

Driven by our competitive edge

Sabre Insurance Group plc
Annual Report and Accounts 2017

Registered number 10974661

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13/06/2018
COMPANIES HOUSE

We are a UK private motor insurer with a track-record of market-leading underwriting performance, as measured by our combined operating ratio. Continuing to focus on our core strength, underwriting, in order to deliver an attractive dividend yield.

We pride ourselves on our expert underwriting and our market leading performance.

sabreplc.co.uk
To view further information and announcements

Sabre Insurance Group plc is a motor insurer with a diversified, multi-channel distribution strategy, selling policies through a broad network of brokers and three Direct Brands – Go Girl, Insure 2 Drive and Drive Smart.

£210.7m

GROSS WRITTEN PREMIUM

68.5%

COMBINED OPERATING RATIO

£53.3m

ADJUSTED PROFIT AFTER TAX

160%

EXCESS SOLVENCY CAPITAL

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Definition

In this Annual Report, Sabre Insurance Group plc is defined as the "Company", "Sabre" or, with its subsidiaries, the "Group".

Expert underwriting ability

We have delivered consistently strong underwriting results, utilising our unique data set, compiled over more than 15 years, focused on the higher premium segment

Underwriting strengths

Broad underwriting footprint.

We believe there is a price for almost every risk, and hence offer a price across virtually the whole private car insurance market.

Sophisticated pricing model

Disciplined, actuarially-driven pricing strategy utilising a proprietary and agile model.

The Group prides itself on being an underwriter first and foremost and, when combined with claims management expertise, its consistent and market-leading underwriting results are strong evidence of its success.

The Group's proprietary pricing model has been constructed in house by its experienced actuarial team and refined over time to enhance its accuracy.

<80%

COMBINED OPERATING
RATIO TARGET

15+ years of unique proprietary data

Extensive dataset, compiled from more than 15 years of underwriting experience.

The Group's pricing model relies on an extensive proprietary dataset, with broad coverage across the risk spectrum, which is continually updated to reflect the Group's latest claims experience. Policy and claims data has been compiled consistently over more than 15 years and is held on the Group's single policy administration system, ensuring high quality, reliable data is readily available. Proprietary data is enhanced by third party data validation and enrichment.

Knowledge and experience

An experienced senior leadership team supported by an expert and committed management group, delivering a track record of market leading underwriting profitability

Our team

The Group employs a team of circa 150 individuals operating from a single owned site in Dorking, Surrey, supported by third party providers performing selected outsourced functions.

The Group benefits from a claims team of over 75 employees with more than 600 years of collective experience.

600

YEARS' COMBINED EXPERIENCE
IN THE CLAIMS TEAM

Flexibility

Our streamlined operating model gives us flexibility in our business. We outsource certain areas where we can leverage partners' size, scale and expertise. This means we also benefit from a flexible pool of resources.

Long-term growth

The Group increased its gross written premium ("GWP") and in-force policy count significantly over the 10-year period ended 31 December 2017.

Our primary focus is maintaining our profitability, but we also anticipate controlled, high single-digit growth across the insurance cycle.

CIRCA 351k

2017 IN-FORCE POLICIES

Diversified multi-channel distribution strategy

Sabre has a diversified, multi-channel distribution strategy, selling policies through a broad network of over 1,000 valued insurance broker partners across the UK and three Direct Brands – Go Girl, Insure 2 Drive and Drive Smart

Brokers

Account for approximately 70% of gross written premium in the year ended 31 December 2017.

Sabre sells primarily through insurance brokers. The brokers themselves have grown as the Price Comparison Websites (PCWs) have grown. Our broker partners add a combination of strong consumer brands, distribution expertise, retail pricing skills and customer relationships. Combined with our underwriting and claims skills this is a powerful combination.

70%

BROKERS BUSINESS SPLIT

1,000

THE APPROXIMATE NUMBER OF INSURANCE BROKERS ACROSS OUR BROAD NETWORK IN THE UK

30%

DIRECT BRANDS BUSINESS SPLIT

Direct Brands

Accounting for approximately 30% of GWP in the year ended 31 December 2017.

Trading primarily through the 'Go Girl' brand on PCWs, Sabre has a growing direct portfolio. This gives strategic optionality and direct line of sight into the retail market.

Go Girl was launched in November 2011 to target female drivers and is primarily promoted via PCWs. Go Girl is an official sponsor of the England Netball Team.

Insure 2 Drive was launched in November 2010 offering general motor insurance and is almost entirely promoted via PCWs.

Drive Smart was launched in August 2013 offering telematics car insurance which involves a device being fitted into the customer's vehicle to monitor a number of aspects of their driving behaviour.

Chairman's letter

The performance of the business over the years has been underpinned by our culture, where we aim for the highest standards of operational excellence and financial reporting throughout the Company

DEAR SHAREHOLDER

I am delighted to introduce Sabre Insurance Group plc's first annual report and accounts ("Annual Report") following its initial public offering ("IPO") and admission to the Main Market of the London Stock Exchange on 11 December 2017 (the "Listing").

Sabre operates in the private motor insurance sector providing insurance through a broad network of insurance brokers and through our own Direct Brands – Go Girl, Insure 2 Drive and Drive Smart. We have a multi-channel distribution strategy, a diversified book of business and a broad underwriting footprint with a bias towards the higher average premium segment.

The business has a long-established track record of market-leading underwriting profitability driven by some key differentiators – underwriting discipline, claims management skills, a proprietary and agile pricing model and an extensive dataset which stretches back 15 years. It is these factors which give Sabre its competitive edge and bright future.

The performance of the business over the years has been underpinned by our culture, where we aim for the highest standards of operational excellence and financial reporting throughout the Company and its subsidiaries and from all Directors and employees. Central to Sabre's culture is that our people operate in an honest, professional and ethical manner and we see this as essential to building trust and respect with our key stakeholders including customers, business associates, employees, communities, regulators and shareholders. Our Code of Conduct can be found on the Company's website and information regarding our risk management processes can be found on pages 22 to 26.

2017 Performance

The Group has delivered results for 2017 in line with the Board's expectations at the time of the Listing which demonstrate the strength of Sabre's business model.

As explained at the time of the Listing, our key focus is on the profitability of the business and as you will see from Geoff Carter's Chief Executive Officer's ("CEO") review, this continued to be strong in 2017 and delivered a combined operating ratio of 68.5%.

Further details regarding the Company's performance and operating model are set out in the CEO's review, the Chief Financial Officer's ("CFO") review and in the other sections of the Strategic Report on pages 2 to 31 of this Annual Report.

I would like to pay special thanks to our two Executive Directors, Geoff Carter and Adam Westwood, who together with the management team maintained a clear focus on delivering these 2017 results while also leading the business through the IPO process and achieving a successful Listing.

Patrick Snowball
Chairman

The Board

Prior to the Listing, we established a strong Board of seven Directors comprising two Executive Directors and five Non-executive Directors with a wide range of relevant skills and experience which will help to drive the development of the business.

Since the Listing the Board has been further strengthened by the appointment of Andy Pomfret, with his extensive public company and insurance sector experience, who joined the Board as our Senior Independent Director ("SID") on 28 February 2018.

Four of our Directors are independent Non-executive Directors, being Catherine Barton, Rebecca Shelley, Ian Clark and Andy Pomfret and, as recommended by the UK Corporate Governance Code 2016 (the "Code"), I was also considered independent at the date of my appointment.

One of our Non-executive Directors, Matthew Tooth, is not deemed independent as he was appointed by the BC Partners Group pursuant to the terms of a Relationship Agreement as described on page 59 of this Annual Report.

Governance

The Board is committed to the highest standards of corporate governance and this is addressed in my Chairman's governance letter and the Governance Report set out on pages 32 to 39 of this Annual Report.

Dialogue with shareholders

I would like to thank all our shareholders for their support during, and since, our Listing. I look forward to maintaining an active dialogue and the Board is committed to keeping you informed of significant developments by providing regular updates on our performance and proactively engaging when appropriate.

Dividend policy

The Group's dividend policy targets a minimum 70% dividend payout ratio. This reflects our aim of generating sustainable value for shareholders whilst ensuring that the business retains sufficient capital to fund growth and that we exceed our regulatory capital requirement as our business is subject to the Solvency II regime.

As indicated at the time of our Listing, the Company will not be declaring a final dividend in respect of the financial year ended 31 December 2017. However, it is our current intention that the Company's first dividend payment will be an interim dividend for the six months ending 30 June 2018, and that the Company will pay a final dividend for the six months ending 31 December 2018.

Our people

The progress made in 2017 was due to the hard work of all our employees. As you can see in our Corporate Social Responsibility report on pages 30 and 31, we have a very strong base of loyal employees and the success of the business is due to their experience and relentless focus on achieving market-leading underwriting performance.

The Company's commitment to promoting all-employee share ownership and fostering an ownership culture led it to introduce a Share Incentive Plan at the time of the Listing. Further details regarding employee remuneration can be found in the Directors' Remuneration Report on pages 46 to 56 of this Annual Report.

We will continue to focus on our strategy of delivering a market-leading underwriting performance, controlled growth and strong cash generation, and we look forward to meeting our shareholders at the Company's 2018 Annual General Meeting ("AGM") on 24 May 2018.

Patrick Snowball
Chairman.

Dynamic market trends

We operate in a competitive and dynamic marketplace. Changes impacting the industry, including distribution methods, pricing, technology and regulation, are evolving the way in which we operate, and are shaping customers' expectations

£12 bn

APPROXIMATE VALUE OF THE UK PRIVATE MOTOR INSURANCE MARKET

Distribution trends

The nature of private motor insurance distribution in the UK has undergone meaningful change in recent years. PCWVs (which allow users to compare tailored quotes from a variety of insurers) have increased in prominence significantly as a distribution channel, owing to the convenience, choice and transparency that they provide. In addition, direct sales through insurer and broker websites have increased as distribution has continued to move online. The increasing prominence of PCWV and online sales has had implications for other insurance policy distribution channels, and sales through branches, over the telephone and via banks / building societies have declined as a proportion of total sales. Insurance brokers have had to adapt to these changing distribution channels to maintain their relevance and now distribute products online and through PCWVs, alongside insurance underwriters going direct to the consumer.

In this context, brands and retail price optimisation abilities have grown in importance; on PCWVs, where multiple quotes can be compared at once, price and brand recognition are key differentiators for consumers.

Pricing trends

In mid 2016, when reducing industry profitability, continued claims inflation, increases to insurance premium tax and costs associated with the implementation of Solvency II were impacting insurers, prices began to rise. These premium increases continued into 2017 with a reduction in the Ogden Discount Rate in February 2017, which increased lump sum payouts to injured claimants, providing further impetus for price increases.

More recently, the market has seen some reduction in the total cost of personal injury claims, which has countered some of these inflationary factors.

Claims trends

In addition to pricing trends, the profitability of underwriters is driven by claims experience. In recent years, UK private motor insurers have suffered sustained claims inflation stemming from increases in costs associated with both personal injury claims and damage to vehicles.

Personal injury claims costs have been growing for a number of reasons in recent years and the UK Government has recognised the need to curtail this. It announced in 2015 its intention to reform whiplash claims. The announcement was followed by the launch of a consultation on the topic in November 2016, which led to a bill being introduced to the UK Parliament the following year. The reforms sought to introduce a tariff of fixed compensation for whiplash injuries and block claims that were not supported by medical evidence. Having been delayed by the UK general election held in June 2017, it was announced in the Queen's Speech of June 2017 that the reforms would be incorporated as part of a new Civil Liability Bill. The timescales for, and details of, this should be confirmed in early 2018.

Alongside increasing personal injury claims, UK private motor insurers have also been faced with increasing costs associated with vehicle repair. Whilst advanced safety features incorporated in modern vehicles have resulted in a decline in accident frequency, the cost of repairing vehicles in the event of accidents has increased.

Digitisation and technology

Technological advancements will continue to bring changes to the motor market, for example:

- Advanced safety features in modern cars (automated emergency braking, forward collision, blind spot and lane departure warnings). These can potentially reduce the frequency of claims and severity of injury when accidents do occur, which should reduce severity of liability claims over time, but the cost of repair for cars with these features is typically higher than those without, so the cost of repairing vehicles in the medium term may rise.
- Autonomous cars. While they are unlikely to be viable for some time, reports suggest purchasing autonomous vehicles will become possible at some point between 2020 and 2025. That said, it is unclear what level of automation these cars will feature and therefore the impact on the motor insurance market is more difficult to predict.

Ogden Discount Rate

The Ogden Discount Rate represents an assumption of the risk free interest rate that claimants could earn on lump-sum payouts and is used to determine the size of such payouts.

The Ogden Discount Rate had been fixed at 2.5% since 2001, but on 27 February 2017 a reduction to -0.75% was announced.

-0.75%

DISCOUNT RATE

The Group fully reflected the impact of the Ogden rate change in its 2016 financial statements. As a result of the rate change, gross and net outstanding claims reserves were increased by £26.2m and £2.2m respectively.

How we create value

OUR INPUTS

**LONG STANDING
MANAGEMENT**

**EXPERIENCED
SENIOR AND
OPERATIONAL
TEAM**

**MARKET
LEADING
PROPRIETARY
DATA**

**BROKER
RELATIONSHIPS**

**ANALYSIS AND
PRICING EXPERTISE**

OUR CHANNELS

Indirect distribution

The Group has established a broad network of over **1,000** insurance brokers across the UK over the course of more than **20** years.

Direct distribution

GoGirl

Launched in 2011 to appeal to young female drivers.

Insure2Drive

Launched in 2010 as a general motor insurance product.

Drive Smart

Launched in 2013 as a telematics product.

Price Comparison Websites

PCWs are websites that enable customers to **obtain and compare quotes** from a wide variety of insurers and brokers.

HOW WE MANAGE RISK

Underwriting discipline

Maintaining price discipline throughout the insurance cycle.

72.3%

10 YEAR AVERAGE COMBINED
OPERATING RATIO

Proprietary dataset

Extensive dataset, compiled from more than 15 years of underwriting experience.

15 yrs

CONSISTENTLY COMPILED DATASET

Claims experience

Dealing with our customers both fairly and quickly whilst focusing on the identification of fraud and effective management of injury claims.

600 yrs

OF COLLECTIVE EXPERIENCE

Proprietary and agile pricing model

Disciplined, actuarially driven pricing strategy utilising a proprietary and agile model.

OUR OPERATING MODEL

In-house

PRICING AND CLAIMS MANAGEMENT

The Group has a streamlined operating model, with certain functions where the Directors believe the Group has significant expertise (such as pricing and claims management) being maintained in-house and certain other functions outsourced to third party providers, who the Directors believe can improve efficiency and provide scale optionality.

Partners

CUSTOMER SUPPORT

Telephone sales and phone and email based customer support for the Direct Brands are outsourced to Right Choice, a specialist motor insurance broker based in the UK.

FNOL AND REPAIR MANAGEMENT

First Notice Of Loss and repair management are outsourced to the Innovation Group, which provides support to the insurance, fleet, automotive and property industries.

INFORMATION TECHNOLOGY

The Group's IT system is in the process of being outsourced to a cloud based infrastructure as a service or "IaaS" provider. As a result the Group's IT infrastructure will be hosted by a third party on virtual servers with state of the art security.

PRICE DISTRIBUTION

Policy prices are distributed to brokers via a number of specialist software houses. These software houses typically provide brokers with sales and administration systems, as well as enabling brokers to access policy prices set by the Group.

VALUE CREATION

Strong cash generation

Our underwriting discipline and streamlined operating model give us confidence that we can deliver our target dividend payout ratio of a minimum of 70% of profit after tax.

Customer growth

We anticipate high single-digit growth in gross written premium across the insurance cycle, while maintaining our target combined operating ratio.

Maintaining expertise

We continue to refine our underwriting model to drive increasingly accurate, customer focussed pricing. We aim to retain and develop superior levels of expertise in underwriting and claims management at all levels within our business.

Strong balance sheet

Our focus on profitability allows us to deliver value to shareholders while maintaining a strong balance sheet, operating with an excess regulatory capital of 140% to 160% of our Solvency Capital Requirement.

Continuing to build on our competitive edge to deliver a sustainable dividend and profitable, controlled growth over the medium term”

£210.7m

GROUP GENERATED GWP IN 2017
+7%

Chief Executive's review

2017 was a great year for the business, with strong results, and also an exciting stage in our development with a successful IPO

Geoff Carter
Chief Executive Officer

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

Strategic progress and focus

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

- Maintaining market leading underwriting performance through a disciplined and actuarially driven pricing strategy
- Expanding our extensive and proprietary dataset combined with investment in data enrichment
- Maintaining a broad underwriting footprint with unique business model biased toward the specialist, higher premium segments
- Utilising our robust and effective claims management function to ensure a firm but fair approach to claims
- Effectively leveraging our diversified, multi-channel distribution network
- Targeting controlled attractive growth across the cycle whilst maintaining our underwriting discipline
- Using our streamlined operating model to efficiently control expenses
- Ensuring a prudent case and a consistent portfolio reserving approach
- Maintaining a conservative approach to risk management through the use of reinsurance, a simple and low risk investment strategy and prudent solvency coverage ratio.

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

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

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

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

Performance in 2017

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

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

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

Our people

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

Chief Executive's review continued

“Our strengths give us a significant competitive advantage to write attractive and profitable business across the UK private motor insurance market, and we’re confident that the business will continue to deliver significant value to shareholders.”

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

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

Life as a listed company

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

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

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

Outlook

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

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

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

Geoff Carter
Chief Executive Officer

Our strategic priorities

The Group intends to continue to build on its strategic priorities to deliver continued success over the longer term

The Directors' vision for the Group

is to maintain its focus on the UK private motor insurance market, continue to provide brokers and direct customers with quotes across the risk spectrum and ensure the Group continues to deliver market leading underwriting performance, together with controlled growth over the longer term. The Group will build on its competitive strengths through its focus on the following drivers of value.

Underwriting performance

Risk management

Growth

Operations

Distribution

How we drive future success

Our strategy has been consistent for many years – we focus on underwriting private motor insurance in the UK

Underwriting performance

Continue to deliver market-leading underwriting performance

Risk management

Maintain a conservative approach to risk management

Growth

Target controlled growth

STRATEGIC FOCUS

- maintaining our simplicity of focus on the UK private motor insurance market;
- maintaining our disciplined and actuarially-driven pricing strategy to prioritise the delivery of the Group's target combined operating ratio;
- continuing development of our proprietary and agile pricing model to evolve pricing sophistication across the risk spectrum;
- expanding our extensive and proprietary dataset through additional underwriting experience and the use of new data enrichment sources;
- utilising our diversified multi-channel distribution strategy to maintain a broad underwriting footprint and drive growth; and
- maintaining our robust and effective claims management process and counter-fraud capabilities through continued investment in training and capacity.

STRATEGIC FOCUS

- a simple, low risk investment strategy focused principally on capital preservation to support the Group's profitable underwriting activities;
- the use of excess of loss reinsurance to limit the Group's exposure to large insurance losses, whilst also reducing the volatility of the Group's loss ratio, earnings and cash flow; and
- a continued consistent approach to both reserving and claims management, using "reasonable worst case" estimates of future claims costs.

STRATEGIC FOCUS

- continued expansion into all risk segments through further investment in data enrichment and continued research into identifying relevant risk characteristics;
- the potential to expand into adjacent insurance products (for example, pay-as-you-go and temporary learner cover) and areas within the Group's product range that have been relatively unexploited to date (for example, van and taxi cover);
- the ability to flex pricing whilst still achieving the Group's target combined operating ratio; and
- taking advantage of technological developments in the insurance market (for example, insurtech businesses).

Operations

Maintain a streamlined operating model with appropriate use of third party providers.

STRATEGIC FOCUS

- undertaking appropriate growth in staff using available space at our Dorking, Surrey site;
- retaining in-house functions where the Group has significant expertise; and
- continuing to outsource to third parties those functions where third party providers can provide effective variable cost control and high quality customer service, whilst improving efficiency and allowing the Group to leverage such third party providers' experience and scale.

Distribution

Enhance broker relationships and continue to develop the Direct Brands

STRATEGIC FOCUS

- further strengthening existing broker relationships;
- assessing new distribution partner opportunities;
- continuing growth in the direct channel as the Direct Brands mature through the enhancement of marketing initiatives; and
- further improving the Direct Brands' customer proposition.

Key performance indicators

Definition

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

Aim

To maintain growth in GWP when this can be done without compromising the underwriting profitability or broader efficiency of the Group.

Performance

See CFO review page 28

Definition

Loss ratio measures net insurance claims (2017: £92,912k, 2016: £92,721k, 2015: £81,854k), less claims handling expenses (2017: £6,044k, 2016: £5,878k, 2015: £4,885k), relative to net earned premium (2017: £186,866k, 2016: £182,107k, 2015: £151,625k) expressed as a percentage.

Aim

To maintain our underwriting discipline such that our loss ratio remains broadly consistent, contributing to a combined operating ratio of 80% or better.

Performance

See CFO review page 28

Definition

The Group's expense ratio is a measure of total expenses (which comprises commission expenses and operating expenses) (2017: £34,994k, 2016: £33,488k, 2015: £31,588k), plus claims handling expenses (2017: £6,044k, 2016: £5,878k, 2015: £4,885k), relative to NEP, (2017: £186,866K, 2016: £182,107K and 2015: £151,625K) expressed as a percentage.

Aim

To minimise operating expenditure within the business and optimise the efficiency with which we do business in order to allow for achievement of a combined operating ratio of 80% or better.

Performance

See CFO review page 28

Definition

The Group's combined ratio is the ratio of total expenses (which comprises commission expenses and operating expenses) (2017: £34,994k, 2016: £33,488k, 2015: £31,588k), plus net insurance claims (2017: £92,912k, 2016: £92,721k, 2015: £81,854k) relative to NEP, (2017: £186,866K, 2016: £182,107K and 2015: £151,625K), expressed as a percentage.

Aim

Sabre seeks to achieve a combined operating ratio of 80% or better on all business underwritten. Accordingly, the loss and expense ratios need to be managed to ensure they contribute to the preferred level of profitability.

Performance

See CFO review page 28

How our KPIs link to Directors' remuneration

Directors' and senior management remuneration will focus on:

- Profit after tax
- Return on capital
- Total shareholder return
- Alongside personal performance assessments.

These performance metrics are directly linked to the Group's performance as measured by the KPIs.

Reconciliation of adjusted profit after tax

The Group uses "adjusted profit after tax" as the primary measure of its profitability. This excludes any exceptional expenses, such as transaction costs, as well as amortisation of intangible assets. A reconciliation between the Group's adjusted profit after tax and its profit after tax is shown opposite:

Definition

The Group's adjusted profit after tax measures profit from operations, net of tax (2017: £45,343k, 2016: £52,293k, 2015: £34,030k), adjusted to offset the effect of amortisation of intangible assets (2017: £887k, 2016: £1,619k, 2015: £3,100k) and exceptional expenses excluding tax (2017: £7,058k, 2016: £0, 2015: £0) which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions).

Aim

This is a function of Sabre's other KPIs and we intend to deliver sustainable profit growth over the medium term.

Performance

See CFO review page 28

Adjusted profit after tax

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

Definition

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

Aim

To maintain a solvency ratio in the range of 140-160%.

Performance

See CFO review page 28

Definition

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

Aim

To make efficient use of the capital available to the business and achieve broadly consistent returns year on year.

Performance

See CFO review page 28

Average tangible equity

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

Principal risks and uncertainties

Risk management

Framework

The Board is responsible for prudent oversight of the Group's business and financial operations, ensuring that they are conducted in accordance with sound business principles and with applicable laws and regulations. This includes responsibility to articulate and monitor adherence to the Board's appetite for exposure to all risk types. The Board also ensures that measures are in place to provide independent and objective assurance on the effective identification and management of risk and on the effectiveness of the internal controls in place to mitigate those risks.

The Board has set a robust risk management strategy and framework as an integral element in its pursuit of business objectives and in the fulfilment of its obligations to shareholders, regulators, customers and staff.

The Group's risk management framework is proportionate to the risks that we face. Our assessment of risk is not static; we continually reassess the risk environment in which the Group operates and ensure that we maintain appropriate mitigation in order to remain within our risk appetite.

Risk appetite

The Group has adopted a straightforward risk appetite reflective of its continued strategic focus on generating returns through underwriting activity while limiting exposure to all other areas of risk. The Group considers risk in the context of the core elements of its Solvency Capital Requirement calculation, which are summarised in the table to the right:

Risk area	Risk appetite
Strategic and governance	The Group aims to operate a simple governance structure, with clear reporting lines and direct accountability. The Group complies fully with the Senior Insurance Managers Regime ("SIMR") and Solvency II ("SII") rules which provide for an adequate framework to manage the firm's risk in this regard. In following these rules, the Group ensures those setting strategy are fit and proper and that the Board is sufficiently diverse and effective.
Insurance risk (underwriting)	The Group acknowledges that accepting underwriting risk is core to its business. The Group does, however, aim to ensure that the only material risk accepted by the firm is "pure" pricing risk and that this risk is kept within an acceptable tolerance. Underwriting risk is managed in particular with reference to the Group's pricing and claims management activity, and through prudent use of reinsurance.
Counterparty	The Group minimises counterparty risk where possible and monitors the stability and performance of brokers closely. Sabre does acknowledge that in allowing brokers credit terms, there will always be some residual degree of counterparty default risk. Sabre also accepts a degree of default risk on its direct instalment policies, however the rate of default must remain acceptable in the context of the interest rate gains on such policies.
Operational	In general, the Group attempts to minimise operational risk across the business through close monitoring of key risk areas including IT and systems, people, regulatory exposure, financial crime, taxation and accounting.
Market	The Group's investment approach is to maintain suitable levels of liquidity; to preserve the capital; and to invest in low risk stable investments that attract a coupon that is sufficient to meet any deterioration in the capital value. Proper regard is given to the credit standing of custodians and counterparties.
Capital management	The Group aims to retain sufficient capital such that in all reasonably foreseeable scenarios it will hold regulatory capital in excess of its Solvency Capital Requirement. The Board currently considers that this is achieved through maintaining a regulatory capital surplus of 140% to 160%.

Risk governance

Audit and Risk Committee

The Group operates a joint Audit and Risk Committee which allows for effective monitoring and management of the Group's exposure to risk. A separate Committee report can be found on page 40 of this Annual Report.

Internal Audit

The Group's Internal Audit function, which is outsourced, provides independent, objective assurance on the internal control environment, focusing on the design and operating effectiveness of the governance processes, risk management procedures, internal control and information systems. The Head of Internal Audit reports to the Chair of the Audit and Risk Committee.

Operating management

The Group's senior management team assume primary responsibility for the day-to-day risks that it takes in the pursuit of our business objectives, and for adherence to risk management practices, processes and controls.

Assessment of principal risks and uncertainties

The Directors confirm that they have undertaken a robust assessment of the principal risks and uncertainties that the Group faces – this includes those that threaten the business model, future performance, solvency or liquidity of the Group.

Set out in the table to the right is an overview of the principal risks we believe could threaten our strategy, performance and reputation and the actions we are taking to respond to and mitigate those risks.

As we listed on the London Stock Exchange on 11 December 2017, we do not report on any change in our current risk position against previous periods.

Key elements	Description	Mitigation
Underwriting risk		
Pricing	Failure to price risks effectively can result in worse than expected loss ratios or significant unexpected changes in volumes of business written.	The Group operates a highly sophisticated pricing model which is built upon fully tested scientific principles. The model is updated only when sufficient data has been collected and analysed to support such a change. Management continually monitors the market for pricing developments, but prioritises maintenance of strong margins over the volume of business written.
Claims management	A consistent approach to the management of claims is essential for the accurate pricing of policies based upon claims experience and is key to limiting the indemnity cost of such claims.	The Group ensures that all claims staff are appropriately trained in the "Sabre way" of managing claims, ensuring a fair outcome for both the claimant and the Group. Sabre ensures that the projected volume of claims which will be handled by the business is not in excess of the capacity of skilled claims handlers available to the claims team.
Reserving	Inappropriate estimation of the ultimate cost of claims incurred can lead to corrections in future periods which could have a detrimental impact on the Group's capital position and profitability. Further, incorrect reserving can lead to errors in the pricing of new policies due to a poor view of the profitability of business already written.	There is a consistent and cautious approach to reserving with a risk appetite to hold a margin above the actuarial best estimate. The Group's actuarial function analyses and projects historical claims development data and uses a number of actuarial techniques to both test and forecast claims provisions. In addition, independent external actuaries assess the adequacy of the Group's reserves.
Large losses	A small number of random very large claims could have a significant impact on the short-term profitability and capital position of the Group.	Reinsurance is purchased on an excess-of-loss basis to limit the impact of individually large losses and catastrophic events.
Reinsurance	Should reinsurance become unavailable at an acceptable cost, the Group's profit would become considerably more volatile and its capital position would suffer.	The Group ensures that pricing decisions are taken on the basis that the gross loss ratio should be preserved in the long term, such that reinsurers achieve satisfactory returns through their relationship with Sabre. This ensures the greatest possible appetite for reinsurers to renew with Sabre. Sabre maintains an open and transparent relationship with all reinsurers on its panel.

Principal risks and uncertainties continued

Key elements	Description	Mitigation
Market and counterparty risk		
Interest rate	The Group invests primarily in UK government securities and is therefore exposed to the impact of interest rate movements on the value of these investments.	The investment portfolio is relatively short term, limiting the impact of interest rate movements on profit. The maturity profile of these investments is designed to match the pattern of outgoing claims payments, such that on a Solvency II basis the impact of any movement in interest rates is mitigated by a converse movement in the value of claims liabilities, which are discounted on the regulatory balance sheet.
Default	The Group is exposed to counterparty default risk in four main areas: investment assets, amounts due from customers, amounts due from brokers and amounts due from reinsurers. Failure to recover funds due from counterparties could result in write-offs which would reduce profit and damage the Group's capital position. Similarly, excess exposure to poorly rated counterparties can increase Sabre's capital requirement.	The Group invests primarily in UK government securities, which carry extremely low risk of default. The Group operates a robust programme of credit control and performs due diligence on broker partners as relationships are entered into and continually through the life of those relationships.
Liquidity	Inadequate monitoring of liquidity could result in the inability to meet liabilities as they fall due.	The Group maintains sufficient cash reserves at all times to meet its best estimate of short-term liabilities and monitors this position continually. While the Group considers its investment portfolio to be actively traded and therefore liquid, it ensures that the maturity of its investment portfolio is matched to its ongoing cash requirement.
Capital management		
Solvency position	Should the Group fail to maintain adequate solvency capital, this could result in regulatory intervention which may limit profitability or the ability of the Group to distribute capital.	The Group has strong governance in place to monitor its solvency position on a continual basis, including forecast solvency and scenario testing, primarily as part of the Group's Own Risk and Solvency Assessment ("ORSA") process. The Group ensures that key elements of judgement, such as reserving, are reviewed by the Audit and Risk Committee and undergo appropriate independent scrutiny.
Strategic and governance		
Description	The Board must set an appropriate strategy which delivers value to stakeholders while maintaining the financial and operational stability of the Group. Management must implement this strategy in a timely and effective manner.	The Group operates appropriate corporate governance, as described in the Governance Report on page 36. Through this, the Board maintains oversight of management and the Group's performance and financial position.

Key elements	Description	Mitigation
Operational risk		
Insurance market exposure	The Group operates solely within the UK motor insurance market. The ability to sell policies at an appropriate margin is therefore impacted by new entrants offering discounted policies or irrational behaviour by existing participants.	The Group monitors the impact of its pricing decisions on the volume of business written and has close relationships with key broker partners and other industry bodies. The Group's strategy to maintain profitability over volume dictates that extreme corrective action will not be taken during any short-term reductions in market prices caused by competitor activity.
Regulatory	The Group is subject to a number of regulatory regimes, including prudential regulation by the Prudential Regulation Authority ("PRA") and conduct regulation through the Financial Conduct Authority ("FCA"). This regulation dictates elements of the Group's operational activity such as the manner in which customers are treated and the recruitment and development of staff.	The Group has an extremely low appetite for accepting any risk other than that which relates to the underwriting of its insurance policies, and therefore its decision-making reflects this in relation to conduct risk and other regulatory matters. The Group operates a simple risk framework which is approved by the Board. The Group monitors legal and regulatory developments in the UK and closely monitors its exposure to regulatory risk. Our culture ensures the interests of our customers and their fair treatment are paramount.
Legal	The Group operates within the UK and is therefore subject to the requirements of UK law. Further to those regulatory and data protection laws discussed separately, the Group is exposed to employment law, Companies Act legislation and tax law.	The Group has established a robust risk and control framework and sets the clear objective to minimise the risk of non-compliance with all laws and regulations.
IT systems and infrastructure	The Group operates bespoke IT systems and is reliant on the accurate recording, storage and recall of data. Failure of these systems could result in the business being unable to price or process new business, or manage claims effectively.	The Group operates a small number of key systems which are overseen by a highly experienced team of bespoke systems specialists. A robust backup and recovery plan is in place to ensure continuity of systems in the event of local system failure.
IT security	Loss of data, including personal data, could lead to significant financial or reputational detriment. Theft of the Group's Intellectual Property could impact the ability of the Group to compete in the market.	The Group addresses issues such as the General Data Protection Requirements ("GDPR") proactively, establishing working groups which report to the Executive Committee where required. The Group takes a zero-tolerance approach to the risk of loss of personal data or its own Intellectual Property and has a framework of system-level and other operational controls to ensure it is appropriately safeguarded.
Financial crime	Financial crime, whether internal or external, could result in material loss of assets and significant reputational risk.	Ownership and management of operational risks sit with the first line business functions. While substantial internal controls are in place to mitigate the risk of financial crime, the Group considers its culture and "tone from the top" to be key in limiting both awareness of external crime and the occurrence of internal financial crime.
Outsourcing	The use of outsourced functions in routine operations, such as customer services, exposes the Group to the practices and procedures prevalent at the outsourced operation.	The Group monitors its outsourced operations closely, through regular audits and monitoring of key performance metrics.
Distribution	While the Group accesses the market through almost all brokers within the UK, much of its business is written through a relatively small number of large brokers. It is therefore exposed to the failure of those brokers.	The Group monitors its exposure to its broker partners on a continual basis and continually reviews the financial stability and solvency of its larger brokers.

Principal risks and uncertainties continued

Viability Statement

The Board has considered the Group's financial status and viability on a regular basis as part of its programme to monitor and manage risk. In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the Group's prospects and viability for the three-year period to 31 December 2020 (the "Viability Period"), taking into account the Group's current position and the potential impact of the principal risks.

The assessment period of three years has been chosen as it is in line with our business planning horizon. This is consistent with the time horizon projected for most scenarios assessed through the Group's ORSA process. The cyclical nature of the motor insurance market means that projecting for periods longer than three years creates material uncertainty; however, we do review longer-term strategic developments and emerging risks over longer time periods.

Assessing viability

In making their assessment, the Board took into account the potential impact of the principal risks that could prevent the Company from achieving its strategic objectives. The assessment was based on the Group's ORSA, which brings together management's view of current and emerging risks with scenario-based analysis and reverse stress testing to form a conclusion as to the financial stability of the Group.

Consideration was also given to a number of other individual risks and events. In the Board's estimation these events would not plausibly occur to a level of materiality that would endanger the Company's viability.

Conclusion

Based on the consolidated financial impact of the sensitivity analysis and associated mitigating internal controls and risk management actions, as described in detail for each principal risk, the Directors concluded that the Group will be able to operate within its solvency capital appetite and maintain sufficient liquid investments and cash reserves to meet its funding needs over the Viability Period.

Consideration of longer-term viability

The assessment of principal risks facing the Company and robust downside sensitivity analysis leads the Board to a reasonable expectation that the Company will remain viable, continue in operation and meet its liabilities as they become due over the Viability Period through to 31 December 2020.

The Board has set a robust risk management strategy and framework as an integral element in its pursuit of business objectives”

Chief Financial Officer's review

Generating profits through underwriting while building a strong financial position

Highlights

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

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

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

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

Revenue

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

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

Operating expenditure

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

Net claims incurred and net operating expenses are presented after reclassifying £6.0m (2016: £5.9m) of claims expenses from net claims incurred into operating expenses.

Adam Westwood
Chief Financial Officer

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

Taxation

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

Earnings per share

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

Earnings per share for the current and comparative period are calculated on the basis of the current capital structure, which is described further in Note 30 to the Financial Statements. Basic and diluted earnings per share for 2017 is 14.5 pence compared to 17.0 pence for 2016. This reduction is primarily a result of the one-off costs in 2017 associated with the corporate transaction. Adjusted earnings per share, which excludes these adjusting items, is 17.5 pence, which better reflects the earnings generated by the underlying core business.

Cash and investments

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

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

Insurance liabilities

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

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

Leverage

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

Dividends

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



Adam Westwood
Chief Financial Officer

Corporate social responsibility

As a Group we focus on our people and contributing to the communities in which we operate. We comply with environmental protection laws and seek to minimise detrimental effects that our activities may have on the environment

In addition to the Company's Code of Conduct

(which can be found on our website at www.sabrepic.co.uk), policies are in place to support and develop the Group's employees, all of which are subject to regular review.

Examples of these include policies addressing equal opportunities, anti-harassment, flexible working, health and safety, maternity and paternity leave, season ticket loans, training and development, and modern slavery (and a copy of our modern slavery statement can be found on the Company's website at www.sabrepic.co.uk). Emphasis is also placed on staff wellbeing, where all staff are offered an annual health and wellbeing check, flu vaccinations, free fruit and the government cycle to work scheme.

The Company offers ongoing training to all staff and external courses for newly promoted staff where appropriate, as well as encouraging staff to take professional Chartered Insurance Institute exams for their own development. At the end of 2017 the Company implemented an e-training programme for all the Company's employees focusing on business needs including topics such as anti-bribery and corruption, whistleblowing and modern slavery. In addition, a listed company teach-in by the Company's brokers, Numis Securities Limited and Barclays Bank plc, was provided to certain employees in connection with the carrying out of their duties.

As a result of the Share Incentive Plan introduced at the time of the Listing all employees as at 31 December 2017 are now shareholders and further details on this scheme and the Board's proposal to introduce a ShareSave Plan as well as a Long Term Incentive Plan can be found in the Directors' Remuneration Report set out on pages 46 to 56 of this Annual Report.

Our people

The Group operates out of one site in Dorking and, as at 31 December 2017, employed 153 people.

The Company recognises that its people are key to its success. The Company seeks to create a positive and collaborative working environment where all employees contribute to, and participate in, the success of the business in a culture which requires the Company and its employees to operate in an honest, professional and ethical manner with a work ethic which recognises the importance

of a healthy work/life balance. Communication is key to fostering this environment, with the CEO, Geoff Carter, conducting staff briefing and Q&A sessions twice yearly and his direct reports engaging with their teams on a regular basis, including through appraisals which take place twice a year. During the course of 2018, the Company will be introducing an all-employee survey which it plans to conduct on a regular basis going forwards.

EMPLOYEES HAVING BEEN WITH THE COMPANY FOR 10 YEARS OR MORE

76/153

EMPLOYEES

153

As set out in the Chairman's governance letter on page 32 of this Annual Report, the Nomination Committee has reviewed the position regarding diversity at Board level and across the Group as at 31 December 2017 and the Company will be putting a formal diversity policy in place in 2018. The percentage of women on the Board is set out in the Chairman's governance letter. Below the Board, whilst the percentage of women on the Company's Executive Committee is 14% (1/7), the percentage of women members of senior management who report to the Executive Committee is 33% (6/18) and the Company's overall percentage of female staff is 42% (being 66 out of a total of 153).

One of the results of the Company's focus on its people is the high staff retention rates that have been achieved. As of 31 December 2017, 76 out of the total headcount of 153 employees have been employed for over 10 years, and a further 34 staff have been with the Company for between five and 10 years. As well as providing stability this results in the availability on site of many years of industry experience and expertise to support colleagues and the performance of the business.

The environment and emissions

The GHG emissions data for the Group for the period from 1 January 2017 to 31 December 2017 is set out below.

The emissions data is measured in tonnes of carbon dioxide equivalent ("tCO₂e") and covers

- i. Scope 1 emissions being direct emissions resulting from combustion of fuel and operation of facilities; and
- ii. Scope 2 emissions being indirect emissions from purchased grid electricity and other energy for own use.

Tonnes of CO ₂ e	2017	2016
Scope 1	0	0
Scope 2	138	133
Total footprint (Scope 1 and Scope 2)	138	133
Full time employees("FTE")	151	145
tCO ₂ e per FTE	0.92	0.91

The footprint is calculated in accordance with the GHG Protocol and Carbon Trust ("CT") guidance on calculating organisational footprints. Activity data has been converted into carbon emissions using published emissions factors.

The footprint includes data for the Group's office in Dorking where its staff are located. The footprint does not include outsourced activities, for example repair shops and third party suppliers. As the Group does not own any vehicles and business travel through private vehicles is limited, the data is not available or accurate and accordingly transport emissions have been excluded from the reporting scope.

All emission sources have been reported on as required under the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The reporting period is in line with the Company's financial year, which is the same as the calendar year.

Whilst our insurance business is considered to be an environmentally light services product the Group works to minimise the environmental impact of its operations where it can and has a number of measures in place or planned, including the following:

- heating and air conditioning timing management systems to reduce switch on times;
- low energy monitors and other technology; and
- plans for 2018 include the installation of electric charging points for electric and hybrid vehicles.

Communities

During 2017, the Group supported local charities such as Lennox Children's Cancer Fund and Delight (a children's charity assisting children from low income families). The Group also supported national charities such as Shine, organised fundraising events for We are Macmillan, and made a donation to Save the Children.

The Group's support for local schools includes providing work experience, with an induction to the Group and the opportunity to work for each department and gain an understanding of the business to make it as valuable a learning experience as possible for the students.

Chairman's governance letter

We have established a strong Board of Directors with the appropriate balance of skills, experience and knowledge of the Company to oversee the strategy of the Group.

Patrick Snowball
Non-executive Chairman

DEAR SHAREHOLDER

Following the Company's successful Listing on the London Stock Exchange it is a pleasure to present our first corporate governance report. This report explains our current governance framework and how we have applied the provisions of the Code.

Governance

The Board is committed to the highest standards of corporate governance. Whilst the Group was regulated by the Financial Conduct Authority and the Prudential Regulation Authority prior to the Listing, the governance practices in place have been enhanced with the implementation of the policies and procedures expected of a public limited company following admission to the premium segment of the London Stock Exchange.

As disclosed in the prospectus issued at the time of the Listing which can be found on the Company's website (the "Prospectus"), at the time of the Company's Listing on 11 December 2017 (immediately prior to its year end on 31 December 2017) the Company did not fully comply with the recommendations of the Code because until the Listing the Code had not applied to the Company.

Since the Listing the Board considers that the Company has applied all the main principles of the Code and has complied with all of its relevant provisions except in respect of matters set out in the Governance Report on page 36 of this Annual Report.

Other than in respect of the appointment of a SID (which took place on the 28th February 2018 with the appointment of Andy Pomfret), the matters where the recommendations of the Code have not yet been implemented relate to various items which would normally be addressed through the annual cycle of Board and Committee meetings and Board activities during the course of a financial year (such as my review of the training and developments needs of each Director). As explained in the Governance Report, since the Listing the Board has addressed these matters, provided explanations and put plans in place for them to be undertaken during the 2018 annual cycle of meetings and activities.

The Board

We have established a strong Board of eight Directors with the appropriate balance of skills, experience, independence and knowledge of the Company to oversee the strategy of the Group, review management performance and set the Company's values and standards to ensure that its obligations to its shareholders and other stakeholders are met. Further information about our Directors and the experience they bring to the Company is set out on pages 34 and 35 of this Annual Report.

The Board has established an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee whose membership complies with the recommendations of the Code, as well as a Disclosure Committee.

Following the appointment of Andy Pomfret to the Board as the SID, Andy will become a member of the Audit and Risk, Nomination, Remuneration and Disclosure Committees with effect from the end of the 21st March 2018 Board meeting at which time I will stand down as a member of the Audit and Risk Committee and the Remuneration Committee.

Diversity

The Group is committed to the merits of diversity throughout the business (including recruiting across the widest possible pool of talent irrespective of gender, social and ethnic backgrounds) and we intend to put a formal diversity policy in place during 2018.

The Nomination Committee has reviewed the position at Board level and across the Group. As regards the Board, of the eight Directors two are female representing 25% of the Board and, as regards gender diversity below the Board, further details are set out in the Corporate Social Responsibility report on pages 30 and 31 of this Annual Report.

2018 Annual General Meeting

The Company's 2018 AGM will provide shareholders with the opportunity to vote on the resolutions put to shareholders and, for those shareholders who attend, to ask questions of the Board of Directors, including the Chairmen of the Committees. The Notice of AGM will be sent to shareholders in a separate document and the result of the AGM voting on all resolutions will be published on the Company's website.

We look forward to engaging with you in the future and to meeting shareholders at our forthcoming AGM.

Patrick Snowball

Chairman

Board of Directors

Patrick Snowball
Non-executive
Chairman

Appointed

Non-executive Director in September 2017 (when the Company was incorporated) and Chairman of the Company in November 2017. Non-executive Director of Sabre Insurance Company Limited since July 2017.

Experience

Patrick has extensive experience of the insurance industry and has gained a wealth of knowledge of many different aspects of the sector acquired over a 30-year career in financial services. His last executive role was as Chief Executive Officer of Suncorp Group Limited, an ASX20 Australian financial services group, from 2009 until 2015. Prior to that, he was Group Executive Director at Aviva plc from 2001 until 2007 (as well as holding various other positions in the Aviva group and its predecessor companies). He also has significant boardroom experience and was a non-executive director of Jardine Lloyd Thompson Group plc from 2008 to 2009 and Deputy Chairman at Towergate Partnership between 2007 and 2009. He was also a member of the FSA Practitioner Panel from 2006 to 2008. He holds an LL.D from the University of East Anglia and a Masters degree in History and Economics from the University of Oxford.

Board meetings attended

4/4

Committee membership

- Nomination Committee (Chair)
- Audit and Risk Committee
- Remuneration Committee
- Disclosure Committee

Other roles

- Chairman of IntegraFin Holdings Plc and Integrated Financial Arrangements Limited
- Director of The Old Dove Dairy Limited

Independence

Independent on appointment

Geoff Carter
Chief Executive Officer

Appointed

Director and Chief Executive Officer in September 2017 (when the Company was incorporated) and Director of Sabre Insurance Company Limited since December 2015. Joined as Chief Operating Officer in November 2015 and became Chief Executive Officer in May 2017.

Experience

Geoff joined the Group as Chief Operating Officer in November 2015 and was appointed Chief Executive Officer in May 2017. Prior to joining the Group, he was Chief Executive Officer of Tesco Underwriting Limited and has over 20 years' experience in managing insurance operations. Prior to that, Geoff was employed by Ageas Insurance UK as Managing Director of Ageas Insurance Solutions Limited. He also spent seven years at Churchill Insurance, both prior to and following its acquisition by Royal Bank of Scotland plc ("RBS"), and was subsequently seconded to TescoCompare.com to launch a joint venture between Tesco plc and RBS. He is a Chartered Insurer and holds a Master of Business Administration degree from Sheffield Business School and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing.

Board meetings attended

4/4

Committee membership

- Disclosure Committee

Other roles

- Trustee of Spotlight YOPD

Independence

Not applicable

Adam Westwood
Chief Financial Officer
and Company Secretary

Appointed

Director and Chief Financial Officer in September 2017 (when the Company was incorporated) and Director of Sabre Insurance Company Limited since September 2016. Joined as Financial Controller in February 2014 and became Chief Financial Officer in August 2016.

Experience

Adam is a qualified chartered accountant. Having joined Ernst & Young LLP's insurance audit team in 2006 and qualified as a chartered accountant in 2009, Adam has over 10 years' experience of the insurance sector. He joined the Group as Financial Controller in February 2014 and has been Chief Financial Officer of the Group since August 2016. Adam holds a BSc (Hons) degree in Physics and Business Studies from the University of Warwick.

Board meetings attended

4/4

Committee membership

- Disclosure Committee

Other roles

None

Independence

Not applicable

Catherine Barton
Independent
Non-executive Director

Appointed

Non-executive Director in October 2017.

Experience

Catherine has extensive insurance and actuarial experience. She began her career with Bacon & Woodrow, becoming a fellow of the Institute of Actuaries in 1999, before moving to Deloitte LLP, where she became a partner in 2005 and led the UK and overseas markets retail insurance actuarial team. Between 2010 and 2015, she was a partner within the general insurance actuarial team of Ernst & Young LLP before joining Bupa in 2015 as the Commercial & Finance Director of the UK market unit, a post she held until 1 January 2018 when she took on the role of General Manager for Bupa Dental Care within the UK. She has significant and relevant financial experience gained from these roles and she holds a MA (Hons) degree in Mathematics from the University of Oxford.

Board meetings attended

4/4

Committee membership

- Audit and Risk Committee (Chair)
- Nomination Committee
- Remuneration Committee
- Disclosure Committee

Other roles

- General Manager for Bupa Dental Care within the UK and Director of a number of Bupa subsidiaries
- Non-executive director of Association of Dental Groups

Independence

Independent

Ian Clark
Independent
Non-executive Director

Appointed

Non-executive Director in September 2017 (when the Company was incorporated) and Non-executive Director of Sabre Insurance Company Limited since May 2014.

Experience

A chartered accountant, Ian has a strong finance background and significant recent and relevant accounting experience as well as extensive knowledge of the UK insurance market. Ian was a partner at Deloitte LLP between 2001 and 2014, where he led the Strategy and Corporate Finance practice for the insurance sector. Prior to that, he was an Insurance Partner at Bacon & Woodrow, during which time he spent three years as an independent UK Government appointee on the Insurance Brokers Registration Council, then the regulator of insurance broking in the UK. His early career was spent as a partner at Arthur Anderson and its predecessor firms where he specialised in auditing clients in the insurance industry. Ian is Chairman of Broker Network Limited and also Chairman of Mighty Quin Consulting Limited, a company through which he provides strategic advice within the insurance industry.

Board meetings attended

4/4

Committee membership

- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- Disclosure Committee

Other roles

- Chairman of Broker Network Limited (and non-executive director of certain of its subsidiaries) and Mighty Quin Consulting Limited.
- Non-executive director of Vigilis Holdings Limited, Pioneer Underwriting Holdings Limited (and its subsidiary Pioneer Underwriting Limited) and Full Time Cover Limited.

Independence

Independent

Rebecca Shelley
Independent
Non-executive Director

Appointed

Non-executive Director in October 2017.

Experience

Rebecca brings extensive commercial and financial services experience to the Board, as well as her background of market-facing roles at listed companies. Having been Investor Relations and Corporate Communications Director at Norwich Union plc from 1998-2000, Rebecca moved to Prudential plc in 2000, where she held a number of senior positions, starting as Investor Relations Director, and then becoming Group Communications Director with a seat on their Group Executive Committee. From 2012 to 2016, Rebecca was the Group Communications Director of Tesco plc and a member of their Executive Committee. During this time she held positions on the board of the British Retail Consortium and was a trustee of the Institute of Grocery Distribution. Rebecca is now at TP ICAP plc as Group Corporate Affairs Director, and is a member of the Global Executive Committee. She holds a BA (Hons) in Philosophy and Literature from the University of Warwick, and a MBA in International Business and Marketing from Cass Business School.

Board meetings attended

4/4

Committee membership

- Remuneration Committee (Chair)
- Audit and Risk Committee
- Nomination Committee
- Disclosure Committee

Other roles

- Group Corporate Affairs Director of TP ICAP plc
- Non executive director of The Game and Wildlife Conservation Trust, The Grange Festival and Marchdown Securities Limited.

Independence

Independent

Matthew Tooth
Non-executive Director

Appointed

Non-executive Director in September 2017 (when the Company was incorporated) and Non-executive Director of Sabre Insurance Company Limited since September 2016.

Experience

Matthew is a managing partner of BC Partners LLP ("BC Partners"), a pan-European private equity house. Prior to joining BC Partners in 2013, Matthew spent nine years at Blackstone, most recently as a managing director, and six years at Credit Suisse in their European sponsor coverage/leverage finance and mergers and acquisitions groups. He holds a degree in Economics from the University of Exeter.

Board meetings attended

1/4

Committee membership

- Disclosure Committee

Other roles

- Member of BC Partners and Non-executive director of a number of BC Partners portfolio companies (including Elysium Healthcare Group and CarTrawler).

Independence

Not independent as appointed pursuant to the Relationship Agreement described on page 59 of this Annual Report.

Andy Pomfret
Independent
Non-executive Director
and Senior Independent
Director

Appointed

Non-executive Director and Senior Independent Director in February 2018.

Experience

Andy has extensive experience of working in the financial services sector and with UK listed companies both as an executive and non-executive director. After qualifying as an accountant with KPMG he spent over 13 years with Kleinwort Benson as a corporate financier, venture capitalist and finance director of the investment management and private banking division. In 1999 he joined Rathbone Brothers plc as finance director, and served as chief executive from 2004 until February 2014. During the last five years Andy has been a non-executive director of Old Mutual Wealth Management Limited and Interactive Investor plc. He was also a director of PIMFA (the Personal Investment Management and Financial Advice Association) and a founder member of the Prudential Regulation Authority Practitioner Panel. Andy holds an MA from Queens' College, Cambridge.

Board meetings attended

1/1

Committee membership (with effect from the end of the Board meeting held on 21 March 2018)

- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- Disclosure Committee

Other roles

- Chairman of Miton Micro-cap Investment Trust plc and Square Mile Investment Consulting and Research Ltd
- Non-executive director of Sanne Group plc (where he is the SID and chairs its Audit Committee), ICG Enterprise Trust plc, and Aberdeen New Thai Investment Trust plc.

Independence

Independent

Governance Report

The Board is committed to the highest standards of corporate governance across the Group

Governance Code compliance

The Board is committed to the highest standards of corporate governance across the Group.

The Chairman's governance letter on page 32 of this Annual Report explains the position at the time of the Company's Listing on 11 December 2017, immediately prior to its year end on 31 December 2017, and since the Listing.

Since the Listing on 11 December 2017 the Company has applied all the main principles of the Code and complied with all of its relevant provisions except in respect of the matters set out below which, other than the appointment of the SID, would normally be addressed through the annual cycle of Board and Committee meetings and Board activities during the course of the financial year.

As set out in this report and in the reports of the Committees, since the Listing a SID has been appointed and the Board has addressed these matters, provided explanations and put plans in place for them to be undertaken during the 2018 annual cycle of meetings and activities.

Provision	Explanation
A 4.1 Appointment of a SID	Page 9 and 33
B 4.2 Chairman's review of Directors' training and development needs	Page 38
B 6.1 Evaluation of the performance of the Board, its Committees and Directors	Page 38
B 6.3 Evaluation of Chairman's performance by the Non-executive Directors	Page 38

A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

Leadership

The current Board members, details of their experience and the date of their appointment are set out on pages 34 and 35.

As at 31 December 2017, the Board comprised seven Directors: the Chairman, two Executive Directors, three independent Non-executive Directors ("INEDs") and one Non-executive Director appointed by

BC Partners Group pursuant to the Relationship Agreement described on page 59 of this Annual Report.

The Board considers Catherine Barton, Rebecca Shelley and Ian Clark to be independent in accordance with Provision B.1.1 of the Code. Accordingly, half the Board excluding the Chairman was independent as at 31 December 2017.

Since 31 December 2017, Andy Pomfret has been appointed to the Board as an INED and the SID.

The independence of the INEDs is reviewed annually in accordance with the criteria set out within the Code.

Roles and responsibilities

The Board

The Board is collectively responsible for setting the Company's strategic aims and providing the leadership to put them into effect through the management of the Group's business within the Company's governance framework.

It does this by setting Group strategy and then ensuring that appropriate standards, controls and resources are in place for the Company to meet its obligations, and reviewing management's performance. This includes a Code of Conduct setting out the Group's policy of conducting all business affairs in a fair and transparent manner and maintaining high ethical standards in dealings with all relevant parties (available on the Company's website at www.sabreplc.co.uk).

In order to ensure there is a clear division of responsibilities between the Board and the running of the business, the Board has a formal schedule of matters specifically reserved for its decision which is reviewed on an annual basis. These reserved matters include the Group's strategic aims; objectives and commercial strategy; governance and regulatory compliance; structure and capital; financial reporting and controls; internal controls and risk management; major capital commitments; major contracts and agreements; shareholder engagement;

remuneration of senior executives; material corporate transactions; and any changes to this schedule of reserved matters.

The Board plans to meet six times a year with supplementary meetings as required. There is a planned cycle of activities and a follow-up list of matters arising from each meeting is maintained. The Company Secretary acts as secretary to the Board and to all of its Committees. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Chairman and CEO

The roles of the Chairman and the CEO are separate and their responsibilities are set out in writing and approved by the Board.

The Chairman's key responsibilities include:

- providing strong and effective leadership to the Board;
- ensuring the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives;
- facilitating the effective contribution of the Non-executive Directors;
- retaining and building an effective and complementary Board with an appropriate balance of skills and, as Chairman of the Nomination Committee, considering succession planning for Board appointments;
- in conjunction with the CEO and Company Secretary, ensuring that members of the Board receive accurate, timely and clear information;
- ensuring that the performance of individual Directors and of the Board as a whole and its Committees is evaluated regularly;
- ensuring the Company maintains effective communication with shareholders and other stakeholders; and
- promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.

The CEO's key responsibilities include:

- running the Group's business within the authority delegated by the Board;
- proposing and developing the Group's strategy and overall commercial objectives, in close consultation with the Chairman and the Board, and with regard to the Group's responsibilities to its shareholders, customers and employees;
- implementing the decisions of the Board and its Committees;
- consulting regularly with the Chairman and Board on matters which may have a material impact on the Group;
- ensuring the development needs of the Group's senior management team are met and that succession planning meets the needs of the Group;
- in conjunction with the Chairman and Company Secretary, ensuring the Board receives accurate, timely and clear information; and
- promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance.

The CEO is supported by a strong and experienced Executive Committee chaired by the CEO.

Non-executive Directors

Along with the Chairman and Executive Directors, the Non-executive Directors are responsible for ensuring the Board and its Committees fulfil their responsibilities. The Non-executive Directors combine broad business and commercial experience, in particular in the financial services and insurance sectors, with independent and objective judgement and they provide independent challenge to the Executive Directors. The balance between Non-executive and Executive Directors enables the Board to provide clear and effective leadership across the Group's business.

Senior Independent Director

In addition to acting as a sounding board for the Chairman, the role and responsibilities of the SID include:

- being available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or CFO has failed to resolve or for which such contact is inappropriate;
- attending sufficient meetings with major shareholders and financial analysts to obtain a balanced understanding of the issues and concerns of such shareholders;
- chairing the Nomination Committee when it is considering succession to the role of Chairman of the Board; and
- meeting with the Non-executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate.

Board Committees

In order to provide effective oversight and leadership, the Board has delegated certain aspects of its responsibilities to the following committees of the Board ("Committees"). The terms of reference of these Committees were approved by the Board and are available on the Company's website:

- the Audit and Risk Committee;
- the Nomination Committee;
- the Remuneration Committee; and
- the Disclosure Committee.

The membership of the Nomination, Audit and Risk, and Remuneration Committees are set out on pages 34 to 35 as well as in the Committee reports and comprise INEDs as well as the Chairman. In accordance with the Code provisions for companies outside the FTSE 350, the Chairman may be a member of the Audit and Risk Committee and the Remuneration Committee as he was considered independent on appointment as Chairman.

As mentioned in the Chairman's governance letter on page 33, the Chairman will stand down from the Audit and Risk Committee and the Remuneration Committee with effect from the end of the 21 March 2018 Board meeting when Andy Pomfret will become a member of these Committees as well as the Nomination and Disclosure Committees. As disclosed in the descriptions of the Directors, the Board has satisfied itself that the Audit and Risk Committee comprises members with recent and relevant financial and accounting experience.

Board and Committee meetings

Since the Listing:

- the Board has met four times (in December 2017 and in January, February and March 2018);
- the Nomination Committee has met three times (in December 2017, January 2018 and March 2018);
- the Audit and Risk and Remuneration Committees have each met twice (in January and March 2018); and
- the Disclosure Committee has not met.

The Directors' attendance at these Board meetings is set out on pages 34 and 35.

Details of the membership of the Audit and Risk, Remuneration and Nomination Committees as at the date of Annual Report and their attendance can be found on pages 40, 44 and 46.

The activities of the Board since the Listing are set out below and the reports from each of these Committees (other than the Disclosure Committee) are set out on pages 40 to 56 of this Annual Report.

Governance Report continued

At the meeting of the Board held in December 2017, the Board:

- reviewed the performance of the Company;
- reviewed the 2018 budget;
- approved the recommendations of the Remuneration Committee regarding the all-employee IPO share awards;
- was briefed on the process for the recruitment of the SID by the Nomination Committee; and
- approved the appointment of the Company's brokers.

Following the year end the Board met in January, February and March 2018 when it:

- reviewed the performance of the Company;
- approved the 2018 budget;
- received reports from the Audit and Risk Committee relating to the matters set out in the Audit and Risk Committee report on pages 40 to 43;
- received reports from the Nomination Committee relating to the matters set out in the Nomination Committee report on pages 44 and 45;
- received reports from the Remuneration Committee relating to the matters set out in the Remuneration Committee report on pages 46 to 56;
- reviewed and approved the appointment of Andy Pomfret as an INED and the SID;
- reviewed and approved the viability and going concern statements and the Annual Report;
- reviewed and approved the announcement relating to the 2017 results and the Annual Report; and
- reviewed the AGM Notice and appointed a Committee of the Board to finalise and issue such notice.

Board effectiveness

Board composition

At the time of the Listing the Board was structured to provide the Company with an appropriate balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities effectively. Since the Listing, the Board has been further strengthened by the appointment of Andy Pomfret. Given the nature of the Group's business, insurance, actuarial and accounting experience as well as experience of the financial services sector is clearly of benefit and this is reflected in the composition of the Board and its Committees.

Decisions at Board meetings are taken by a majority of the Directors and in the case of an equality of votes the Company's Articles of Association ("Articles") provide that the Chairman has a second or casting vote. The Board considers that no single Director can dominate or unduly influence decision-making. During the period since the Listing, the Non-executive Directors have had the opportunity to meet without the Executive Directors at the end of each Board meeting.

Induction and ongoing professional development

The Board has developed an induction programme which all new Directors participate in upon joining the Board. This programme is monitored by the Chairman and is the responsibility of the Company Secretary. Depending upon their qualifications and experience, the programme will include presentations and briefings, meetings with Board members, senior management and external advisors, and visits to the Company's office in Dorking.

Regarding ongoing professional development, the Directors who joined the Company prior to the Listing have been provided with advice and guidance from their advisors regarding the role of the Board, the business of the Group, the Code, the Listing Rules and, specifically in respect of the listed company environment, the legal and regulatory duties of a UK listed company, conflicts of interest, related party transactions and the requirements of the Market Abuse Regulation (including procedures for dealing in Company shares and inside information).

The ongoing professional development of the Directors has been reviewed by the Board and its Committees and will be further developed during 2018. In addition, the Chairman will review and agree training and development needs with each of the Directors during the course of the year. Directors will also have the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development as part of the Board evaluation process.

Information and advice

Directors are provided with appropriate documentation approximately one week in advance of each Board or Committee meeting. All Directors have access to the advice and services of the Company Secretary for information and guidance and Directors may obtain independent professional advice at the Company's expense if they believe it may be required in the furtherance of their duties.

Time commitment

As part of the appointment process the Non-executive Directors confirm that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively and Directors are expected, where possible, to attend all Board meetings, relevant Committee meetings, the AGM and any general meeting of the Company. The other commitments of the Chairman and the other Directors are as indicated in their profiles on pages 34 and 35.

Each Director is required to advise the Chairman as early as possible and to seek the agreement of the Board before accepting additional commitments that might affect the time that Director is able to devote to his or her role as a Non-executive Director of the Company.

The Board is satisfied that the Chairman and each Non-executive Director are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Performance evaluation

The Board recognises the importance of evaluating annually the performance and effectiveness of the Board, its Committees and individual Directors, which such evaluation would normally be addressed through the annual cycle of meetings. Given how recently the Listing took place and the Board has been established, the Board and its Committees have concluded that the appropriate time to carry out such an evaluation would be the second half of 2018. Such evaluation will be conducted through questionnaires and discussions facilitated by the Chair of the Board and each of its Committees (and the SID in the case of the review of the Chairman). As recommended by the Code, such evaluation will be facilitated by an external facilitator once every three years.

Appointment of Directors

The Articles that provide Directors may be appointed by the Board or by the Company by ordinary resolution. A Director appointed by the Board may only hold office until the next following AGM of the Company after their appointment and is then eligible for election by the shareholders. The Articles require that each Director shall retire at the third AGM held after they were last elected (and annually when they have been in office for nine years or more), and retiring Directors are eligible to stand for re-election.

However, the Board through the Nomination Committee has reviewed and adopted the Code recommendation that all Directors should be subject to annual re-election notwithstanding the Company is not in the FTSE 350 at the moment.

The Nomination Committee is responsible for recruitment to the Board and a formal, rigorous and transparent procedure using an independent search firm has been undertaken in connection with the recruitment of the SID. Further details regarding the Nomination Committee and the appointment process for the SID can be found in the Nomination Committee report on page 44.

Under the terms of the Relationship Agreement, Matthew Tooth was appointed as a Non-executive Director by the BC Partners Group. Further details regarding the Relationship Agreement are set out on page 59.

Further details regarding the terms of appointment for the Executive and Non-executive Directors are set out in the Directors' Report and Responsibilities Statement (on pages 57 to 60) and the Directors' Remuneration Report (on pages 46 to 56) and their service contracts and terms of appointment are available for inspection in accordance with the Code.

Conflicts of interest

The Board has established a procedure to deal with Directors' conflicts of interest which complies with the Company's Articles and the provisions in section 175 of the Companies Act 2006. Schedules of a Director's actual or potential conflicts have been compiled based on disclosures made by the Director. These are updated and reviewed on a regular basis in addition to conflicts or potential conflicts being considered at the beginning of Board meetings.

Accountability

The Board, through the Audit and Risk Committee, receives reports regarding the Company's risk management and internal control systems and has reviewed the Company's financial and business reporting, the effectiveness of the Group's systems of risk management and internal control, and the Company's relationship with its auditors, the details of which are set out in the Audit and Risk Committee report on pages 40 to 43.

Remuneration

Details of the Directors' remuneration and the work of the Remuneration Committee as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) can be found in the Directors' Remuneration Report on pages 46 to 56.

Relations with shareholders

Through this Annual Report and, as required, through other periodic announcements, the Board is committed to providing shareholders with a clear assessment of the Company's position and prospects.

The Board recognises the importance of engaging constructively with shareholders and, during the Listing process, the CEO and CFO engaged with many of the institutional shareholders in the UK and the US who are now shareholders in the Company.

The Board will be monitoring the views of shareholders, and the Chairman and the SID will remain available to meet shareholders to discuss any issues or concerns.

It is the intention of the Board to keep shareholders informed including by way of Annual Reports, half year results, and the AGM. This information and other significant announcements of the Group will be released to the London Stock Exchange and will be available on the Company's website www.sabreplc.co.uk.

The holdings of our major shareholders can be found on page 58 of this Annual Report. As regards the Company's largest shareholder, the BC Partners Group, the purpose of the Relationship Agreement described on page 59 of this Annual Report is to ensure the Company is capable of carrying on its business independently of the BC Partners Group and its associates.

The share register is managed on the Group's behalf by Equiniti who can be contacted at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephone on 0371 384 2030 or, if dialling internationally, on +44 121 415 7047.

The Company's 2018 AGM Notice will be issued separately. The AGM will provide shareholders with the opportunity to vote on the resolutions put to shareholders and, for those shareholders who attend, to ask questions of the Board of Directors, including the Chairmen of the Committees. The result of the AGM voting on all resolutions will be published on the Company's website.

Audit and Risk Committee Report

COMMITTEE MEMBERS

The membership as at the date of this report together with such members appointment dates and attendance record are set out below:

Committee members	Meeting attendance
Catherine Barton (Chair) Appointed 4 October 2017	2/2
Patrick Snowball Appointed 4 October 2017	2/2
Ian Clark Appointed 4 October 2017	2/2
Rebecca Shelley Appointed 4 October 2017	1/2

Catherine Barton
Audit and Risk
Committee Chair

The Committee is chaired by Catherine Barton and comprises two other independent Non-executive Directors of the Company and the Chairman of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities. As the Company is not a FTSE 350 company, the Chairman, provided he was independent on appointment, is permitted to be a member of the Committee. The composition of the Committee therefore complies with the Code.

Details of the experience of all members of the Committee are included on pages 34 and 35. The Chair of the Committee and Ian Clark are considered to have recent and relevant financial experience and competence relevant to the sector in which the Company operates, and, in the case of Ian Clark, competence in accounting and auditing matters.

Two Committee meetings have been held since the Listing, one in January and one in March 2018. The attendance at these meetings is recorded in the chart set out above.

The Chairman of the Committee reports to subsequent meetings of the Board and the Board receives a copy of the minutes of each Committee meeting once these have been approved by the Committee. The Company Secretary acts as the secretary to the Committee.

Meetings of the Committee are normally attended by the CEO and the CFO (who is also the Chief Risk Officer and the Company Secretary) as well as the Head of Internal Audit and the external auditors (both of whom have direct access to the Chair of the Committee). At the end of every meeting the Committee has the opportunity to meet alone with the Head of Internal Audit and the external auditors.

The terms of reference of the Committee can be found on the Company's website www.sabreplc.co.uk or obtained from the Company Secretary.

Key areas of responsibility

In accordance with its terms of reference the Board has delegated to the Committee responsibility for overseeing key areas of responsibility which include the following:

- Financial reporting – this area of responsibility includes monitoring the integrity and compliance of the Company's financial statements and any formal announcements or publications relating to the Group's financial performance as well as reviewing significant financial reporting issues and judgements made in connection with them.
- Reserve review – the establishment of insurance liabilities in respect of reported and unreported claims is the most significant area of judgement within the financial statements. The Committee maintains oversight of the reserving process and assumptions used in setting the level of insurance liabilities, which is assessed by the Group's actuaries on a quarterly basis.
- Risk management – this area includes reviewing and monitoring the effectiveness of the procedures for the identification, assessment and reporting of risk as well as the nature and extent of the risks that the Group is facing and should be willing to take in achieving its strategic objectives.
- Compliance – this area includes reviewing the Group's compliance policies and procedures to ensure that the Group complies with relevant regulatory and legal requirements including the arrangements in place for the reporting and investigation of concerns.

- Internal audit – this area includes monitoring the role and effectiveness of the Group's Internal Audit function including approving the annual programme of internal audit work, monitoring the reports arising from internal audits and the status of actions resulting therefrom and the appointment or removal of the Head of Internal Audit.
 - Whistleblowing – reviewing arrangements by which staff may in confidence raise concerns about possible improprieties regarding financial reporting and other matters.
 - Internal controls – this area includes reviewing the effectiveness of the Group's system of internal controls and ensuring timely action is taken by management to address matters arising from the risk and internal audit assessments.
 - External audit – this area includes considering and making recommendations to the Board on the appointment of the external auditors (including approving the remuneration and terms of appointment) as well as reviewing the external auditors' annual audit programme and the results therefrom, reviewing the quality and effectiveness of the audit and reviewing and confirming the policy on non-audit services carried out by the external auditors and auditor independence.
- The Committee has a planned cycle of activities to ensure that it addresses its responsibilities in the current financial year.
- Activities of the Committee during the period under review and following year end**
- Since the Listing the Committee has held two meetings and addressed its responsibilities primarily by:
- reviewing the external auditors' plan for the audit of the Group's financial statements, which included key areas of scope of work, key risks on the financial statements, confirmation of auditor independence and the proposed audit fee;
 - reviewing the accounting issues and significant judgements related to the financial statements;
 - reviewing the process and stress testing undertaken to support the Group's viability and going concern statements;
 - reviewing the appropriateness of the Group's accounting policies;
 - reviewing reports regarding risk management, compliance and internal audit including the procedures and plan relating to each area;
 - reviewing and approving the risk management framework and risk appetite, the corporate risk register and the Group's principal risks and uncertainties;
 - reviewing arrangements by which staff may in confidence raise concerns about possible improprieties;
 - reviewing the Group's system of controls and its effectiveness using information drawn from a number of different sources including management, compliance and risk management reports, and independent assurance provided by internal audit (through its annual audit plan) and the external auditors;
 - approving the policy on non-audit services carried out by the Group's external auditors;
 - recommending to the full Board, which adopted the recommendation, the appointment of Ernst & Young ("EY") as the Group's external auditors;
 - reviewing and confirming to the Board that, based on its review of the Annual Report and Accounts and internal controls that support the disclosures, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for the shareholders to assess the Company's position and performance and its business model and strategy;
 - reviewing the ongoing professional development of Committee members; and
 - reviewing its terms of reference.

Significant areas considered by the Committee in relation to financial reporting matters for the period under review

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, the internal control environment or the level of complexity, and matters of judgement or estimation involved in their application to the consolidated financial statements. The main areas of focus for the period under review are set out below:

1. Valuation of insurance liabilities

The Committee agreed with management's assessment that the most significant area of estimation within the financial statements continues to be the estimation of insurance liabilities. This comprises an estimate of the ultimate cost of claims incurred at the date of the statement of financial position, both reported and not yet reported, along with an estimate of the associated reinsurance recoveries. The Committee reviewed the Company's policy to hold sufficient reserves to meet insurance liabilities as they fall due, plus a risk margin reflective of the uncertainty within such calculation.

The Committee reviewed the Chief Actuary's annual reserving report and challenged the appropriateness of the process, key judgements and assumptions supporting the projection of the best estimate claims expense. The Committee also discussed such matters with the Group's external auditors. The Chair of the Committee has met with the Group's Chief Actuary without other members of Group's management present. The Committee noted the inherent uncertainty associated with the estimation of claims costs, in particular with reference to the changing legal environment and uncertainty around the Ogden Discount Rate.

2. Recognition of revenue

The Committee reviewed the Company's accounting policy with respect to the recognition of income from both insurance contracts and other sources, such as the sale of add-on products sold to direct customers. The Committee concluded that premiums were earned on an appropriate basis and that other income was recognised to the extent that the related services had been fulfilled, in accordance with the appropriate accounting standards.

Audit and Risk Committee report continued

3. Corporate reorganisation

When the Group listed on the London Stock Exchange, a number of transaction steps were taken in order to reorganise the Group, as set out in the Prospectus. This resulted in the formation of the Group as it currently stands with the primary steps being the acquisition of Binomial Group Limited by the Company and the unwinding of the previous holding company structure. The Committee reviewed the accounting policies applied in respect of these transactions and ensured that the resultant financial statements are accurate and relevant. The accounting policies selected present the consolidated Group accounts as if the holding company structure has always been in place to allow accurate assessment of the Group's performance in the current and previous accounting period. The Committee also reviewed the recognition of costs incurred as part of the IPO process.

4. Share-based payments

The Group operates two Employee Benefit Trusts (EBTs) and has implemented a number of share schemes since IPO. The Committee has confirmed that the appropriate accounting policies have been selected and applied in respect of the establishment of the EBTs and share-based payments made during the year.

5. Other matters

The Committee reviewed certain matters which were individually less significant to the financial statements such as the upcoming implementation of new and updated accounting standards, which will impact the recognition, measurement and disclosure of insurance contracts and financial investments.

Risk management and internal controls

The Board has delegated to the Committee responsibility for monitoring and reviewing the Group's risk management framework, the risks that the Group should be willing to take in achieving its strategic objectives, and the controls in place within this framework to ensure that the Group has robust procedures for financial reporting and preparing its consolidated accounts. Since the Listing, the Committee has reviewed the effectiveness of the Group's risk management and internal controls systems, and reported on such review to the Board. In conducting its review the Committee focused on material risks, including the determination of the nature and extent of the principal risks, and controls in the context of reports it received regarding risk management, compliance and internal audit as well as reports from the Company's external auditors. Details of the Group's principal risks and uncertainties are set out on pages 22 to 26 together with information about the management and mitigation of such risks.

Internal audit

The Group's Internal Audit function is outsourced to an independent consultant who reports directly to the Chair of the Audit and Risk Committee. The primary objective of the function is to systematically and objectively assess: (i) the effectiveness of the business controls over the Group's operations, financial reporting, risk and compliance areas and (ii) the adequacy of these systems of control to manage business risk and safeguard the Group's assets and resources.

The Committee has reviewed and approved the internal audit role and risk-based internal audit plan, and received updates on the internal audit activity and engagement results to help form a view on internal audit effectiveness.

The Committee has satisfied itself that the quality, experience and expertise of the Internal Audit function are appropriate for the Group but following the Listing will continue to review its suitability during 2018.

External audit effectiveness and independence

The Committee is also responsible for managing the relationship with the Company's external auditors, EY, on behalf of the Board.

Overall effectiveness of the external audit process is dependent upon open communication between the Group and the auditors, which allows each party to raise potential accounting and financial reporting issues as and when they arise, rather than limiting this exchange to only during regularly scheduled meetings.

Whilst the Committee has reviewed arrangements for ensuring the external auditors' independence and objectivity (including the external auditors' fulfilment of the agreed audit plan and any variations from the plan, and EY's confirmation of its independence as set out in a letter to the Directors of the Company), given the recent Listing of the Company it has not had the opportunity to conduct a formal evaluation of the effectiveness of the external auditors prior to the date of this report. During 2018 the Committee plans on developing a formal process for reviewing the effectiveness and independence of the external audit which is aligned with best practice.

Regarding the Listing, EY was considered to be the appropriate advisor in relation to specific aspects of the Group's initial public offering given the scale and complexity of the work involved. The work did not represent a threat to EY's independence as it was permissible work under audit independence guidelines and was performed by a different and independent engagement team; did not relate to production of financial statements; did not result in decisions being made by EY on behalf of management; and the fee arrangements were not dependent on the results of the work. EY also complied with the independence requirements as set out by the APB Ethical Standards of Reporting Accountants. The Listing-related non-audit fees incurred to EY are not expected to recur in 2018.

The Committee has reviewed and approved a policy regarding non-audit work and fees which requires all non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee or, if required urgently between Committee meetings, the Chair of the Committee in order to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. Certain services cannot be provided by the external auditors or members of its network without the possibility of compromising its independence and as such are not permitted to be provided by the external auditors. These prohibited non-audit services include, but are not limited to, certain tax services, bookkeeping and payroll services, designing and implementing internal control and risk management procedures or the design or implementation of information technology systems relating to the production of financial statements, valuation services, actuarial valuation services, and the provision of certain legal services, HR services and financing, capital structuring and investment strategy services. Other types of non-audit work can be undertaken by the external auditors, subject to the implementation of adequate safeguards and the total fees for these non-audit services must not exceed 70% of the average audit fees billed to the Company by the external auditors in the past three years. A summary of fees paid to the external auditors is set out in Note 8 to the Consolidated Financial Statements. In the period from the Listing to 31 December 2017, the external auditors did not undertake any material non-audit work for the Company.

External audit appointment and tendering

The Committee has concluded that the external auditors have demonstrated appropriate qualifications and expertise and have remained independent of the Group. Accordingly, the Committee recommended to the Board that EY be reappointed as the Group's auditors for a further year. The Board has accepted this recommendation and a resolution to shareholders proposing the reappointment of EY will be set out in the AGM Notice which will be sent separately to shareholders.

The Committee also reviewed EY's engagement letter and determined its remuneration in accordance with its obligations under the Code, such remuneration being considered appropriate by the Committee.

EY have been the auditors of Sabre Insurance Company Ltd and of the previous parent companies of Sabre Insurance Company Ltd since 2001. Given that Sabre Insurance Company Ltd, the principal subsidiary of the Group, is now considered a Public Interest Entity ("PIE"), the transitional rules under the EU legislation require Sabre Insurance Company Ltd to run a tender process for the external audit by 2023, after which Sabre Insurance Company Ltd will be required to change its external auditors. It is anticipated, given the material nature of Sabre Insurance Company Ltd within the Group, that the Directors would tender the external audit of the Group at that time. In addition under these regulations, the external audit engagement partner is now required to rotate every five years. The current external audit engagement partner is Stuart Wilson, who was appointed to lead the audit of Sabre Insurance Company Ltd in 2016.

Committee evaluation

The Committee reviewed the position regarding the evaluation of the Committee's performance and effectiveness and, as described under "Performance evaluation" on page 38 of this Annual Report, concluded that such evaluation would be carried out in the second half of 2018 through questionnaires and discussions facilitated by the Chairman of the Committee.

Catherine Barton

Audit and Risk Committee Chair

Nomination Committee Report

COMMITTEE MEMBERS

The membership as at the date of this report together with such members appointment dates and attendance record are set out below:

Committee members	Meeting attendance
Patrick Snowball (Chair) Appointed 4 October 2017	3/3
Catherine Barton Appointed 4 October 2017	3/3
Ian Clark Appointed 4 October 2017	2/3
Rebecca Shelley Appointed 4 October 2017	2/3

Patrick Snowball
Nomination Committee
Chairman

The Committee is chaired by the Chairman, Patrick Snowball, and comprises three other independent Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities.

Three Committee meetings have been held since the Listing, one in December 2018, one in January and one in March 2018. The attendance at these meetings is recorded in the chart set out above.

The chairman of the Committee reports to subsequent meetings of the Board and the Board receives a copy of the minutes of each meeting once these have been approved by the Committee. The Company Secretary acts as the secretary to the Committee.

The terms of reference of the Committee can be found on the Company's website (www.sabreplc.co.uk) or can be obtained from the Company Secretary.

Role of the Committee

The Committee leads the process for:

(a) reviewing the structure and composition of the Board; (b) overseeing succession planning for the Directors and other senior executives; (c) reviewing the Company's policy on diversity; (d) identifying, evaluating and recommending candidates to join the Board; and (e) making recommendations regarding their election and re-election by shareholders.

A formal, rigorous and transparent procedure using independent external search consultants or firms is undertaken before candidates are recommended to the Board. The Committee recognises the importance of diversity and, when recruiting, ensures that there are no obstacles to the Committee having visibility of suitable candidates for possible appointment to the Board and, in particular, that such appointments are based on merit regardless of gender, social and ethnic backgrounds.

The Committee has a planned cycle of activities to ensure that it addresses its responsibilities in the current financial year.

Activities during the year

During the period from the Listing to the date of this report, the Committee held three meetings. During these meetings, the Committee:

- oversaw the recruitment process for the SID using an independent search firm, Korn Ferry, to conduct the search for an independent Non-executive Director with extensive financial services sector and UK listed company experience in businesses of a comparable scale and complexity to the Company who would be appropriate to be designated as the SID;
- reviewed the position regarding succession planning for the Executive Directors and senior management of the Company and its principal subsidiary Sabre Insurance Company Limited;
- reviewed the position regarding diversity in the context of the Hampton Alexander Review at Board level and across the Group as at 31 December 2017, and the Board approved a recommendation by the Committee to put in place a formal diversity policy during 2018;

- reviewed the ongoing professional development of Committee members and the induction of new Directors;
- reviewed and adopted the Code recommendation that all Directors should be subject to annual re-election notwithstanding the Company is not in the FTSE 350 at the moment;
- reviewed and recommended the election of Directors at the AGM of the Company to be held on 24 May 2018 and considered the information set out in the Notice of AGM to be sufficient to enable shareholders to make an informed decision on their election. In considering the independence of each Non-executive Director, the Committee took into consideration the guidance provided by the Code and considered Catherine Barton, Rebecca Shelley, Ian Clark and Andy Pomfret to be independent, and considered the Chairman Patrick Snowball to have been independent on appointment, in each case in accordance with Provision B.1.1 of the Code. Matthew Tooth was not considered to be independent as he was appointed by the BC Partners Group in accordance with the Relationship Agreement. As the Directors have all been recently appointed a formal evaluation of their performance has not taken place, however the Committee concluded and recommended to the Board that all the Directors standing for election continue to be effective and demonstrate the appropriate commitment to their roles;
- reviewed the position regarding the evaluation of the Committee's performance and effectiveness and, as described under "Performance evaluation" on page 38 of this Annual Report, concluded that such evaluation would be carried out in the second half of 2018 through questionnaires and discussions facilitated by the Chairman of the Committee; and
- reviewed the terms of reference of the Committee.

Patrick Snowball

Nomination Committee Chairman

Directors' Remuneration Report

COMMITTEE MEMBERS

The membership as at the date of this report together with such members appointment dates and attendance record are set out below:

Committee members	Meeting attendance
Rebecca Shelley (Chair) Appointed 4 October 2017	2/2
Patrick Snowball Appointed 4 October 2017	2/2
Catherine Barton Appointed 4 October 2017	2/2
Ian Clark Appointed 4 October 2017	2/2

Rebecca Shelley
Remuneration Committee
Chair

POLICY AND FRAMEWORK

Annual statement from the Remuneration Committee Chair

I am delighted to introduce the first Directors' Remuneration Report for Sabre, for the year ended 31 December 2017.

2017 was a year of continued progress for the Group which culminated in an initial public offering in December, reflecting the Company's attractive investment proposition. This was only possible because of the hard work of the management team which built Sabre into a business with market leading profitability through controlled growth.

Looking forward, the Committee's role is to ensure that senior management are appropriately incentivised to deliver sustainable growth to shareholders over the long term. The Committee will support this objective by structuring and deploying remuneration in a cost-effective manner, embedding a clear link between pay and performance in the Group's remuneration framework. The principles on which the Committee has designed the Group's Remuneration Policy are discussed further on page 48.

Introduction

The report has been prepared in accordance with the directors' remuneration reporting regulations for UK incorporated companies set out in Schedule B of the Large and Medium sized Company and Groups (Accounts and Reports) Regulations 2008 (as amended). The report is presented in three sections:

- This Remuneration Committee Chair's annual statement;
- The Directors' Remuneration Policy – as our first remuneration policy this will be subject to a binding shareholder vote at the 2018 Annual General Meeting; and
- The Annual Report on Remuneration – this sets out the remuneration outcomes for 2017 and how the Policy will be implemented during 2018. This report will be subject to an advisory shareholder vote at the 2018 AGM.

Executive Directors' 2017 outcomes

The Remuneration Committee discussed and approved the remuneration outcomes in respect of 2017 shortly after the year end. Further details can be found on pages 53 to 56.

The Remuneration Policy

Following the Company's admission to the premium listing segment of the official list on 11 December 2017 ("Admission") the Committee designed the Company's Remuneration Policy to embed the corporate governance principles shareholders expect of a quoted company. I would particularly like to draw shareholders' attention to the following features:

- **Bonus deferral:** to ensure the alignment of Executive Directors with shareholders' interests a portion of the annual bonus payable in respect of financial years 2018 and beyond, will be deferred.
- **Long Term Incentive Plan:** to reward Executive Directors for the creation of long-term, sustainable shareholder value the Committee introduced a Long Term Incentive Plan ("LTIP").
- **Malus and clawback:** to further embed pay for performance, malus and clawback will apply to all awards made under the Deferred Bonus Plan ("DBP") and the LTIP. Clawback provisions will also apply to all Bonus awards.

– **Shareholding requirements:** to further align Executive Directors with shareholders' interests, all Executive Directors will be expected to build up and maintain shareholdings having a value of at least 200% of salary. Until this has been achieved, Executive Directors will retain 50% of all shares vesting from both the DBP and LTIP (after tax liabilities have been settled).

Executive remuneration in 2018

The salaries for both the CEO and CFO were disclosed in the Prospectus, and no increase is proposed to these for 2018. Going forward, shareholders should note that the CFO's salary is currently positioned below the comparator market range. As such the Committee reserves the right to make increases above those granted to all employees as the CFO grows in the role.

The Committee is mindful of the scrutiny around executive pay and wishes shareholders to note that although the Policy maximum for the annual bonus is 125%, in line with the Prospectus, both the CEO's and the CFO's maximum bonus for 2018 will be 100% of salary.

Reflecting the Committee's commitment to a remuneration framework which aligns Executive Directors with long-term value creation, the maximum 2018 Long Term Incentive for the CEO will be 125% of salary, and for the CFO this will be 100% of salary.

Wider considerations

The Committee regularly monitors developments in corporate governance, the evolution of best practice, and updates to regulatory guidance to ensure that our approach remains appropriate. For instance, whilst the Group currently has too few employees to be required to submit a formal statement on its gender pay gap, this is something that the Committee is already engaging with.

Conclusion

The Committee believes the proposals set out in this report will incentivise Executive Directors to deliver sustainable growth over the long term to shareholders while doing so in a cost-effective manner. The Committee believes that a key part in doing so will be fostering an owner mind-set amongst management, and indeed both the Executive Directors have significant shareholdings which align them with shareholders' interests. This continues into the wider workforce with all employees being awarded free shares on IPO in order to create a shareholding culture.

I welcome any feedback shareholders might have on the proposals and look forward to seeing shareholders at the 2018 AGM, where I hope you will support our proposals.

Rebecca Shelley

Remuneration Committee Chair

Directors' Remuneration Policy

This section of the Directors' Remuneration Report contains the Directors' Remuneration Policy (the "Policy")

Introduction

In accordance with section 439A of the Companies Act 2006, the Company is required to submit the Policy to a binding shareholder vote at the AGM to be held in 2018. Subject to its approval by shareholders at the 2018 AGM, the Policy is intended to take effect from the date of the 2018 AGM and the current intention is that it would remain in place for three years. The Board would then put the Policy to shareholders again no later than the 2021 AGM.

Our approach

The Executive Directors' remuneration has five main components: a base salary, benefits, employer pension contributions, a performance-related annual bonus (normally including a deferred element) and LTIP awards. They are also entitled to participate in all-employee share plans on the same basis as other Group employees. Detail in relation to each of these elements is set out in the following policy table. In proposing the structure of the Executive Directors' remuneration the Committee has been guided by the three following principles:

01.

Cost effectiveness

Sabre intends to pay no more than is necessary to attract, retain and incentivise high calibre management, whilst also aligning the interests of senior employees and shareholders.

02.

Pay for performance

Performance-related pay will make up a significant proportion of the Executive Directors' remuneration packages and will be assessed based on stretching targets.

03.

Long-term alignment

There will be an appropriate balance of remuneration to the delivery of longer-term performance targets. In doing so the Committee has taken into account the relevant regulatory and governance principles.

The Policy governing each element of the Executive Directors' pay is outlined opposite:

Policy table

Element and link to strategy	Operation	Opportunity	Performance measures
<p>Salary</p> <p>To attract, incentivise and retain Executive Directors of a high calibre.</p>	<p>Base salaries will be reviewed at least annually taking into account the scope and requirements of the role, the performance and experience of the incumbent Executive Director and the individual's total remuneration package.</p> <p>Account will also be taken of remuneration arrangements at Sabre's peer companies (and other companies of an equivalent size and complexity) and for other Group employees.</p>	<p>The Committee has decided not to set an overall maximum monetary opportunity or increase. However, the Committee intends that Executive Directors' salary increases will normally be in line with salary increases offered to the wider employee population.</p> <p>There are however specific circumstances in which the Committee could award increases outside this range which may include:</p> <ul style="list-style-type: none"> - a change in the Executive Director's role and/or responsibilities; - performance and/or development in role of the Executive Director; and - a significant change in the Group's size, composition and/or complexity. <p>Where an Executive Director has been appointed to the Board at a below-market starting salary, larger increases may be awarded as their experience develops, if the Committee considers such increases to be appropriate.</p> <p>Current salaries for the Executive Directors are set out in the Annual Report on Remuneration.</p>	None.
<p>Benefits</p> <p>To provide a benefits package to recruit and retain Executive Directors of a high calibre.</p>	<p>The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to Sabre's employees and the external market.</p> <p>Benefits currently include (but are not limited to) life insurance and private medical insurance.</p> <p>If an Executive Director is required to relocate as a result of his/her duties the Company may provide the Executive Director with additional benefits such as assistance with relocation, travel accommodation or education allowances or professional tax advice, along with any associated tax liabilities.</p>	<p>As the costs of benefits are dependent on the Executive Directors' individual circumstances, the Committee has not set a maximum monetary value. However, in approving the benefits paid, the Committee will ensure that they do not exceed a level which is, in the Committee's opinion, appropriate given the Executive Director's particular circumstances.</p>	None.
<p>Pension</p> <p>To support the Company's strategy of recruiting and retaining Executive Directors of a high calibre for the long term.</p>	<p>The Group may make employer pension contributions to a registered pension plan (or such other arrangement the Committee considers have the same economic effect) set up for the benefit of each of the Executive Directors.</p> <p>Alternatively, an Executive Director may be awarded some/all as an equivalent cash allowance in lieu of pension contributions.</p>	<p>The amount of payments made by the Group will not exceed 17% of the individual's salary less Employer National Insurance Contribution without shareholder approval.</p> <p>Details of the current contribution levels are set out in the Annual Report on Remuneration.</p>	None.
<p>Annual bonus and Deferred Bonus Plan ("DBP")</p> <p>To incentivise and reward the delivery of annual corporate and/or individual financial and non-financial targets.</p> <p>To align the interests of Executive Directors with shareholders through the deferral of a portion of the bonus into shares.</p>	<p>The Committee will set the performance measures and targets (as well as the weighting of the performance targets) for each financial year of the Company. Annual bonus outcomes will be determined by the Committee after the end of each financial year. In exceptional circumstances the Committee may use its discretion to adjust the formulaic outcome of the performance targets to reflect corporate and individual performance during the year.</p> <p>The Committee may defer a proportion of any bonus award (no more than 50%) into a share award under the DBP. DBP awards will normally vest on the second anniversary of grant (or such other date as the Committee determines on grant).</p> <p>Malus and clawback provisions will apply (see section below for further details).</p>	<p>The maximum bonus opportunity for Executive Directors is 125% of base salary.</p> <p>Actual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of that year.</p>	<p>Bonuses will be subject to a mixture of financial and non-financial performance targets set by the Committee at the start of the financial year to encourage delivery of the Company's strategy.</p> <p>At least half of the annual bonus will be based on financial measures.</p> <p>Performance measures may include strategic and/or personal objectives.</p> <p>No payments will be made under the bonus for less than threshold performance, at which 25% of bonus is payable.</p> <p>The measures for 2018 are set out in the Annual Report on Remuneration.</p>

Directors' Remuneration Policy continued

Element and link to strategy	Operation	Opportunity	Performance measures
Long Term Incentive Plan ("LTIP")			
To incentivise and reward delivery of the Group's longer-term strategic objectives for the business.	<p>The vesting of awards will be subject to the satisfaction of performance conditions set by the Committee measured over a performance period of at least three years.</p> <p>The Committee may determine that awards may be subject to a post-vesting holding period before any underlying shares may be sold.</p> <p>Malus and clawback provisions will apply to unvested and vested awards respectively (see section below for further details).</p>	<p>The maximum award in respect of any financial year will be 175% of salary.</p> <p>Actual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of that year.</p>	<p>The majority of performance measures used to assess performance under the LTIP will be financial.</p> <p>A portion will be based on relative Total Shareholder Return.</p> <p>No payments will be made under the LTIP for less than threshold performance, at which 25% of the award vests, rising to 100% for maximum performance.</p>
All-employee share plans			
To align the Executive Directors with the wider workforce.	<p>Executive Directors are eligible to participate in any all-employee share plans in place, which will be operated in line with HMRC guidance.</p> <p>These are currently a share acquisition and free share plan, known as a UK share incentive plan, the SIP, and a savings-related share option plan, known as the Sharesave plan.</p>	Participation in the Group's all-employee share plans will be subject to any applicable maximum limits as set by HMRC.	None.

Non-executive Directors

Approach to fees	Operation	Opportunity	Other Items
Fees paid to the Chairman and Non-executive Directors			
To attract Non-executive Directors of an appropriate calibre and with sufficient experience to ensure the effective management of the Company.	<p>Fee levels will normally be reviewed (though not necessarily increased) annually. Fees will be set with reference to the time commitment and responsibilities of the position.</p> <p>The fee for the Chairman will be determined by the Committee. Fees for Non-executive Directors will be determined by the Chairman and the Executive Directors.</p>	<p>Details of the current fee of the Chairman and the fee levels for the Non-executive Directors are set out in the Annual Report on Remuneration.</p> <p>There is no prescribed maximum fee or annual increase. Total fees will not exceed the limit set out in the Company's Articles of Association.</p> <p>Further fees may be paid for additional responsibilities (such as being a member of or chairing a Board Committee or acting as the Senior Independent Director) or for an increased time commitment during the year.</p>	Each Non-executive Director will be entitled to be reimbursed for all reasonable costs incurred in the course of his/her duties, including travel and accommodation expenditure, along with any related tax liabilities.

Notes to the policy table

Selection of performance conditions

For the annual bonus plan, the Committee believes that a mix of financial and non-financial targets is most appropriate for the Group. Strategic and personal objectives may be included where appropriate to ensure delivery of key business milestones. Targets are set by the Committee taking into account internal and external forecasts.

For the LTIP, the Committee believes that awards should be linked to the value created for shareholders over the period. Therefore the majority of performance measures used to assess performance under the LTIP will be financial, with a portion based on TSR.

Prior arrangements

The Board reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy came into effect; or (ii) at a time when the relevant individual was not a Director of the Group and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Group. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Terms common to the LTIP and DBP

Awards under the LTIP and DBP may:

- a) be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect;
- b) have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;
- c) incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or where the award is subject to a holding period, the end of that holding period). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- d) be settled in cash at the Committee's discretion; and
- e) be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may materially affect the current or future value of the Company's shares.

Malus and clawback

Malus and clawback applies to all awards granted under the DBP and LTIP. In addition to this, clawback provisions will apply to all awards made under the bonus. These provisions may be invoked at the Committee's discretion at any time prior to the third anniversary of the grant of a cash bonus or DBP award, or to the fifth anniversary of the grant of an LTIP award. In these circumstances, the Committee may reduce or impose additional conditions on an award or require that the participant returns some or all of the value acquired under the award.

The Committee has the discretion to invoke these provisions where there has been:

- a material misstatement of any Group member's audited accounts;
- an error in assessing the relevant performance conditions or the information or assumptions on which the award was granted or vested;
- misconduct on the part of the Executive Director; or
- serious reputational damage to, or a material failure of risk management by, a member or business unit of the Group

Within the period beginning on:

- a) in the case of LTIP awards, the start of the performance period and ending on the fifth anniversary of the date of grant; and
- b) in the case of cash bonus and DBP awards, the start of the financial year in respect of which the award is granted and ending on the third anniversary of the date of grant.

The Board will retain the discretion to calculate the amount to be recovered, including whether or not to claw back such amount gross or net of any tax or social security contributions applicable to the award.

Remuneration scenario charts

The charts below illustrate the amount the Executive Directors could receive for differing levels of performance, in the first year in which the Policy is in operation. The charts are based on the following assumptions:

Pay scenario	Basis of calculation
Minimum	Fixed pay only, consisting of the salaries for 2018, benefits received in 2017 and the proposed pension policy applied to 2018 salary
On-target	Fixed pay, plus the potential value of the annual bonus at target (50% of the maximum) and the LTIP award vesting at threshold (25% of the maximum)
Maximum	Fixed pay, plus the maximum potential opportunity for the annual bonus and the LTIP award vesting

All scenarios exclude share price growth and dividends.

Approach to recruitment remuneration

The Committee intends to set any new Executive Director's remuneration package in line with the Policy outlined earlier in this section.

When determining the design of the total package in a recruitment scenario, the Committee will consider the size and scope of the role, the candidate's skills and experience and the market rate for such a candidate, in addition to the importance of securing the preferred candidate. In some circumstances, the Board may be required to take into account common remuneration practices in another country and, if applicable, may consider awarding payments in respect of relocation costs. In line with the Policy, in relation to annual bonus and LTIP awards, maximum variable remuneration will not exceed 300% of salary.

In the event that Sabre wish to hire a candidate with unvested long-term incentives accrued at a previous employer which would be forfeited on the candidate's leaving that company, the Committee retains the discretion to grant awards with vesting on a comparable basis to the likely vesting of the previous employer's award. The LTIP rules have been drafted to permit the grant of recruitment awards on this basis to an individual on one occasion (which will not be counted towards the annual 175% LTIP limit and which will be subject to such vesting schedules and performance conditions (if any) as the Committee may determine). If it is not possible or practical to grant recruitment awards under the LTIP, the Committee may rely on the provisions of Listing Rule 9.4.2 to grant the awards. For internal candidates, LTIP awards granted in respect of the prior role would be allowed to vest according to their original terms, or adjusted if appropriate to take into account the appointment.

For the appointment of a new Chairman or Non-executive Director, the fee would be set in accordance with the Policy. The length of service and notice periods would be set at the discretion of the Committee, taking into account market practice, corporate governance considerations and the skills and experience of the particular candidate at that time.

Departure of Directors

Service agreements

Director	Date of appointment	Notice period	Unexpired term
Geoff Carter	21/09/2017	12 months	–
Adam Westwood	21/09/2017	12 months	–
Patrick Snowball	21/09/2017	3 months	33 months
Rebecca Shelley	04/10/2017	3 months	33 months
Catherine Barton	04/10/2017	3 months	33 months
Ian Clark	21/09/2017	3 months	33 months
Matthew Tooth	21/09/2017	–	–

Matthew Tooth is appointed under the terms of the relationship agreement between Sabre Insurance Group plc and BC Partners Holding Ltd.

Shareholders may inspect the Executive Directors' contracts or the Non-executive Directors' terms of appointment at the Company's registered offices.

Both Geoff Carter and Adam Westwood have written service contracts with the Company with no fixed end date but which are terminable by either the Company or the Executive Director on not less than 12 months' notice.

In the event notice is given to terminate an Executive Director's contract, the Company may make a payment in lieu of notice equal to the value of the Executive Director's salary for the notice period. Any such payments may be made, at the Committee's discretion, as a lump

Directors' Remuneration Policy continued

sum or in instalments, subject to mitigation by the Executive Director. It is the Committee's intention that the service contracts for any new Executive Directors will contain equivalent provisions.

The Chairman and each of the independent Non-executive Directors have a notice period of three months and may receive fees in respect of any notice period.

In the event that an Executive Director leaves the Group, entitlement they have to any variable pay will be determined in accordance with the relevant incentive plan rules.

Annual Bonus

Executive Directors will not have any automatic entitlement to a bonus for the financial year in which they leave the Group. The Committee may however pay a bonus if it considers it appropriate, which will normally be time pro-rated to reflect the proportion of the financial year served. Any such bonus may be paid out in such proportions of cash and share awards as the Committee considers appropriate.

Unvested DBP awards will normally lapse when an Executive Director leaves the Group. However, if an Executive Director's departure is a result of their ill-health, injury, disability or redundancy or their employing company or business being sold out of the Group or in such other circumstances as the Committee may determine, (excluding gross misconduct) (known as "Good Leaver Reasons") their award will normally vest on the original vesting date, although the Committee has the discretion to allow awards to vest earlier if the Committee considers it appropriate.

LTIP awards

Unvested LTIP awards will also normally lapse when an Executive Director leaves the Group. However, if the Executive Director's departure is as a result of a Good Leaver Reason, their LTIP awards will normally vest (and be released from any applicable holding period) on the original timetable set, although the Committee has the discretion to accelerate the vesting and release of awards. The extent to which unvested LTIP awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the relevant performance conditions have, in its opinion, been satisfied (over the original performance period, where the vesting of the award is not being accelerated) and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the time the Executive Director leaves.

If an Executive Director leaves the Group holding vested LTIP awards which are subject to a holding period, these awards will normally be released at the end of the original holding period, unless the Committee allows the holding period to be shortened. However, if the Executive Director is dismissed for gross misconduct, all his or her LTIP awards will lapse.

If an Executive Director dies, their DBP and LTIP awards will normally vest (and be released from any holding periods) as soon as reasonably practicable after their death. The extent to which unvested LTIP awards vest in these circumstances will be determined by the Committee in the same way as for other Good Leaver Reasons described above.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Change of control

In the event of a change of control of the Company, LTIP and DBP awards will normally vest and be released early. The proportion of any unvested LTIP awards which vest will be determined by the Committee, taking into account the extent to which it determines that any performance conditions have been satisfied at the time, and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed. DBP awards will normally vest in full.

Alternatively, the Board may permit an Executive Director to exchange their awards for equivalent awards of shares in a different company (including the acquiring company). If the change of control is an internal reorganisation of the Group or in other circumstances where the Committee considers it appropriate, Executive Directors may be required to exchange their awards.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may materially affect the current or future value of the Company's shares, the Committee may determine that awards will vest and be released on the same basis as for a change of control.

Consideration of shareholder views

The terms of the Policy are in line with those set out in the Company's Prospectus which was issued on 23 November 2017.

The Committee will consult with major shareholders prior to any significant changes to the Policy and will continue to monitor their views when deciding on future executive remuneration strategy.

Consideration of employment conditions at Sabre

In setting the Policy which would apply for Executive Directors, the Committee was led by the same principles which determined all-employee remuneration: cost effectiveness, pay for performance and long-term alignment.

These principles evidence themselves in all-employee remuneration as follows:

Cost effectiveness

As with the Directors, in setting compensation across the Group, Sabre intends to pay no more than is necessary to attract, retain and incentivise high calibre individuals, setting remuneration competitively but not excessively.

Pay for performance

Many full-time Group employees are eligible to receive some form of share-based incentive. Selected key individuals below Board level have been invited to participate in the LTIP, in order for there to be alignment between senior management and the Executive Directors' objectives.

Long-term alignment

Following Admission, in line with our philosophy of encouraging our workforce to see themselves as investors in the Group, all eligible employees were offered an award of free shares under the Share Incentive Plan. The Company is in the process of introducing a Sharesave plan to further facilitate employee investment in the Group and their long-term alignment.

The Committee has not formally consulted employees on the Policy. However, as a result of the implementation of the all-employee share plans referred to above, many of the Group's employees are Sabre shareholders and can express their views through the same means as any other shareholder.

Annual Report on remuneration

This section of the Directors' Remuneration Report sets out the remuneration paid to Sabre's Directors in respect of the year ending 31 December 2017

As both Executive Directors commenced duties for Sabre on Admission, the information contained in this section refers to their remuneration from 11 December to 31 December 2017. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2018 AGM.

Sections which are subject to audit are indicated as such.

Single figure of remuneration (audited)

The table below sets out the total remuneration received by Executive Directors and Non-executive Directors in respect of the period 11 December to 31 December 2017. As the Company listed during 2017, there is no disclosure in this report of past years' information.

£000s Individual	Salary/fees	Taxable benefits	Pension	Annual bonus	Long-term incentives	IPO awards	Total remuneration
Executive Directors							
Geoff Carter ¹	22	0 ³	2	9	—	217	251
Adam Westwood ²	12	0 ³	1	4	—	217	235
Total	34	0³	3	13	—	435	486
Non-executive Directors							
Patrick Snowball ⁴	8	—	—	—	—	100	108
Catherine Barton ⁴	4	—	—	—	—	—	4
Ian Clark ⁴	3	—	—	—	—	—	3
Rebecca Shelley ⁴	4	—	—	—	—	—	4
Matthew Tooth ⁵	3	—	—	—	—	—	3
Total	56	0³	3	13	—	535	607

1 Geoff Carter was employed by the Company with effect from 11 December 2017.

2 Adam Westwood was employed by the Company with effect from 11 December 2017.

3 Total taxable benefits received by Executive Directors in the period 11 December to 31 December 2017 were £142 for the CEO and £93 for the CFO.

4 Patrick Snowball is the Chairman of the Company who was independent on appointment. Catherine Barton, Ian Clark and Rebecca Shelley are independent Non-executive Directors. Their fees have been pro-rated for the period from 11 December to 31 December 2017.

5 Matthew Tooth is a non-independent Non-executive Director. His fees are paid to BC Partners LLP as part of a Relationship Agreement and were pro-rated for the period 11 December to 31 December 2017.

Notes to the table (audited)

Base salary

The Executive Directors' salaries were reviewed at the time of the Group's Admission. Their annualised salaries were published in Sabre's Prospectus and were as follows:

Base salary	Annualised
Geoff Carter	£400,000
Adam Westwood	£225,000

Details of the salaries that will apply in 2018 are provided on page 55.

2017 annual bonus

The annual bonus paid to Executive Directors in respect of 2017 was wholly determined by the bonus scheme in operation prior to Admission.

Performance in the year was determined based on the Company's principal subsidiary, Sabre Insurance Company Ltd's, ROCE¹. For the year ending 31 December 2017 the Company achieved a return of 89%.

This led to the following payouts for Executive Directors:

	2017 bonus ²
Geoff Carter	£9,182
Adam Westwood	£3,566

Annual incentive awards for 2018 will be based on a combination of financial and non-financial measures as described on page 55.

- For the purposes of the 2017 bonus scheme ROTE is defined as the Company's profit after tax as a percentage of the Company's opening capital for the relevant accounting period.
- Pro-rated for the period from 11 December to 31 December 2017 and inclusive of all-employee bonus paid in December 2017.

Annual Report on remuneration continued

Performance Share Plan

Shortly prior to Admission, shareholders approved the introduction of the Sabre 2017 Long Term Incentive Plan. Awards under this plan are expected to be made annually from 2018.

No Sabre performance share awards were due to vest in 2017.

IPO awards

In recognition of their role in bringing the Company to IPO, both Geoff Carter and Adam Westwood were awarded IPO awards on Admission. The IPO awards were cash awards, funded by the sale of existing ordinary shares by the Employee Benefit Trust on Admission. The quantum of these awards is detailed below:

	IPO awards
Geoff Carter	£217,450
Adam Westwood	£217,450

As set out in the Prospectus, Patrick Snowball also received a £100,000 cash award in recognition of his significant contribution to bringing the Company to IPO.

External appointments (audited)

Neither of the Executive Directors currently hold any paid external appointments. Geoff Carter's appointment with Spotlight YOPD is unpaid.

Payments to past Directors (audited)

There were no payments to past Directors in the year.

Payments for loss of office (audited)

There were no payments to Directors for loss of office in the year.

Sourcing of shares (dilution limits)

The terms of the Group's share plans set limits on the number of newly issued shares that may be issued to satisfy awards. In accordance with guidance from the Investment Association, these limits restrict overall dilution under all plans (the LTIP, the DBP, the Sharesave Plan, the Share Incentive Plan and any other employee share scheme adopted by the Group) to under 10% of the Company's issued share capital over a 10-year period. Furthermore, the LTIP and DBP set a further limitation that not more than 5% of the Company's issued share capital may be issued in any 10-year period on discretionary plans.

As of the year end Sabre is operating within these limits.

Outstanding share awards (audited)

No awards are outstanding. No awards vested or lapsed in the year.

Directors' shareholdings and share interests (audited)

To further align Executive Directors with shareholders, the Committee has elected to introduce shareholding requirements for Executive Directors. Executive Directors will be expected to build and hold shareholding having a value of at least 200% of their base salary. To support the implementation of this measure Executive Directors will be required to retain 50% of any share awards vesting (after settling any tax liability) until the 200% requirement is met.

Shareholding requirements and the number of shares held by Directors during the year and as at 31 December 2017 are set out in the table below:

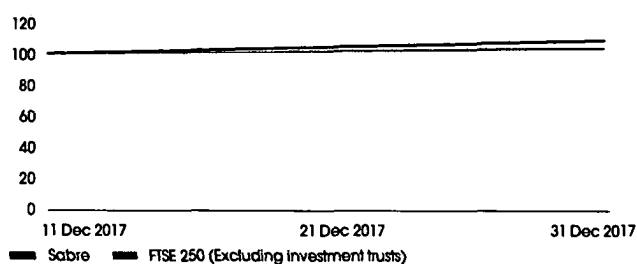
	Shares owned outright on 11 December (at Admission)	Shares owned outright at 31 December 2017	Interests in share incentive schemes subject to performance conditions at 31 December 2017	Shareholding requirement as a % of salary	Shareholding as a % of salary achieved at 31 December 2017 ¹
Current Directors					
Geoff Carter	1,965,372	1,965,372	-	200%	1336%
Adam Westwood	842,303	842,303	-	200%	1018%
Rebecca Shelley	-	-	-	-	-
Patrick Snowball	105,288	105,288	-	-	-
Catherine Barton	-	-	-	-	-
Ian Clark	265,761	265,761	-	-	-
Matthew Tooth	-	-	-	-	-

¹ Calculated using a share price of £2.72 (as at 31 December 2017).

Total shareholder return performance

The graph below shows Sabre's TSR performance from Admission to 31 December 2017 against the TSR performance of the FTSE 250 Index (excluding investment trusts). This index was chosen because it is a broad equity market index, which Sabre management consider to be most relevant at this time.

TSR PERFORMANCE VS FTSE 250 OVER INITIAL FINANCIAL PERIOD



The following table shows the Chief Executive's Officer's remuneration for 2017:

Chief Executive Officer	2017
Chief Executive Officer single figure of remuneration	£251,122
Annual bonus payout (as a % of maximum opportunity)	N/A
PSP vesting out-turn (as a % of maximum opportunity)	N/A

No data for prior years is provided.

Percentage change in Chief Executive Officer's remuneration

Geoff Carter was appointed as Chief Executive Officer of Sabre Insurance Group plc during the course of 2017 and, as such, there is no prior year data from which to draw a comparison. Full disclosure will be included when there is prior year data available next year.

Arrangements for the wider workforce

The Committee seeks to align the remuneration of the Executive Directors and other senior executives with reward practices throughout the Group. This can be clearly seen in its attitude towards the IPO awards, where awards to the Executive Directors and senior management were coupled with free share awards to all employees. It can be further evidenced by the fact that employees all receive a salary at or above the National Living Wage, and many full-time employees are eligible to receive a performance-related incentive.

Relative importance of spend on pay

The following table illustrates total remuneration for all employees compared to distributions to shareholders in respect of the last two financial years.

Measure	2017	2016
Shareholder distributions	£31.7m	£55.9m
Total employee remuneration ¹	£13.2m	£9.5m

¹ Total personnel cost.

Implementation of the Policy in 2018

Salaries

The Executive Directors' salaries were set on Admission in December 2017. No increase to the salaries disclosed in the Prospectus is proposed for 2018.

	Salary as at 11 December 2017	Salary as at 1 January 2018	Increase
Geoff Carter	£400,000	£400,000	0%
Adam Westwood	£225,000	£225,000	0%

As per the Policy the Committee will continue to review salaries on an annual basis, and may make further increases in future years in line with the Policy.

Pension

The maximum employer contribution is 17% of salary. For 2018, the Chief Executive Officer will receive cash in lieu of pension equal to 17% of salary less Employer National Insurance Contributions and the Chief Financial Officer will receive a contribution of 10% of salary as a combination of plan contribution and cash in lieu.

Benefits

These will be awarded in line with the Policy.

Annual bonus

The Chief Executive Officer and the Chief Financial Officer will be entitled to a maximum annual bonus equal to 100% of salary for 2018.

The performance measures will be as follows:

Element	Measure	Weighting
Financial	Adjusted profit after tax	40%
	Return on Tangible Equity	20%
Non-financial	Customer	25%
	Personal / strategic objectives	15%

The details of the performance targets are commercially sensitive and will be disclosed retrospectively in the 2018 Directors' Remuneration Report.

50% of any bonus earned will be deferred into shares under the Deferred Bonus Plan, vesting on the second anniversary of the grant.

Long Term Incentive Plan

The maximum LTIP opportunity under the Policy is 175% of salary. The Committee intends to award shares of 125% of salary to the Chief Executive Officer and 100% of salary to the Chief Financial Officer in 2018. Awards will not be made until after the remuneration policy has been approved by shareholders at the 2018 AGM and the performance conditions for 2018 awards will be disclosed in the relevant RNS announcement and the 2018 Directors' Remuneration Report.

Annual Report on remuneration continued

Chairman and Non-executive Director fees

The fees for the Chairman and Non-executive Directors were set on Admission and no increases are proposed for 2018. The fees which will apply in 2018 are as follows:

Chairman fee (all-inclusive fee)	£150,000
Non-executive Director base fee	£60,000
Senior Independent Director supplementary fee	£10,000
Committee Chair supplementary fee	£10,000
Committee member supplementary fee	None

The Remuneration Committee

The Remuneration Committee's Terms of Reference were approved on 9 November 2017 and can be viewed at www.sabreplc.co.uk.

The Committee is responsible for setting the remuneration policy for all Executive Directors, senior employees, the Company Secretary and the Company's Chairman, including pension rights and any compensation payments. It is also responsible for reviewing all share incentive plans which will be put to either the Board or shareholders for approval.

Chair	Members
Rebecca Shelley	Patrick Snowball
	Catherine Barton
	Ian Clark

Support for the Committee

The Chairman, Chief Executive Officer, Chief Financial Officer (who is also Company Secretary) may attend meetings by invitation, except when their own remuneration is discussed. No Director is involved in setting his or her own remuneration. The Committee members did not have any personal financial interest in the topics discussed, except as shareholders.

During the year, Deloitte LLP ("Deloitte") was appointed to advise the Remuneration Committee. Deloitte is a founder member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. As such, the Committee is satisfied that the advice provided by Deloitte is independent and objective.

The total fees paid to Deloitte in relation to the remuneration advice provided to the Committee during December were £1,700. Fees were charged on a time and materials basis. During the year the wider Deloitte firm also provided corporate restructuring and corporate tax advisory services.

Rebecca Shelley

Chair of the Remuneration Committee
For and on behalf of the Board

Directors' Report and Responsibilities Statement

The Directors' Report for the period ended 31 December 2017 comprises the report set out on pages 57 to 60 together with the following sections of this Annual Report which are included by reference:

- the Strategic Report set out on pages 1 to 31 which includes:
 - the Chairman's letter on pages 8 and 9;
 - the CEO's review on pages 15 and 16; and
 - the CFO's review on pages 28 and 29; and
 - the Principal risks and uncertainties on pages 22 to 26;
 - the Corporate Social Responsibility report on pages 30 and 31; and
- the Chairman's governance letter and the Governance report on pages 32 to 39 including the reports of the Audit and Risk, Nomination and Remuneration Committees on pages 40 to 56.

Corporate structure

The Company is a public company limited by shares and was incorporated in England and Wales on 21 September 2017 with registered number 10974661. Its registered office and principal place of business is at Sabre House, 150 South Street, Dorking, Surrey RH4 2YY. The Company has no branches.

The Company is the holding company of the Sabre group of companies. Details of the Company's subsidiaries are set out in Note 3 of the Parent Company Financial Statements contained in this Annual Report.

Significant changes and events

On 11 December 2017, the ordinary shares of the Company were admitted to the premium listing segment of the Official List, in accordance with the Listing Rules, and to trading on the London Stock Exchange's main market for listed securities, in accordance with the Admission and Disclosure Standards. Further details regarding the Listing can be found in the Prospectus published by the Company on 23 November 2017 in connection with the Listing, which is available on the Company's website at www.sabreplc.co.uk.

Principal activity and number of employees

The Company is a FTSE Small Cap listed motor insurance underwriter. Less than 250 individuals were employed by the Company in each week during the financial year to which this Annual Report relates (further details regarding the Company's employees are set out in the Corporate Social Responsibility report on pages 30 and 31 of this Annual Report).

Directors

Board membership – The members of the Board of Directors, their biographical details and the dates of their appointment are set out on pages 34 and 35 of this Annual Report.

Appointment and replacement of Directors – The appointment and replacement of Directors is governed by the Company's Articles, the Relationship Agreement (as discussed on page 59 of this Annual Report), the Companies Act 2006 (the "Companies Act") and related legislation. The Articles provide that Directors may be appointed by ordinary resolution of the shareholders or by the Board. The Board has decided to comply with best corporate governance practice, and all Directors will seek re-election at each AGM. In addition to any powers of removal conferred by the Companies Act, the Company may by special resolution remove any Director before the expiration of his period of office. The Nomination Committee is responsible for overseeing the recruitment of Directors and recommending appointments for approval by the Board of Directors. Further details regarding the appointment and replacement of Directors is set out in the Governance and Nomination Committee reports on pages 36 to 39 and 44 to 45 of this Annual Report, respectively.

Powers – Subject to the provisions of the Articles, the Companies Act and related legislation, and any directions given by special resolution of the shareholders, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company including the Company's powers to borrow money and to issue new shares.

Executive Directors' service contracts – Executive Directors are employed under the terms of their service contracts. Details of the effective dates of the service contracts for the current Executive Directors as well as their compensation are set out in the Directors' Remuneration Report on pages 46 to 56 and the contracts are available for inspection by shareholders at the Company's registered office.

Directors' Report and Responsibilities Statement continued

Non-executive Directors appointments – Non-executive Directors are appointed pursuant to a letter of appointment except in the case of Matthew Tooth who is appointed pursuant to the terms of the Relationship Agreement. Such appointments are for an initial period of three years, which is renewable. A Non-executive Director's appointment is terminable by the Non-executive Director or the Company by giving written notice. Details of the effective dates of the letters of appointment for the current Non-executive Directors as well as their fees are set out in the Directors' Remuneration Report and the terms of appointment are available for inspection by shareholders at the Company's registered office.

Directors' indemnities – Each of the Company's Directors has been granted a qualifying third party indemnity pursuant to which the Company agrees to indemnify the Directors against any liabilities that they may incur as a result of their office as Director, to the extent permitted by the Companies Act.

Directors' insurance – Directors' and officers' liability insurance is provided for all Directors of the Company.

Compensation for loss of office – The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on pages 46 to 56 of this Annual Report.

Articles of Association

The Company may alter its Articles by special resolution of the shareholders at a general meeting of the Company. The Articles are available on the Company's website at www.sabreplc.co.uk.

Share capital

Shares – The Company has one class of ordinary voting shares in issue. As at 31 December 2017, the issued share capital of the Company comprised 250,000,000 ordinary shares of £0.001 each, all of which are fully paid ("ordinary shares").

Further details regarding the reorganisation which took place in connection with the Listing are contained in Note 28 to the Consolidated Financial Statements on page 89 of this Annual Report.

Rights and obligations attaching to shares – The rights and obligations attached to the Company's shares are governed by the Articles and prevailing legislation. Each ordinary share ranks equally and carries the same rights to receive all shareholder documentation (including notices of general meetings), attend, speak and vote at general meetings, and participate in any distribution of income or capital. All shareholders entitled to attend and vote at a general meeting may appoint a proxy or proxies to attend, speak and vote in their place. None of the ordinary shares carry any special rights with regard to control of the Company and there are no specific restrictions on voting rights, save where the Company is legally entitled to impose such restrictions (for example, where the shareholder is in default of an obligation to the Company). Major shareholders have the same voting rights per share as all other shareholders.

Restrictions on transfer – There are no restrictions on the transfer or holding of shares in the Company other than (i) as set out in the lock up arrangements described below; (ii) as set out in the Articles; and (iii) certain restrictions which may from time to time be imposed by laws and regulations and pursuant to the Listing Rules of the Financial Conduct Authority (the "Listing Rules") whereby Directors and certain officers and employees of the Company require approval to deal in the ordinary shares in accordance with the Company's share dealing policies and the Market Abuse Regulation.

Lock up arrangements – In connection with the Listing, certain shareholders of the Company entered into lock up agreements with the Company which provide for lock up periods of either 180 or 365 days (or, in the case of one employee, up to three years) from the date of Listing. During the relevant lock up period these individuals have agreed not to dispose, lend, mortgage or assign any securities in the Company. Additionally, certain shareholders entered into lock up agreements with the underwriting banks for a lock up period of 180 days from the date of the Listing. Certain of the underwriting banks may waive the restrictions in respect of these lock up periods after the 90th day but before they expire. Further details regarding the lock up agreements outlined above can be found in Part 12 of the Prospectus.

Power to allot and purchase shares – By a resolution passed at a general meeting of the Company on 21 November 2017 (the "General Meeting"), the Company was granted a general authority to allot shares up to the lower of (i) an aggregate nominal amount of £83,333 and (ii) 33.33% of the Company's ordinary share capital immediately following the Listing. At the General Meeting, the Company was also granted authority to allot shares up to the lower of (i) an aggregate nominal amount of £166,666 and (ii) 66.67% of the Company's ordinary share capital immediately following the Listing in connection with an offer by way of a rights issue to ordinary shareholders in proportion to their existing shareholdings (with such amount to be reduced to the extent that the general authority is utilised (if any)). The Company also received authority to allot shares for cash on a non pre-emptive basis up to the lower of (i) an aggregate nominal amount of £12,500 and (ii) 5% of the Company's ordinary share capital immediately following the Listing. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2018 AGM and, accordingly, the Board is proposing to renew these authorities at that AGM.

The Company was granted authority by its shareholders at the General Meeting to purchase up to the lower of (i) 25,000,000 ordinary shares and (ii) 10% of the Company's maximum ordinary share capital immediately following the Listing. This authority will expire at the conclusion of the 2018 AGM. No shares have been bought under this authority. The Company does not have any current intention to purchase any of its own ordinary shares and, accordingly, the Board is not proposing to renew this authority at the 2018 AGM.

Directors' interests in shares – Details of the Directors' interests in shares in the Company are set out in the Directors' Remuneration Report on pages 46 to 56 of this Annual Report.

Major interests in shares – Information on major interests in shares notified to the Company under the Disclosure Guidance and Transparency Rules (DTRs) of the UK Listing Authority is published via a Regulatory Information Service and on the Company's website at www.sabreplc.co.uk.

At 31 December 2017, the Company had been notified, in accordance with Chapter 5 of the DTRs, of the following voting rights in respect of 3% or more of the issued share capital of the Company.

Shareholder	Number of Ordinary Shares	% of voting rights
BC European Capital IX Fund	72,619,567	29.05%
Mr Angus Ball	22,188,321	8.88%
Companies owned by Old Mutual plc	12,870,464	5.14%

During the period between 31 December 2017 and 21 March 2018, being the latest practicable date prior to publication of this Annual Report, the Company did not receive any notifications under Chapter 5 of the DTRs.

As at the last practicable date prior to the publication of this Annual Report the Sabre Insurance Group Employee Benefit Trust held 681,700 ordinary shares. It is anticipated that these ordinary shares will be used to satisfy awards made under the Company's employee incentive plans. Further details regarding the Company's employee incentive plans can be found in the Directors' Remuneration Report on pages 46 to 56 of this Annual Report.

Relationship Agreement

In connection with the Listing, CIE Management IX Limited, BC European Capital IX Limited and BC Partners Holdings Limited (together, the "BC Partners Group") and the Company entered into a relationship agreement on 23 November 2017 (the "Relationship Agreement") the purpose of which is to ensure the Company is capable of carrying on its business independently of the BC Partners Group and its associates. The Relationship Agreement continues until the BC Partners Group and its associates cease to own, in aggregate, at least 10% of the ordinary shares in the Company or the voting rights attaching to such shares.

The Relationship Agreement entitles the BC Partners Group to nominate one person to be a Non-executive Director of the Company for so long as the BC Partners Group hold in aggregate at least 10% of the ordinary shares and sets out the terms and conditions upon which any such person may be appointed, removed or replaced as a Director of the Company. Under the terms of the Relationship Agreement, for so long as Matthew Tooth (or another person) is appointed as a Non-executive Director by the BC Partners Group, the Company shall pay to BC Partners LLP (or as it may direct) a fee at the rate equal to the basic Non-executive Director fee payable from time to time to the Company's independent Non-executive Directors (currently £60,000).

Further details regarding the Relationship Agreement can be found in Part 12 of the Company's Prospectus which is available on the Company's website.

Dividends

As indicated in the Prospectus, the Directors will not be recommending a final dividend for the financial period ended 31 December 2017. As also indicated in the Prospectus, the first dividend to be paid by the Company is expected to be an interim dividend in respect of the six months ending 30 June 2018.

Significant agreements and change of control.

With the exception of the Relationship Agreement, there are no material contracts (other than contracts entered into in the ordinary course of business) to which the Group is a party.

The Group is not a party to any material agreements that would take effect, alter or terminate upon a change of control of the Group following a takeover bid.

Employees and communities

Details regarding the Company's approach to its employees and community matters are set out in the Corporate Social Responsibility report on pages 30 and 31 of this Annual Report.

Environment and emissions

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility report on pages 30 and 31 of this Annual Report.

Research and development

The Group does not undertake any material activities in the field of research and development.

Financial instruments and risk management

The Group's financial risk management objective and policies, including information about its use of financial instruments, are contained in Note 3 to the Consolidated Financial Statements on page 74 of this Annual Report.

Post balance sheet events

There are no post balance sheet events required to be disclosed in the Financial Statements.

Charitable donations

The donations made by the Group to the charities referred to on page 31 of this Annual Report amounted, in aggregate, to £1,500.

Political donations

The Group made no political donations during the year.

The Annual General Meeting (the "AGM")

Full details about the 2018 AGM, including the venue and explanatory notes, will be contained in the Notice of AGM which will be sent to shareholders in a separate document. The Notice of AGM will set out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at www.sabreplc.co.uk.

The AGM is the Company's principal forum for communication with shareholders and the Directors will be available to answer shareholders' questions at the meeting.

Independent auditors

The auditors of the Company, Ernst & Young LLP ("EY"), have indicated their willingness to continue in office, and resolutions to appoint EY and to authorise the Directors to fix their remuneration will be proposed at the 2018 AGM.

Statement of disclosure of information to the auditors

Each of the Directors who held office at the date of the approval of this Annual Report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

Corporate governance

The Board is committed to the highest standards of corporate governance across the Group. As disclosed in the Prospectus and explained the Chairman's governance letter on page 32 of this Annual Report, at the time of the Company's Listing on 11 December 2017 (immediately prior to its year end on 31 December 2017) the Company did not fully comply with the recommendations of the Code because until the Listing the Code had not applied to the Company. Since the Listing the Board considers that the Company has applied all the main principles of the Code and has complied with all of its relevant provisions except as detailed in the Governance Report on page 36 of this Annual Report. Other than in respect of the appointment of a SID which took place on 28 February 2018, the matters where the recommendations of the Code have not yet been implemented relate to various items which would normally be addressed through the annual cycle of Board and Committee meetings and Board activities during the course of the financial year. As explained in the Governance and Committee reports, since the Listing the Board has addressed these matters, provided explanations and put plans in place for them to be undertaken during the 2018 annual cycle of meetings and activities.

Directors' Report and Responsibilities Statement continued

Going concern

The Board has considered the business activities of the Group and the factors likely to affect its future performance as well as the Group's principal risks and uncertainties, including the Directors' statement on the viability of the Group over a three-year period which is set out in the Strategic Report at pages 1 to 31 of this Annual Report and, on the basis of these considerations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months from the date of this report and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

Responsibility and accountability

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements, comprising the consolidated financial statements and the Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law and have elected to prepare the Company's financial statements in accordance with UK Accounting Standards including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of each of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and that the Group financial statements comply with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group, including taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

Each of the Directors, whose names and functions are listed on pages 34 and 35 of this Annual Report, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report and Directors' Report contained in this Annual Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance and position, business model and strategy.

The Annual Report and Accounts including the Strategic Report and Directors' Report have been approved by the Board of Directors and authorised for issue on 21 March 2018.

Signed on behalf of the Board by:

Geoff Carter
Director and
Chief Executive Officer



Adam Westwood
Director,
Chief Financial Officer
and Company Secretary

Independent Auditor's Report

to the members of Sabre
Insurance Group plc

Opinion

In our opinion:

- Sabre Insurance Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Sabre Insurance Group plc which comprise:

Group	Parent Company
Consolidated Statement of Comprehensive income for the year ended 31 December 2017	Statement of Financial Position as at 31 December 2017
Consolidated Statement of Financial Position as at 31 December 2017	Statement of Changes in Equity as at 31 December 2017
Consolidated Statement of Cash Flows for the year ended 31 December 2017	Statement of Cash Flows as at 31 December 2017
Consolidated Statement of Changes in Equity for the year ended 31 December 2017	Related notes 1 to 11 to the financial statements, including a summary of significant accounting policies
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's report continued

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 22 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 23 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 60 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 26 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	- Valuation of Insurance liabilities (Gross and Net IBNR)
Audit scope	- We performed an audit of the complete financial information of the whole Group and Sabre Insurance Company Limited. - The components where we performed full audit procedures accounted for 100% of Profit before tax ("PBT"), 100% of gross written premium and 100% of Total items.
Materiality	- Overall group materiality of £3.2m which represents 5% of PBT excluding exceptional items.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Valuation of insurance liabilities (£242.4m gross and £139.4m net, PY comparative £182.9m gross and £136.2m net value).

- Refer to the Audit and Risk Committee Report (page 41); Accounting policies (page 70); and Note 24 of the Consolidated Financial Statements (page 86).
- Management is required to make an estimation of Insurance liabilities.
- This estimate consists of a provision for additional development in excess of the case reserves reported by insureds or ceding companies, as well as a provision for claims which have occurred but which have not yet been reported.
- There is a risk that inappropriate assumptions or projections are used. This could lead to insurance liabilities not falling within a reasonable range of possible estimates, resulting in a misstatement in the financial statements.
- These balances, by nature, are also subject to a risk of management manipulation. Given the magnitude of the balance, a small manipulation of an assumption could have a significant impact on the financial statements.

Our response to the risk

Utilising our actuarial specialist we performed the following procedures:

Control design and implementation: We gained a detailed understanding of the end to end reserving and claims process and assessed the design and implementation of key controls within the Group's reserving and claims processes. We evaluated the competence, capabilities and objectivity of the Sabre internal actuaries, based on discussions with them, our knowledge of their qualification and the professional standards that their work is subject to.

Market knowledge and benchmarking: We evaluated management's methodology against market practice and challenged management's assumptions and their assessment of major sensitivities, based on our market knowledge and industry data where available.

Independent re-projections and sensitivity analysis: We independently re-projected the Insurance liabilities on both a gross and net basis, investigated significant differences between our projections and those of management and we then considered whether the insurance liabilities held as at 31 December 2017 fall within a reasonable range of possible estimates. We have compared management estimates to both a paid and incurred chain ladder approach to identify if they show contradictory conclusion that would result in management's best estimate lying outside our reasonable range.

In addition to the above we have performed procedures to assess the completeness and accuracy of data which include:

Test of details: Re-performed reconciliations between the claims paid and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.

For a sample of claims paid and outstanding we corroborated the paid claims and outstanding back to supporting 3rd party evidence including bank statements for paid claims and for a sample of outstanding claims we agreed this back to supporting evidence where possible and rationale behind how the claims have been defined.

Review of disclosure in the financial statements: We have audited the insurance liabilities disclosures in the financial statements to ensure they are consistent with underlying records and applicable accounting standards.

Key observations communicated to the Audit Committee

We consider that managements judgements in the areas highlighted are reasonable. The group's booked insurance liabilities lie within what we consider to be a reasonable range of estimates.

In addition we consider that the disclosures made are satisfactory, and they provide information that assists in understanding the uncertainty inherent in the valuation of insurance liabilities.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we have selected Sabre Insurance Company Limited which represent the principle trading entity within the Group and whole Group. We performed an audit of the complete financial information of Sabre Insurance Company Limited and whole group ("full scope components") which was selected based on its size or risk characteristics.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.2 million, which is 5% of profit before tax excluding exceptional items which related directly to the Initial Public Offering of Sabre Insurance Group Limited. Our aim is that materiality should not exceed 5% of profit before tax for the annual period. We base our materiality on PBT performance measure as this is the key metric used by management in measuring and reporting on the performance of the business. We have adjusted PBT only for exceptional items which we considered to be non-recurring. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

During the course of our audit, we reassessed initial materiality and concluded that materiality assessed at the planning stages of our audit remained appropriate.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.6m. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit difference do not exceed our materiality of £3.2m for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.2m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 - 60, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 60** – by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 40;** or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 36** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Independent Auditor's report continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company'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 the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management; and in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the group and determined that the direct laws and regulations related to elements of group law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how group complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Executive Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Group's risk management framework ('RMF') and internal control processes.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the group's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.

- The Group operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 8 March 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional reporting to the audit committee

Stuart Wilson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 March 2018

- 1 The maintenance and integrity of the Sabre Insurance plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

The attached notes on pages 70 to 91 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

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

The attached notes on pages 70 to 91 form an integral part of these financial statements.

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

Signed on behalf of the Board of Directors by:



Adam Westwood
Director

Consolidated Statement of Cash Flows
for the year ended December 2017

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

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

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

Notes to the Consolidated Financial Statements As at 31 December 2017

Corporate information

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

1. Accounting policies

1.1 Corporate reorganisation

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

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

1.2 Basis of preparation

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

The financial statements of the Group have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The financial statements have been prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value.

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

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settled the liability simultaneously.

As permitted by IFRS 4 Insurance Contracts, the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts.

1.3 Summary of significant accounting policies

(a) Premiums

Insurance and reinsurance written premiums comprise all amounts during the financial year in respect of contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year. All premiums are shown gross of commission payable to intermediaries (where applicable) and are exclusive of taxes, duties and levies thereon. Insurance and reinsurance premiums are adjusted by an unearned premium provision which represents the proportion of premiums that relate to periods of cover after the balance sheet date as described in (b) below.

(b) Insurance liabilities

Claims incurred include all losses occurring through the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability claims, the ultimate cost of which cannot be known with certainty at the balance sheet date. Reinsurance recoveries (or amounts due from reinsurers) are accounted for in the same period as the related claim.

- (i) Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.
- (ii) The provision for claims outstanding includes individual case estimates, an incurred but not reported ("IBNR") provision and a provision for related claims handling costs. When claims are initially reported, case estimates are set at fixed levels based on previous average claims settlements. As soon as sufficient information becomes available, the case estimate is amended by a claim handler within the Claims Department to reflect the expected ultimate settlement cost of the claim, including external claims handling costs. The case estimate will be amended throughout the life of a claim as further information emerges. Case estimates generally do not allow for possible reductions in our liability due to contributory negligence, favourable court judgments or settlements until these are known to a high probability.

The IBNR provision includes the estimated cost of claims incurred, but not reported, at the balance sheet date ("pure IBNR") and any difference between the case estimates and the estimated ultimate cost of reported claims ("IBNER"). The IBNR is set after considering the results of various statistical methods based on, inter alia, historical claims development trends, average claims costs and expected inflation rates. The provision for claims handling costs is estimated based on the number of outstanding claims at the balance sheet date and the estimated average internal cost of settling claims.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the consolidated statement of comprehensive income. Claims provisions are not discounted, with the exception of PPOs (periodic payment orders), which are discussed more fully in Note 2.1.

- (iii) Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset when business classes are managed together and a provision is made if an aggregate deficit arises.

(c) Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned. Such costs are identified as being directly attributable to the acquisition of business, or are indirectly attributed to acquisition activity through an allocation exercise.

(d) Investment income, realised and unrealised investment gains and losses

Investment income consists of interest receivable for the year. Income is credited to the consolidated statement of comprehensive income at the amounts receivable, with no associated tax credit for income from the United Kingdom. Interest receivable is accounted for on an accruals basis.

Net realised gains / (losses) on investments are calculated as the difference between net sales proceeds and the cost of acquisition.

Unrealised gains / (losses) on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year. Net movements in the year are taken to the profit and loss account and disclosed as unrealised gains / (losses) on investments.

(e) Investment expense and charges

Investment expenses and charges consist of the expenses relating to the management of the investment portfolio.

(f) Taxation

The taxation charge in the income statement is based on the taxable profits for the year. It is Company policy to relieve profits where possible by the surrender of losses from Group companies with payment for value.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(g) Valuation of investments

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

Financial investments are classified according to their nature and use. All financial investments held by the Company are classified as being held at fair value through the statement of comprehensive income. While it is the Company's intention to hold the bonds within its portfolio to maturity, the Company recognises that certain assets may be sold in the normal course of business in order to enhance short-term liquidity. The Company invests only in financial assets which are quoted on liquid markets, therefore all investments are classified as 'Level 1' under the IFRS hierarchy.

(h) Tangible assets

Expenditure on computer equipment and fixtures and fittings is capitalised and depreciated over five years, the estimated useful economic lives of the assets on a straight line basis. Depreciation is charged to the consolidated statement of comprehensive income and is included in administrative expenses. Owner-occupied property is held at fair value, with subsequent revaluation gains taken through other comprehensive income. A fair value assessment of the owner-occupied property is undertaken at each reporting date with any material changes in fair value recognised. Owner-occupied property is also revalued by an external qualified surveyor, at least every three years.

(i) Goodwill

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

Notes to the Consolidated Financial Statements continued
As at 31 December 2017

1. Accounting policies continued

(j) Intangible assets

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

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

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

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

(k) Pensions

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

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

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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

(m) Insurance and other receivables

Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

(n) Trade and other payables, including insurance payables

Trade and other payables consist primarily of reinsurance balances and indirect taxes due. Reinsurance payables represent premiums payable to reinsurers in respect of contracts which have been entered into at the date of the financial position.

(o) Instalment income

Instalment income comprises the interest income earned on policyholder receivables, where outstanding premiums are settled by a series of instalment payments. Interest is earned over the term of the policy using the effective interest method.

(p) Other operating income

Other operating income consists of marketing fees, commissions resulting from the sale of ancillary products connected to the Group's direct business, and other non-insurance income such as administrative fees charged on direct business. Such income is recognised once the related service has been performed. Typically, this will be at the point of sale of the product.

(q) Basis of consolidation

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

(r) Share-based payments

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

(s) Earnings per share

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

1.4 New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorisation of these financial statements, the following standards and interpretations were assessed to be relevant and are effective for annual periods beginning on or after 1 January 2018:

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

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

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

IFRS 9 Financial Instruments

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

IFRS 17 Insurance Contracts

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

IFRS 16 Leases

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

IFRS 15 Revenue from Contract with Customers

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

Notes to the Consolidated Financial Statements continued
As at 31 December 2017

2. Critical accounting estimates and judgements

2.1 Valuation of insurance contracts

For the valuation of insurance contracts, estimates are made both for the expected ultimate cost of claims reported at the reporting date, consisting of a claims reserve and estimate of the sufficiency of these reserves (through the calculation of an Incurred But Not Enough Reported (IBNER) estimate, and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by accident years and types of claim. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The gross carrying value at the reporting date of insurance liabilities is £242,388k (2016: £182,941k).

Liability claims may be settled through a Periodic Payment Order ("PPO"), established under the Courts Act 2003, which allows a UK court to award damages for future loss or any other damages in respect of personal injury. The court may order that the damages either partly or fully take the form of a PPO. To date, the Company has two PPOs within its outstanding claims reserve. Reinsurance is applied at the claim level, and therefore as PPOs generally result in a liability in excess of the Company's reinsurance retention, the net liability on acquisition of a PPO is not significantly different to that arising in a non-PPO situation. Management will continue to monitor the level of PPO activity. Once the level of projected PPO activity, and the volume of historical data available for modelling, becomes sufficient the firm will apply statistical modelling in respect of PPOs within the IBNR reserve.

3. Risk management

3.1 Risk and capital management

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

From 1 January 2016, the Group has managed its solvency with reference to the Solvency Capital Requirement ("SCR") calculated using the Standard Formula. The Group has developed sufficient processes to ensure that the capital requirements under Solvency II are not breached, including the maintenance of capital at a level higher than that required through the Standard Formula. In previous years Sabre Insurance Company Limited managed its capital position on both a Solvency II basis and on the previous regulatory basis. From 1 January 2016, the Group considers its capital position to be its net assets on a Solvency II basis and monitors this in the context of the Solvency II SCR. As at 31 December 2017, the Company holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

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

The Solvency II position of the Group is given below:

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

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

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

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

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

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

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

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

The Group's capital management objectives are:

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

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

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

Notes to the Consolidated Financial Statements continued
As at 31 December 2017

3. Risk management continued

3.2 Principal risks from insurance activities and the use of financial instruments

The Strategic Report sets out the principal risks faced by the Group. Detailed below is the Group's risk exposure arising from its insurance activities and use of financial instruments specifically in respect of insurance risk, market risk and counterparty risk.

3.2.1 Underwriting

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

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group issues only motor insurance contracts, which usually cover 12 months' duration. For these contracts, the most significant risks arise from severe weather conditions or single catastrophic events. For longer-tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of policyholders and geographical areas within the UK. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across policyholders. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on a non-proportional basis. This non-proportional reinsurance is excess-of-loss, designed to mitigate the Group's net exposure to single large claims or catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. There is no single counterparty exposure that exceeds 25% of total reinsurance assets at the reporting date.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

Sensitivities

The motor claim liabilities are primarily sensitive to the reserving assumptions noted above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The table shows the impact of a 10% increase in the loss ratio applied to all underwriting years which have a material outstanding claims reserve and a 10% increase in net outstanding claims across all underwriting years, taking into account the impact of an increase in the operational costs associated with handling those claims.

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

3.2.2 Financial risks

(1) Counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The two main sources of counterparty risk for the Company are investment counterparties and reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Audit and Risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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

Overdue debt

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

	Neither past due nor impaired \$'k	Past due 1-90 days \$'k	Past due more than 90 days \$'k	Assets that have been impaired \$'k	Carrying value in the balance sheet \$'k
At 31 December 2016					
Reinsurance assets	51,529	-	-	-	51,529
Insurance and other receivables	37,019	-	23	-	37,042
Corporate bonds	576	-	-	-	576
UK government debt	233,714	-	-	-	233,714
Cash at bank and in hand	10,492	-	-	-	10,492
Total	333,330	-	23	-	333,353

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

Notes to the Consolidated Financial Statements continued
As at 31 December 2017

3. Risk management continued

Exposure by credit rating

At 31 December 2017	AAA \$'k	AA+ to AA- \$'k	A+ to A- \$'k	BBB+ to BBB- \$'k	BB+ and below \$'k	Not rated \$'k	Total \$'k
Reinsurance assets	-	83,408	27,080	-	-	-	110,488
Deferred tax assets	-	-	-	-	-	20	20
Insurance and other receivables	-	-	-	-	-	38,511	38,511
Corporate bonds	-	-	-	547	-	-	547
UK government debt	-	243,484	-	-	-	-	243,484
Short-term deposits with credit institutions	-	-	-	-	-	-	-
Cash at bank and in hand	-	6,796	-	27,629	-	-	34,425
Total	-	333,688	27,080	28,176	-	38,531	427,475

At 31 December 2016	AAA \$'k	AA+ to AA- \$'k	A+ to A- \$'k	BBB+ to BBB- \$'k	BB+ and below \$'k	Not rated \$'k	Total \$'k
Reinsurance assets	-	38,800	12,729	-	-	-	51,529
Insurance and other receivables	-	-	-	-	-	37,042	37,042
Corporate bonds	-	-	-	576	-	-	576
UK government debt	-	233,714	-	-	-	-	233,714
Cash at bank and in hand	-	4	399	10,089	-	-	10,492
Total	-	272,518	13,128	10,665	-	37,042	333,353

Credit rating is determined with reference to an external credit rating agency, primarily Standard and Poor's.

(2) Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch or inability to raise sufficient liquid assets without suffering a substantial loss on realisation. The Company manages its liquidity risk through both ensuring that it holds sufficient cash and cash equivalent assets to meet all short-term liabilities, and matching the maturity profile of its financial investments to the expected cash outflows.

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

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

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

At 31 December 2016	Total \$'k	Within 1 year \$'k	1 - 3 years \$'k	3 - 5 years \$'k	5 - 10 years \$'k	Over 10 years \$'k
Corporate bonds	576	-	576	-	-	-
UK government debt	233,714	128,372	71,311	26,354	7,677	-
Cash and cash equivalents	10,492	10,492	-	-	-	-
Insurance and other receivables	37,042	37,042	-	-	-	-
Total	281,824	175,906	71,887	26,354	7,677	-

At 31 December 2016	Total \$'k	Within 1 year \$'k	1 - 3 years \$'k	3 - 5 years \$'k	5 - 10 years \$'k	Over 10 years \$'k
Insurance liabilities	236,882	103,962	86,874	32,230	12,371	1,445
Trade and other payables including insurance payables	17,961	17,961	-	-	-	-
Total	254,843	121,923	86,874	32,230	12,371	1,445

The above tables include the expected claims on unearned premiums within insurance liabilities. The maturity of insurance liabilities is based upon an estimate of expected settlement date.

(3) Investment concentration risk

Excessive exposure to particular industry sectors or groups can give rise to concentration risk. The Company has no significant investment in any particular industrial sector and therefore is unlikely to suffer significant losses through its investment portfolio as a result of over-exposure to sectors engaged in similar activities or which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company's portfolio consists primarily of UK government debt, therefore the risk of government default does exist, however the likelihood is extremely remote. The Company continues to monitor the strength and security of these government bonds.

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

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

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

(4) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. Currently the Company holds only fixed rate securities.

The Group's interest risk policy requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group has no significant concentration of interest rate risk.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Note that the Company's investment portfolio has been designed such that the cash flows yielded from investments match the projected outflows inherent primarily within the claims reserve. While these insurance liabilities are shown on an undiscounted basis under IFRS, their economic value will move broadly in line with the underlying assets.

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

3.2.3 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

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4. Net earned premium

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

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

5. Investment return

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

6. Other operating income

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

7. Net insurance claims

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

Claims handling expenses for the year ended 31 December 2017 of £6,045k (2016: £5,878k) have been included in the above. Note that the gross and net movements in insurance liabilities as at 31 December 2016 include amounts of £26,241k and £2,184k respectively directly related to the increase in case reserves following the announcement of a reduction in the Ogden Discount Rate made in February 2017.

8. Operating expenses

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

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

	2017	2016
Operations	128	122
Support	25	24
Total	153	146

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

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

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

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

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

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

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9. Exceptional items

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

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

10. Tax charge

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

Tax recorded in Other Comprehensive Income is as follows.

	2017 £'k	2016 £'k
Current taxation	-	-
	-	-

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

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

11. Current tax

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

12. Deferred tax

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

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

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

On 1 April 2017 the UK rate of corporation tax changed from 20% to 19%, and will reduce further to 17% from 1 April 2020. Note that the closing deferred tax attributes are recognised with reference to the 17% rate as there is insufficient certainty to know when the various items on which deferred tax is recognised will unwind.

13. Dividends

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

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14. Property, plant and equipment

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

The Company holds two owner occupied properties, Sabre House and the Old House, which are both managed by the Company. The properties are measured at fair value which is arrived at on the basis of a valuation carried out on 19 October 2015 by Hurst Warne and Partners LLP. The valuation was carried out on an open-market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. Property was purchased in January 2016 at a premium above the fair value, determined in the October 2015 valuation exercise and, as such an impairment loss has been recorded. The fair value measurement of owner occupied property of £3,435k (2016: £3,435k) has been categorised as a Level 3 fair value based on the non-observable inputs to the valuation technique used. The following table shows a reconciliation to the closing fair value for the Level 3 owner occupied property at valuation:

	Owner occupied £'k
At 31 December 2016	3,435
Purchase	-
Revaluation	-
At 31 December 2017	3,435

The fair value was derived using a methodology based upon recent transactions for similar properties, which have been adjusted for the specific characteristics of the property. The significant non-observable inputs used in the valuation are expected rental value per square foot (2016: £213/sq.ft, 2015: £201/sq.ft) and estimated marketing and letting void. The fair value of the owner occupied property would increase/(decrease) if the expected rental value per foot were to be higher/(lower) and the marketing and letting void were to be lower (higher).

The carrying amount of revalued assets had they been held at cost is as follows:

	Owner occupied	
	Cost £'k	Fair value £'k
At 31 December 2016	3,250	3,435
At 31 December 2017	3,250	3,435

15. Reinsurance assets

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

16. Deferred acquisition costs

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

17. Insurance and other receivables

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

The carrying value of insurance and other receivables approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

18. Prepayments, accrued income and other assets

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

The carrying value of prepayments, accrued income and other assets approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

19. Financial investments

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

All financial investments are classified as Level 1 under the fair value hierarchy. The fair value classification of owner occupied property is discussed in Note 14.

20. Cash and cash equivalents

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

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

21. Share capital

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

All shares are unrestricted and carry equal voting rights.

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22. Goodwill

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

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

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

Key assumptions

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

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

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

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

23. Intangible assets

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

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

24. Insurance liabilities, unearned premium reserve

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

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

Gross insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	Total £'k
Estimate of ultimate claims costs:									
At end of accident year	77,415	98,735	103,139	84,939	75,649	103,599	111,518	165,707	
One year later	74,349	95,818	103,989	70,567	65,639	90,133	100,935		
Two years later	77,740	90,631	94,297	63,197	62,039	82,537			
Three years later	73,686	84,962	92,478	65,313	60,301				
Four years later	72,141	81,715	97,170	68,763					
Five years later	71,540	80,514	94,150						
Six years later	74,822	80,738							
Seven years later	72,660								
Current estimate of cumulative claims	72,660	80,738	94,150	68,763	60,301	82,537	100,935	165,707	
Cumulative payments to date	(69,252)	(80,052)	(77,555)	(52,248)	(51,961)	(60,451)	(61,981)	(40,909)	
Liability recognised in balance sheet	3,408	686	16,595	16,515	8,340	22,086	38,954	124,798	231,382
2009 and prior									7,900
Claims handling provision									3,106
Total									242,388

Net insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	Total £'k
Estimate of ultimate claims costs:									
At end of accident year	61,912	94,171	89,901	77,316	74,609	97,288	104,808	106,478	
One year later	69,055	90,742	81,403	64,071	65,639	85,814	93,664		
Two years later	72,475	87,494	75,938	59,301	60,953	81,164			
Three years later	69,649	81,950	73,606	57,739	59,741				
Four years later	68,001	78,509	74,304	56,947					
Five years later	67,100	77,534	72,731						
Six years later	66,926	77,496							
Seven years later	66,791								
Current estimate of cumulative claims	66,791	77,496	72,731	56,947	59,741	81,164	93,664	106,478	
Cumulative payments to date	(65,570)	(76,806)	(70,279)	(52,248)	(51,961)	(60,451)	(61,981)	(40,907)	
Liability recognised in balance sheet	1,221	690	2,452	4,699	7,780	20,713	31,683	65,571	134,809
2009 and prior									1,475
Claims handling provision									3,106
Total									139,390

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24. Insurance liabilities, unearned premium reserve continued

Movements in insurance liabilities, unearned premium reserve and reinsurance assets

	Gross £'k	Reinsurance £'k	Net £'k
At 1 January 2016	160,264	(30,555)	129,709
Cash paid for claims during the year	(83,675)	3,293	(80,382)
Increase/(decrease) in liabilities:			
Arising from current-year claims	113,512	(6,709)	106,803
Arising from prior-year claims	(7,160)	(12,812)	(19,972)
At 31 December 2016	182,941	(46,783)	136,158
Claims reported	186,284	(26,487)	159,797
Incurred but not reported	(6,499)	(20,296)	(26,795)
Claims handling provision	3,156	-	3,156
At 31 December 2016	182,941	(46,783)	136,158
Cash paid for claims during the year	(85,942)	2,332	(83,610)
Increase/(decrease) in liabilities:			
Arising from current-year claims	167,670	(59,229)	108,441
Arising from prior-year claims	(22,281)	682	(21,599)
At 31 December 2017	242,388	(102,998)	139,390
Claims reported	297,477	(122,644)	174,833
Incurred but not reported	(58,195)	19,646	(38,549)
Claims handling provision	3,106	-	3,106
At 31 December 2017	242,388	(102,998)	139,390

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

25. Trade and other payables, including insurance payables

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

The carrying value of trade and other payables, including insurance payables, approximates to fair value. There are no amounts expected to be settled more than 12 months after the reporting date.

26. Accruals

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

All accruals are due to be paid within one year.

27. Classification and valuation of financial assets

The following table summarises the classification of financial instruments:

	Financial assets/liabilities				Non-financial assets / liabilities £'k	2017 £'k
	At fair value £'k	AFS £'k	Loans and receivables £'k	At amortised cost £'k		
Financial investments	244,031	-	-	-	-	244,031
Total assets	244,031	-	-	-	-	244,031

Fair value measurement

The carrying value of financial assets is in all cases equal to their fair value. All financial investments are classified as Level 1 under the IFRS hierarchy. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities which can be accessed at the measurement date. As such market value has been determined with reference to a reliable third party valuation. Owner occupied property is valued based upon an independent third party valuation and is classified as Level 3 under the IFRS hierarchy, as discussed in Note 14.

28. Corporate reorganisation

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

29. Notes to the consolidated cash flow statement

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

30. Earnings per share

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

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

Notes to the Consolidated Financial Statements continued
As at 31 December 2017

31. Share-based payments

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

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

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

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

Share Incentive Plan ("SIP")

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

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

Reconciliation of movement in the number of SIP awards

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

Long Term Incentive Plan ("LTIP")

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

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

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

Reconciliation of movement in the number of LTIP Awards

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

32. Related parties

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

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

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

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

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

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

Key Management Compensation

Key Management includes executive directors, non-executive directors and other senior management personnel. Further details of directors' shareholdings and remuneration can be found in the directors' remuneration report on pages 46 to 56.

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

Parent Company Statement of Financial Position
As at 31 December 2017

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

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

The notes on pages 94 to 95 form part of these financial statements.

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



Adam Westwood
Director

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

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

Parent Company Statement of Cash Flows
As at 31 December 2017

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

Notes to the Parent Company Financial Statements

As at 31 December 2017

1. Accounting policies

1.1 Basis of preparation

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

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

The financial statements have been prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value.

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

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

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

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

1.2 Summary of significant accounting policies

(a) Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment.

(b) Dividend income

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

2. Taxation

	2017 \$'k
Loss before taxation	(4,047)
Taxation calculated at 19.25%	(779)
Effect of:	--
Non-taxable expenditure	779
Taxation credit	-

3. Investments

Investment in subsidiary undertakings

	2017 \$'k
As at 21 September	-
Additions	576,000
As at 31 December	576,000

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

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

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

4. Debtors

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

5. Creditors

	2017 £'k
Due within one year	
Trade and other payables	7,031
As at 31 December	7,031

6. Share capital and reserves

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

7. Dividends

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

8. Related parties

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

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

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

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

9. Share-based payments

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

10. Risk management

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

11. Directors and key management remuneration

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

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