28 March 2019

SABRE INSURANCE GROUP PLC

CONTINUED SUCCESSFUL EXECUTION OF STRATEGY DELIVERS POSITIVE RESULTS

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 2018.

Financial Highlights

	2018	**2017**
Gross written premium	£210.0m	£210.7m
Net earned premium	£188.2m	£186.9m
Net loss ratio	48.5%	46.5%
Expense ratio	22.1%	22.0%
Combined operating ratio	70.6%	68.5%
Adjusted profit before tax	£61.9m	£63.9m
Adjusted profit after tax	£50.1m	£53.3m
Profit before tax	£61.4m	£55.5m
Return on tangible equity	54.4%	81.8%
Financial year total dividend per share	20.0p	N/A
Solvency coverage ratio	213%	160%
Solvency coverage ratio (post dividend)	161%	160%
Return on opening SCR	82.0%	92.1%

- Continued strategy of focusing on underwriting profitability over growth
- Delivered in line with expectations across all financial and operational measures, following the exceptionally strong 2017

- Disciplined approach to pricing, with premiums increased to reflect claims inflation, has supported a combined operating ratio ahead of mid 70%'s target whilst delivering flat year on year gross written premiums, in line with guidance
- Continued strong organic capital generation with a year-end solvency coverage ratio of 213% (pre dividend)
- The Board has declared a final ordinary dividend of 6.8p and a special dividend of 6.0p
- Prudent approach to capital management reflected in post dividend solvency coverage ratio at the upper end of our target range

Operational Highlights

- Continued testing and roll-out of innovative new rating factors and data sources
- Successful soft launch of new direct van product, Insure2Drive Van, in Q4 2018
- Completed transition to a new hybrid cloud IT infrastructure
- Maintained very high levels of staff retention, with 88% of staff survey respondents recommending Sabre as a good place to work
- Testing innovative machine learning and AI approaches across the business

Geoff Carter, Chief Executive Officer of Sabre, said:

"I am pleased to report on our first full year as a listed business. Against the backdrop of what have been competitive underlying market conditions during the year, we have stuck to our core principle of focusing on underwriting profitability over volume growth. This has ensured that we maintained our market-leading underwriting performance, with a combined operating ratio better than our target, and continued to deliver strong organic capital generation. The strong capital generation, driven by our profitability, has allowed us to return a proportion of excess capital generated through a proposed special dividend, whilst maintaining our solvency ratio above our preferred range of 140-160%. From an operational perspective, we have continued to make excellent progress, building on our competitive strengths with the introduction of new rating factors and data sources while exploring new, complementary product lines and maintaining our focus on customer service.

Looking ahead, there remains uncertainty around the market dynamics, but we will continue to take a prudent approach to monitoring and responding to potential changes and trends in our industry, taking pricing action only when speculation and opinion becomes fact.

We are confident that by maintaining our absolute focus on underwriting discipline – treating volume as an output not target – we will continue to deliver strong profitability and attractive, consistent returns for shareholders and are well positioned to take advantage of growth opportunities at the appropriate time.

Analyst presentation webcast/conference call facility:

Sabre management will host a presentation for analysts today at the offices of Numis Securities, 10 Paternoster Square, EC4M. The presentation will start at 9:30am.

To register to access the meeting via live webcast please click here:
https://event.on24.com/wcc/r/1954875-1/C2242104AF8058EC6499EF621F626D37

Alternatively, a conference call facility is available:
United Kingdom Toll-Free: 08003589473
United Kingdom Toll: +44 3333000804
PIN: 65356269#

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

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

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.

The annual report will shortly be available for inspection via the National Storage Mechanism at www.morningstar.co.uk/uk/NSM and also on Sabre's website https://www.sabreplc.co.uk/investors/results-centre/.

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CHIEF EXECUTIVE'S REVIEW

2018 was a positive year for Sabre, with these strong results all the more pleasing given the underlying challenging market conditions. This performance reflects the robustness of the Sabre business model and a successful focus on the long-term corporate strategy.

I am pleased to present the first full year Chief Executive's review following our successful listing on the Main Market of the London Stock Exchange in December 2017.

At the IPO, we outlined the key long-term objectives of Sabre, which drive the strategy of the business. We reiterated those objectives again at our interim results. They are:

- Deliver market-leading underwriting performance
- Continue to generate strong levels of capital through our profitable underwriting
- Deliver attractive returns to shareholders
- Controlled growth across the cycle

Throughout the year, despite the challenging market backdrop, the management team has successfully delivered across these objectives.

Our key priority throughout the year has been to successfully counteract the claims inflation seen through 2018, ensuring that we continue to price new business at our mid-70%s combined operating ratio target. This has resulted in a pleasing combined operating ratio of 70.6% with a largely flat premium position, in line with previous guidance provided to the market. This compares well to the position we believe is being seen across the market, where premium increases are lagging claims inflation. We are also pleased to report profits for the year in line with our expectations, delivered though our strong and disciplined underwriting performance.

As previously stated, our preferred solvency capital range is 140% - 160%, meaning that our year end capital position (213%) is significantly ahead of our preferred range. This has allowed us to propose a special dividend of 6.0p resulting in an attractive full year dividend of 20.0p, equal to approximately 100% of post-tax earnings.

Our strategy

We focus on underwriting private motor insurance in the UK. We have established a strong market position, biased toward the specialist, higher premium segments, with our success 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

- While maintaining a bias toward the specialist, higher premium segments, retain a broad underwriting footprint
- 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
- Using our streamlined operating model to efficiently control expenses
- Ensuring a prudent case and a consistent claims 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 are long term trading principles which have contributed to the success of Sabre to date. Looking forward, while there are a number of forthcoming changes and trends in our industry which we continue to monitor closely, we are confident that consistently focusing on these principles will deliver sustainable profitability and dividends in all market conditions. We are also confident that they will support controlled growth across the cycle, albeit not necessarily in every individual year. We are happy to maintain our size or to contract in unattractive market conditions.

Maintaining an optimal combined operating ratio is the primary focus for our business. We currently target a mid-70%s combined operating ratio across our book. While we remain agnostic about the mix of business we underwrite and the proportion from each distribution channel, we continue to benefit from attracting a higher percentage of the specialist, higher premium section of the market compared to mainstream motor insurers.

Strategic developments

Sabre corporate strategy is based on its long-standing trading principles. However, management do, selectively, consider opportunities to diversify Sabre further, within the parameters of those principles. Sabre’s well-established claims database and strong underwriting skills provide opportunities to expand into adjacent vehicle sectors and niches.

We will maintain a prudent approach to this, ensuring expansion into new lines does not undermine profitability. In 2018 we expanded our footprint in the van market. This was achieved through the soft launch of a direct to customer van product under our Insure 2 Drive brand and enhancements to our broker product that will continue into 2019.

Both of these initiatives offer a low risk way to broaden our offer and increase our market reach. In addition, we have continued to test and roll out innovative new rating factors, as well as assessing potential future product developments.

The market

The UK private motor insurance market is experiencing a period of significant change, potentially of a scale that hasn't been seen for many years. There is a convergence of a number of external events that will have a significant impact – sometimes contradictory – on claims expenditure and premiums. We continue to monitor these developments closely and have prepared extensively for them. Sabre's very experienced management team and staff ensures it has the necessary knowledge to navigate through these industry changes successfully.

To very briefly outline the most significant of these market changes:

Claims Inflation

The increase in technology in vehicles is having a marked increase in "bent metal" claims costs. This is a change from the recent past where personal injury claims have been the key driver of claims inflation. We believe overall claims inflation is running at in excess of 6%, somewhat higher than recent years. We responded to this through increasing prices throughout 2018 and into 2019, and so do not anticipate any meaningful impact on our margins.

Ogden Discount rate

We have continued to price and reserve at the (-0.75%) discount rate, arguably a relatively conservative position. It is increasingly probable that the discount rate (used in the valuation of larger personal injury claims awards) will revert sometime in 2019 towards a positive discount rate. There will be limited impact on Sabre from this change, although it will be a factor on reinsurance costs. We will reflect this change when the quantum is more certain.

Whiplash and associated reforms

The Bill to support these changes has passed Royal Assent and is now the Civil Liability Act.
The key details of this Bill relating to Part 1 "Whiplash" sets out that regulations are to be made in a number of areas including:

- Introducing a tariff for damages for claims up to 24 months pain and suffering
- Banning settling claims without medical evidence
- In concert, the small claims track for PI claims will be increased from £1k to £5k

All of these will be subject to an affirmative resolution procedure, which means that the draft statutory instruments will be debated in both Houses of Parliament before they can come into effect. Alongside the statutory instruments, there will be a significant IT build, managed by the Motor Insurance Bureau, to support the presentation of claims by unrepresented claimants.

This suite of reforms is slated to go live in April 2020, although some commentators feel this is an ambitious timescale given the new technology required to support the changes. Taken at face-value, these reforms would decrease claims spend – industry predictions centre on a £30 per policy saving. This, for the majority of underwriters, would result in a near 10% reduction in premium. For Sabre it would be about half this amount given our higher average premium.

We believe there are several reasons to be cautious about these potential savings. These include possible lawyer response, potential new claims types and the possibility of new types of claims management company involvement. Our approach will be to reflect benefits in pricing if and when we are sure they truly exist.

Competitor pricing activity

Given the number of legal and regulatory changes underway, which may impact market premium rates, there will be differing views amongst competitors on likely outturns. There is a risk that some competitors overestimate the benefits before correcting pricing levels at a later stage.

FCA pricing review

Potentially the most significant development for the motor insurance market as a whole is the FCA review of pricing techniques in the market. This focuses on two areas – differences between new business and renewal prices, and the use of behavioural (non-risk) factors in determining pricing, both of which appear to be common market practice.

Sabre does not utilise either of these approaches. All of our premiums are based on risk factors, and we seek to maintain new business and renewal prices at the same level.

It is too early to speculate on the FCA response, but given our current stance we would anticipate ending up in a neutral or slightly positive position relative to the market.

Summary

Our approach to these developments will be:

- Continue to monitor these ongoing market developments closely
- Continue to understand these trends and plan for possible outcomes
- Maintain our very clear and consistent strategy focused on underwriting discipline
- Amend our pricing as appropriate once we are confident in the financial implications, and not to speculate on future benefits

The timing and result of these various factors is uncertain. However, we are confident that successfully executing our corporate strategy will continue to deliver attractive returns in the short term, and positions us well to take advantage of growth opportunities at the right time from the strong foundation afforded from having covered anticipated claims inflation in our current prices.

Outlook

The underlying challenging dynamics and changes in the UK private car insurance market have been well publicised. Whilst it appears that these dynamics have continued into early 2019, the Board remains very confident in the outlook for Sabre.

We will continue to remain focused on our long term and well established strategy to focus on prioritizing underwriting profitability over premium growth. This profit focused business model, aided by a bias toward to the higher premium market segments, will allow Sabre to maintain its underwriting margins and continue to deliver strong capital generation, supporting attractive and sustainable returns to shareholders, through the cycle.

Further, our proven ability to move into adjacent product areas and take advantage of market opportunities from a solid foundation at the appropriate time leaves us well positioned for growth into the medium and longer term. I look forward to updating shareholders on our ongoing progress through the year.

Geoff Carter Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

Highlights

	2018	2017
Gross written premium	**£210.0m**	£210.7m
Net loss ratio	**48.5%**	46.5%
Combined operating ratio	**70.6%**	68.5%
Adjusted profit after tax	**£50.1m**	£53.3m
Profit after tax	**£49.7m**	£45.3m
Solvency coverage ratio	**213%**	160%
Post-dividend solvency coverage	**161%**	160%
Return on opening SCR	**82.2%**	92.1%
Return on tangible equity	**54.4%**	81.8%

In challenging market conditions, the Group has succeeded in maintaining a flat premium of £210.0m against the prior year (£210.7m) while writing business to its target mid-70%s combined operating ratio. The financial year, at 70.6% (2017:68.5%) combined operating ratio was significantly better than target, benefiting from disciplined current-year underwriting and positive prior-year reserve movements. Including an investment return of £0.8m, this resulted in an adjusted profit after tax of £50.1m (2017: £53.3m). The decrease in profit against the prior-year is a consequence of an exceptional loss ratio in 2017 and an environment in 2018 not conducive to growth. In-line with the Group's strategy, Sabre has elected not to chase volume at the expense of its combined operating ratio. Adjusted profit after tax excludes amortisation and exceptional items.

The Directors have proposed an ordinary final dividend of 6.8 pence per share (2017: 0p), representing 70% of the Group's profit after tax (after the payment of the interim dividend), in line with the Group's strategy set out in its IPO prospectus. The Directors also propose to pay a special dividend of 6.0 pence per share in order to distribute excess capital above that which they consider is required to be retained within the business. Along with the interim dividend of 7.2 pence per share, the total dividend proposed in respect of 2018 is 20.0 pence per share, equal to approximately £50.0m.

The Group's return on tangible equity was 54.4% for 2018, a reduction from 81.8% in 2017. While the decrease is somewhat impacted by the slight reduction in adjusted profit after tax, the primary reason for the reduction is the increase in average tangible equity held by the Group. At the start of 2017, the Group held significantly less excess capital with a regulatory capital excess of 128%. The regulatory capital excess as at 31 December 2018 was 213%, a result of the increase in preferred capital operating range at IPO and change in the timing of dividends paid.

Revenue

	2018	2017
Gross written premium	**£210.0m**	£210.7m
Gross earned premium	**£208.6m**	£203.1m
Net earned premium	**£188.2m**	£186.9m
Other technical income	**£1.8m**	£1.9m
Customer instalment income	**£4.1m**	£3.8m
Investment return	**£0.8m**	(£0.7m)

The Group has maintained pricing discipline throughout 2018 against a backdrop of significantly greater competitive pressure than in 2017. Despite this, Sabre has achieved flat year-on-year gross written premium of £210.0m against £210.7m in 2017. Gross earned premium has increased year-on-year to £208.6m (2017: £203.1m) due to growth in 2017 earning through. Net earned premium was also up to £188.2m from £186.9m in 2017, the smaller increase being the result of a mild increase in reinsurance rate at the July 2018 renewal.

Other technical income continues to fall broadly in line with premium, with no significant change to the offering provided on Sabre's direct business. Customer instalment income continues to represent a relatively stable proportion of the Group's direct customers. The Group continues to be exposed to market value movements across its investment portfolio, which is primarily invested in UK Government bonds. A net investment return of £0.8m was recorded in 2018 against a loss of £0.7m in 2017. Sabre 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.

Operating Expenditure

	2018	2017
Net claims incurred	**£91.3m**	£86.9m
Current-year loss ratio	**59.2%**	57.0%
Financial year loss ratio	**48.5%**	46.5%
Net operating expenses	**£41.6m**	£41.0m
Expense ratio	**22.1%**	22.0%
Combined operating ratio	**70.6%**	68.5%

Net claims incurred and net operating expenses are presented after reclassifying £6.5m (2016: £6.0m) of claims expenses from net claims incurred into operating expenses.

Net claims incurred can be considered as the current-year loss ratio of 59.2% (2017: 57.0%) less prior-year reserve movement of 10.7% (2017: 10.5%). The current-year loss ratio is reflective of the Group's continued focus on underwriting profitability. 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 at £41.6m (2017: £41.0m) represent a consistent and stable expense base, having absorbed some additional operating expenditure as a result of the Group's IPO in December 2017. The Group continues to maintain tight control of costs, which remain heavily volume dependent due to the broker model and outsourced administration of the Group's direct business.

Taxation

In 2018 the Group incurred a tax charge of £11.8m (2017: £10.2m), an effective tax rate of 19.22%, as compared to an effective tax rate of 18.3% in 2017. The effective tax rate is equal to the prevailing UK corporation tax rate. The Group has not entered into any complex or unusual tax arrangements during the year.

Earnings per Share

	2018	2017
Basic earnings per share	19.9p	14.5p
Diluted earnings per share	19.8p	14.5p

Earnings per share for the current and comparative period are calculated on the basis of the current capital structure, which is described further in Note 30 to the Financial Statements. Basic earnings per share for 2018 is 19.9 pence compared to 14.5 pence for 2017. The number of shares has not changed materially during the year, which means that earnings per share is proportionate to profit after tax.

Cash and Investments

	2018	2017
UK Government bonds	**£286.6m**	£243.5m
Corporate bonds	**£0.5m**	£0.5m
Cash and cash equivalents	**£22.8m**	£34.4m

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 a result of the build-up of excess capital during the year, much of which is intended to be distributed to shareholders via an ordinary and special dividend.

Insurance liabilities

	2018	2017
Gross insurance liabilities	**£215.8m**	£242.4m
Reinsurers' share of insurance liabilities	**£74.2m**	£103.0m
Net insurance liabilities	**£141.6m**	£139.4m

The Group's net insurance liabilities continue to reflect the underlying profitability and volume of business written. There was a decrease in gross claims outstanding during the year due to the settlement, and in some cases reduction of the reserve held against, several large claims in excess of the reinsurance retention level. As a result, the reinsurers' share of insurance liabilities has also decreased. The level of net insurance liabilities held remains proportionate to the volume of business written.

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 Directors have proposed a total dividend of 20.0 pence per share in respect of 2018, consisting of the interim dividend of 7.2 pence per share, an ordinary dividend of 6.8 pence per share and a special dividend of 6.0 pence per share. The total amount proposed to be distributed to shareholders by way of dividends for 2018 is therefore £50.0m, equal to 100% of the Group's adjusted profit after tax. Excluding the capital required to service this dividend, the Group's SCR coverage ratio at 31 December 2018 would be 161%. This is consistent with the Group's policy to pay an ordinary dividend of 70% of profit after tax, and to 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 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, 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 relative to NEP, expressed as a percentage.

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 excluding tax 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 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 to its SCR 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, expressed as a percentage.

Adjusted Profit Before Tax

	2018	2017	2016
	£'k	£'k	£'k
Profit before tax	61,363	55,512	63,432
Add:			
Amortisation of intangible assets	501	887	1,619
Exceptional items	-	7,542	-
Adjusted profit before tax	**61,864**	**63,941**	**65,051**

Adjusted Profit After Tax

	2018	2017	2016
	£'k	£'k	£'k
Profit after tax	49,568	45,343	52,293
Add:			
Amortisation of intangible assets	501	887	1,619
Exceptional items	-	7,542	-
Tax on exceptional items	-	(482)	-
Adjusted profit after tax	**50,069**	**53,290**	**53,912**

Loss Ratio

	2018	2017	2016
	£'k	£'k	£'k
Net insurance claims	97,861	92,912	92,721
Less: Claims handling expenses	(6,536)	(6,044)	(5,878)
	91,325	86,868	86,843
Net earned premium	188,235	186,866	182,107
Net loss ratio	**48.5%**	**46.5%**	**47.7%**

Expense Ratio

	2018	2017	2016
	£'k	£'k	£'k
Total expenses	35,191	34,994	33,488
Plus: Claims handling expenses	6,536	6,044	5,878
	41,727	41,038	39,366
Net earned premium	188,235	186,866	182,107
Expense Ratio	**22.1%**	**22.0%**	**21.6%**

Combined Operating Ratio	2018	2017	2016
	£'k	£'k	£'k
Total expenses	35,191	34,994	33,488
Net insurance claims	97,861	92,912	92,721
	133,052	127,906	126,209
Net earned premium	188,235	186,866	182,107
Combined operating ratio	**70.6%**	**68.5%**	**69.3%**

Solvency Coverage Ratio	2018	2017	2016
	£'k	£'k	£'k
Solvency II net assets	130,019	97,873	74,283
Solvency Capital Requirement	60,995	61,087	57,852
Solvency Coverage Ratio	**213.3%**	**160.2%**	**128.4%**

Solvency Coverage Ratio - Post-Dividend	2018	2017	2016
	£'k	£'k	£'k
Solvency II net assets	130,019	97,873	74,283
Less: Final dividend expected	(32,000)	-	-
Solvency II net assets exc. dividend	98,019	97,873	74,283
Solvency Capital Requirement	60,995	61,087	57,852
Solvency Coverage Ratio	**160.8%**	**160.2%**	**128.4%**

Return on Tangible Equity	2018	2017	2016
	£'k	£'k	£'k
IFRS net assets at year-end	265,194	231,993	212,816
Less:			
Intangible assets at year-end	(156,279)	(156,279)	(156,279)
Goodwill at year-end	-	(501)	(1,388)
Closing tangible equity	108,915	75,213	55,149
Opening tangible equity	75,213	55,149	56,813
Average tangible equity	92,064	65,181	55,981
Adjusted profit after tax	50,069	53,290	53,912
Return on tangible equity	**54.4%**	**81.8%**	**96.3%**

Return on Opening SCR		
	2018	**2017**
	£'k	**£'k**
Opening SCR	61,087	57,852
Adjusted profit after tax	50,069	53,290
Return on SCR	**82.0%**	**92.1%**

Dividend Calendar

Financial dividend - 2018	
Ex-dividend date	**25 April 2019**
Record date	**26 April 2019**
Payment date	**30 May 2019**

Interim dividend - 2019	
Ex-dividend date	**22 August 2019**
Record date	**23 August 2019**
Payment date	**19 September 2019**

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2018

	Notes	2018 £'k	2017 £'k
Gross earned premium	4	**208,622**	203,139
Reinsurance premium ceded	4	**(20,387)**	(16,273)
Net earned premium		**188,235**	186,866
Investment return	5	**777**	(749)
Instalment income		**4,143**	3,837
Other operating income	6	**1,761**	1,893
Total income		**194,916**	191,847
Insurance claims	7	**(72,245)**	(151,456)
Insurance claims recoverable from reinsurers	7	**(25,616)**	58,544
Net insurance claims		**(97,861)**	(92,912)
Commission expenses		**(16,429)**	(16,884)
Operating expenses	8	**(18,762)**	(18,110)
Total expenses		**(35,191)**	(34,994)
Operating profit before exceptional items and amortisation of intangible assets		**61,864**	63,941
Exceptional items	9	**–**	(7,542)
Amortisation of intangible assets		**(501)**	(887)
Profit before tax		**61,363**	55,512
Tax charge	10	**(11,795)**	(10,169)
Profit for the year attributable to the owners of the Company		**49,568**	45,343

Other comprehensive Income			
Items which will not be reclassified to profit and loss:			
Revaluation gain on owner-occupied property	5	**620**	–
Tax charge on other comprehensive income	10	**(118)**	–
Total other comprehensive income for the year		**502**	–
Total comprehensive income for the year attributable to the owners of the Company		**50,070**	45,343
Basic earnings per share (pence per share)	30	**19.90**	14.50
Diluted earnings per share (pence per share)	30	**19.77**	14.50

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 £'k	2017 £'k
Assets			
Goodwill	22	**156,279**	156,279
Intangible assets	23	**–**	501
Property, plant and equipment	14	**4,370**	3,874
Reinsurance assets	15	**82,435**	110,488
Deferred tax assets	12	**217**	20
Deferred acquisition costs	16	**15,761**	14,673
Insurance and other receivables	17	**37,788**	38,808
Prepayments, accrued income and other assets	18	**4,538**	2,854
Financial investments	19	**287,142**	244,031
Cash and cash equivalents	20	**22,823**	34,425
Total assets		**611,353**	605,953
Equity			
Issued ordinary share capital	21	**249**	249
Share premium account		**–**	205,241
Own shares		**1**	1
Merger reserve		**48,524**	48,404
Share based payments reserve	31	**1,036**	–
Retained earnings		**215,338**	(21,902)
Total equity		**265,148**	231,993
Liabilities			
Insurance liabilities	24	**215,757**	242,388
Unearned premium reserve	24	**106,517**	105,122
Trade and other payables including insurance payables	25	**13,623**	15,876
Deferred tax liabilities	12	**–**	–
Current tax liabilities	11	**5,798**	907
Accruals	26	**4,510**	9,667
Total liabilities		**346,205**	373,960
Total equity and liabilities		**611,353**	605,953

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 27 March 2019.

Signed on behalf of the Board of Directors by: Adam Westwood
Chief Financial Officer

Consolidated Statement of Cash Flows
for the year ended December 2018

	Notes	2018 £'k	2017 £'k
Net cash generated from operating activities before investment of insurance assets		**48,744**	60,666
Cash used by investment of insurance assets		**(42,334)**	(10,490)
Net cash generated from operating activities	29	**6,410**	50,176
Cash flows from investing activities			
Purchases of property, plant and equipment		**(61)**	(77)
Net cash used by investing activities		**(61)**	(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		**(17,951)**	(31,696)
Net cash used by financing activities		**(17,951)**	(26,166)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**34,425**	10,492
Net (decrease)/increase in cash and cash equivalents		**(11,602)**	23,933
Cash and cash equivalents at the end of the year		**22,823**	34,425

Consolidated Statement of Changes in Equity
for the year ended December 2018

	Notes	Ordinary shareholders' 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		–	–	–	–	–	–	45,343	45,343
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	45,343	45,343
Establishment of Sabre Insurance Group plc		250	–	–	–	–	–	(250)	–
Dividends		–	–	–	–	–	–	(31,696)	(31,696)
Corporate reorganisation		(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**
Profit for the year		–	–	–	–	–	–	49,568	49,568

	Notes	Ordinary shareholders' 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
Other comprehensive income		–	–	–	–	–	–	502	502
Total comprehensive income		–	–	–	–	–	–	50,070	50,070
Charge in respect of share-based payments	31	–	–	–	–	–	1,036	–	1,036
Capital reduction	21	–	–	(205,241)	–	120	–	205,121	–
Dividends	13	–	–	–	–	–	–	(17,951)	(17,951)
Balance at 31 December 2018		**249**	**–**	**–**	**1**	**48,524**	**1,036**	**215,338**	**265,148**

Notes to the Consolidated Financial Statements
As at 31 December 2018

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.

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 2018, 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. The Group has applied IFRS 15: Revenue from contracts with customers when preparing the financial statements. The new standard has no material impact on the financial statements.

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.

(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 2019:

Description	Effective date (period beginning)
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 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 temporary exemption from IFRS 9 because its activities are entirely connected with insurance. As at 31 December 2015, all the group's gross liabilities arising from contracts within the scope of IFRS 4. Since 31 December 2015 there has been no change in the activities of the group that requires reassessment of the use of the temporary exemption. Sabre Insurance Plc as a standalone entity has no impact from IFRS 9.

The table below presents an analysis of the fair value of classes of financial assets as at the end of the 2018 reporting period. The movement in the year represents the change in fair value during the reporting period. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI)
- All financial assets other than those specified in SPPI

	Group		Company	
	Fair Value	Fair value change	Fair Value	Fair value change
Asset type	**£'000**	£'000	**£'000**	£'000
Financial assets managed and evaluated on a fair value basis				
Corporate	**518**	(29)	**–**	–
Sovereign	**286,624**	43,140	**–**	–
Total financial assets managed and evaluated on a fair value basis	**287,142**	**43,111**	**–**	–

	Group		Company	
	Fair Value	Fair value change	Fair Value	Fair value change
Financial assets meeting the SPPI test				
Cash and cash equivalent	**22,822**	(11,423)	**1,208**	**1,208**
Total financial assets meeting SPPI test	**22,822**	**(11,423)**	**1,208**	**1,208**

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 2019.

IFRS 16 Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019 and has not yet been endorsed by the EU. 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, given the Group holds no lease assets or liabilities.

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 Bornhuetter-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 £215,757k (2017: £242,388k).

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.

The Group has continued to manage 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. 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 2018, the Company holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

	As at 31 December 2018 £'k	As at 31 December 2017 £'k
Equity		
Ordinary share capital	**249**	249
Preference share capital	**–**	–
Share premium	**–**	205,241
Own shares	**1**	1
Merger reserve	**48,524**	48,404
Retained earnings	**216,374**	(21,902)
Total	**265,148**	231,993

The Solvency II position of the Group is given below:

	As at 31 December 2018 £'k	As at 31 December 2017 £'k
Total tier 1 capital	**130,019**	97,873
SCR	**60,995**	61,087
Excess capital	**69,024**	36,786
Solvency coverage ratio (%)	**213%**	160%

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

	As at 31 December 2018 £'k	As at 31 December 2017 £'k
Adjusted IFRS net assets	**108,869**	75,213
Unearned premium reserve	**106,517**	105,122
Deferred acquisition costs	**(15,761)**	(14,673)
Solvency II premium provision	**(71,092)**	(68,199)
IFRS risk margin[1]	**12,550**	12,389
Discount claims provision	**3,134**	1,822
Solvency II risk margin	**(9,237)**	(8,486)
Change in deferred tax	**(4,961)**	(5,315)
Solvency II net assets	**130,019**	97,873

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 2018 £'k	As at 31 December 2017 £'k
Interest rate risk	484	1,482
Equity risk	–	–
Property risk	1,014	859
Spread risk	83	88
Currency risk	240	204
Concentration risk	–	–
Correlation impact	(555)	(815)
Market risk	**1,265**	**1,818**
Counterparty risk	2,682	3,306
Underwriting risk	57,633	56,860
Correlation impact	(2,305)	(2,982)
Basic SCR	**59,275**	**59,002**
Operating risk	6,681	7,400
Loss absorbing effect of deferred taxes	(4,961)	(5,315)
Total Solvency Capital Requirement	60,995	61,087

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.

3.2 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.

	Increase/(decrease) in profit before tax		Increase/(decrease) in total equity	
At 31 December	**2018 £'k**	**2017 £'k**	**2018 £'k**	**2017 £'k**
Insurance risk				
Impact of a 10% increase in loss ratio	**(13,899)**	(13,228)	**(11,258)**	(13,228)
Impact of a 10% increase in net outstanding claims and claims provision	**(11,713)**	(11,511)	**(9,488)**	(11,511)

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 2018	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	**82,435**	**–**	**–**	**–**	**82,435**
Deferred tax assets	**217**	**–**	**–**	**–**	**217**
Insurance and other receivables	**37,786**	**–**	**2**	**–**	**37,788**
Corporate bonds	**518**	**–**	**–**	**–**	**518**
UK government debt	**286,624**	**–**	**–**	**–**	**286,624**
Cash at bank and in hand	**22,823**	**–**	**–**	**–**	**22,823**
Total	**430,403**	**–**	**2**	**–**	**430,405**

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**

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

Exposure by credit rating

At 31 December 2018	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	–	62,696	19,739	–	–	–	82,435
Deferred tax assets	–	–	–	–	–	217	217
Insurance and other receivables	–	–	–	–	–	37,788	37,788
Corporate bonds	–	–	–	518	–	–	518
UK government debt	–	286,624	–	–	–	–	286,624
Cash at bank and in hand	–	93	–	22,730	–	–	22,823
Total	**–**	**349,413**	**19,739**	**23,248**	**–**	**38,005**	**430,405**

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
Cash at bank and in hand	–	6,796	–	27,629	–	–	34,425
Total	**–**	**333,688**	**27,080**	**28,176**	**–**	**38,828**	**427,475**

Credit rating is determined with reference to an external credit rating agency.

(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 2018	Total £'k	Within 1 year £'k	1 – 3 years £'k	3 – 5 years £'k	5 – 10 years £'k	Over 10 years £'k
Corporate bonds	518	518	–	–	–	–
UK government debt	286,624	182,923	81,768	17,879	4,054	–
Cash and cash equivalents	22,822	22,822	–	–	–	–
Total	**309,965**	**206,264**	**81,768**	**17,879**	**4,054**	**–**

At 31 December 2018	Total £'k	Within 1 year £'k	1 – 3 years £'k	3 – 5 years £'k	5 – 10 years £'k	Over 10 years £'k
Insurance liabilities	275,230	127,236	97,832	32,425	17,739	(2)
Trade and other payables including insurance payables	13,623	13,623	–	–	–	–
Total	**288,853**	**140,859**	**97,832**	**32,425**	**17,739**	**(2)**

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	–	–	–	–
Total	**278,455**	**140,376**	**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	–

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 2018	Corporate £'k	Sovereign £'k	Total £'k
UK	518	286,624	287,142
Total	**518**	**286,624**	**287,142**

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

(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	2018 £'k	2017 £'k	2018 £'k	2017 £'k
Interest rate				
Impact of a 100 basis point increase in interest rates on financial investments	**(2,350)**	(1,984)	**(2,350)**	(1,984)
Owner-occupied property				
Impact of a 15% decrease in property markets	**–**	(515)	**(493)**	(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

	2018 £'k	2017 £'k
Gross earned premium:		
Gross written premium	**210,017**	210,736
Movement in unearned premium reserve	**(1,395)**	(7,597)
	208,622	203,139
Reinsurance premium ceded:		
Premium payable	**(21,129)**	(19,017)
Movement in unearned premium reserve	**742**	2,744
	(20,387)	(16,273)
Total	**188,235**	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 year is £210,017k. 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

	2018 £'k	2017 £'k
Statement of Comprehensive Income		
Investment income:		
Interest income from debt securities	**7,992**	4,647
Cash and cash equivalent interest income	**91**	7
Investment fees	**(79)**	(76)
	8,004	4,578
Net realised gains/(losses)		
Debt securities at fair value through profit and loss	**(1,210)**	(944)
	(1,210)	(944)
Net unrealised gains/(losses)		
Debt securities at fair value through profit and loss	**(6,017)**	(4,383)
	(6,017)	(4,383)
Total	**777**	(749)
Other Comprehensive Income		
Revaluation gain on owner-occupied property	**620**	–
Total	**1,397**	(749)

6. Other operating income

	2018 £'k	2017 £'k
Marketing fees	**1,334**	1,040
Fee income from the sale of auxiliary products and services	**136**	131
Other technical income	**–**	–
Administration fees	**291**	722
Total	**1,761**	1,893

7. Net insurance claims

	2018			2017		
	Gross £'k	Reinsurance £'k	Net £'k	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	**52,429**	**–**	**52,429**	46,976	–	46,976
Prior accident year claims paid	**46,447**	**(3,179)**	**43,268**	45,033	(2,328)	42,705
Movement in insurance liabilities	**(26,631)**	**28,795**	**2,164**	59,447	(56,216)	3,231
Total	**72,245**	**25,616**	**97,861**	151,456	(58,544)	92,912

Claims handling expenses for the year ended 31 December 2018 of £6,536k (2017: £6,045k) have been included in the above.

8. Operating expenses

	2018 £'k	2017 £'k
Staff costs	**6,219**	5,912
Property costs	**152**	137
IT expense including IT depreciation	**4,334**	3,728
Other depreciation	**46**	47
Industry levies	**3,224**	3,851
Other operating expenses	**4,787**	4,435
Total	**18,762**	18,110

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

	2018	2017
Operations	**129**	128
Support	**25**	25
Total	**154**	153

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

	2018 £'k	2017 £'k
Wages and salaries	**4,199**	4,916
Issue of share based payments	**1,036**	–
Social security costs	**594**	601
Pension costs	**246**	255
Other staff costs	**144**	140
Total	**6,219**	5,912

Wages and salaries of £4,199k (2017: £4,916k) 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 £407k (2017: (£246k)).

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

	2018 £'k	2017 £'k
Fees for audit services		
Audit of these financial statements	**41**	40
Audit of financial statements of subsidiaries of the company	**134**	130
Total audit fees	**175**	170
Fees for non-audit services		
Audit related assurance services	**75**	40
Other non-audit services relating to corporate finance transactions	**–**	495
Total non-audit fees	**75**	535
Total Group auditor remuneration	**250**	705

Amounts paid to Directors are disclosed within the Directors' Remuneration Report on page 46 of the Annual Report and Accounts.

9. Exceptional items

	2018 £'k	2017 £'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

	2018 £'k	2017 £'k
Current taxation:		
Charge for the year	**11,992**	10,194
	11,992	10,194

	2018 £'k	2017 £'k
Deferred taxation (note 12):		
Origination and reversal of temporary differences	**(197)**	(25)
Effect of tax rate change on opening balance	**–**	–
Over-provision in respect of the previous year	**–**	–
	(197)	(25)

Current taxation	**11,992**	10,194
Deferred taxation (note 12)	**(197)**	(25)
Tax charge for the year	**11,795**	10,169

Tax recorded in Other Comprehensive Income is as follows.

	2018 £'k	2017 £'k
Current taxation	**118**	–
	118	–

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 19.00% (2017: 19.25%) as follows:

	2018 £'k	2017 £'k
Profit before tax	**61,363**	55,512
Expected tax charge	**11,659**	10,686
Effect of:		
Disallowable expenses	**13**	691
Adjustment of deferred tax to average rate of 19.25%	**–**	2
Amortisation of Intangible assets	**95**	–
Adjustment in respect of prior periods	**–**	116
Other differences	**–**	(5)
Income/less not subject to UK taxation	**28**	(1,321)
Tax charge for the year	**11,795**	10,169
Effective income tax rate	**19.22%**	18.32%

11. Current tax

	2018 £'k	2017 £'k
Per balance sheet:		
Current tax assets	**–**	–
Current tax liabilities	**(5,798)**	(907)
	(5,798)	(907)

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	Share based payments £'k	Total £'k
At 1 January 2018	25	(5)	–	20
Credit to the income statement on continuing operations	(8)	8	197	197
At 31 December 2018	**17**	**3**	**197**	**217**

	2018 £'k	2017 £'k
Per balance sheet:		
Deferred tax assets	217	20
Deferred tax liabilities	–	–
	217	20

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

	Pence per share	2018 £'k	2017 £'k
Amounts recognised as distributions to equity holders in the period:			
First interim ordinary dividend paid	7.2	**17,951**	14,167
Second interim ordinary dividend paid	–	**–**	8,171
Preference dividends paid	–	**–**	9,358
	7.2	**17,951**	31,696

14. Property, plant and equipment

	Owner occupied £k	Fixtures and fittings £k	Computer equipment £k	Total £k
Cost				
At 1 January 2017	3,950	678	1,901	6,529
Additions	–	25	52	77
At 1 January 2018	**3,950**	**703**	**1,953**	**6,606**
Additions	–	17	44	61
Revaluation	620	–	–	620
At 31 December 2018	**4,570**	**720**	**1,997**	**7,287**
Accumulated depreciation and impairment				
At 1 January 2017	515	507	1,473	2,495
Charge for the year	–	47	190	237
At 1 January 2018	**515**	**554**	**1,663**	**2,732**
Charge for the year		45	140	185
At 31 December 2018	**515**	**599**	**1,803**	**2,917**
Carrying amount				
As at 31 December 2018	**4,055**	**121**	**194**	**4,370**
As at 31 December 2017	**3,435**	**149**	**290**	**3,874**

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 16 October 2018 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. The fair value measurement of owner occupied property of £4,055k (2017: £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 2017	3,435
Purchase	–
Revaluation	620
At 31 December 2018	**4,055**

15. Reinsurance assets

	2018 £'k	2017 £'k
Reinsurers' share of general insurance liabilities	**74,203**	102,998
Reinsurers' share of UPR	**8,232**	7,490
Impairment provision	**–**	–
Total	**82,435**	110,488

16. Deferred acquisition costs

	2018 £'k	2017 £'k
At 1 January	**14,673**	14,028
Net increase/decrease during the year	**1,088**	645
At 31 December	**15,761**	14,673

17. Insurance and other receivables

	2018 £'k	2017 £'k
Receivables arising from insurance and reinsurance contracts:		
Due from brokers and intermediaries	**16,234**	17,296
Due from policyholders	**21,542**	21,504
Impairment of broker and intermediary receivables	**(100)**	(100)
Other loans and receivables:		
Other debtors	**112**	108
Total	**37,788**	38,808

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

	2018 £'k	2017 £'k
Accrued interest	**3,467**	2,135
Prepayments and accrued income	**1,071**	719
Total	**4,538**	2,854

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

	2018 £'k	2017 £'k
Debt securities held at fair value through the profit and loss account		
Corporate	**518**	547
Sovereign	**286,624**	243,484
Total	**287,142**	244,031

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

	2018 £'k	2017 £'k
Cash at bank and in hand	**22,823**	34,425
Total	**22,823**	34,425

21. Share capital

	2018 £'k	2017 £'k
Authorised, issued and fully paid: equity shares		
250,000,000 ordinary shares of £0.001 each	**250,000**	250,000

All shares are unrestricted and carry equal voting rights.

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.

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 31 for further details on these plans.

The merger reserve was generated through the corporate restructuring which proceeded the Company's IPO in December 2017.

All other reserves are as stated in the consolidated statement of changes in equity.

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 2018 and 31 December 2017. 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 2018 and 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.

Key assumptions

The valuation uses fair value less costs to sell. The key assumption on which management have based this value is:

- Market capitalisation of the Group at 31 December 2018 of £682,500k (2017: £680,000k)

The Directors conclude that the recoverable amount of the business unit would remain in excess of its carrying value even after reasonably possible changes in the key inputs and assumptions affecting its market value, 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 2018. Goodwill is categorised as Level 3 under the IFRS hierarchy.

23. Intangible assets

	2018 £'k	2017 £'k
Cost		
At 1 January	**14,838**	14,838
Additions	**–**	–
At 31 December	**14,838**	14,838
Accumulated amortisation		
At 1 January	**14,337**	13,450
Charge for the year	**501**	887
At 31 December	**14,838**	14,337
Carrying amount	**–**	501

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 2018, the remaining life was determined to be zero years.

24. Insurance liabilities, unearned premium reserve

	2018 £'k	2017 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	**215,757**	242,388
Unearned premium reserve	**106,517**	105,122
Total	**322,274**	347,510
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	**(74,203)**	(102,998)
Unearned premium reserve	**(8,232)**	(7,490)
Total	**(82,435)**	(110,488)
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	**141,554**	139,390
Unearned premium reserve	**98,285**	97,632
Total	**239,839**	237,022

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	2018 £'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	120,077	
One year later	74,349	95,818	103,989	70,567	65,639	90,133	100,935	131,803		
Two years later	77,740	90,631	94,297	63,197	62,039	82,537	94,294			
Three years later	73,686	84,962	92,478	65,313	60,301	79,845				
Four years later	72,141	81,715	97,170	68,763	59,149					
Five years later	71,540	80,514	94,150	64,290						
Six years later	74,822	80,738	88,795							
Seven years later	72,660	80,511								
Eight years later	72,656									
Current estimate of cumulative claims	72,656	80,511	88,795	64,290	59,149	79,845	94,294	131,803	120,077	
Cumulative payments to date	(69,308)	(80,174)	(81,032)	(54,206)	(54,642)	(66,726)	(70,269)	(64,200)	(45,986)	
Liability recognised in balance sheet	**3,348**	**337**	**7,764**	**10,084**	**4,507**	**13,119**	**24,025**	**67,604**	**74,091**	**204,849**
2009 and prior										**7,376**
Claims handling provision										**3,502**
Total										**215,757**

Net insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'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	111,433	
One year later	69,055	90,742	81,403	64,071	65,639	85,814	93,664	96,446		
Two years later	72,475	87,494	75,938	59,301	60,953	81,164	87,824			
Three years later	69,649	81,950	73,606	57,739	59,741	77,869				
Four years later	68,001	78,509	74,304	56,947	59,008					
Five years later	67,100	77,534	72,731	56,892						
Six years later	66,926	77,496	72,624							
Seven years later	66,791	77,266								
Eight years later	66,791									
Current estimate of cumulative claims	66,791	77,266	72,624	56,892	59,008	77,869	87,824	96,446	111,433	
Cumulative payments to date	(65,626)	(76,928)	(71,408)	(53,732)	(54,642)	(66,638)	(70,269)	(64,200)	(45,986)	
Liability recognised in balance sheet	**1,166**	**338**	**1,216**	**3,161**	**4,367**	**11,231**	**17,555**	**32,246**	**65,447**	**136,726**
2009 and prior										**1,326**
Claims handling provision										**3,502**
Total										**141,554**

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	**(92,434)**	**3,177**	**(89,257)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**122,100**	**(8,645)**	**113,455**
Arising from prior-year claims	**(56,297)**	**34,263**	**(22,034)**

	Gross £'k	Reinsurance £'k	Net £'k
At 31 December 2018	**215,757**	**(74,203)**	**141,554**

Claims reported	**284,491**	**(96,138)**	**188,353**
Incurred but not reported	**(72,236)**	**21,935**	**(50,301)**
Claims handling provision	**3,502**	**–**	**3,502**
At 31 December 2018	**215,757**	**(74,203)**	**141,554**

25. Trade and other payables, including insurance payables

	2018 £'k	2017 £'k
Insurance creditors	**1,017**	1,031
Due to reinsurers	**6,171**	4,555
Trade and other creditors	**675**	4,812
Other taxes	**5,760**	5,478
Total	**13,623**	15,876

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

	2018 £'k	2017 £'k
Accruals in respect of industry levies	**3,325**	4,212
Accruals in respect of IPO costs	**–**	3,958
Other accruals	**1,185**	1,497
Total	**4,510**	9,667

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	Non-financial assets / liabilities £'k	2018 £'k
Financial investments	287,142	–	–	–	–	**287,142**
Total assets	**287,142**	**–**	**–**	**–**	**–**	**287,142**

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

	2018 £'k	2017 £'k
Profit for the year	**61,363**	55,512
Adjustments for:		
Depreciation	**185**	237
Amortisation of intangible assets	**501**	887
Share Based Payments	**1,036**	–
Investment return	**(777)**	749
Operating cash flows before movements in working capital	**62,308**	57,385
Movements in working capital:		
Change in reinsurance assets	**28,053**	(58,959)
Change in insurance and other receivables	**1,020**	(1,469)
Change in prepayments and other assets	**(1,684)**	(688)
Change in insurance liabilities including DAC and UPR	**(26,324)**	66,102
Change in trade and other payables	**(7,410)**	10,659
Cash generated from operations	**56,963**	73,030
Taxes paid	**(7,219)**	(12,364)
Net cash flow generated from operating activities before investment of insurance assets	**48,744**	60,666
Interest and investment income received	**8,004**	4,578
Purchases of invested assets	**(152,162)**	(139,608)
Proceeds from sale of invested assets	**101,824**	124,540
Total	**6,410**	50,176

30. Earnings per share

Earnings per share shows the profit for each share our shareholders own.

	2018	2017
The calculations for basic and diluted earnings per share are based on the following figures		
Profit on ordinary activities after tax (£'k)	**49,615**	45,343
Preference dividend (£'k)	**–**	9,358
Basic weighted average number of shares (number in thousands)	**249,125**	248,229
Diluted weighted average number of shares (number in thousands)	**250,724**	248,234
Basic earnings per share (pence per share)	**19.90**	14.50
Diluted earnings per share (pence per share)	**19.77**	14.50

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 was been recorded in the income statement in 2017 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:

	2018	2017
Equity settled plans		
Long Term Incentive Plan ("LTIP") with no performance conditions	589	–
Long Term Incentive Plan ("LTIP") with performance conditions	307	
Share Incentive Plan ("SIP")	120	–
Save As You Earn ("SAYE")	20	–
Total	1,036	–

The Sabre Share Incentive Plan provides for the award of free Sabre Insurance Group plc shares, Partnership Shares, Management Shares and Dividend Shares. The shares are owned by the employee share trust to satisfy awards under the plans. These shares are purchased on the market and carried at cost.

The Board has approved but not yet initiated one further incentive plan during 2018, being a deferred bonus plan ("DBP"). It is intended that a proportion of awards made under the Short Term Incentive Plan will be deferred into the DBP. The deferred share plan is recognised in the statement of profit and loss on a straight-line basis over a period of two years.

The terms and conditions of the grants are as follows:

Share option plan	Grant date	Number of options	Vesting conditions	Contractual life of options
SIP	29 December 2017	187,866	Three years' service	3 Years
LTIP (No performance conditions)	29 December 2017	576,169	Two years' service and Three years' service	2/3 Years
LTIP (Performance conditions)	21 June 2018	572,649	Three years' service plus performance conditions as outlined in the directors' remuneration report	3 Years
SAYE	24 May 2018	248,382	Three years' service	6-months post vesting

Vesting conditions

The vesting conditions are defined as:

- two years' service – an employee must remain in employment until the second anniversary from the grant date
- three years' service – an employee must remain in employment until the third anniversary from the grant date;
- five years' service – an employee must remain in employment until the fifth anniversary from the grant date;

The total gain on directors' exercises of share-option plans during the period was £nil (2017: £nil).

Share Incentive Plan ("SIP")

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 or Matching shares had been awarded by 31 December 2018.

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

	2018		2017	
	Number of awards	Weight average exercise price (pence)	Number of awards	Weight average exercise price (pence)
Outstanding at 31 December 2017	187,866	Nil	–	–

	2018		2017	
	Number of awards	**Weight average exercise price (pence)**	**Number of awards**	**Weight average exercise price (pence)**
Granted	–	–	**187,866**	**Nil**
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding at 31 December 2018	**187,866**	**Nil**	**187,866**	**Nil**

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 without performance conditions

	2018		2017	
	Number of awards	**Weight average exercise price (pence)**	**Number of awards**	**Weight average exercise price (pence)**
Outstanding at 31 December 2017	576,169	Nil	–	–
Granted	–	–	576,169	Nil
Forfeited	(6,639)	–	–	–
Vested	–	–	–	–
Outstanding at 31 December 2018	**569,530**	**Nil**	**576,169**	**Nil**

In 2017, shares gifted to employees at IPO were held in trust under the Long-Term Incentive Plan, without performance conditions, with a vesting period of two years (50%) and three years (50%).

Reconciliation of movement in the number of LTIP awards with performance conditions

During 2018, further share options have been issued to management and senior employees under the LTIP, with performance conditions attached.

	2018		2017	
	Number of awards	**Weight average exercise (price)**	**Number of awards**	**Weight average exercise (price)**
Outstanding at 31 December 2017	–	–	–	–
Granted	**572,619**	**Nil**	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding at 31 December 2018	**572,619**	**Nil**	–	–

The following table lists the inputs to the model used for the three plans for the year ended 31 December 2018. The fair value of the options granted is measured using the Monte Carlo method considering the terms and conditions upon which the options were granted. The amount recognised as an expense under IFRS 2 is adjusted to reflect the actual number of share options that vest.

	2018
Weighted average share price (per award)	227 pence
Expected term	2.8 years
Expected volatility	22.81%
Expected exercise price on outstanding awards	Nil
Grant-date TSR performance of the company	16.09%
Average risk – free interest rate	0.73%

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
Barb IntermediateCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Barb HoldCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Barb MidCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Barb BidCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
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

No single party holds a significant influence (>20%) over Sabre Insurance Group plc.

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 2018, the Group donated no shares to the EBTs (2017: 1,315,538). 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 on pages [X] to [X].

	2018 £'k	2017 £'k
Salaries and other short term benefits	**2,682**	3,510
Fees	**23**	75
Contribution to pension scheme	**13**	25
	2,718	3,610

Parent Company Statement of Financial Position
As at 31 December 2018

	Notes	2018 £'k	2017 £'k
Assets			
Investments	3	**577,037**	576,000
Debtors	4	**–**	1,870
Prepayments		**29**	
Cash and cash equivalents		**1,208**	–
Total assets		**578,274**	577,870
Equity			
Issued share capital	6	**249**	249
Share premium account		**–**	205,241
Own shares		**1**	1
Merger reserve		**369,514**	369,395
Share based payment reserve		**1,036**	–
Retained earnings		**206,960**	(4,047)
Total equity		**577,760**	570,839
Liabilities			
Creditors: Amounts falling due within one year	5	**514**	7,031
Total liabilities		**514**	7,031
Total equity and liabilities		**578,274**	577,870

No income statement is presented for Sabre Insurance Group plc as permitted by Section 408 of the Companies Act 2006.
The profit after tax of the parent company for the period was £23,836k (2017: £4,047k loss).

The notes form part of these financial statements.

These financial statements were approved by the Board on 28 March 2019 and signed on its behalf.

Adam Westwood
Director

Parent Company Statement of Changes in Equity

As at 31 December 2018

	Notes	Share capital £'k	Share premium £'k	Own shares	Merger reserve £'k	Share based payments 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**
Profit for the period		–	–	–	–	–	23,836	23,836
Capital reduction	6	–	(205,241)	–	119	–	205,122	–
Share based payment reserve	9	–	–	–	–	1,036	–	**1,036**
Dividend paid		–	–	–	–	–	(17,951)	(17,951)
Balance as at 31 December 2018		**249**	**–**	**1**	**369,514**	**1,036**	**206,960**	**577,760**

Parent Company Statement of Cash Flows

As at 31 December 2018

	2018 £'k	2017 £'k
Net cash flow from operating activities	**1,208**	1,116
Cash flows from financing activities		
Expense incurred in issue of share capital	**–**	(1,116)
Net change in cash and cash equivalents	**1,208**	–
Cash and cash equivalents at the beginning of the period	**–**	–
Cash and cash equivalents at the end of the period	**1,208**	–

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

	2018 £'k	2017 £'k
Profit/(Loss) before taxation	**23,802**	(4,047)
Taxation calculated at 19%	**4,522**	(779)
Effect of:		
Non-taxable income	**(4,556)**	779
Taxation credit	**(34)**	–

3. Investments

Investment in subsidiary undertakings

	2018 £'k	2017 £'k
As at 1 January 2018	**576,000**	
Additions	**1,037**	576,000
As at 31 December 2018	**577,037**	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
Barb IntermediateCo Limited	Jersey	Non-trading company
Barb MidCo Limited	Jersey	Non-trading company
Barb TopCo Limited	Jersey	Non-trading company
Barb HoldCo Limited	Jersey	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 note 32 of the consolidated Group accounts.

4. Debtors

	2018 £'k	2017 £'k
Due within one year		
Amounts owed by Group undertakings	–	1,870
As at 31 December	–	1,870

5. Creditors

	2018 £'k	2017 £'k
Due within one year		
Amounts owed to Group undertakings	**514**	–
Trade and other payables	**–**	7,031
As at 31 December	**514**	7,031

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	2018 £'k	2017 £'k
Due to Barbados TopCo Limited	**481**	-
Due to Sabre Insurance Company Limited	**32**	1,870
As at 31 December	**514**	1,870

The outstanding balance represents cash transactions effected by Sabre Insurance Company Limited on behalf of its parent company and group relief payments due to Barbados TopCo Limited, 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.