Sabre Insurance Group plc

Half Year Report 2018

****Market leading underwriting performance and focus on profit continues through 2018****

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading private motor insurance underwriters, reports its half year results for the six months ended 30 June 2018.

Summary of Results

	6 months to 30 June 2018	6 months to 30 June 2017	Full year to 31 December 2017
Gross written premium	**£108.8m**	£109.1m	£210.7m
Loss ratio	**45.73%**	49.59%	46.50%
Expense ratio	**22.89%**	22.06%	22.00%
Combined operating ratio	**68.61%**	71.65%	68.50%
Adjusted profit after tax	**£26.1m**	£23.5m	£53.3m
Return on tangible equity (annualised)	**56.48%**	72.13%	81.80%

	As at 30 June 2018	As at 31 December 2017
Solvency coverage ratio (pre-interim/final dividend)	**209%**	160%
Solvency coverage ratio (post-interim/final dividend)	**179%**	160%

Highlights

- The Group continued its strategy of maintaining a focus on combined operating ratio over growth, trading well in relatively weak market conditions. Pricing action taken earlier in 2018 to reflect improved claims trends allowed the level of gross written premium to return to 2017 levels whilst maintaining the Group's underwriting discipline.

- The Group's combined operating ratio of 68.61% (HY 2017: 71.65%) reflects the strong profitability of business written in the period under review and prior-year releases. A financial year loss ratio of 45.73% (HY 2017: 49.59%) was achieved, with a current-year loss ratio of 59.00% (HY 2017 60.74%).

- The Board has declared an interim dividend of £18.0m (7.2 pence per share), being 70% of the half-year profit after tax, in-line with the initial dividend programme outlined at the time of the Group's IPO.

- A solvency coverage ratio of 209% (179% after payment of the interim dividend), above the Group's preferred normal operating range of 140% to 160% gives the Board the option to return surplus capital to shareholders through a future special dividend.

- The Group successfully completed its planned transition to a hybrid cloud IT infrastructure and redesigned its direct business websites to improve the customer experience. The Group has rolled-out a Company-wide Save As You Earn Plan for employees.

Geoff Carter, Chief Executive Officer of Sabre Insurance Group plc, commented

"I am pleased to present our first half-year report since our IPO last December. Sabre's core principle to focus on underwriting profitability over volume has allowed the Group to protect its combined operating ratio throughout the first half of the year, despite some downward pressure on pricing.

As previously announced, Sabre took pricing action to reflect observed reductions in the frequency of small claims earlier in the period under review. It is apparent that other insurers made similar adjustments, some earlier than Sabre, which meant that we lost some market share in the first few months of the year. The gross written premium performance over the full six-month period demonstrates the success of this pricing action, with gross written premium now in-line with the comparative period in 2017.

Whilst it does appear that the wider market has entered a phase of weaker pricing, I believe Sabre is positioned to trade well through the prevailing market conditions, and remains somewhat insulated from wider market movements due to its non-standard market positioning.

Having realigned our prices to reflect the current claims environment, without speculating on any future benefits, we believe claims inflation will persist from this new baseline. We expect to cover this through price increases in the second half of 2018, maintaining our core, disciplined focus on underwriting profitability and continuing to treat volume as an output and not a target. We continue to investigate new rating factors in order to maintain our competitive advantage, and work with potential new distribution partners to ensure we achieve the best possible level of market coverage.

The Group's excess of loss reinsurance programme was renewed on 1 July 2018, with a high single-digit price increase, in-line with our expectation.

We continue to expect our 2018 gross written premium to be in line with 2017, with H2 2018 flat against the comparative period in 2017. While premium income in the last two months of the period under review has come in ahead of the comparative period in 2017, management does not currently consider this to be indicative of a continued upward trend in gross written premium throughout the second half of 2018. We expect claims inflation to continue throughout 2018 and therefore expect to increase our rates accordingly in order to preserve our underwriting margins. We anticipate delivering a financial year combined operating ratio better than our mid-70% target and slightly higher than for the full-year 2017.

The Group's profitability has allowed us to build significant regulatory capital, some of which will be distributed by way of the ordinary interim dividend announced today, in line with the policy outlined at IPO. Excluding the capital required to fund this dividend, the Group's Solvency capital ratio is at 179%, which provides the Board the option to return surplus capital to shareholders through a special dividend at the full-year, should the capital position improve further as expected throughout the remainder of 2018."

Analyst presentation webcast/conference call facility

Sabre management will host a presentation for analysts today at 9:30am.

To register to access the meeting via live webcast please click here: https://3xscreen.videosync.fi/2018-07-31-sabre-half-year-results/

Alternatively, a conference call facility is available: +44 (0)20 3713 5011 (UK) – access code: 492-915-541

A replay will be made available on the Sabre website following the conclusion of the presentation.

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Forward-looking statements disclaimer

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of known and unknown risks and uncertainties that may cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

The Sabre Insurance Group plc LEI number is 2138006RXRQ8P8VKGV98.

Financial and Business Review

Highlights

	6 months to 30 June 2018	6 months to 30 June 2017	Year to 31 December 2017
Gross written premium	£108.8m	£109.1m	£210.7m
Net loss ratio	45.73%	49.59%	46.50%
Combined operating ratio	68.61%	71.65%	68.50%
Underwriting profit	£32.2m	£28.4m	£59.0m
Adjusted Profit after tax	£26.1m	£23.5m	£53.3m
Profit after tax	£25.8m	£23.1m	£45.3m
Solvency II capital (pre dividend)	209%	132%	160%
Solvency II capital (post dividend)	179%	115%	160%
Return on opening SCR	42.68%	40.63%	92.10%
Return on tangible equity (annualised)	56.48%	72.13%	81.80%

The Group achieved a combined operating ratio of 68.61% for the first six months of 2018, an improvement on the comparative period and better than the target mid-70%'s combined operating ratio. This has been driven by consistent application of the Group's underwriting principles on new business, and strong run-off of prior-year claims reserves. Premium income is in-line with the same period of 2017, with the Group maintaining its objective to prioritise profit over volume across the insurance cycle.

Adjusted profit after tax is £2.6m ahead of the comparative period, primarily driven by an increase in gross earned premium and an improved combined operating ratio.

Return on the Group's Solvency Capital Requirement has improved due to higher profits in the first six months of 2018, with a consistent capital requirement. Despite the increase in profits during the period, the build-up of surplus capital following the Group's decision not to pay a final dividend in respect of 2017 has led to a decline in the Group's annualised return on tangible equity.

Revenue

	6 months to 30 June 2018	6 months to 30 June 2017	Year to 31 December 2017
Gross earned premium	£102.9m	£97.7m	£203.1m
Net earned premium	£93.2m	£91.3m	£186.9m
Other operating income	£1.0m	£1.0m	£1.9m
Customer instalment income	£2.1m	£1.8m	£3.8m
Investment return	(£0.1m)	(£0.2m)	(£0.7m)

Despite similar gross written premium year-on-year, the Group's gross earned premium exceeded its net earned premium in the comparative period due to the growth in premium during 2017 earning through into 2018. The net earned premium was equal to 90.5% of the Group's gross earned premium for the first six months of 2018, whereas it was 93.4% of gross earned premium in the comparative period. This is due to the increase in reinsurance rate at the July 2017 renewal, following the change in Ogden discount rates earlier that year.

The Group continues to earn limited non-insurance income on its direct book of business, which is generally proportionate to the level of premium earned in the period. The Group remains exposed to temporary market movements in its investment portfolio, which is almost exclusively held in UK Government bonds. These investments are generally held to maturity, therefore any market value movements, which can generate in-year gains and losses, are unwound as the bonds regress towards par value.

Operating Expenditure

	6 months to 30 June 2018	6 months to 30 June 2017	Year to 31 December 2017
Net insurance claims*	£42.6m	£45.3m	£86.9m
Current-year loss ratio	59.00%	60.74%	57.00%
Financial year loss ratio	45.73%	49.59%	46.50%
Net operating expenses	£21.3m	£20.0m	£41.0m
Expense ratio	22.90%	22.06%	22.00%
Combined ratio	68.63%	71.65%	68.50%

**Net insurance claims shown here excludes £3.4m (6 months 2017: £3.3m, 12 months 2017: £6.0m) of claims handling expenses.*

The Group's loss ratio benefitted from prior-year releases as well as consistently strong current-year claims experience. As in the comparative period, the current-year loss ratio falls above the long-run average, as uncertainty in new and open claims generally leads to a more robust reserve, which should release over time. The level of prior-year reserve release is reflective of the Group's consistent reserving approach and positive developments in the claims environment, particularly in respect of small personal injury claims. The Group's expense ratio has remained stable, with a small uplift expected following the IPO in December 2017, reflecting the increased cost of running a listed entity.

Taxation

The Group's tax charge for the period was equal to 19.3% of the Group's profit before tax, excluding amortisation of intangible assets. The Group has not entered into any complex structural arrangements and therefore generally expects to pay corporation tax at the prevailing marginal rate.

Earnings per Share

	6 months to 30 June 2018	6 months to 30 June 2017	Year to 31 December 2017
Basic earnings per share	10.4p	7.2p	14.5p
Diluted earnings per share	10.3p	7.2p	14.5p
Adjusted earnings per share	10.4p	7.4 p	17.5p

Earnings per share in for the current and comparative period are calculated on the basis of the current capital structure. Diluted Earnings per share for H1 2018 is 10.3 pence compared to 7.2 pence for the comparative period in 2017, reflecting higher profit after tax reported in H1 2018 and that in the comparative period approximately £5.2m of earnings was attributable to preference shareholders, of which there are none in H1 2018.

Cash and Investments

	As at 30 June 2018	As at 31 December 2017
UK Government bonds	£261.4m	£243.5m
Corporate bonds	£0.5m	£0.5m
Cash and cash equivalents	£42.6m	£34.4m

The Group continues to hold a low-risk investment portfolio and sufficient cash to meet its future claims liabilities. The increase in cash and financial investments against the previous year is the result of the decision not to pay a final dividend in respect of 2017.

Insurance liabilities

	As at 30 June 2018	As at 31 December 2017
Gross insurance liabilities	£224.0m	£242.4m
Reinsurers' share of insurance liabilities	£84.2m	£103.0m
Net insurance liabilities	£139.8m	£139.4m

The Group's net insurance liabilities continue to reflect the underlying profitability and volume of business written. Following a significant increase in gross insurance liabilities in 2017, driven primarily by a small number of large claims, the Group's gross liability position has fallen as those claims have been settled or the reserves have been revised downwards. The Group continues to hold excess-of-loss reinsurance contracts across its entire book at an excess of £1.0m.

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 Board has declared an ordinary interim dividend of 7.2 pence per share (£18.0m) (2017: N/A), representing 70% of the Group's half-year profit after tax, in-line with the Group's stated policy. The Group's Solvency II capital coverage ratio before paying this dividend is 209%, and is 179% after deducting this dividend. The Group's dividend policy and capital management targets remain unchanged since IPO. Under normal circumstances, the Group expects to operate within a Solvency II capital coverage ratio range of 140% to 160%, and will take this into account when considering the potential to pay special dividends. In the normal course of events the Board will consider whether or not it is appropriate to pay a special dividend once a year, with reference to the full-year results

The Group's dividend policy, which was set at IPO, remains unchanged. In the normal course of business the Group will pay an ordinary dividend of 70% of profit after tax, with approximately one third paid during the year as an interim dividend. As indicated at IPO, the Board has resolved that for 2018 only the Group will pay an interim dividend equal to 70% of the Group's profit after tax for the 6 months ended 30 June 2018.

Where the Board believes that the Group holds capital which it considers surplus to the Group's requirements, it would intend to return such surplus capital to shareholders. Under normal circumstances, the Board considers a Solvency II capital coverage ratio within the range of 140% to 160% to be appropriate, and will consider this when determining the potential for special dividends. The Board may revise the Group's dividend policy from time to time as it considers appropriate.

IFRS and Regulatory Capital

As at 30 June 2018 the Group's IFRS capital comprised:

	As at 30 June 2018 £'k	As at 31 December 2017 £'k
Equity		
Share capital	249	249
Own shares	1	1
Share premium	-	205,241
Merger reserve	48,524	48,404
Share-based payments reserve	355	-
Retained earnings	209,043	(21,902)
Total	**258,172**	**231,993**

There have been no changes to the Group's capital structure since the last year-end reporting date of 31 December 2017. All of the Group's Solvency II capital remains Tier 1, as described in the Group's Solvency and Financial Condition Report for the year ended 31 December 2017. On 26th June 2018, Sabre Insurance Group plc received confirmation by an Order of the High Courts of Justice, Chancery Division, for the reduction of its share premium account, effective as at that date.

The Solvency II position of the Group as at 30 June 2018 is given below:

	As at 30 June 2018 (post-interim dividend) £'k	As at 30 June 2018 (pre-interim dividend) £'k	As at 31 December 2017 £'k
Total Tier 1 capital	108,126	126,126	97,873
SCR	60,566	60,458	61,087
Excess capital	47,560	65,668	36,786
Solvency coverage ratio (%)	179%	209%	160%

The Group remains well-capitalised, with a Solvency II capital coverage ratio in excess of its preferred operating range of 140% to 160%.

Outlook

The Group continues to expect 2018 gross written premium to be in line with 2017, whilst maintaining our current underwriting margins, and to deliver a financial year combined operating ratio better than our mid-70% target, slightly higher than for the full-year 2017. The Group’s profitability has allowed us to build significant regulatory capital, some of which will be distributed by way of the ordinary interim dividend announced today, in line with the policy outlined at IPO. Excluding the capital required to fund this dividend, the Group’s excess Solvency capital is at 179%, which should provide the Board the option to return surplus capital to shareholders through a future special dividend, should the capital position improve further as expected throughout the remainder of 2018.

Financial Calendar – Dividend dates

Ex-dividend date	23 August 2018
Record date	24 August 2018
Payment date	20 September 2018

The Group's financial calendar can be found at:

https://www.sabreplc.co.uk/investors/financial-calendar/

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2018

	Notes	**6 months 2018 £'k**	6 months 2017 £'k	Full year 2017 £'k
Gross earned premium	4	102,886	97,703	203,139
Reinsurance premium ceded	4	(9,677)	(6,359)	(16.273)
Net earned premium		93,209	91,344	186,866
Investment return	5	(89)	(233)	(749)
Instalment income		2,052	1,795	3,837
Other operating income	6	1,008	985	1,893
Total income		96,180	93,891	191,847
Insurance claims	7	(27,837)	(65,207)	(151,456)
Insurance claims recoverable from reinsurers	7	(18,175)	16,585	58,544
Net insurance claims		(46,012)	(48,622)	(92,912)
Commission expenses		(8,188)	(9,109)	(16,884)
Operating expenses	8	(9,772)	(7,716)	(18,110)
Total expenses		(17,960)	(16,825)	(34,994)
Operating profit before exceptional items and amortisation of intangible assets		32,208	28,444	63,941
Amortisation of intangible assets		(251)	(444)	(887)
Exceptional expenditure	9	-	-	(7,542)
Profit before tax		31,957	28,000	55,512
Tax charge	10	(6,133)	(4,937)	(10,169)
Profit for the period attributable to owners of the company		25,824	23,063	45,343
Total other comprehensive income for the year		-	-	-
Total comprehensive income for the year attributable to the owners of the company		25,824	23,063	45,343
Basic earnings per share (pence)		**10.4**	7.2	14.5
Diluted earnings per share (pence)		**10.3**	7.2	14.5

Condensed consolidated statement of financial position

For the 6 months ended 30 June 2018

	Notes	**30 Jun 2018 £'k**	31 Dec 2017 £'k
Assets			
Goodwill		156,279	156,279
Intangible assets		251	501
Property, plant and equipment		3,807	3,874
Reinsurance assets	12	84,193	110,488
Deferred tax assets		76	20
Deferred acquisition costs		15,747	14,673
Insurance and other receivables		48,075	38,808
Prepayments, accrued income and other assets		3,703	2,854
Financial investments	13	261,938	244,031
Cash and cash equivalents		42,636	34,425
Total assets		616,705	605,953
Equity			
Issued ordinary share capital		249	249
Share premium account	16	-	205,241
Own shares		1	1
Merger reserve		48,524	48,404
Share-based payment reserve		355	-
Retained earnings		209,043	(21,902)
Total Equity		258,172	231,993
Liabilities			
Insurance liabilities	14	224,034	242,388
Unearned premium reserve	14	111,060	105,122
Trade and other payables including insurance payables		12,257	15,876
Deferred tax liabilities		-	-
Current tax liabilities		5,277	907
Accruals		5,905	9,667
Total liabilities		358,533	373,960
Total equity and liabilities		616,705	605,953

Condensed consolidated cash flow statement

For the six months ended 30 June 2018

	6 Months 2018 £'k	6 Months 2017 £'k	Full year 2017 £'k
Net cash generated from operating activities before investment of insurance assets	26,243	33,605	60,666
Cash (used by)/generated from investment of insurance assets	(17,997)	2,034	(10,490)
Net cash generated from operating activities	8,246	35,639	50,176
Cash flows from investing activities			
Purchases of property, plant and equipment	(35)	(47)	(77)
Net cash used by investing activities	(35)	(47)	(77)
Cash flows from financing activities			
Issue of ordinary share capital	-	-	205,333
Redemption of preference shares	-	-	(202,719)
Corporate reorganisation	-	-	2,916
Dividends paid	-	(19,332)	(31,696)
Net cash used by financing activities	-	(19,332)	(26,166)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	34,425	10,492	10,492
Effect of foreign exchange rates	8,211	16,260	23,923
Cash and cash equivalents at the end of the year	42,636	26,752	34,425

Condensed consolidated statement of changes in equity

For the six months to 30 June 2018

	Ordinary s'holders' equity £'k	Preference share capital £'k	Share premium account £'k	Own shares £'k	Merger reserve £'k	Share-based payments reserve £'k	Retained earnings £'k	Total equity £'k
Balance at 1 January 2017	45,396	202,719	-	-	-	-	(35,299)	212,816
Profit for the year	-	-	-	-	-	-	*23,063*	*23,063*
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income							23,063	23.063
Dividends	-	-	-	-	-	-	(19,332)	(19,332)
Balance at 30 June 2017	45,396	202,719	-	-	-	-	(31,568)	216,547
Profit for the year	-	-	-	-	-	-	*22,280*	*22,280*
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	22,280	22,280
Establishment of Sabre Insurance Group plc	250	-	-	-	-	-	(250)	-
Corporate reorganisation	(45,397)	(202,719)	205,241	1	48,404	-	-	5,530
Dividends	-	-	-	-	-	-	(12,364)	(12,364)
Balance at 31 December 2017	249	-	205,241	1	48,404	-	(21,902)	231,993
Profit for the year	-	-	-	-	-	-	*25,824*	*25,824*
Other comprehensive income	-	-	-	-	-	-		
Total comprehensive income	-	-	-	-	-	-	25,824	25,824
Capital reduction (see note 16)	-	-	(205,241)	-	120	-	205,121	-
Share-based payments	-	-	-	-	-	355		355
Dividends	-	-	-	-	-	-	-	-
Balance at 30 June 2018	249	-	-	1	48,524	355	209,043	258,172

Notes to the condensed consolidated financial statements

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, RH47 2YY, England. The condensed consolidated interim financial statements comprises the parent company and its subsidiaries. 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. General information

The condensed interim financial statements comprise the results and balances of the Group for the six months period ended 30 June 2018 and the comparative period for the six months ended 30 June 2017 and the year ended 31 December 2017. The comparative figures for the financial year ended 31 December 2017 do not constitute statutory accounts as defined in s.435 of the Companies Act 2006, but has been abridged from the statutory accounts for that year which have been delivered to the Registrar of Companies. The independent auditor's report on the Group accounts for the year ended 31 December 2017 is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under s.498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements have been prepared and approved by the directors in accordance with International Accounting Standard 34 (*'Interim Financial Reporting'*) as adopted by the EU. These interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the annual financial statements of the Company 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 annual 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 Group has applied IFRS 15 since its implementation date of 1 January 2018. The Group has not adopted any other new standard, interpretation or amendment since 31 December 2017.

The condensed consolidated financial statements values are presented in Pounds Sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated. The Group does not consider it is exposed to material seasonal volatility in its financial results.

2.2 Going concern

The condensed consolidated interim financial statements of Sabre Insurance Group plc have been prepared on a going concern basis. The Directors of the company having assessed the principal risks of the Group over the full duration of the planning cycle, consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements. The principle risks and uncertainties faced by the group remain consistent with those risks and uncertainties discussed and disclosed on page 22 to 26 of the group's 2017 annual report and accounts.

2.3 Accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated interim financial statements as applied in the Group's consolidated financial statements for the year ended 31 December 2017. While there are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2018, these are not currently relevant for the Group and do not impact the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

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 this and therefore has taken advantage of this deferral approach and delayed 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.

Implementation of IFRS 15 Revenue From Contracts With Customers has had no material impact on the Group's financial statements.

3. Critical Accounting Estimates and Judgements

There have been no significant changes to the principles, estimates and judgements used in applying the Group's accounting policies during the period. Full details of these critical estimates and judgements are disclosed in page 74 of the Group's Annual Report and Accounts 2017.

4. Net earned premium

	6 months 2018 £'k	6 months 2017 £'k	12 months 2017 £'k
Gross earned premium:			
Gross written premium	108,824	109,103	210,736
Movement in unearned premium reserve	(5,938)	(11,400)	(7,597)
	102,886	97,703	203,139
Reinsurance premium ceded:			
Premium payable	(2,187)	(1,614)	(19,017)
Movement in unearned premium reserve	(7,490)	(4,745)	2,744
	(9,677)	(6,359)	(16,273)
Total	93,209	91,344	186,866

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 period is £108,824. Other income 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

	6 months 2018 £'k	6 months 2017 £'k	12 months 2017 £'k
Investment income:			
Interest income from debt securities	3,244	2,058	4,647
Cash and cash equivalent interest income	51	1	7
Investment property income	-	-	-
Investment fees	(24)	(24)	(76)
	3,271	2,035	4,578
Net realised gains/(losses)			
Debt securities at fair value through profit and loss	-	326	(944)
	-	326	(944)
Net unrealised gains/(losses)			
Debt securities at fair value through profit and loss	(3,360)	(2,594)	(4,383)
	(3,360)	(2,594)	(4,383)
Total	(89)	(233)	(749)

6. Other operating income

Continuing operations	**6 months 2018 £'k**	6 months 2017 £'k	12 months 2017 £'k
Marketing fees	725	562	1,040
Fee income from the sale of auxiliary products and services	70	68	131
Administration fees	213	355	722
Total	1,008	985	1,893

7. Net insurance claims

	6 months 2018			6 months 2017		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£'k	£'k	£'k	£'k	£'k	£'k
Current accident year claims paid	18,937	-	18,937	18,208	-	18,208
Prior accident year claims paid	27,254	(630)	26,624	28,668	(96)	28,572
Movement in insurance liabilities	(18,354)	18,805	451	18,331	(16,489)	1,842
Total	27,837	18,175	46,012	**65,207**	**(16,585)**	**48,622**

Claims handling expenses for the 6 months ended 30 June 2018 of £3,383k (HY 2017: £3,328k) have been included in the above.

	12 months 2017		
	Gross	Reinsurance	Net
	£'k	£'k	£'k
Current accident year claims paid	46,976	-	46,976
Prior accident year claims paid	45,033	(2,328)	42,705
Movement in insurance liabilities	59,447	(56,216)	3,231
Total	**151,456**	**(58,544)**	**92,912**

Claims handling expenses for the 12 months ended 31 December 2017 of £6,045k have been included in the above.

8. Operating expenses

	6 months 2018	6 months 2017	12 months 2017
	£'k	£'k	£'k
Staff costs	3,058	2,145	5,912
Property costs	53	126	137
IT expense including IT depreciation	1,888	1,592	3,728
Other depreciation	23	24	47
Industry levies	1,988	1,963	3,851
Other operating expenses	2,762	1,866	4,435
Total	9,772	7,716	18,110

9. Exceptional items

	6 months 2018	6 months 2017	12 months 2017
Continuing operations	**£'k**	£'k	£'k
Discounted and free shares issued to employees	-	-	1,513
Management bonus on IPO	-	-	1,000
IPO costs	-	-	5,029
Total	-	-	7,542

Exceptional costs represent 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

	6 months 2018 £'k	6 months 2017 £'k	12 months 2017 £'k
Current taxation:			
Charge for the year	6,188	4,937	10,194
	6,188	4,937	10,194
Deferred taxation:			
Origination and reversal of temporary differences	(55)	-	(25)
Effect of tax rate change on opening balance	-	-	
Over-provision in respect of the previous year	-	-	
	-	-	
Current taxation	6,188	4,937	10,194
Deferred taxation	(55)	-	(25)
Tax charge for the year	6,133	4,937	10,169

11. Dividends

	£ per share	6 months 2018 £'k	6 months 2017 £'k	12 months 2017 £'k
Amounts recognised as distributions to equity holders in the period:				
First interim dividend	-	-	14,167	14,167
Second interim dividend	-	-	-	8,171
Preference dividends paid	-	-	5,165	9,358
		-	19,332	31,696

12. Reinsurance assets

	30 June 2018 £'k	31 December 2017 £'k
Reinsurers' share of general insurance liabilities	84,193	102,998
Reinsurers' share of UPR	-	7,490
Impairment provision	-	-
Total	84,193	110,488

13. Financial investments

	30 June 2018 £'k	31 December 2017 £'k
Debt securities held at fair value through the profit and loss account		
Corporate	532	547
Sovereign	261,406	243,484
Total	261,938	244,031

All financial investments are classified as level 1 under the fair value hierarchy.

14. Insurance liabilities, unearned premium reserve

	30 June 2018 £'k	31 December 2017 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	224,034	242,388
Unearned premium reserve	111,060	105,122
Total	335,094	347,510
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	(84,193)	(102,988)
Unearned premium reserve	-	(7,490)
Total	(84,193)	(110,488)
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	139,841	139,390
Unearned premium reserve	111,060	97,632
Total	250,901	237,022

Movements in insurance liabilities, unearned premium reserve and reinsurance assets

	Gross £'k	Reinsurance £'k	Net £'k
At 1 January 2017	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
Cash paid for claims during the year	(42,875)	628	(42,247)
Increase/(decrease) in liabilities:			
Arising from current-year claims	63,960	(7,784)	56,176
Arising from prior-year claims	(39,439)	25,961	(13,478)
At 30 June 2018	224,034	(84,193)	139,841
Claims reported	292,605	(108,354)	184,251
Incurred but not reported	(71,906)	24,161	(47,745)
Claims handling provision	3,335	-	3,335
At 30 June 2018	224,034	(84,193)	139,841

15. 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	Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
The Sabre Insurance Group Employee Benefit Trust	Trust	26 New Street, St Helier, Jersey, JE2 3RA

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.

Funds advised by BC Partners LLP are the only party to have held a significant influence (>20%) over Sabre Insurance Group plc during the period, holding approximately 29.0% of the group until 30 May 2018, when funds advised by BCP Partners LLP reduced their shareholding to approximately 14.5% of the outstanding ordinary share capital of the company.

16. Cancellation of share premium account

On 26th June 2018, Sabre Insurance Group plc received confirmation by an Order of the High Courts of Justice, Chancery Division, for the reduction of its share premium account, effective as at that date.

17. Post-balance sheet events

On 31 July 2018 the Company announced an ordinary interim dividend of 7.2p per share.

Directors' responsibility statement

We confirm that to the best of our knowledge:

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as adopted by the EU.

The interim management report includes a fair review of the information as required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the current financial year and their impact on the condensed set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially impacted the financial position or performance of the Group during the period; and any changes in the related party transactions from the Group's consolidated financial statements for the year ended 31 December 2017 that could do so.

Signed on behalf of the Board

Geoff Carter
Chief Executive Officer
30 July 2018

Adam Westwood
Chief Financial Officer
30 July 2018

Independent review report to Sabre Insurance Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows the condensed consolidated statement of changes in equity, and the related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Stuart Wilson
for and on behalf of Ernst and Young LLP
London
30 July 2018

Alternative performance metrics

Alternative performance metric	Description and adjustment to reconcile to primary statements
Gross written premium	Comprises 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. This is equal to gross earned premium less the movement in unearned premium reserve
Loss ratio	The Group's loss ratio measures net insurance claims, less claims handling expenses, relative to net earned premium, expressed as a percentage.
Expense ratio	The Group's expense ratio is a measure of total expenses (which comprises commission expenses and operating expenses), plus claims handling expenses, less exceptional expenses which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions), relative to NEP, 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), plus net insurance claims less exceptional expenses which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions), relative to NEP, expressed as a percentage. The Group uses the combined ratio to evaluate overall underwriting profitability. A combined ratio below 100 per cent. is indicative of an underwriting profit (without taking into account investment return or any income from insurance premium instalment financing or other operating income)
Adjusted profit after tax	The Group's adjusted profit after tax measures profit from operations, net of tax, adjusted to offset the effect of amortisation of intangible assets and exceptional expenses which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions).
Solvency Coverage Ratio	The Group's solvency coverage ratio is the ratio of the Group's regulatory capital in a particular period to its Solvency Capital Requirement for the same period, expressed as a percentage.
Return on tangible equity	Return on Tangible Equity is measured as the ratio of the Group's adjusted profit after tax to its average tangible equity (IFRS net assets less goodwill and intangible assets) over the financial year. Average tangible equity for a period is equal to the average of the opening and closing tangible equity for that period.
Annualised return on tangible equity	Annualised return on tangible equity is equal to the return on tangible equity for the period multiplied by 12, divided by the number of months in the period. The closing tangible equity figure used in this calculation is equal to the closing tangible equity as at the period end, adjusted to reflect 12 months' trading with reference to the current period's profit after tax and any interim dividend to be paid.
Adjusted earnings per share	Adjusted earnings per share is equal to the adjusted profit after tax for the period divided by the basic weighted average number of ordinary shares.

Reconciliation of return on tangible equity:

	30 June 2018	**30 June 2017**
	£'k	£'k
Opening IFRS tangible equity	75,213	55,149
Closing tangible equity	N/A	75,213
Annualised closing IFRS tangible equity*	109,467	N/A
Average IFRS tangible equity	92,340	65,181
Adjusted profit after tax	26,075	23,507
Annualised Return on tangible equity	56.48%	72.13%

** Annualised closing tangible equity is a proxy of the expected closing IFRS tangible equity as at 31 December 2018. This is equal to the closing tangible equity as at 30 June 2018, plus the profit after tax for the 6 months to 30 June 2018, less the interim dividend paid of £18,000k.*