium for the year is £210,736k. Other income are relates to auxiliary products and services, including marketing and administration fees, all relating to the motor insurance business. Refer to note 6. The Group does not have a single client which accounts for more than 10% of revenue.

5. Investment return

	2017 £'k	2016 £'k
Investment income:		
Interest income from debt securities	**4,647**	4,469
Cash and cash equivalent interest income	**7**	182
Investment property income	**–**	3
Investment fees	**(76)**	(50)
	4,578	4,604
Net realised gains/(losses)		
Revaluation loss on investment property	**–**	–
Debt securities at fair value through profit and loss	**(944)**	(3,609)
	(944)	(3,609)
Net unrealised gains/(losses)		
Revaluation loss on investment property	**–**	(515)
Debt securities at fair value through profit and loss	**(4,383)**	2,998
	(4,383)	2,483
Total	**(749)**	**3,478**

6. Other operating income

	2017 £'k	2016 £'k
Marketing fees	**1,040**	955
Fee income from the sale of auxiliary products and services	**131**	134
Other technical income	**–**	300
Administration fees	**722**	853
Total	**1,893**	**2,242**

7. Net insurance claims

	2017			2016		
	Gross £'k	Reinsurance £'k	Net £'k	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	**46,976**	**–**	**46,976**	44,856	–	44,856
Prior accident year claims paid	**45,033**	**(2,328)**	**42,705**	44,712	(3,296)	41,416
Movement in insurance liabilities	**59,447**	**(56,216)**	**3,231**	22,677	(16,228)	6,449
Total	**151,456**	**(58,544)**	**92,912**	**112,245**	**(19,524)**	**92,721**

Claims handling expenses for the year ended 31 December 2017 of £6,045k (2016: £5,878k) have been included in the above. Note that the gross and net movements in insurance liabilities as at 31 December 2016 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

	2017 £'k	2016 £'k
Staff costs	**5,912**	5,342
Property costs	**137**	218
IT expense including IT depreciation	**3,728**	3,937
Other depreciation	**47**	29
Industry levies	**3,851**	2,523
Other operating expenses	**4,435**	5,090
Total	**18,110**	**17,139**

The table below analyses the average monthly number of persons employed by the Company's operations.

	2017	2016
Operations	**128**	122
Support	**25**	24
Total	**153**	**146**

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

	2017 £'k	2016 £'k
Wages and salaries	**4,916**	4,472
Social security costs	**601**	516
Pension costs	**255**	241
Other staff costs	**140**	113
Total	**5,912**	**5,342**

Wages and salaries of £4,535k (2016: £4,447k) have been classified as part of claims handling expenses (Note 7). Wages and salaries include a net movement in deferred acquisition costs (Note 16) of £246k (2016: (£302k)). Exceptional items (Note 9) include a further £2,513k (2016: £nil) of one-off staff costs funded through the issue of share capital prior to IPO. The total staff cost for the year is £13,206k (2016: £9,487)

The table below analyses the auditor's remuneration in respect of the Company's operations.

	2017 £'k	2016 £'k
Fees for audit services		
Audit of these financial statements	**40**	30
Audit of financial statements of subsidiaries of the company	**130**	116
Total audit fees	**170**	**146**
Fees for non-audit services		
Audit related assurance services	**40**	85
Other non-audit services relating to corporate finance transactions	**495**	127
Total non-audit fees	**535**	**212**
Total Group auditor remuneration	**705**	**358**

Amounts paid to Directors are disclosed within the Directors' Remuneration Report within the Annual Report and Accounts.

9. Exceptional items

	2017 £'k	2016 £'k
Discounted shares issued to employees	**1,513**	–
Management bonus on IPO	**1,000**	–
IPO costs	**5,029**	–
Total	**7,542**	–

Exceptional costs relate to expenses incurred in relation to the Group's Listing on the London Stock Exchange during 2017, and staff expenses generated through the issue of shares at undervalue to certain members of staff and one-off cash-settled bonuses paid to management on IPO.

10. Tax charge

	2017 £'k	2016 £'k
Current taxation:		
Charge for the year	**10,194**	11,129
	10,194	11,129
Deferred taxation (note 12):		
Origination and reversal of temporary differences	**(25)**	10
Effect of tax rate change on opening balance	**–**	–
Over-provision in respect of the previous year	**–**	–
	(25)	10
Current taxation	**10,194**	11,129
Deferred taxation (note 12)	**(25)**	10
Tax charge for the year	**10,169**	11,139

Tax recorded in Other Comprehensive Income is as follows.

	2017 £'k	2016 £'k
Current taxation	–	–
	–	–

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 19.25% (2016: 20.00%) as follows:

	2017 £'k	2016 £'k
Profit before tax	**55,512**	63,432
Expected tax charge	**10,686**	12,686
Effect of:		
Disallowable expenses	**691**	6
Adjustment of deferred tax to average rate of 19.25%	**2**	–
Adjustment in respect of prior periods	**116**	–
Other differences	**(5)**	–
Income not subject to UK taxation	**(1,321)**	(1,553)
Tax charge for the year	**10,169**	**11,139**
Effective income tax rate	**18.32%**	17.56%

11. Current tax

	2017 £'k	2016 £'k
Per balance sheet:		
Current tax assets	**–**	–
Current tax liabilities	**(907)**	(3,077)
	(907)	(3,077)

12. Deferred tax

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

	Provisions and other temporary differences £'k	Depreciation in excess of capital allowances £'k	Total £'k
At 1 January 2017	(17)	22	5
Charge to the income statement on continuing operations	(8)	(17)	(25)
At 31 December 2017	**(25)**	**5**	**(20)**

	2017 £'k	2016 £'k
Per balance sheet:		
Deferred tax assets	**20**	–
Deferred tax liabilities	**–**	(5)
	20	(5)

On 1 April 2017 the UK rate of corporation tax changed from 20% to 19%, and will reduce further to 17% from 1 April 2020. 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.

13. Dividends

	£ per share	**2017 £'k**	**2016 £'k**
Amounts recognised as distributions to equity holders in the period:			
First interim ordinary dividend paid	0.06	**14,167**	17,535
Second interim ordinary dividend paid	0.03	**8,171**	10,418
Third interim ordinary dividend paid	–	**–**	17,736
Preference dividends paid	0.04	**9,358**	10,219
		31,696	55,908

14. Property, plant and equipment

	Owner occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
Cost				
At 1 January 2016	2,450	525	1,779	4,754
Additions	1,500	153	122	1,775
Revaluation	–	–	–	–
At 1 January 2017	**3,950**	**678**	**1,901**	**6,529**
Additions	–	25	52	77
At 31 December 2017	**3,950**	**703**	**1,953**	**6,606**
Accumulated depreciation and impairment				
At 1 January 2016	–	478	1,259	1,737
Charge for the year	–	29	214	243
Impairment losses on revaluation	515	–	–	515
At 1 January 2017	**515**	**507**	**1,473**	**2,495**
Charge for the year	–	47	190	237
At 31 December 2017	**515**	**554**	**1,663**	**2,732**
Carrying amount				
As at 31 December 2017	**3,435**	**149**	**290**	**3,874**
As at 31 December 2016	3,435	171	428	4,034

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 and, as such an impairment loss has been recorded. The fair value measurement of owner occupied property of £3,435k (2016: £3,435k) 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 December 2016	3,435
Purchase	–
Revaluation	–
At 31 December 2017	**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 £'k	Fair Value £'k
At 31 December 2016	3,250	3,435
At 31 December 2017	**3,250**	**3,435**

15. Reinsurance assets

	2017 £'k	2016 £'k
Reinsurers' share of general insurance liabilities	**102,998**	46,783
Reinsurers' share of UPR	**7,490**	4,746
Impairment provision	**–**	–
Total	**110,488**	**51,529**

16. Deferred acquisition costs

	2017 £'k	2016 £'k
At 1 January	**14,028**	14,834
Net increase/decrease during the year	**645**	(806)
At 31 December	**14,673**	**14,028**

17. Insurance and other receivables

	2017 £'k	2016 £'k
Receivables arising from insurance and reinsurance contracts:		
Due from policyholders	**17,296**	18,657
Due from brokers and intermediaries	**21,504**	17,768
Impairment of broker and intermediary receivables	**(100)**	(100)
Other loans and receivables:		
Other debtors	**108**	717
Total	**38,808**	**37,042**

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.

18. Prepayments, accrued income and other assets

	2017 £'k	2016 £'k
Accrued interest	**2,135**	1,388
Prepayments and accrued income	**719**	778
Total	**2,854**	**2,166**

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.

19. Financial investments

	2017 £'k	2016 £'k
Debt securities held at fair value through the profit and loss account		
Corporate	**547**	576
Sovereign	**243,484**	233,714
Total	**244,031**	**234,290**

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 14.

20. Cash and cash equivalents

	2017 £'k	2016 £'k
Cash at bank and in hand	**34,425**	10,492
Total	**34,425**	**10,492**

The effective interest rate on short-term deposits with credit institutions for the year ended 31 December 2017 was 0.02% (2016: 0.19%) and average maturity was one day (2016: one day).

21. Share capital

	2017 £'k	2016 £'k
Authorised, issued and fully paid: equity shares		
250,000,000 ordinary shares of £0.001 each	**250,000**	–
42,631,874 ordinary A shares of no par value	–	42,632
1,905,000 ordinary B shares of no par value	–	2,764
202,719,126 preference shares of no par value	–	202,719

22. Goodwill

On 3 January 2014 the Group acquired Binomial Group Limited, the parent of Sabre Insurance Company Limited, for a consideration of £245,485k satisfied by cash. As from 1 January 2014, the date of transition to IFRS, goodwill was no longer amortised but is subject to annual impairment testing. The recoverable amount of the insurance business unit is based on its fair value less cost to sell.

The Goodwill recorded in respect of this transaction at the date of acquisition was £156,279k. There has been no impairment to Goodwill since this date, and no additional Goodwill has been recognised by the Group.

The Group performed its annual impairment test as at 31 December 2017 and 31 December 2016. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2017, the Group's securities were traded on a liquid market, therefore market value could be used as a definitive indicator of market capitalisation. As at 31 December 2016, the market capitalisation of the Group calculated using price-to-earnings ratios observed in industry was significantly above the book value of its equity due to the overall increase in insurance activity and demand for its product, thus providing no indication of potential impairment of goodwill or other intangible assets.

Key assumptions

The key assumptions on which management have based this value are:

- Market capitalisation of the Group at 31 December 2017 of £680,000k
- Profit forecast for the next year
- P/E multiples observed in industry – 1 December 2016: 11.7 to 15.5

The estimate of the recoverable amount of the insurance business unit using the lower end of the P/E multiple range and using a profit forecast for the next year derives a fair value significantly more than the carrying value of the goodwill and intangible assets as at the reporting date. Goodwill is categorised as Level 3 under the IFRS hierarchy.

The Directors conclude that the recoverable amount would remain in excess of its carrying value even after reasonably possible changes in the key inputs and assumptions affecting its profit before tax, such as a significant fall in demand for its product or a significant adverse change in the volume of claims and increase in other expenses, before the recoverable amount of the business units would reduce to less than its carrying value. Therefore the Directors are of the opinion that there are no indicators of impairment as at 31 December 2017.

23. Intangible assets

	2017 £'k	2016 £'k
Cost		
At 1 January	**14,838**	**14,838**
Additions	–	–
At 31 December	**14,838**	**14,838**
Accumulated amortisation		
At 1 January	**13,450**	**11,831**
Charge for the year	887	1,619
At 31 December	**14,337**	**13,450**
Carrying amount	**501**	**1,388**

Upon acquisition of Binomial Group Limited in January 2014 the acquired client book of business was recognised as an intangible asset with a fair value of £14,833k in line with IFRS. As at 31 December 2017, the remaining life was determined to be one year.

24. Insurance liabilities, unearned premium reserve

	2017 £'k	2016 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	**242,388**	182,941
Unearned premium reserve	**105,122**	97,525
Total	**347,510**	**280,466**
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	**(102,998)**	(46,783)
Unearned premium reserve	**(7,490)**	(4,746)
Total	**(110,488)**	**(51,529)**
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	**139,390**	136,158
Unearned premium reserve	**97,632**	92,779
Total	**237,022**	**228,937**

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

Gross insurance liabilities

Accident year	**2010 £'k**	**2011 £'k**	**2012 £'k**	**2013 £'k**	**2014 £'k**	**2015 £'k**	**2016 £'k**	**2017 £'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	165,707	
One year later	74,349	95,818	103,989	70,567	65,639	90,133	100,935		
Two years later	77,740	90,631	94,297	63,197	62,039	82,537			
Three years later	73,686	84,962	92,478	65,313	60,301				
Four years later	72,141	81,715	97,170	68,763					
Five years later	71,540	80,514	94,150						
Six years later	74,822	80,738							
Seven years later	72,660								
Current estimate of cumulative claims	72,660	80,738	94,150	68,763	60,301	82,537	100,935	165,707	
Cumulative payments to date	(69,252)	(80,052)	(77,555)	(52,248)	(51,961)	(60,451)	(61,981)	(40,909)	
Liability recognised in balance sheet	**3,408**	**686**	**16,595**	**16,515**	**8,340**	**22,086**	**38,954**	**124,798**	**231,382**
2009 and prior									**7,900**
Claims handling provision									**3,106**
Total									**242,388**

Net insurance liabilities

Accident year	**2010 £'k**	**2011 £'k**	**2012 £'k**	**2013 £'k**	**2014 £'k**	**2015 £'k**	**2016 £'k**	**2017 £'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	106,478	
One year later	69,055	90,742	81,403	64,071	65,639	85,814	93,664		
Two years later	72,475	87,494	75,938	59,301	60,953	81,164			
Three years later	69,649	81,950	73,606	57,739	59,741				
Four years later	68,001	78,509	74,304	56,947					
Five years later	67,100	77,534	72,731						
Six years later	66,926	77,496							
Seven years later	66,791								
Current estimate of cumulative claims	66,791	77,496	72,731	56,947	59,741	81,164	93,664	106,478	
Cumulative payments to date	(65,570)	(76,806)	(70,279)	(52,248)	(51,961)	(60,451)	(61,981)	(40,907)	
Liability recognised in balance sheet	1,221	690	2,452	4,699	7,780	20,713	31,683	65,571	134,809
2009 and prior									1,475
Claims handling provision									3,106
Total									**139,390**

24. Insurance liabilities, unearned premium reserve continued

Movements in insurance liabilities, unearned premium reserve and reinsurance assets

	Gross £'k	Reinsurance £'k	Net £'k
At 1 January 2016	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
Cash paid for claims during the year	**(85,942)**	**2,332**	**(83,610)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**167,670**	**(59,229)**	**108,441**
Arising from prior-year claims	**(22,281)**	**682**	**(21,599)**
At 31 December 2017	**242,388**	**(102,998)**	**139,390**
Claims reported	**297,477**	**(122,644)**	**174,833**
Incurred but not reported	**(58,195)**	**19,646**	**(38,549)**
Claims handling provision	**3,106**	**–**	**3,106**
At 31 December 2017	**242,388**	**(102,998)**	**139,390**

Note that £26,241k of the gross and £2,184k of the net year-on-year increases in the general insurance liabilities in 2016 is directly attributable to the decrease in the Ogden Discount Rate announced in February 2017.

25. Trade and other payables, including insurance payables

	2017 £'k	2016 £'k
Insurance creditors	**1,031**	890
Due to reinsurers	**4,555**	3,041
Trade and other creditors	**4,812**	501
Other taxes	**5,478**	4,676
Total	**15,876**	**9,108**

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.

26. Accruals

	2017 £'k	2016 £'k
Accruals in respect of industry levies	**4,212**	3,482
Accruals in respect of IPO costs	**3,958**	–
Other accruals	**1,497**	2,294
Total	**9,667**	5,776

All accruals are due to be paid within one year.

27. Classification and valuation of financial assets

The following table summarises the classification of financial instruments:

	Financial assets/liabilities					
	At fair value £'k	AFS £'k	Loans and receivables £'k	At amortised cost £'k	assets / liabilities £'k	2017 £'k

Financial investments	244,031	–	–	–	–	**244,031**
Total assets	244,031	**–**	**–**	**–**	**–**	**244,031**

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 14.

28. Corporate reorganisation

On 11 December 2017 certain steps were taken to restructure the Group immediately prior to the Admission of the ultimate parent to the Main Market of the London Stock Exchange. This included the issue of £250m new ordinary share capital and the redemption of £203m of preferences share capital in the Group's previous ultimate parent company, Barbados TopCo Limited. As the transaction was effected by creating a new parent that is itself not a business, it has been accounted for using the pooling of interest method as a continuation of the existing Group.

29. Notes to the consolidated cash flow statement

	2017 £'k	2016 £'k
Profit for the year	**55,512**	63,432
Adjustments for:		
Depreciation	**237**	243
Unrealised valuation losses on investment property	**–**	515
Amortisation of intangible assets	**887**	1,619
Investment return	**749**	(3,993)
Operating cash flows before movements in working capital	**57,385**	61,816
Movements in working capital:		
Change in reinsurance assets	**(58,959)**	(16,582)
Change in insurance and other receivables	**(1,469)**	(4,198)
Change in prepayments and other assets	**(688)**	(112)
Change in insurance liabilities including DAC and UPR	**66,102**	28,329
Change in trade and other payables	**10,659**	(8,777)
Cash generated from operations	**73,030**	60,476
Taxes paid	**(12,364)**	(10,660)
Net cash flow generated from operating activities before investment of insurance assets	**60,666**	49,816
Interest and investment income received	**4,578**	4,808
Purchases of invested assets	**(139,608)**	(127,298)
Proceeds from sale of invested assets	**124,540**	69,677
Total	**50,176**	**(2,997)**

30. Earnings per share

Earnings per share shows the profit for each share our shareholders own. The numbers of shares used for calculating the earnings per share and net assets per share are those of Sabre Insurance Group plc. The number of Barbados TopCo Limited shares in the comparative periods have been converted into the equivalent number of Sabre Insurance Group plc shares to reflect the corporate reorganisation on 11 December 2017. For further information refer to Note 28.

	2017	2016
The calculations for basic and diluted earnings per share from continuing operations are based on the following figures		
Profit on ordinary activities after tax (£'k)	**45,343**	52,293
Preference dividend (£'k)	**9,358**	10,219
Basic weighted average number of shares (number in thousands)	**248,229**	247,567
Diluted weighted average number of shares (number in thousands)	**248,234**	247,567
Basic earnings per share (pence per share)	**14.50**	16.99
Diluted earnings per share (pence per share)	**14.50**	16.99

	2017	2016
The calculations for total basic and diluted earnings per share are based on the following figures		
Profit on ordinary activities after tax (£'k)	**45,343**	52,293
Preference dividend (£'k)	**9,358**	10,219
Basic weighted average number of shares (number in thousands)	**248,229**	247,567
Diluted weighted average number of shares (number in thousands)	**248,234**	247,567

Basic earnings per share (pence per share)	**14.50**	16.99
Diluted earnings per share (pence per share)	**14.50**	16.99

31. Share-based payments

The Group has chosen to reward its employees through various share-based payment schemes. This note describes the different schemes used to facilitate those share-based payments and the charges recognised, and to be recognised, in the consolidated statement of comprehensive income. A one-off expense of £2,513k has been recorded in the income statement in respect of pre-IPO share-based payments outside of these schemes. These are disclosed in Note 8.

The compensation costs recognised in the income statement under IFRS 2 Share-Based Payment are shown below:

	2017 £'k
Equity-settled plans	
Long Term Incentive Plan	–
Share Incentive Plan	–
Total	–

As disclosed in the Group's IPO Prospectus, the Board has approved but not yet initiated two further incentive plans during 2018, a Deferred Bonus Plan ("DBP") and a Sharesave scheme, to be made available to employees.

Share Incentive Plan ("SIP")

The Sabre Share Incentive Plan provides for the award of free Sabre Insurance Group plc shares, Partnership Shares, Management Shares and Dividend Shares. On 29 December 2017, Free Share awards were granted with a vesting period of three years from the award date. Vesting is unconditional for participants still in service at the vesting date. Participants will also receive Dividend Shares which represent the value of reinvested dividends which would have accrued over the vesting period on the shares in the Free Share award. No Partnership, Matching or Dividend shares had been awarded by 31 December 2017.

The fair value of the Sabre Share Incentive Plan awards is equal to the share price on the date of grant. Dividends are not deducted in the calculation of fair value because dividends will be accumulated over the vesting period and repaid against equivalent dividend shares.

Reconciliation of movement in the number of SIP awards

	2017
Outstanding at 21 September 2017	–
Granted	**213,792**
Forfeited	–
Vested	–
Outstanding at 31 December 2017	**213,792**

Long Term Incentive Plan ("LTIP")

The LTIP is a discretionary share plan, under which the Board may grant share-based awards ("LTIP Awards") to incentivise and retain eligible employees. The vesting of LTIP Awards may (and, in the case of an LTIP Award to an Executive Director other than a Recruitment Award will) be subject to the satisfaction of performance conditions. Any performance condition may be amended or substituted if one or more events occur which cause the Board to consider that an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy.

LTIP Awards which are subject to performance conditions will normally have those conditions assessed as soon as reasonably practicable after the end of the relevant performance period and, to the extent that the performance conditions have been met, the LTIP Awards will vest either on that date or such later date as the Board determines. LTIP Awards (other than Recruitment Awards) granted to the Executive Directors will normally be subject to a performance period of at least three years. LTIP Awards (other than Recruitment Awards) which are not subject to performance conditions will normally vest on the third anniversary of the date of grant or such other date as the Board determines.

On 29 December 2017, LTIP Awards not subject to performance conditions were issued to eligible employees.

Reconciliation of movement in the number of LTIP Awards

	2017
Outstanding at 21 September 2017	–
Granted	**576,169**
Forfeited	–
Vested	–
Outstanding at 31 December 2017	**576,169**

32. Related parties

Sabre Insurance Group plc is the ultimate parent and ultimate controlling party of the group. The following entities included below form the group.

Name	Principle Business	Registered Address
Binominal Group Limited	Intermediate holding company	Sabre House, 150 South Street, Dorking, Surrey, United Kingdom, RH4 2YY,
Sabre Insurance Company Limited	General insurance business	As above
Barbados Topco Limited	Non-Trading	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY
Other controlled entities		
EBT – UK SIP	Trust	Ocorian, 26 New Street, St Helier, Jersey, JE2 3RA
The Sabre Insurance Group Employee Benefit Trust	Trust	26 New Street, St Helier, Jersey, JE2 3RA

Funds advised by BC Partners LLP are the only party to hold a significant influence (>20%) over Sabre Insurance Group plc, holding 29.05% of the group.

Both Employee Benefit Trusts (EBTs) were established to assist in the administration of the Group's employee equity based compensation schemes. UK registered EBT holds the all-employee Share Incentive Plan (SIP) to which each employee of Sabre Insurance Company Limited was issued with £3,600 of shares. The Jersey-registered EBT holds the long Term incentive Plan (LTIP) discretionary shares awarded on IPO.

While the Group does not have legal ownership of the EBTs and the ability of the Group to influence the actions of the EBTs is limited to a trust deed, the EBT was set up by the Group with the sole purpose of assisting in the administration of these schemes, and is in essence controlled by the Group and therefore consolidated.

During the period ended 31 December 2017, the Group donated 1,315,538 shares to the EBTs. While an amount of these shares were sold on admission, 213,792 shares were retained in the UK EBT in relation to the SIP and 576,169 shares were retained in the Jersey EBT in relation to the LTIP. The total value of the shares gifted to the EBTs by Sabre Insurance Group plc on admission was £3,025k.

Key Management Compensation

Key Management includes executive directors, non-executive directors and other senior management personnel. Further details of directors' shareholdings and remuneration can be found in the directors' remuneration report within the Annual Report and Accounts.

	2017 £'k	2016 £'k
Salaries and other short term benefits	**3,510**	1,964
Fees	**75**	120
Contribution to pension scheme	**25**	41
	3,610	2,125

Parent Company Statement of Financial Position

As at 31 December 2017

	Notes 2017	2017 £'k
Assets		
Investments	3	576,000
Debtors	4	1,870
Cash and cash equivalents		–
Total assets		577,870
Equity		
Issued share capital	6	249
Share premium account		205,241
Own shares		1
Merger reserve		369,395
Retained earnings		(4,047)
Total equity		570,839
Liabilities		
Creditors: Amounts falling due within one year	5	7,031
Total liabilities		7,031
Total equity and liabilities		577,870

No income statement is presented for Sabre Insurance Group plc as permitted by Section 408 of the Companies Act 2006. The loss after tax of the parent company for the period was £4,047k.

The notes form part of these financial statements.

These financial statements were approved by the Board on 21 March 2018 and signed on its behalf.

Adam Westwood
Director

Parent Company Statement of Changes in Equity
As at 31 December 2017

	Share Capital £'k	Share premium £'k	Own share	Merger reserve £'k	Retained earnings £'k	Total £'k
Balance as at 21 September 2017	–	–	–	–	–	–
Issue of preference share capital	50	–	–	–	–	50
Redemption of share capital	(50)	–	–	–	–	(50)
Issue of ordinary shares	250	205,241	–	–	–	205,491
Corporate reorganisation	(1)	–	1	369,395	–	369,395
Profit/(loss) for the period	–	–	–	–	(4,047)	(4,047)
Balance as at 31 December 2017	**249**	**205,241**	**1**	**369,395**	**(4,047)**	**570,839**

Parent Company Statement of Cash Flows
As at 31 December 2017

	2017 £'k
Net cash flow from operating activities	1,116
Cash flows from financing activities	
Expense incurred in issue of share capital	(1,116)
Net change in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–

Notes to the Parent Company Financial Statements
As at 31 December 2017

1. Accounting policies

1.1 Basis of preparation

These financial statements present the Sabre Insurance Group plc company financial statements for the period ended 31 December 2017, comprising the parent company statement of financial position, parent company statement of changes in equity, parent company statement of cash flows, and related notes.

The financial statements of the Group have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and adopted by the EU. In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company's income statement and related notes have not been presented in these separate financial statements.

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.

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

The accounting policies that are used in the preparation of these separate financial statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of Sabre Insurance Group plc as set out in those financial statements.

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

1.2 Summary of significant accounting policies

(a) Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment.

(b) Dividend income

Dividend income from investment in subsidiaries is recognised when the right to receive payment is established.

2. Taxation

	2017 £'k
Loss before taxation	**(4,047)**
Taxation calculated at 19.25%	**(779)**
Effect of:	
Non-taxable income	**779**
Taxation credit	**–**

3. Investments

Investment in subsidiary undertakings

	2017 £'k
As at 21 September	–
Additions	**576,000**
As at 31 December	**576,000**

The subsidiary undertakings of the Company are set out below. Their capital consists of ordinary shares which are unlisted. In all cases, the Company owns 100% of the ordinary shares, either directly or through its ownership of other subsidiaries.

Name of subsidiary	Place of incorporation	Principal activity
Directly held by the Company		
Binomial Group Limited	United Kingdom	Intermediate holding company
Barbados TopCo Limited	Guernsey	Non-trading company
		Indirectly held by the Company
Sabre Insurance Company Limited	United Kingdom	Motor insurance underwriter

The registered office of each subsidiary is disclosed within the 'Corporate Information' section of the Group accounts.

4. Debtors

	2017 £'k
Due within one year	
Amounts owed by Group undertakings	
As at 31 December	**1,870**

5. Creditors

	2017 £'k
Due within one year	
Trade and other payables	
As at 31 December	

6. Share capital and reserves

Full details of the share capital and capital reserves of the Company are set out in Note 21 to the consolidated financial statements.

7. Dividends

Full details of the dividends paid and proposed by the Company are set out in Note 13 to the consolidated financial statements.

8. Related parties

Sabre Insurance Group plc, which is incorporated in England and Wales, is the ultimate parent undertaking of the Sabre Insurance Group of companies.

The following balances were outstanding with related parties at year end:

Income from related parties	2017 £'k
Due from Sabre Insurance Company	**1,870**
As at 31 December	**1,870**

The outstanding balance represents cash transactions effected by Sabre Insurance Company Limited on behalf of its parent company, and will be settled within one year.

9. Share-based payments

Full details of share-based compensation plans are provided in Note 31 to the consolidated financial statements.

10. Risk management

The risks faced by the Company, arising from its investment in subsidiaries, are considered to be the same as those presented by the operations of the Group. Details of the key risks and the steps taken to manage them are disclosed in Note 3 to the consolidated financial statements.

11. Directors and key management remuneration

The Directors and key management of the Group and the Company are the same. The aggregate emoluments of the Directors are set out in Note 8 to the consolidated financial statements, the compensation for key management is set out in Note 8 to the consolidated financial statements and the remuneration and pension benefits payable in respect of the highest paid Director are included in the Directors' Remuneration Report in the Governance section of the Annual Report and Accounts.