

Half-Year Report 2022

Interim dividend announced in-line with policy

Sabre Insurance Group plc (the “Group”, or “Sabre”), one of the UK’s leading motor insurance underwriters, reports its half year results for the six months ended 30 June 2022.

These interim accounts should be read in conjunction with our Half-Year Trading Update released on 14 July 2022. A copy of the Trading Update along with a recording of the associated Management presentation can be found on our website. There has been no material change in the reported figures since the Trading Update was released.

SUMMARY OF RESULTS

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited 12 months ended 31 December 2021
Gross written premium	£91.8m	£78.2m	£169.3m
Net loss ratio	71.6%	44.9%	51.1%
Expense ratio	27.3%	29.5%	28.3%
Combined operating ratio	98.9%	74.4%	79.4%
Adjusted profit before tax	£4.3m	£22.2m	£37.2m
Profit before tax	£4.3m	£22.2m	£37.2m
Adjusted profit after tax	£3.5m	£18.0m	£30.1m
Profit after tax	£3.5m	£18.0m	£30.1m
Ordinary interim dividend per share	2.8p	3.7p	3.7p
Total interim distribution per share	2.8p	3.7p	3.7p
Final dividend per share	N/A	N/A	11.7p
Return on tangible equity (annualised)	8.5%	33.5%	29.2%
Solvency coverage ratio (pre-interim/final dividend)	173%	185%	208%
Solvency coverage ratio (post-interim/final dividend)	160%	169%	164%

* A reconciliation between IFRS and non-IFRS measures is given in the Appendix

KEY HIGHLIGHTS

- Sabre announces an interim dividend of 2.8p per share, in-line with the Group’s dividend policy, having considered the Group’s strong balance sheet and expected increase in profitability across the remainder of 2022
- Pre-dividend solvency capital ratio of 173%, post-dividend solvency capital ratio of 160%
- The Group expects to announce a full-year ordinary dividend in-line with its dividend policy, which is to distribute 70% of profit after tax plus a potential special dividend, if appropriate

Geoff Carter, Chief Executive Officer of Sabre, commented:

“I am pleased to present our interim accounts, in which we disclose our strong capital position at the half-year. We are pleased to report that we remain profitable and continue to generate capital and hold firm our view that such capital should be distributed to shareholders by way of a dividend where it is not required to grow or develop the business. Following the payment of the dividend, we remain at the top of our preferred solvency capital range of 140% to 160%. We are comfortable that distributing capital that would leave us within our capital range provides sufficient cover against any future capital strain and as such expect to be able to pay a further dividend for the full-year. Having taken decisive pricing action ahead of the market, we are confident that significant impacts of extraordinary, rapid inflation will be limited to 2022, with a rebound in profitability for 2023 and beyond.”

There will be a call for analysts and investors at 0830hrs. For details, please contact sabre@tulchangroup.com

ENQUIRIES

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DIVIDEND CALENDAR

2022 Interim Dividend Payment Dates

Ex-dividend date	18 August 2022
Record date	19 August 2022
Payment date	22 September 2022

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

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited 12 months ended 31 December 2021
Gross written premium	£91.8m	£78.2m	£169.3m
Net loss ratio	71.6%	44.9%	51.1%
Combined operating ratio	98.9%	74.4%	79.4%
Profit before tax	£4.3m	£22.2m	£37.2m
Adjusted profit after tax	£3.5m	£18.0m	£30.1m
Profit after tax	£3.5m	£18.0m	£30.1m
Solvency coverage ratio (pre dividend)	173%	185%	208%
Solvency coverage ratio (post dividend)	160%	169%	164%
Return on tangible equity (annualised)	8.5%	33.5%	29.2%

The first half of the year has been heavily impacted by underlying cost inflation, and Sabre's response to these increasing costs. Overall, our assumed market inflation increased from c.10% to c.12% annually, which meant that significant price increases were needed to both meet the current levels of inflation and respond to the rapid increase in inflation against our previous assessment. Given market pricing remained low, Sabre's competitiveness was impacted as a result, meaning that whilst growth overall was strong, volumes in the motor book were subdued. Overall, motorcycle business contributed £16.9m to the H1 GWP, and taxi business £5.2m. The pricing action taken means that we are now pricing to our target combined operating ratio.

The rapid increase in inflation has impacted both open prior-year claims and claims incurred during the year. This has resulted in a net loss ratio of 71.6%, well above Sabre's normal performance. Conversely, the expense ratio has decreased to 27.3%, a result of continued tight control of costs and increasing net earned premium. Overall, a net combined ratio of 98.9% has generated an underwriting profit, which when combined with non-risk income and investment returns has generated a profit before tax for the period of £4.3m (H1 2021: £22.2m).

Revenue

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited 12 months ended 31 December 2021
Profit or loss			
Gross written premium	£91.8m	£78.2m	£169.3m
Gross earned premium	£89.0m	£82.5m	£165.9m
Net earned premium	£77.5m	£72.7m	£145.4m
Other operating income	£1.0m	£1.0m	£2.1m
Customer instalment income	£1.8m	£1.9m	£3.9m
Interest revenue calculated using the effective interest method	£0.7m	£0.6m	£1.2m
Other Comprehensive Income			
Fair value (losses) / gains on debt securities through OCI	(£8.2m)	(£2.2m)	(£5.7m)

Revenues have grown strongly during H1 2022, with all of this growth coming through the new motorcycle and taxi partnerships. The motor book has lost some volume due to the necessary rate increases employed during the past 6 months to tackle inflation. We estimate that the current run-rate for motor business is c.20% down year-on-year and, while we expect this to improve considerably should market prices correct to adjust for current and past levels of inflation, we cannot predict exactly when this correction might happen. This is a consequence of our continued focus on profitability over growth.

Other income remains proportional to business written. Investment returns are booked based on yield (effective interest) as the portfolio is run on a 'buy-and-hold' basis. Market value losses have been taken through other comprehensive income, and are expected to reverse as the bonds approach maturity. Movements in market value have little impact on the Group's solvency capital as they are largely offset by movements in the rate at which claims reserves are discounted.

CFO Report

Operating Expenditure

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited 12 months ended 31 December 2021
Net insurance claims*	£55.5m	£32.7m	£74.2m
Current-year net loss ratio	67.3%	50.7%	55.8%
Prior-year net loss ratio	4.3%	(5.8%)	(4.7%)
Financial year net loss ratio	71.6%	44.9%	51.1%
Net operating expenses	£21.2m	£21.4m	£41.2m
Expense ratio	27.3%	29.5%	28.3%
Combined ratio	98.9%	74.4%	79.4%

* Net insurance claims shown here excludes £3.8m (6 months 2021: £3.9m, 12 months 2021: £6.8m) of claims handling expenses.

The Group recorded a financial year net loss ratio of 71.6%. The current-year net loss ratio of 67.3% (H1 2021: 50.7%) is reflective of a number of factors unique to this period, primarily the impact of inflation on business written in 2021 and early 2022, the earn-through of COVID-19 related discounts and growth strain generated through the motorcycle and taxi business. The prior-year net loss ratio of 4.3% (H1 2021: (5.8%)) has been impacted by the rapid increase of inflation feeding through into open claims, indexation of reinsurance policies and the continued slow settlement of open claims. Gross loss ratio (i.e. excluding the effect of reinsurance) continues to be highly volatile, as movements on a small number of large claims can generate significant movements in the ratio over a short period. As such, we continue to focus on net loss ratio, which gives a far more accurate view of overall underwriting performance.

Our expense ratio has reduced to 27.3% for H1 2022, against 28.3% for the full-year 2021 and 29.5% in H1 2021. This is reflective of an increase in net earned premium set against a cost base which remains well under control.

Earnings per Share

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited 12 months ended 31 December 2021
Basic earnings per share	1.39p	7.22p	12.09p
Diluted earnings per share	1.38p	7.15p	11.98p

Earnings per share for the current and comparative period are calculated on the basis of the current capital structure. Diluted Earnings per share for H1 2022 is 1.38p compared to 7.15p for the comparative period in 2021, reflecting lower profit after tax reported in H1 2022 than in the comparative period. The difference between basic and diluted earnings per share reflects the maximum dilution effect of share awards which have been granted but which have not vested.

Cash and Investments

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Government bonds	£82.3m	£85.1m	£86.2m
Government-backed securities	£80.6m	£85.7m	£83.9m
Corporate bonds	£64.3m	£66.1m	£64.6m
Cash and cash equivalents	£27.8m	£24.4m	£30.6m

The Group continues to hold a low-risk investment portfolio and sufficient cash to meet its future claims liabilities. The Group operates a 'buy-and-hold' strategy in which a proportion of the portfolio is invested in investment-grade corporate bonds, in order to achieve a steady return on invested capital while maintaining a majority of government-backed assets. The size of the overall invested portfolio has remained consistent with the prior reporting period, while the amount of cash held remains high, reflecting the continued importance of maintaining strong liquidity in the current environment.

Insurance Liabilities

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Gross outstanding claims	£237.8m	£227.2m	£232.5m
Reinsurance assets	£93.7m	£97.9m	£103.6m
Net outstanding claims	£144.0m	£129.3m	£128.9m

The Group's 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 per claim.

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

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.

The Board has declared an ordinary interim dividend of 2.8p per share (2021: 3.7p), in line with the Group's policy to pay an interim dividend equal to one third of the previous year's ordinary dividend.

Auditor Rotation

We are pleased to announce that following a successful competitive tender process, as part of our normal auditor rotation, PwC were appointed on 25 May 2022 as the Group's new external auditors.

CONDENSED CONSOLIDATED PROFIT OR LOSS ACCOUNT

	Notes	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Gross written premium	10	91,782	78,220	169,322
<i>Less: Reinsurance premium ceded</i>	10	(2,856)	(1,860)	(21,233)
Net written premium	10	88,926	76,360	148,089
<i>Less: Change in unearned premium reserve</i>				
Gross amount	3.1.1	(2,734)	4,284	(3,426)
Reinsurers' share	3.1.1	(8,684)	(7,905)	779
Net earned premium		77,508	72,739	145,442
Interest income on financial assets using effective interest rate method	4.4	673	610	1,210
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through OCI		24	-	(16)
Instalment income		1,771	1,908	3,924
Other operating income	6	1,045	1,011	2,098
Total income		81,021	76,268	152,658
Insurance claims	3.4	(55,327)	(43,730)	(104,984)
Insurance claims recoverable from reinsurers	3.4	(3,994)	7,192	23,969
Net insurance claims		(59,321)	(36,538)	(81,015)
Finance costs		(4)	(8)	(16)
Commission expenses		(6,626)	(6,348)	(12,942)
Operating expenses	7	(10,725)	(11,213)	(21,486)
Total expenses		(17,355)	(17,569)	(34,444)
Profit before tax		4,345	22,161	37,199
Tax charge	8	(886)	(4,160)	(7,059)
Profit for the period attributable to ordinary shareholders		3,459	18,001	30,140
Basic Earnings Per Share (pence per share)		1.39	7.22	12.09
Diluted Earnings Per Share (pence per share)		1.38	7.15	11.98

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Profit for the period attributable to ordinary shareholders	3,459	18,001	30,140
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Fair value losses on debt securities	(8,212)	(2,176)	(5,658)
Realised (gains)/losses transferred to profit or loss account	(24)	-	16
Tax credit	1,569	402	1,069
	(6,667)	(1,774)	(4,573)
<i>Items which will not be reclassified to profit or loss</i>			
Revaluation losses on owner-occupied properties	-	-	-
Tax credit	-	-	-
	-	-	-
Total other comprehensive loss for the period	(6,667)	(1,774)	(4,573)
Total comprehensive (loss) / income for the period attributable to ordinary shareholders	(3,208)	16,227	25,567

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Assets				
Goodwill		156,279	156,279	156,279
Property, plant and equipment		4,019	4,103	4,066
Right-of-use asset		62	311	187
Reinsurance assets	3.1	93,713	97,912	112,312
Deferred tax assets		2,404	236	820
Deferred acquisition costs	3.1.2	13,531	14,498	13,791
Insurance receivables	3.2	42,105	38,989	38,003
Loans and other receivables	4.2	39	13	74
Current tax assets		2,998	620	-
Prepayments, accrued income and other assets		1,381	1,702	821
Financial investments	4.1	227,224	236,812	234,667
Cash and cash equivalents	4.3	27,796	24,411	30,611
Total assets		571,551	575,886	591,631
Equity				
Issued share capital		250	250	250
Own shares		(2,120)	(2,088)	(2,257)
Merger reserve		48,525	48,525	48,525
FVOCI reserve		(9,030)	436	(2,363)
Revaluation reserve		831	831	831
Share-based payments reserve		1,618	1,513	1,841
Retained earnings		186,590	202,955	205,900
Total equity		226,664	252,422	252,727
Liabilities				
Insurance liabilities	3.1	237,756	227,210	232,516
Unearned premium reserve	3.1	93,510	83,066	90,776
Lease liability		60	317	193
Insurance payables	3.3	6,140	4,223	7,115
Trade and other payables	5.1	5,694	5,941	5,831
Current tax liabilities		-	-	580
Accruals		1,727	2,707	1,893
Total liabilities		344,887	323,464	338,904
Total equity and liabilities		571,551	575,886	591,631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
ORDINARY SHAREHOLDERS' EQUITY – at 1 January	250	250	250
At period end	250	250	250
OWN SHARES – at 1 January	(2,257)	(1,494)	(1,494)
Net movement in own shares	137	(594)	(763)
At period end	(2,120)	(2,088)	(2,257)
MERGER RESERVE – at 1 January	48,525	48,525	48,525
At period end	48,525	48,525	48,525
FVOCI RESERVE – at 1 January	(2,363)	2,210	2,210
Fair value losses on debt securities	(8,212)	(2,176)	(5,658)
Realised (gains)/losses transferred to profit or loss account	(24)	-	16
Tax credit	1,569	402	1,069
At period end	(9,030)	436	(2,363)
REVALUATION RESERVE – at 1 January	831	831	831
Revaluation gains/(losses) on owner-occupied properties	-	-	-
Tax credit	-	-	-
At period end	831	831	831
SHARE-BASED PAYMENT RESERVE – at 1 January	1,841	1,817	1,817
Settlement of share-based payments	(992)	(957)	(1,051)
Charge in respect of share-based payments	769	653	1,075
At period end	1,618	1,513	1,841
RETAINED EARNINGS – at 1 January	205,900	214,261	214,261
Share-based payments	403	(139)	(115)
Profit for the period attributable to ordinary shareholders	3,459	18,001	30,140
Ordinary dividends paid	(23,172)	(29,168)	(38,386)
At period end	186,590	202,955	205,900
Total equity at period end	226,664	252,422	252,727

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period	4,345	22,161	37,199
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	50	75	136
Depreciation of right-of-use assets	124	125	249
Share-based payment – equity-settled schemes	769	653	1,075
Investment return	(800)	(759)	(1,507)
Interest on lease liability	4	8	16
Expected credit loss	17	21	16
Operating cash flows before movements in working capital	4,509	22,284	37,184
<i>Movements in working capital:</i>			
Change in reinsurance assets	18,599	2,009	(12,391)
Change in deferred acquisition costs	260	293	1,000
Change in insurance receivables	(4,102)	(5,013)	(4,027)
Change in loans and other receivables	35	71	10
Change in prepayments, accrued income and other assets	(560)	(834)	47
Change in insurance liabilities	5,240	664	5,970
Change in unearned premium reserve	2,734	(4,284)	3,426
Change in insurance creditors	(975)	(2,023)	869
Change in trade and other payables	(137)	411	301
Change in accruals	(166)	262	(552)
Cash generated from operating activities before investment of insurance assets	25,437	13,840	31,837
Taxes paid	(4,479)	(4,370)	(5,988)
Net cash generated from operating activities before investment of insurance assets	20,958	9,470	25,849
Interest and investment income received	1,451	2,106	4,273
Net proceeds from the sale, maturity and purchases of invested assets	(1,464)	5,922	3,191
Net cash generated from operating activities	20,945	17,498	33,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(3)	(5)	(28)
Net cash used by investing activities	(3)	(5)	(28)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	(133)	(128)	(264)
Net cash used in acquiring and disposing of own shares	(452)	(1,690)	(1,928)
Dividends paid	(23,172)	(29,168)	(38,386)
Net cash used by financing activities	(23,757)	(30,986)	(40,578)
Net decrease in cash and cash equivalents	(2,815)	(13,493)	(7,293)
Cash and cash equivalents at the beginning of the period	30,611	37,904	37,904
Cash and cash equivalents at the end of the period	27,796	24,411	30,611

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE INFORMATION

Sabre Insurance Group plc is a company incorporated in the United Kingdom and registered 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 and motorcycles. The Company's principal activity is that of a holding company.

1. GENERAL INFORMATION

The condensed consolidated interim financial statements comprise the results and balances of the Group for the six-month period ended 30 June 2022, the comparative period for the six months ended 30 June 2021 and the year ended 31 December 2021. The information in the condensed consolidated interim financial statements is unaudited and does not constitute statutory accounts as defined in s.434 of the Companies Act 2006. The independent auditor's report on the Group accounts for the year ended 31 December 2021 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 UK-adopted International Accounting Standard 34 ('Interim Financial Reporting'). As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these interim financial statements have been prepared applying the accounting policies and presentation that will be applied in the preparation of the annual financial statements of the Group and will be prepared in accordance and fully comply with UK-adopted international accounting standards, comprising International Accounting Standards ('IAS') and International Financial Reporting Standards ('IFRSs'). The annual financial statements were prepared in accordance with the going concern principle using the historical cost basis, except for those financial assets that have been measured at fair value.

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

Having assessed the Group's forecasts, projections and principal risks of the Group over the full duration of the planning cycle, the Directors have a reasonable expectation that the Group will continue in operational existence for a period of not less than twelve months. Accordingly, the results for the period ended 30 June 2022 have been prepared on a going concern basis.

The Group's principal risks and uncertainties are outlined on pages 19 to 26 of the 31 December 2021 Annual Report and Accounts and have not changed since the last reporting date. The principal risks are:

- Strategic, Governance, Regulatory and Compliance
- Insurance risk
- Operations
- Financial and Capital
- People
- Ongoing Systemic Risks
 - Impact of COVID-19
 - Climate change
 - Inflation
 - Brexit

Geopolitical tensions, including the war in Ukraine, are creating volatility within domestic and global markets. The individual risks relating to these tensions, notably increases in inflation and energy costs, supply chain issues and consumer confidence could have an impact on the Group's future profitability. The Group continues to monitor the risks and the impact on the Group.

1.3. New and amended standards and interpretations adopted by the Group

Amendments to IFRS

The following amended IFRS standards became effective for the six months ended 30 June 2022:

- Annual Improvements to IFRS 2018–2020
 - *Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter*
 - *Amendment to IFRS 9 Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
 - *Amendment to IAS 41 Agriculture - Taxation in Fair Value Measurements*
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

None of the amendments have had a material impact to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

New standards not yet effective

IFRS 17 – “Insurance Contracts”

The effective date for IFRS 17 is 1 January 2023. IFRS 17 will change the way insurance contracts are accounted for and reported. Revenue will no longer be equal to premiums written but instead reflect a change in the contract liability on which consideration is expected. On initial assessment the major change will be on the presentation of the statement of profit or loss, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. IFRS 17 also has additional disclosure requirements.

IFRS 17 prescribes a comprehensive model, the general model, which requires entities to measure an insurance contract at initial recognition as the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

IFRS 17 also provides a simplification to the general model, the premium allocation approach (“PAA”). This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. The liability for remaining coverage is similar to the current premium reserve profile recognised over time. The principles of the general model remain applicable to the liability for incurred claims.

All contracts issued by the Group are for one year or less and the Group expects to apply the PAA model to all insurance contracts written.

The Group is continuously assessing the impact of the design decision and relevant accounting policy choices. The Group’s assessment of the requirements of the standard against current data, processes and valuation models does not indicate a material impact on the Group’s financial results.

The next steps for the Group are to incorporate changes required in the internal management and financial statement reporting process to report its results under IFRS 17 and finalise the accounting policies and methodologies for the transitional approach that will be applied. Management does not expect the transition to have a significant impact on the Group’s profit or the net asset value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. INSURANCE LIABILITIES AND REINSURANCE ASSETS

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 107 of the Group's Annual Report and Accounts 2021.

The Group's insurance liabilities and reinsurance assets are summarised below:

	Notes	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Outstanding claims	3.1	237,756	227,210	232,516
Unearned premium reserve	3.1.1	93,510	83,066	90,776
Deferred acquisition costs	3.1.2	(13,531)	(14,498)	(13,791)
Reinsurance assets	3.1	(93,713)	(97,912)	(112,312)
Receivables arising from insurance and reinsurance contracts	3.2	(42,105)	(38,989)	(38,003)
Payables arising from insurance and reinsurance contracts	3.3	6,140	4,223	7,115
Total		188,057	163,100	166,301

3.1 Insurance liabilities and reinsurance assets

	Notes	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
GROSS				
Claims incurred and reported		309,130	308,054	309,892
Claims incurred but not reported		(75,685)	(84,659)	(81,272)
Claims handling provision		4,311	3,815	3,896
Outstanding claims liabilities	3.1.1	237,756	227,210	232,516
Unearned premium reserve	3.1.1	93,510	83,066	90,776
Total insurance liabilities – Gross		331,266	310,276	323,292
RECOVERABLE FROM REINSURERS				
Claims incurred and reported		(111,793)	(124,378)	(127,812)
Claims incurred but not reported		18,080	26,466	24,184
Outstanding claims liabilities	3.1.1	(93,713)	(97,912)	(103,628)
Unearned premium reserve	3.1.1	-	-	(8,684)
Total reinsurers' share of insurance liabilities		(93,713)	(97,912)	(112,312)
NET				
Claims incurred and reported		197,337	183,676	182,080
Claims incurred but not reported		(57,605)	(58,193)	(57,088)
Claims handling provision		4,311	3,815	3,896
Outstanding claims liabilities	3.1.1	144,043	129,298	128,888
Unearned premium reserve	3.1.1	93,510	83,066	82,092
Total insurance liabilities – Net		237,553	212,364	210,980

When claims are initially reported, case estimates are set based on a reasonable worst-case expectation of settlement costs (for example, assuming full liability). Case estimates are amended throughout the life of a claim as further information emerges. Quarterly, an actuarially-determined adjustment to open case reserves is booked at a portfolio level, which converts the open claims reserves to a true "best estimate basis". This can result in a negative 'Incurred But Not Reported' ("IBNR") adjustment, if the case reserves held are in excess of a "best estimate basis".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.1.1 Movement in insurance liabilities and reinsurance assets

	Unaudited at 30 June 2022			Unaudited at 30 June 2021			Audited at 31 December 2021		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
CLAIMS AND CLAIMS HANDLING EXPENSES									
Claims incurred and reported	309,892	(127,812)	182,080	313,164	(123,440)	189,724	313,164	(123,440)	189,724
Claims incurred but not reported	(81,272)	24,184	(57,088)	(90,267)	31,424	(58,843)	(90,267)	31,424	(58,843)
Claims handling provision	3,896	-	3,896	3,649	-	3,649	3,649	-	3,649
Total at the beginning of the period	232,516	(103,628)	128,888	226,546	(92,016)	134,530	226,546	(92,016)	134,530
Cash paid for claims settled in the period	(46,262)	5,921	(40,341)	(39,188)	1,296	(37,892)	(92,247)	12,357	(79,890)
Increase/(decrease) in liabilities									
– from current period claims	57,846	(5,257)	52,589	39,413	(2,342)	37,071	89,480	(8,072)	81,408
– from prior period claims	(6,344)	9,251	2,907	439	(4,850)	(4,411)	8,737	(15,897)	(7,160)
Total at the end of the period	237,756	(93,713)	144,043	227,210	(97,912)	129,298	232,516	(103,628)	128,888
Claims incurred and reported	309,130	(111,793)	197,337	308,054	(124,378)	183,676	309,892	(127,812)	182,080
Claims incurred but not reported	(75,685)	18,080	(57,605)	(84,659)	26,466	(58,193)	(81,272)	24,184	(57,088)
Claims handling provision	4,311	-	4,311	3,815	-	3,815	3,896	-	3,896
Total at the end of the period	237,756	(93,713)	144,043	227,210	(97,912)	129,298	232,516	(103,628)	128,888

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in Note 3.2.

	Unaudited at 30 June 2022			Unaudited at 30 June 2021			Audited at 31 December 2021		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
UNEARNED PREMIUM RESERVE									
At the beginning of the period	90,776	(8,684)	82,092	87,350	(7,905)	79,445	87,350	(7,905)	79,445
Charged to the profit or loss account	2,734	8,684	11,418	(4,284)	7,905	3,621	3,426	(779)	2,647
Total at the end of the period	93,510	-	93,510	83,066	-	83,066	90,776	(8,684)	82,092

3.1.2 Movement in deferred acquisition costs

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
DEFERRED ACQUISITION COSTS			
At the beginning of the period	13,791	14,791	14,791
Net decrease during the period	(260)	(293)	(1,000)
Total at the end of the period	13,531	14,498	13,791

3.2 Receivables arising from insurance and reinsurance contracts

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Due from brokers and intermediaries	24,069	18,886	17,954
Due from policyholders	18,036	20,203	20,139
Less: provision for impairment of broker and intermediary receivables	-	(100)	(90)
Total at the end of the period	42,105	38,989	38,003

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.3 Payables arising from insurance and reinsurance contracts

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Insurance creditors	1,914	1,746	1,244
Amounts due to reinsurers	4,226	2,477	5,871
Total at the end of the period	6,140	4,223	7,115

Payables arising from insurance and reinsurance contracts are expected to be settled within 12 months. The carrying value of payables approximates fair value.

3.4 Insurance claims

	Unaudited at 30 June 2022			Unaudited at 30 June 2021			Audited at 31 December 2021		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
Movement in claims provision ⁽¹⁾	51,088	3,994	55,082	39,686	(7,192)	32,494	97,970	(23,969)	74,001
Movement in claims handling provision	414	-	414	166	-	166	247	-	247
Claims handling expenses allocated	3,825	-	3,825	3,878	-	3,878	6,767	-	6,767
Net insurance claims	55,327	3,994	59,321	43,730	(7,192)	36,538	104,984	(23,969)	81,015

(1) The movement in the claims provision includes both the movement in the provision for claims outstanding and claims paid during the period.

4. FINANCIAL ASSETS

The Group's financial assets are summarised below:

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Debt securities held at fair value through other comprehensive income	227,224	236,812	234,667
Loans and receivables	39	13	74
Cash and cash equivalents	27,796	24,411	30,611
Total	255,059	261,236	265,352

4.1 Debt securities at fair value through other comprehensive income

The Group's debt securities held at fair value through other comprehensive income are summarised below:

	Unaudited at 30 June 2022		Unaudited at 30 June 2021		Audited at 31 December 2021	
	£'k	% holdings	£'k	% holdings	£'k	% holdings
Government bonds	82,260	36.20%	85,077	35.93%	86,192	36.73%
Government-backed securities	80,620	35.48%	85,676	36.18%	83,878	35.74%
Corporate bonds	64,344	28.32%	66,059	27.89%	64,597	27.53%
Total	227,224	100.00%	236,812	100.00%	234,667	100.00%

4.2 Loans and receivables

The Group's loans and receivables comprises of:

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Other debtors	41	15	76
Provision for expected credit losses	(2)	(2)	(2)
Total	39	13	74

The estimated fair values of loans and receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximates fair value. Provision for expected credit losses are based on the recoverability of the individual loans and receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4.3. Cash and cash equivalents

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Cash and cash equivalents	27,796	24,411	30,611
Total	27,796	24,411	30,611

Cash and cash equivalents include money market funds with no notice period or penalty for withdrawal.

The carrying value of cash and cash equivalents approximates fair value. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 the identified impairment loss was immaterial.

4.4. Net investment income

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Interest income on financial assets using effective interest rate method			
Interest income from debt securities	799	759	1,507
Investment fees	(141)	(153)	(308)
Interest income from cash and cash equivalents	15	4	11
Total	673	610	1,210

4.5. Net losses from fair value adjustments on financial assets

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Profit or loss			
Realised fair value gains/(losses) on debt securities	24	-	(16)
Realised fair value losses on debt securities reclassified to profit or loss	24	-	(16)
Other Comprehensive Income			
Fair value losses on debt securities	(8,229)	(2,197)	(5,674)
Expected credit loss through OCI	17	21	16
Unrealised fair value losses on debt securities through other comprehensive income	(8,212)	(2,176)	(5,658)
Net fair value losses on debts securities through other comprehensive income	(8,188)	(2,176)	(5,674)

5. FINANCIAL LIABILITIES

The Group's financial liabilities are summarised below:

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
<i>Financial liabilities at amortised cost</i>			
Lease liabilities	60	317	193
Trade and other payables, excluding insurance payables	5,694	5,941	5,831
Total	5,754	6,258	6,024

5.1. Trade and other payables, excluding insurance payables

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Trade and other creditors	197	309	321
Other taxes	5,497	5,632	5,510
Total	5,694	5,941	5,831

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER OPERATING INCOME

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Marketing fees	206	264	463
Fee income from the sale of auxiliary products and services	135	66	196
Administration fees	704	681	1,439
Total	1,045	1,011	2,098

Other income relates to auxiliary products and services, including marketing and administration fees, all relating to the motor insurance business.

7. OPERATING EXPENSES

	Notes	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Employee expenses	7.1	6,458	7,292	12,338
Property expenses		154	151	331
IT expenses including IT depreciation		2,315	2,456	5,125
Other depreciation		6	21	33
Industry levies		2,915	2,802	5,000
Policy servicing costs		1,140	1,229	2,282
Other operating expenses		1,362	1,177	2,189
Expected credit loss on financial assets	4.5	17	21	16
Operating expenses before adjustments for deferred acquisition costs and claims handling expenses		14,367	15,149	27,314
<i>Adjusted for:</i>				
Claims handling expense reclassification		(3,825)	(3,878)	(6,767)
Movement in deferred acquisition costs		183	(58)	939
Total operating expenses		10,725	11,213	21,486

7.1. Employee expenses

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

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Wages and salaries	4,730	5,321	9,417
Issue of share-based payments	769	653	1,075
Social security expenses	680	778	1,193
Pension expenses	273	241	475
Other staff expenses	6	299	178
Employee expenses before adjustments for deferred acquisition costs and claims handling expenses	6,458	7,292	12,338
<i>Adjusted for:</i>			
Claims handling expense reclassification	(2,977)	(3,092)	(5,239)
Movement in deferred acquisition costs	(20)	(236)	535
Total employee expenses	3,461	3,964	7,634

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. TAX CHARGE

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Current taxation			
Charge for the period	901	4,119	6,935
	901	4,119	6,935
Deferred taxation			
Origination and reversal of temporary differences	(15)	41	124
	(15)	41	124
Current taxation	901	4,119	6,935
Deferred taxation	(15)	41	124
Tax charge for the period	886	4,160	7,059

Tax recorded in other comprehensive income is as follows.

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Current taxation	(1,564)	-	-
Deferred taxation	(5)	(402)	(1,069)
Total	(1,569)	(402)	(1,069)

From 1 April 2023, The Finance Act 2021 increases the UK corporation tax from 19% to 25%. This means that for any temporary differences expected to reverse on or after 1 April 2023, the new tax rate of 25% will be relevant. The Group has deferred tax balances accordingly. The impact of this adjustment on the deferred tax balances is not material.

9. DIVIDENDS

	Unaudited 6 months ended 30 June 2022		Unaudited 6 months ended 30 June 2021		Audited 12 months ended 31 December 2021	
	pence per share	£'k	pence per share	£'k	pence per share	£'k
Amounts recognised as distributions to equity holders in the period						
Interim dividend for the current year	-	-	-	-	3.7	9,218
Final dividend for the prior year	9.3	23,172	11.7	29,168	11.7	29,168
	9.3	23,172	11.7	29,168	15.4	38,386
Proposed dividends						
Interim dividend in respect of the current year ⁽¹⁾	2.8	7,000	3.7	23,750		

(1) Subsequent to 30 June 2022, the Directors declared an interim dividend for 2022 of 2.8p per ordinary share. This dividend will be paid on 22 September 2022. This dividend will be accounted for as an appropriation of retained earnings in the year ended 31 December 2021 and is not included as a liability in the Statement of Financial Position as at 30 June 2022.

The trustees of the employee share trusts waived their entitlement to dividends on shares held in the trusts to meet obligation arising on share incentive schemes, which reduced the dividends paid for the period ended 30 June 2022 by £78k (30 June 2021: £82k and 31 December 2021: £114k).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. LINE OF BUSINESS ANALYSIS

	Unaudited for the 6 months ended 30 June 2022				Restated for the 6 months ended 30 June 2021			
	Motor vehicle £'k	Taxi £'k	Motorcycle £'k	Total £'k	Motor Vehicle £'k	Taxi ⁽¹⁾ £'k	Motorcycle £'k	Total £'k
Profit or Loss Account information								
Gross written premium	69,640	5,219	16,923	91,782	77,450	770	-	78,220
Less: Reinsurance premium ceded	(1,882)	(182)	(792)	(2,856)	(1,770)	(90)	-	(1,860)
Net written premium	67,758	5,037	16,131	88,926	75,680	680	-	76,360
Gross written premium	69,640	5,219	16,923	91,782	77,450	770	-	78,220
Less: Change in unearned premium reserve	11,718	(3,784)	(10,668)	(2,734)	4,214	70	-	4,284
Gross earned premium	81,358	1,435	6,255	89,048	81,664	840	-	82,504
Reinsurance premium ceded	(1,882)	(182)	(792)	(2,856)	(1,770)	(90)	-	(1,860)
Less: Change in unearned premium reserve	(8,402)	(74)	(208)	(8,684)	(7,828)	(77)	-	(7,905)
Reinsurance premium payable	(10,284)	(256)	(1,000)	(11,540)	(9,598)	(167)	-	(9,765)
Net earned premium	71,074	1,179	5,255	77,508	72,066	673	-	72,739

	Restated 12 months ended 31 December 2021			
	Motor vehicle £'k	Taxi ⁽¹⁾ £'k	Motorcycle £'k	Total £'k
Profit or Loss Account information				
Gross written premium	164,582	1,509	3,231	169,322
Less: Reinsurance premium ceded	(21,019)	(184)	(30)	(21,233)
Net written premium	143,563	1,325	3,201	148,089
Gross written premium	164,582	1,509	3,231	169,322
Less: Change in unearned premium reserve	(622)	137	(2,941)	(3,426)
Gross earned premium	163,960	1,646	290	165,896
Reinsurance premium ceded	(21,019)	(184)	(30)	(21,233)
Less: Change in unearned premium reserve	574	(3)	208	779
Reinsurance premium payable	(20,445)	(187)	178	(20,454)
Net earned premium	143,515	1,459	468	145,442

(1) 'Taxi' was not shown as a separate line of business in the 2021 Annual Report and Accounts, as it was not considered to be a separate, material element of premium income. Following the partnership deal with Freeway, premium from the provision of taxi insurance has increased significantly and as such it is now considered both useful and relevant to disclose this separately. The 31 December 2021 business lines have been restated to split Taxi from Motor Vehicle.

11. RELATED PARTY TRANSACTIONS

There has been no change in any of the relationships as disclosed in Note 18 of the 31 December 2021 Annual Report and Accounts.

No related party transactions have taken place in the period ending 30 June 2022 that have materially affected the financial position or the financial performance of the Group.

12. CONTINGENT LIABILITY

In the 2021 Annual Report and Accounts, we disclosed a contingent liability regarding a contested determination in relation to the 2015, 2016 and 2017 corporation tax filings of a subsidiary of the Group, which is currently dormant. During 2022 HMRC accepted the Group's appeal against their determination and as such, the matter is now fully closed with no change in the tax position of the Group.

13. SUBSEQUENT EVENTS

Other than the declaration of an interim dividend as disclosed in Note 9, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the statement of financial position date.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as adopted by the UK.

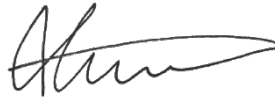
The interim management report includes a fair review of the information as required by:

- 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 2021 that could do so.

Signed on behalf of the Board



Geoff Carter
Chief Executive Officer
25 July 2022



Adam Westwood
Chief Financial Officer
25 July 2022

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Sabre Insurance Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half-Year Report 2022 of Sabre Insurance Group plc for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2022
- the Condensed Consolidated Profit or Loss Account and the Condensed Consolidated Statement of Comprehensive Income for the period then ended
- the Condensed Consolidated Statement of Cash Flows for the period then ended
- the Condensed Consolidated Statement of Changes in Equity for the period then ended
- the explanatory notes to the interim financial statements

The interim financial statements included in the Half-Year Report 2022 of Sabre Insurance Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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.

We have read the other information contained in the Half-Year Report 2022 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Year Report 2022, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half-Year Report 2022 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half-Year Report 2022, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Year Report 2022 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

APPENDIX – FINANCIAL RECONCILIATIONS

ADJUSTED PROFIT BEFORE TAX

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Profit before tax	4,345	22,161	37,199
<i>Add:</i>			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Adjusted profit before tax	4,345	22,161	37,199

ADJUSTED PROFIT AFTER TAX

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Profit after tax	3,459	18,001	30,140
<i>Add:</i>			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Tax on exceptional items	-	-	-
Adjusted profit after tax	3,459	18,001	30,140

NET LOSS RATIO

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Net insurance claims	59,321	36,538	81,015
<i>Less:</i> Claims handling expenses	(3,825)	(3,878)	(6,767)
Net claims incurred	55,496	32,660	74,248
Net earned premium	77,508	72,739	145,442
Net loss ratio	71.6%	44.9%	51.1%

EXPENSE RATIO

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Total expenses	17,355	17,569	34,444
<i>Plus:</i> Claims handling expenses	3,825	3,878	6,767
Net operating expenses	21,180	21,447	41,211
Net earned premium	77,508	72,739	145,442
Expense ratio	27.3%	29.5%	28.3%

APPENDIX – FINANCIAL RECONCILIATIONS

COMBINED OPERATING RATIO

	Unaudited 6 months ended 30 June 2022 £'k	Unaudited 6 months ended 30 June 2021 £'k	Audited 12 months ended 31 December 2021 £'k
Total expenses	17,355	17,569	34,444
Net insurance claims	59,321	36,538	81,015
	76,676	54,107	115,459
Net earned premium	77,508	72,739	145,442
Combined operating ratio	98.9%	74.4%	79.4%

SOLVENCY COVERAGE RATIO – PRE-DIVIDEND

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Solvency II net assets	90,203	107,465	110,114
Solvency capital requirement	52,090	58,132	52,955
Solvency coverage ratio – pre-dividend	173.2%	184.9%	207.9%

SOLVENCY COVERAGE RATIO – POST-DIVIDEND

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
Solvency II net assets	90,203	107,465	110,114
Less: Final dividend	(7,000)	(9,250)	(23,250)
Solvency II net assets (post dividend)	83,203	98,215	86,864
Solvency capital requirement	52,090	58,132	52,955
Solvency coverage ratio – post-dividend	159.7%	169.0%	164.0%

RETURN ON TANGIBLE EQUITY

	Unaudited at 30 June 2022 £'k	Unaudited at 30 June 2021 £'k	Audited at 31 December 2021 £'k
IFRS net assets at year end	226,664	252,422	252,727
Less:			
Goodwill at year end	(156,279)	(156,279)	(156,279)
Closing tangible equity	70,385	96,143	96,448
Annualised closing tangible equity *	66,844	104,894	96,448
Opening tangible equity	96,448	110,121	110,121
Average tangible equity	81,646	107,508	103,285
Annualised adjusted profit after tax **	6,918	36,002	30,140
Annualised return on tangible equity **	8.5%	33.5%	29.2%

* Annualised closing tangible equity is a proxy of the expected closing IFRS tangible equity as at 31 December 2022. This is equal to the closing tangible equity as at 30 June 2022, plus the profit after tax for the 6 months to 30 June 2022, less the interim dividend paid of £7,000k (30 June 2021: £23,750k). No adjustment to the 31 December 2021 closing tangible equity has been made.

** Half year adjusted profit after tax for 30 June 2022 and 30 June 2021 annualised. No adjustment to the full year adjusted profit for the period 31 December 2021 has been made.