Half Year Report 2019

*** CONTINUED FOCUS ON UNDERWRITING DISCIPLINE AND PROFITABILITY ***

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading private motor insurance underwriters, reports its half year results for the six months ending 30 June 2019.

Summary of Results

	6 months to 30 June 2019	6 months to 30 June 2018	Full year to 31 December 2018
Gross written premium	**£101.2m**	£108.8m	£210.0m
Net loss ratio	**48.2%**	45.7%	48.5%
Expense ratio	**23.3%**	22.9%	22.1%
Combined operating ratio	**71.5%**	68.6%	70.6%
Adjusted profit before tax	**£30.5m**	£32.5m	£61.9m
Profit before tax	**£30.5m**	£32.0m	£61.4m
Adjusted profit after tax	**£24.7m**	£26.1m	£50.1m
Profit after tax	**£24.7m**	£25.8m	£49.6m
Interim dividend per share	**4.7p**	7.2p(1)	7.2p
Final dividend per share	**N/A**	N/A	12.8p
Return on tangible equity (annualised)	**44.1%**	56.5%	54.4%

	As at 30 June 2019	As at 31 December 2018
Solvency coverage ratio (pre-interim/final dividend)	**200%**	**213%**
Solvency coverage ratio (post-interim/final dividend)	**181%**	**161%**

(1)Note that, in accordance with the programme disclosed at IPO, the larger interim dividend paid in 2017 was not subject to the Group's ongoing dividend policy, on account of it being the first dividend paid by the Group post-listing.

Key Highlights

- Maintained strategy of prioritising underwriting profitability over volume, with new policies and renewals written at our target margins.
- Gross written premiums down £7.6m year-on-year, slightly better than anticipated. We have continued to mitigate the impact of industry-wide claims inflation, which we observe is running at approximately 7-8%, with ongoing price increases to preserve our profitability.
- Prudent approach to pricing and reserving resulting in £0.3m benefit to incurred claims, net of reinsurance, due to adjusting claims reserves to the revised Ogden discount rate of -0.25% (reserves previously held at -0.75%).
- "Insure2Drive Van", our direct van product launched in Q4 2018, is continuing to perform in line with expectations and we continue to test new factors and data sources while evolving our current models.
- Continued strong organic capital generation with solvency coverage ratio of 200% (181% post payment of interim dividend).
- Interim dividend of 4.7p, being one third of the previous financial year's total ordinary dividend in-line with the dividend policy outlined at the time of the Group's IPO.

Outlook

- We will continue with our strategy of reflecting claims inflation in premium increases, laying strong foundations for long-term future growth.
- Premium outturn for the year will depend on market conditions. Assuming current market conditions persist, relative year end premium position is expected to be broadly similar to half year position.
- On track to deliver existing full year guidance of a combined ratio slightly better than our long-term target of mid-70%'s, with continued strong capital generation expected to support an attractive dividend.

Geoff Carter, Chief Executive Officer of Sabre, said:

"We are pleased to have delivered half year results in line with expectations. The financial and operational performance of Sabre demonstrates the resilience of the business model and the merit in our strategy, despite the competitive market conditions. Our relentless focus on underwriting discipline and profitability over premium volume means that we continue to deliver strong capital generation.

The market remains competitive with the dynamics observed in the earlier part of the year continuing through to the end of June. Whilst it is difficult to predict accurately when we might see a turn in the cycle, we have continued with our strategy of increasing premiums to reflect claims inflation, which we believe is running at around 7-8% a year, to ensure we continue to write business within our long-standing mid-70%'s combined ratio target range.

It is encouraging that our competitors, and other commentators, now appear to be moving towards the claims inflation position we have been highlighting for some time. As we have already applied rate increases to cover this anticipated inflation, any widespread market rate increases may be beneficial for us.

We continue to operate in a prudent manner, taking pricing action only when speculation and opinion becomes fact, as evidenced by the minimal impact to our financials as a result of the recent Ogden rate change. It is only now, post that announcement, that we will reflect the change in the Ogden rate within our pricing and reserving models. We also remain cautious about the likely benefits from forthcoming whiplash and associated reforms. There continues to be a risk that some benefits have already been realised in terms of reduced personal injury frequency, and as always there could be unforeseeable, unintended consequences following implementation. Our approach will be to reflect rating changes based upon observed performance.

Looking ahead, we remain confident of delivering in line with our existing guidance for 2019 – a COR slightly better than our long-term target, continued strong capital generation and an attractive dividend."

Enquiries

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Analyst presentation webcast/conference call facility

Sabre management will host a presentation for analysts today at the offices of Numis Securities. 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/2033033/0C07F8D6F9963FE865C509269E790D5A

Alternatively, a conference call facility is available:
United Kingdom Toll-Free: 08003589473
United Kingdom Toll: +44 3333000804
PIN: 38861273#

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 disclaimer

Cautionary statement

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 Sabre Insurance Group plc LEI number is 2138006RXRQ8P8VKGV98.

Financial and Business Review

Highlights

	6 months to 30 June 2019	6 months to 30 June 2018	Year to 31 December 2018
Gross written premium	£101.2m	£108.8m	£210.0m
Net loss ratio	48.2%	45.7%	48.5%
Combined operating ratio	71.5%	68.61%	70.6%
Adjusted profit after tax	£24.7m	£26.1m	£50.1m
Profit after tax	£24.7m	£25.8m	£49.7m
Solvency II capital (pre dividend)	200%	209%	213%
Solvency II capital (post dividend)	181%	179%	161%
Return on opening SCR	40.4%	42.7%	82.2%
Return on tangible equity (annualised)	44.1%	56.5%	54.4%

The Group achieved a combined operating ratio of 71.5% for the first six months of 2019. While this is an increase over the exceptional underwriting performance of H1 2018, it is in-line with our expectation given that the Group continues to write business at a combined ratio within its target 'mid-70%'s' range. This has been achieved during a period of intense competitive pressure. As premiums have been increased ahead of market rates in order to cover the increasing costs of claims, Sabre's rates have become less competitive in some areas of the market. As such gross premium written is 7% lower than in the comparative period. This is entirely in-line with the Group's strategy to preserve margins and means that it is unlikely that the cost of servicing policies will increase beyond the income achieved through writing premium.

Adjusted profit after tax is reflective of the earned premium position as reduced by the combined ratio. Non-insurance income remains stable year-on-year, while investment return has increased from a £0.1m loss in H1 2019 to a £1.7m gain in H1 2019 the in-year return continues to be a function of market value movements in gilts.

The capital position of the business is robust at 200%, and has allowed for an interim dividend of 4.7p to be announced, in-line with the Group's policy. A view as to the deployment of further excess capital will be taken at year-end. Unlike in 2018, a final dividend in respect of the prior financial year was paid in H1, which reduced the capital position accordingly. Significant excess capital has been built up organically due to the profits generated by the business.

Revenue

	6 months to 30 June 2019	6 months to 30 June 2018	Year to 31 December 2018
Gross written premium	£101.2m	£108.8m	£210.0m
Gross earned premium	£102.0m	£102.9m	£208.6m
Net earned premium	£91.6m	£93.2m	£188.2m
Other operating income	£0.8m	£1.0m	£1.8m
Customer instalment income	£1.9m	£2.1m	£4.1m
Investment return	£1.7m	(£0.1m)	£0.8m

Gross written premium is down year-on-year, which is a natural result of the Group's strategy to maintain overall profitability above the top-line. Gross earned premium is similar to that recorded in H1 2018 due to the effect of premium earning across a one-year life cycle. Net earned premium is slightly down due to an increase in reinsurance rates at the July 2018 renewal.

Other operating income remains minimal. Instalment income received is proportionate to the level of business written through the direct book, with no significant change to uptake rates during the period.

The Group remains exposed to temporary market movements in its investment portfolio, which is almost exclusively held in UK Government bonds. These investments are generally held to maturity, therefore any market value movements, which can generate in-year gains and losses, are unwound as the bonds regress towards par value.

Operating Expenditure

	6 months to 30 June 2019	6 months to 30 June 2018	Year to 31 December 2018
Net insurance claims*	£44.2m	£42.6m	£91.3m
Current-year loss ratio	64.3%	59.0%	59.2%
Financial year loss ratio	48.2%	45.7%	48.5%
Net operating expenses	£21.4m	£21.3m	£41.6m
Expense ratio	23.3%	22.9%	22.1%
Combined ratio	71.5%	68.6%	70.6%

**Net insurance claims shown here excludes £3.6m (6 months 2018: £3.4m, 12 months 2018: £6.5m) of claims handling expenses.*

The loss ratio incurred by the Group continues to benefit from the positive run-off of outstanding claims reserves, which offset the current-year loss ratio, which is by nature somewhat volatile and generally not fully reflective of the final outcome for the current accident year. This is because new and open claims generally lead to a more robust reserve, which should release over time. The level of prior-year reserve release is reflective of the Group's consistent reserving approach, which has not changed since the prior period.

The Group's expense ratio, which is generally a little higher in H1 due to staff bonuses, has remained relatively stable year-on-year. The slight increase against H1 2018 is a result of higher fixed costs over a lower relative level of net earned premium.

Taxation

The Group's tax charge for the period was equal to 19% of the Group's profit before tax. The Group has not entered into any complex structural arrangements and therefore generally expects to pay corporation tax at the prevailing marginal rate.

Earnings per Share

	6 months to 30 June 2019	6 months to 30 June 2018	Year to 31 December 2018
Basic earnings per share	9.9p	10.4p	19.8p
Diluted earnings per share	9.8p	10.3p	19.8p

Earnings per share in for the current and comparative period are calculated on the basis of the current capital structure. Diluted Earnings per share for H1 2018 is 9.8 pence compared to 10.3 pence for the comparative period in 2018, reflecting slightly lower profit after tax reported in H1 2019 and that in the comparative period.

Cash and Investments

	As at 30 June 2019	As at 31 December 2018
UK Government bonds	£277.9m	£287.1m
Corporate bonds	£0.5m	£0.5m
Cash and cash equivalents	£18.6m	£22.8m

The Group continues to hold a low-risk investment portfolio and sufficient cash to meet its future claims liabilities. The decrease in cash and financial investments against the previous year is the result of the payment of a full-year dividend in respect of the year ended 31 December 2018.

Insurance liabilities

	As at 30 June 2019	As at 31 December 2018
Gross insurance liabilities	£202.8m	£215.8m
Reinsurers' share of insurance liabilities	£66.0m	£74.2m
Net insurance liabilities	£136.8m	£141.6m

The Group's net insurance liabilities continue to reflect the underlying profitability and volume of business written. The Group continues to hold excess-of-loss reinsurance contracts across its entire book at an excess of £1.0m.

Leverage

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

Dividends

In-line with the Group's policy, the Board has declared an ordinary interim dividend of 4.7 pence per share (£11.75m) (2018: 7.2p), representing one third of the prior-year's full-year ordinary dividend. The interim dividend paid in 2018 was subject to a one-off increase, as outlined at the time of IPO, due to there being no final dividend paid in respect of 2017. In the normal course of events the Board will consider whether or not it is appropriate to pay a special dividend once a year, with reference to the full-year results.

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

IFRS and Regulatory Capital

As at 30 June 2019 the Group's IFRS capital comprised:

	As at 30 June 2019 £'k	As at 31 December 2018 £'k
Equity		
Share capital	249	249
Own shares	(418)	1
Merger reserve	48,524	48,524
Share-based payments reserve	1,744	1,036
Retained earnings	208,088	215,338
Total	**258,187**	**265,148**

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

The Solvency II position of the Group as at 30 June 2019 is given below:

	As at 30 June 2019 (post-interim dividend) £'k	As at 30 June 2019 (pre-interim dividend) £'k	As at 31 December 2018 £'k
Total Tier 1 available capital	108,063	119,813	130,019
Solvency Capital Requirement (SCR)	59,839	59,839	60,995
Excess capital	48,225	59,975	69,024
Solvency coverage ratio (%)	181%	200%	213%

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

Financial Calendar – Dividend dates

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

The Group's financial calendar can be found at:
https://www.sabreplc.co.uk/investors/financial-calendar/

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2019

	Notes	**6 months 2019 £'k**	6 months 2018 £'k	Full year 2018 £'k
Gross earned premium	4	**101,980**	102,886	208,622
Reinsurance premium ceded	4	**(10,362)**	(9,677)	(20,387)
Net earned premium		**91,618**	93,209	188,235
Investment return	5	**1,659**	(89)	777
Instalment income		**1,907**	2,052	4,143
Other operating income	6	**835**	1,008	1,761
Total income		**96,019**	96,180	194,916
Insurance claims	7	**(44,706)**	(27,837)	(72,245)
Insurance claims recoverable from reinsurers	7	**(3,037)**	(18,175)	(25,616)
Net insurance claims		**(47,743)**	(46,012)	(97,861)
Commission expenses		**(7,557)**	(8,118)	(16,429)
Operating expenses	8	**(10,247)**	(9,772)	(18,762)
Total expenses		**(17,804)**	(17,960)	(35,191)
Operating profit before exceptional items and amortisation of intangible assets		**30,472**	32,208	61,864
Amortisation of intangible assets		**-**	(251)	(501)
Exceptional expenditure		**-**	-	-
Profit before tax		**30,472**	31,957	61,363
Tax charge	9	**(5,809)**	(6,133)	(11,795)
Profit for the period attributable to owners of the company		**24,663**	25,824	49,568
Total other comprehensive income for the year		**-**	-	502
Total comprehensive income for the year attributable to the owners of the company		**24,663**	25,824	50,070
Basic earnings per share (pence)		**9.9**	10.4	19.90
Diluted earnings per share (pence)		**9.8**	10.3	19.77

Condensed consolidated statement of financial position

For the 6 months ended 30 June 2019

	Notes	30 Jun 2019 £'k	31 Dec 2018 £'k
Assets			
Goodwill		**156,279**	156,279
Property, plant and equipment		**4,438**	4,370
Right of use asset		**310**	-
Reinsurance assets	11	**65,971**	82,435
Deferred tax assets		**327**	217
Deferred acquisition costs		**15,534**	15,761
Insurance and other receivables		**44,375**	37,788
Prepayments, accrued income and other assets		**4,409**	4,538
Financial investments	12	**278,360**	287,142
Cash and cash equivalents		**18,646**	22,823
Total assets		**588,649**	611,353
Equity			
Issued ordinary share capital		**249**	249
Share premium account	15	**-**	-
Own shares		**(418)**	1
Merger reserve		**48,524**	48,524
Share-based payment reserve		**1,744**	1,036
Retained earnings		**208,088**	215,338
Total Equity		**258,187**	265,148
Liabilities			
Insurance liabilities	13	**202,841**	215,757
Unearned premium reserve	13	**105,711**	106,517
Trade and other payables including insurance payables		**12,137**	13,623
Lease Liability		**310**	-
Deferred tax liabilities		**-**	-
Current tax liabilities		**5,741**	5,798
Accruals		**3,722**	4,510
Total liabilities		**330,462**	346,205
Total equity and liabilities		**588,649**	611,353

Condensed consolidated cash flow statement

For the six months ended 30 June 2019

	6 Months 2019 £'k	6 Months 2018 £'k	Full year 2018 £'k
Net cash generated from operating activities before investment of insurance assets	**17,855**	26,243	48,744
Cash generated from/(used by) investment of insurance assets	**10,442**	(17,997)	(42,334)
Net cash generated from operating activities	**28,297**	8,246	6,410
Cash flows from investing activities			
Purchases of property, plant and equipment	**(141)**	(35)	(61)
Depreciation of right of use asset	**130**	-	-
Net cash used by investing activities	**(11)**	(35)	(61)
Cash flows from financing activities			
Purchase of Own shares	**(419)**	-	-
Payment of Lease liabilities	**(130)**	-	-
Dividends paid	**(31,913)**	-	(17,951)
Net cash used by financing activities	**(32,462)**	-	(17,951)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	**22,823**	34,425	34,425
Net (decrease)/increase in cash and cash equivalents	**(4,176)**	8,211	(11,602)
Cash and cash equivalents at the end of the year	**18,647**	42,636	22,823

Condensed consolidated statement of changes in equity

For the six months to 30 June 2019

	Ordinary s'holders' equity £'k	Pref. 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 2018	249	-	205,241	1	48,404	-	(21,902)	231,993
Profit for the year							*25,824*	*25,824*
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income							25,824	25,824
Capital Reduction	-	-	(205,241)	-	120	-	205,121	-
Share-based Payments	-	-	-	-	-	355	-	355
Dividends	-	-	-	-	-	-	-	-
Balance at 30 June 2018	**249**	**-**	**-**	**1**	**48,524**	**355**	**209,043**	**258,172**
Profit for the year	-	-	-	-	-	-	*23,744*	*23,744*
Other comprehensive income		-	-	-	-	-	*502*	*502*
Total comprehensive income	-	-	-	-	-	-	24,246	24,246
Share-based payments		-	-	-	-	681	-	681
Dividends	-	-	-	-	-	-	(17,951)	(17,951)
Balance at 31 December 2018	**249**	**-**	**-**	**1**	**48,524**	**1,036**	**215,338**	**265,148**
Impact of adoption of IFRS 16	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	***24,663***	***24,663***
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	**24,663**	**24,663**
Share-based payments	-	-	-	-	-	**708**	-	**708**
Purchase of own shares	-	-	-	**(419)**	-	-	-	**(419)**
Dividends	-	-	-	-	-	-	**(31,913)**	**(31,913)**
Balance at 30 June 2019	**249**	**-**	**-**	**(418)**	**48,524**	**1,744**	**208,088**	**258,187**

Notes to the condensed consolidated financial statements

Corporate information

Sabre Insurance Group plc is a company incorporated in England and Wales. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England. The condensed consolidated interim financial statements comprises the parent company and its subsidiaries.

1. General information

The condensed consolidated interim financial statements comprise the results and balances of the Group for the six months period ended 30 June 2019 and the comparative period for the six months ended 30 June 2018 and the year ended 31 December 2018. The comparative figures for the financial statement of period ended 30 June 2019 do not constitute statutory accounts as defined in s.435 of the Companies Act 2006, but has been abridged from the statutory accounts for that year which have been delivered to the Registrar of Companies. The independent auditor's report on the Group accounts for the year ended 31 December 2018 is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under s.498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial statements have been prepared and approved by the directors in accordance with International Accounting Standard 34 (*'Interim Financial Reporting'*) as adopted by the EU. These interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the annual financial statements of the Group and have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and adopted by the EU. The annual financial statements were prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value. The Group has not adopted any new standard, interpretation or amendment since 31 December 2018.

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

2.2 Going concern

The condensed consolidated interim financial statements of Sabre Insurance Group plc have been prepared on a going concern basis. The Directors of the company having assessed the principal risks of the Group over the full duration of the planning cycle, consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements. The principle risks and uncertainties faced by the Group remain consistent with those risks and uncertainties discussed and disclosed on page 22 to 26 of the Group's 2018 annual report and accounts.

2.3 Accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated interim financial statements as applied in the Group's consolidated financial statements for the year ended 31 December 2018. While there are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2019, these are not currently relevant for the Group and do not impact the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 "*Leases"* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16

The Group has applied, for the first time, *IFRS 16 "Leases"*. As required by IAS 34, the nature and effect of these changes are disclosed below.

- IFRS 16 supersedes *IAS 17 "Leases"*, IFRIC 4 "Determining whether an arrangement contains a Lease", SIC-15 "Operating Leases Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.
- The Group adopted IFRS 16 using the modified retrospective method with a date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the practical expedient on transition allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts where the underlying asset is of low value ('low-value assets').

The effect of adopting IFRS 16 as at 1 Janaury 2019 is:

	31 December 2018 £'k
Asset	
Right-of-use assets	440
Total Asset	440
Equity	
Retained earnings	-
	-
Liabilities	
Lease liabilities	440
Total	**440**

There is no impact on the consolidated statement of comprehensive income.

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for IT software and hardware. Before the adoption of IFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. As at 1 January 2019, the Group held operating leases only. The operating lease payments were recognised as IT expense in profit or loss on a straight-line basis over the lease term. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for all leases, except for leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate at initial application. The right-of-use assets were recognised based on the amount equal to the lease liabilities. No adjustments were made as there were no prepaid and accrued lease payments previously recognised.

The Group also applied the available practical expedients wherein it:

- Used a weighted average incremental borrowing rate as the discount rate to a portfolio of leases with similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises a lease liability measured at the present value of the lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses the weighted average incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low- value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

3. Critical Accounting Estimates and Judgements

There have been no significant changes to the principles, estimates and judgements used in applying the Group's accounting policies during the period. Full details of these critical estimates and judgements are disclosed in page 79 of the Group's Annual Report and Accounts 2018.

4. Net earned premium

	6 months 2019 £'k	6 months 2018 £'k	12 months 2018 £'k
Gross earned premium:			
Gross written premium	**101,174**	108,824	210,017
Movement in unearned premium reserve	**806**	(5,938)	(1,395)
	101,980	102,886	208,622
Reinsurance premium ceded:			
Premium payable	**(2,130)**	(2,187)	(21,129)
Movement in unearned premium reserve	**(8,232)**	(7,490)	742
	(10,362)	(9,677)	(20,387)
Total	**91,618**	93,209	188,235

Information is reported to the chief operating decision makers and the Board on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board. The company provides only one product to clients, which is motor insurance, which is written solely in the UK. The Company has no other lines of business, nor does it operate outside of the UK. The Gross Written Premium for the period is £101,174k. Other income relates to auxiliary products and services, including marketing and administration fees, all relating to the motor insurance business. Refer to note 6. The Group does not have a single client which accounts for more than 10% of revenue.

5. Investment return

	6 months 2019 £'k	6 months 2018 £'k	12 months 2018 £'k
Investment income:			
Interest income from debt securities	**4,502**	3,244	7,992
Cash and cash equivalent interest income	**37**	51	91
Investment fees	**(44)**	(24)	(79)
	4,495	3,271	8,004
Net realised (losses)/gains			
Debt securities at fair value through profit and loss	**(4,951)**	-	(1,210)
	(4,951)	-	(1,210)
Net unrealised gains/(losses)			
Debt securities at fair value through profit and loss	**2,115**	(3,360)	(6,017)
	2,115	(3,360)	(6,017)
Total	**1,659**	(89)	777

6. Other operating income

Continuing operations	**6 months 2019 £'k**	6 months 2018 £'k	12 months 2018 £'k
Marketing fees	**515**	725	1,334
Fee income from the sale of auxiliary products and services	**59**	70	136
Administration fees	**261**	213	291
Total	**835**	1,008	1,761

7. Net insurance claims

	6 months 2019			6 months 2018		
	Gross £'k	**Reinsurance £'k**	**Net £'k**	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	22,509	-	22,509	18,937	-	18,937
Prior accident year claims paid	35,113	(5,195)	29,918	27,254	(630)	26,624
Movement in insurance liabilities	(12,916)	8,232	(4,684)	(18,354)	18,805	451
Total	**44,706**	**3,037**	**47,743**	27,837	18,175	46,012

Claims handling expenses for the 6 months ended 30 June 2019 of £3,592k (HY 2018: £3,383k) have been included in the above.

	12 months 2018		
	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	52,429	-	52,429
Prior accident year claims paid	46,447	(3,179)	43,268
Movement in insurance liabilities	(26,631)	28,795	2,164
Total	**72,245**	**25,616**	**97,861**

Claims handling expenses for the 12 months ended 31 December 2018 of £6,536k have been included in the above.

8. Operating expenses

	6 months 2019 £'k	6 months 2018 £'k	12 months 2018 £'k
Staff costs	**4,083**	3,058	6,219
Property costs	**65**	53	152
IT expense including IT depreciation	**2,370**	1,888	4,334
Other depreciation	**22**	23	46
Industry levies	**1,293**	1,988	3,224
Other operating expenses	**2,414**	2,762	4,787
Total	**10,247**	9,772	18,762

9. Tax charge

	6 months 2019 £'k	6 months 2018 £'k	12 months 2019 £'k
Current taxation:			
Charge for the year	5,919	6,188	11,992
	5,919	6,188	11,992
Deferred taxation:			
Origination and reversal of temporary differences	(110)	(55)	(197)
	(110)	(55)	(197)
Current taxation	5,919	6,188	11,992
Deferred taxation	(110)	(55)	(197)
Tax charge for the year	5,809	6,133	11,795

10. Dividends

	p per share	**6 months 2019 £'k**	6 months 2018 £'k	12 months 2018 £'k
Amounts recognised as distributions to equity holders in the period:				
First interim dividend in respect of 2018	-	**-**	-	17,951
Final dividend in respect of 2018	12.8	**31,913**	-	-
		31,913	-	17,951

11. Reinsurance assets

	30 June 2019 £'k	31 December 2018 £'k
Reinsurers' share of general insurance liabilities	**65,971**	74,203
Reinsurers' share of UPR	**-**	8,232
Total	**65,971**	82,435

12. Financial investments

	30 June 2019 £'k	31 December 2018 £'k
Debt securities held at fair value through the profit and loss account		
Corporate	**508**	518
Sovereign	**277,852**	286,624
Total	**278,360**	287,142

All financial investments are classified as level 1 under the fair value hierarchy and there has been no transfer between classes during the period.

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.

13. Insurance liabilities, unearned premium reserve

	30 June 2019 £'k	31 December 2018 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	**202,841**	215,757
Unearned premium reserve	**105,711**	106,517
Total	**308,552**	322,274
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	**(65,971)**	(74,203)
Unearned premium reserve	**-**	(8,232)
Total	**(65,971)**	(82,435)
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	**136,870**	141,554
Unearned premium reserve	**105,711**	98,285
Total	**242,581**	239,839

Movements in insurance liabilities, unearned premium reserve and reinsurance assets

	Gross	Reinsurance	Net
	£'k	£'k	£'k
At 1 January 2018	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)
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
Cash paid for claims during the year	**(53,996)**	**5,195**	**(48,801)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**62,278**	**(2,076)**	**60,202**
Arising from prior-year claims	**(21,198)**	**5,113**	**(16,085)**
At 30 June 2019	**202,841**	**(65,971)**	**136,870**
Claims reported	**290,416**	**(100,365)**	**190,051**
Incurred but not reported	**(91,220)**	**34,394**	**(56,826)**
Claims handling provision	**3,645**	**-**	**3,645**
At 30 June 2019	**202,841**	**(65,971)**	**136,870**

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

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

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

15. Cancellation of share premium account

On 26 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.

16. Post-balance sheet events

On 29 July 2019 the Company declared an ordinary interim dividend of 4.7p per share.

Directors' responsibility statement

We confirm that to the best of our knowledge:

The condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as adopted by the EU.

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

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the current financial year and their impact on the condensed set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially impacted the financial position or performance of the Group during the period; and any changes in the related party transactions from the Group's consolidated financial statements for the year ended 31 December 2019 that could do so.

Signed on behalf of the Board

Geoff Carter	Adam Westwood
Chief Executive Officer	Chief Financial Officer
29 July 2019	29 July 2019

Independent review report to Sabre Insurance Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows the condensed consolidated statement of changes in equity, and the related notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst and Young LLP
London
29 July 2019

Alternative performance metrics

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

Reconciliation of return on tangible equity:

	30-Jun-19	**30-Jun-18**
	£'k	£'k
Opening IFRS tangible equity	108,869	75,213
Closing tangible equity	101,908	101,642
Annualised closing IFRS tangible equity*	114,821	109,467
Average IFRS tangible equity	111,845	92,340
Adjusted profit after tax	24,663	26,075
Annualised Return on tangible equity	44.10%	56.48%

** Annualised closing tangible equity is a proxy of the expected closing IFRS tangible equity as at 31 December 2019. This is equal to the closing tangible equity as at 30 June 2019, plus the profit after tax for the 6 months to 30 June 2019, less the interim dividend paid of £11,750k.*