Sabre INSURANCE GROUP

CONTINUED UNDERWRITING EXCELLENCE

Sabre Insurance Group plc
Annual Report and Accounts 2018

We are a UK private motor insurer with a long track-record of market-leading underwriting performance, as measured by our combined operating ratio.

Continuing to focus on our core strength, underwriting, to deliver high-quality profit and ultimately an attractive dividend yield. We pride ourselves on our expert pricing and efficient claims handling, delivering 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 Direct Brands

£210.0m
GROSS WRITTEN PREMIUM

70.6%
COMBINED OPERATING RATIO

£50.1m
ADJUSTED PROFIT AFTER TAX

213%
SOLVENCY COVERAGE RATIO

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EXPERT
underwriting ability

We have delivered consistently strong underwriting results, utilising our unique data set, compiled over more than 16 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.

UNIQUE PROPRIETARY DATA

Extensive dataset, compiled from more than 16 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 16 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.

16+yrs

OF UNIQUE PROPRIETARY DATA

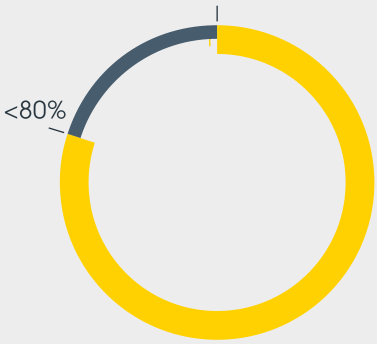
SOPHISTICATED PRICING MODEL

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



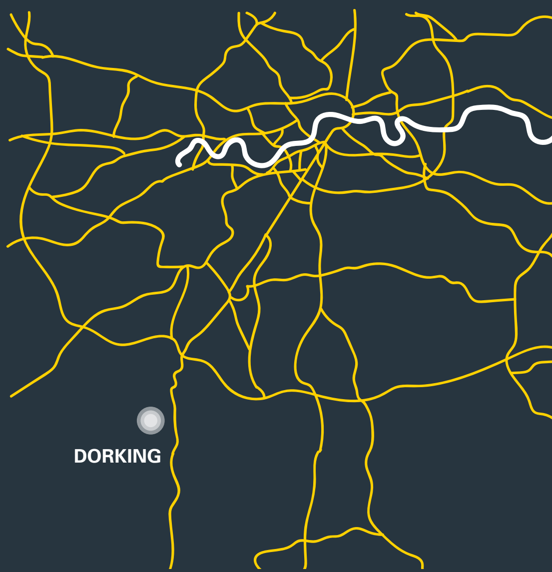
KNOWLEDGE
and experience

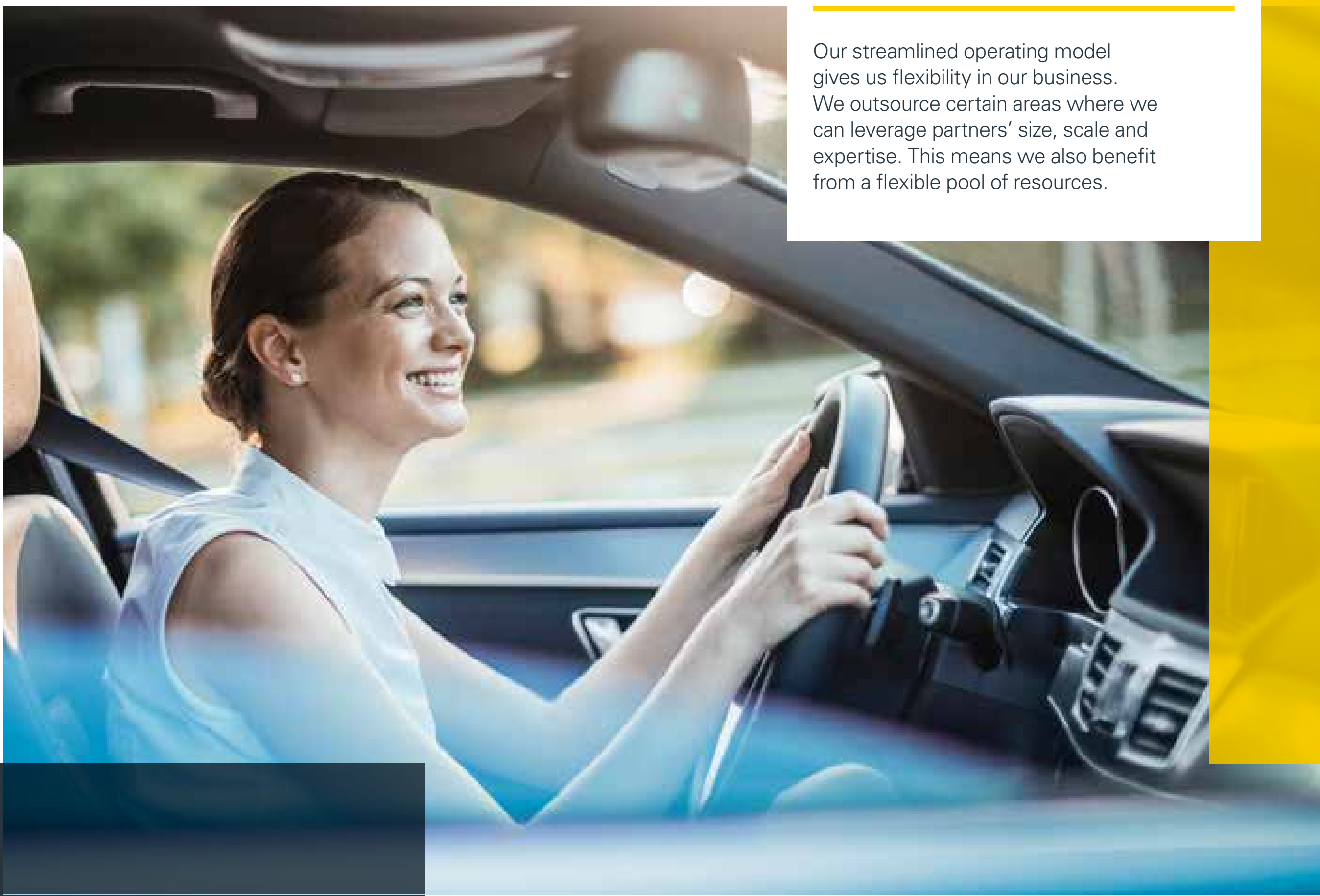
An experienced senior leadership team supported by an expert and committed management group, delivering a track record of market-leading underwriting profitability

OUR TEAM

The Group employs a team of circa 160 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.





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.

159

EMPLOYEES

>600

YEARS' COMBINED EXPERIENCE IN THE CLAIMS TEAM

c.348k

IN-FORCE POLICIES

LONG-TERM GROWTH

The Group increased its gross written premium ("GWP") and in-force policy count significantly over the past decade ended 31 December 2018.

Our primary focus is maintaining our profitability, but we also anticipate growth across the insurance cycle. We believe that volume should be an output of disciplined profitable underwriting, and not a target.

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 Direct Brands

1,100

APPROXIMATE NUMBER OF BROKERS IN THE UK

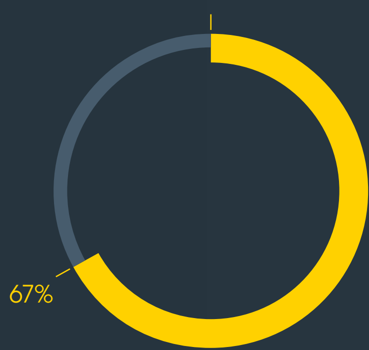
BROKERS

Account for approximately 70% of gross written premium in the year ended 31 December 2018.

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.

67%

BROKERS BUSINESS SPLIT



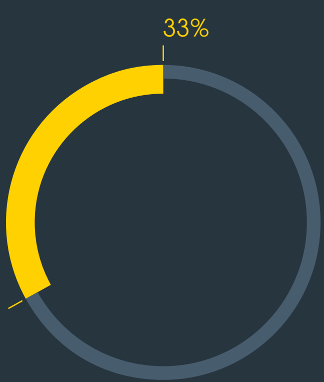
DIRECT BRANDS

Accounting for approximately 33% of GWP in the year ended 31 December 2018.

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

33%

DIRECT BRANDS BUSINESS SPLIT



GO GIRL

Go Girl was launched in November 2011 to target female drivers and is primarily promoted via PCWs.

insure 2 drive

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

DRIVE SMART

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

> Our continued success is due to the dedication and expertise of our employees.

Patrick Snowball
Chairman

I am delighted to introduce Sabre Insurance Group plc's first full 12 months' Annual Report and Accounts ("Annual Report") following its successful initial public offering ("IPO") in December 2017.

Sabre continues to focus purely on the UK motor insurance sector, providing insurance both through our mutually beneficial relationship with insurance brokers and direct to customers via direct brands – Go Girl, Insure 2 Drive and Drive Smart. Within this market we continue to benefit from our specialist skills, allowing us to underwrite higher premium business that insulates us somewhat from wider market conditions.

The Board has continued to focus on delivering Sabre's long-established strategy of focussing on profitability rather than growth, giving us confidence of long-term success in a dynamic and highly competitive insurance market.

The performance of the business continues to be underpinned by a relentless focus on maintaining the highest standards of operational excellence, governance and financial reporting throughout the Company. To this we can add the support of strong, stable and very experienced individuals throughout the business.

Our Code of Conduct can be found on the Company's website at www.sabreplc.co.uk/about-us/code-of-conduct/ and information regarding our risk management processes can be found on pages 22 to 26.

During the year our previous private equity owner, BC Partners, divested the remainder of its shareholding via two share placements. I would like to thank BC Partners for its guidance and support leading up to our IPO. I would like to welcome new shareholders who invested in the Group during these placements, and through the year.

2018 Performance

The Group has delivered pleasing results for 2018, in line with the Board's expectations. This demonstrates Sabre's resilience in highly competitive market conditions. The CEO, in his report, comments more extensively on the changing market conditions. However I would like to take this opportunity to reiterate the Board's confidence that Sabre's robust business model, track record of underwriting discipline and very experienced executive and operational management team means we will be able to successfully navigate through these changing times.

I am especially pleased that we have been able to announce a special dividend of 6.0 pence per share. Along with the ordinary dividend of 6.8 pence per share this has delivered a very attractive total dividend for the year of 20.0 pence per share. These returns to shareholders illustrate the merits of Sabre's focus on underwriting discipline and its strong cash generation. Continuing this model going forward will ensure sustainable returns for our shareholders.

Going forward we will continue to focus on delivering an ordinary dividend of 70% of Adjusted Profit After Tax ("PAT"), and return excess capital to shareholders as appropriate.

Further detail of the Company's performance is outlined in the Chief Executive's review and Chief Financial Officer's review on pages 14 to 17 and 28 and 29 respectively, of this Annual Report.

Our people

Our continued success is due to the dedication and expertise of our employees. We continue to enjoy excellent support at all levels through the business and experience very little employee turnover. During the year the Board has worked at increasing the investment opportunities for employees in the Company by increasing the maximum monthly contributions to the Company's Save As You Earn ("SAYE") Plan and by introducing an employee contribution element to the Company's Share Incentive Plan ("SIP"), with a matching share provided by the Company for every three shares purchased by the employee. These changes will come into effect in 2019. Further details on this can be found in the Remuneration Committee Report on pages 46 to 48.
I would like to take this opportunity to thank all of our employees for their continued commitment and hard work.

Dialogue with shareholders

I would like to thank all our shareholders for their support during the year. I am keen to maintain 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.

Outlook

Despite operating in a market currently undergoing significant regulatory change I remain very confident that the Group will continue its track record of delivering strong performance in all prevailing market conditions.

Patrick Snowball
Chairman
27 March 2019

MARKET CONTEXT

The UK motor insurance market is undergoing a great deal of change – across regulation, technology, pricing and distribution. Sabre continues to monitor these developments closely, and is well placed to navigate this increasingly dynamic and competitive marketplace

Competition and pricing

With PCWs providing more choice and making it easier than ever to purchase motor insurance, the majority of consumers now select a policy on the basis of price, with some consideration for brand. This makes the mass market strongly price-competitive. While Sabre is active in the mass market and industry-wide price movements naturally have an impact, because the majority of its business covers more non-standard risks where its competitors are less active, it is somewhat insulated.

Historically, motor insurance pricing has increased and decreased in waves over a number of years, with decreases in pricing being driven by new capacity entering the market or regulatory change, and increases arising when such decreases lead to unacceptable losses in market profitability. This is set against a general increase in the cost of claims, known as claims inflation.

The last significant upturn in motor insurance pricing was 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. As such, 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. At the very end of 2017 and into 2018, prices appeared to decrease across the industry. This was in part driven by a notable decrease in the volume of small personal injury claims, ahead of market reforms which were due in 2019, but which may now come in to force in 2020.

Recently, the industry regulator has launched a review into the pricing practices of insurers, with particular focus on retail price optimisation and differential pricing of new business and renewals.

Some insurers and brokers price new business at very low levels of profitability, and seek to increase prices for renewals to achieve an acceptable multi-year profit.

£13bn

APPROXIMATE VALUE OF THE UK PRIVATE MOTOR INSURANCE MARKET

Sabre does not operate in this way, seeking to maintain pricing consistency between new business and renewals, and so does not expect to be disadvantaged by this review.

Claims trends

In addition to pricing trends, the profitability of underwriters is driven by claims experience. In recent years, the UK motor insurance market has seen 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. It is expected that the reforms will be implemented in April 2020. The key details of this Bill sets out that regulations are to be made in a number of areas including:

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

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

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

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.

Leveraging its proprietary data and advanced pricing techniques, Sabre accurately prices its policies based on the expected cost of claims and of servicing the policy. As such the business is able to control and protect its profit margin through a consistent Combined Operating Ratio.

Distribution trends

Distribution within the insurance market continues to evolve. Over the past decade, the nature of private motor insurance distribution in the UK has undergone meaningful change. PCWs (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.

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 in determining the size of such payouts. The rate is currently set at -0.75%. Sabre continues to reserve for claims at this level, however we are aware that the rate may increase (ie reduce the total cost of large claims) during 2019. It is unlikely that such a change would have a material impact on Sabre's result.

The increasing prominence of PCWs and online sales has reduced the popularity of 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 and direct insurers have had to adapt to these changing distribution channels to maintain their relevance and now primarily distribute products online and through PCWs, alongside insurance underwriters going direct to the consumer.

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

Sabre operates a robust multi-channel distribution network, selling both through brokers and direct through its three consumer brands. This provides resilience and positions the Group well to take advantage of the numerous opportunities presented by the changing environment.

Digitisation and technology

Sabre continues to monitor and plan for technological advancements that could bring change to the motor insurance 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.

The United Kingdom's Departure from the European Union

The United Kingdom (UK) is expected to depart from the European Union (EU) during 2019. The exact timing, and the nature of the circumstances under which this occurs, remains uncertain. Sabre has considered the impact on its business under a range of scenarios, which can be broadly considered as an 'orderly' exit in which a transition period is agreed and enacted, and a more 'disorderly' exit in which the UK leaves the EU with no deal. Although there are some issues common to both types of exit, Management believes a 'no deal' scenario to be more disruptive, and as such has concentrated its analysis and planning on such a scenario.

Sabre's business is conducted entirely within the UK. All of Sabre's products are sold in the UK, primarily to UK citizens or those intending to drive primarily within the UK. As Sabre's policyholders are entitled to drive overseas while maintaining their cover, Sabre does have some small exposure to overseas counterparties as a result of accidents abroad. Given the UK focused nature of Sabre's operations, Management believes the Group is well insulated from many of the more disruptive impacts of the UK's exit from the EU. All of Sabre's assets are held within the UK.

We have, however, identified a number of operational and economic consequences which would impact Sabre. These are:

- Claims costs may be adversely impacted through trade tariffs, disruption to 'just-in-time' supply chains and increased care costs due to a shortage of care staff.
- Policyholders driving within the EU would be required to obtain a 'green card' to evidence their cover. We have implemented sufficient processes and resource to manage such requests should they arise. We have also communicated this requirement to our customers in advance of the UK's departure.
- The wider UK economy may shrink in the event of a disorderly exit. While the Group is committed to monitoring the soundness of its financial counterparties, which are considered very low risk under such circumstances, we recognise that an economic downturn can have an impact on consumer behaviour. Motor insurance is a compulsory product for drivers, and as such the Group's addressable market is unlikely to be affected. The impact on costs of such a downturn is broadly neutral. We might expect a cost benefit through reduction in miles driven offset by an increase in the propensity for fraud.

OUR BUSINESS MODEL

OUR INPUTS

1 LONG-STANDING MANAGEMENT

2 EXPERIENCED SENIOR AND OPERATIONAL TEAM

3 MARKET-LEADING PROPRIETARY DATA AND PRICING MODEL

4 BROKER RELATIONSHIPS

5 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.

Insure 2 Drive
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.

71.2%

10-YEAR AVERAGE COMBINED OPERATING RATIO

MID 70S (COR) TARGET

PROPRIETARY DATASET

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

CLAIMS EXPERIENCE

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

600YRS

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 operates on a sophisticated cloud based infrastructure as a service or 'IaaS' provider. As a result the Group's IT infrastructure is hosted on third party servers within state of the art data centres.

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 focused 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 regulatory capital of 140% to 160% of our Solvency Capital Requirement.

CHIEF EXECUTIVE OFFICER'S REVIEW

Our performance reflects the robustness of the Sabre business model and a clear focus on the long-term corporate strategy

"2018 was a positive year for Sabre, with strong results considering the competitive underlying market conditions.

Geoff Carter
Chief Executive Officer

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

2018 was a good year for the business within the context of continuing competitive market conditions. At the IPO, we outlined the long-term objectives of Sabre, which drive the strategy of the business. We reiterated these objectives again at our interim results. Those objectives are:

1. Deliver market-leading underwriting performance
2. Continue to generate strong levels of capital through our profitable underwriting
3. Deliver attractive returns to shareholder
4. Controlled growth across the cycle

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

Our key priority throughout the year has been to successfully counteract the claims inflation seen through 2018, ensuring that we continue to price new business at a mid-70%s combined operating ratio. This has resulted in a pleasing financial year COR of 70.6%, which has delivered a profit before tax of £61.4m with a broadly flat premium position. This compares well to the position we believe is being seen across the market, where premium increases are lagging claims inflation. Despite these challenges, we were pleased to report profits for the year in line with our expectations, delivered through our strong and disciplined underwriting performance.

Our preferred capital range is 140–160% of our solvency requirement. Our capital position at the end of the year increased to 213%, which is well above this preferred range. This has allowed us to return a proportion of this excess capital through a proposed special dividend – resulting in an attractive full year dividend of 20 pence per share.

Our strategy

We focus on underwriting private motor insurance in the UK. We have established a strong market position in the parts of the market we choose to focus upon, with our success underpinned by several core trading principles:

- Maintaining market-leading underwriting performance through a disciplined and actuarially driven pricing strategy
- Expanding our extensive and proprietary dataset combined with investment in data enrichment
- Maintaining a broad underwriting footprint but with unique skills that allow us to bias towards 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
- 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 are long-term trading principles which have contributed to the success of Sabre to date. Looking forward, there are a number of forthcoming changes and trends in our industry which we continue to monitor closely, we are confident that consistently focusing on these principles will deliver sustainable profitability and dividends in all market conditions. In addition, across the cycle we also believe that delivering on these principles can deliver high single-digit growth, albeit not necessarily on a year-by-year basis. We are happy to maintain our size or contract in unattractive market conditions.

Maintaining an optimal combined operating ratio is the primary focus for our business. We target a mid-70%s COR across our book.

When considering the mix and volume of business we underwrite, the focus is on whether that business will deliver our target margins not premium growth. Whilst we quote for the vast majority of risks, across distribution channels, we continue to benefit from attracting a higher percentage of the above average premium section of the market when compared to the mainstream motor insurers.

Strategic developments

Sabre has a clear, long-term strategy in place which will deliver sustainable returns for its shareholders, based on its long-standing trading principles. However, Management does consider opportunities to diversify Sabre further, within the parameters of those core trading principles. Sabre's well established claims database and strong underwriting skills does provide opportunity to consider expansion into adjacent vehicle sectors and niches.

While we will maintain a cautious approach to this, ensuring developments do not undermine the profitability of Sabre, in 2018 we took the opportunity to expand in the van market. This was done both through enhancement of a broker distribution product for this market rolling out in Q1 '19, and the soft launch of a direct to customer van product under our Insure 2 Drive brand. Both of these initiatives offer a low risk way to broaden our offer and increase our market reach.

In addition we have continued to test and roll out numerous new rating factors and data sources.

Outlook

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

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

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

The market

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

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

Claims inflation

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

Ogden discount rate

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

Whiplash and associated reforms

The Bill to support these changes has now passed Royal Assent and is now the Civil Liability Act.

The key details of this Bill relating to Part 1 'Whiplash' set out that regulations are to be made in a number of areas including:

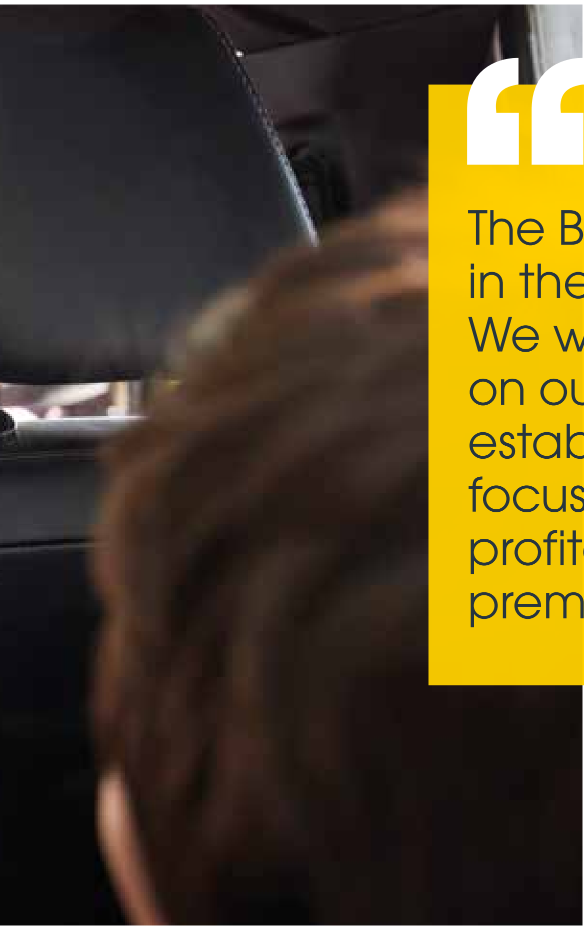
- Tariff: the levels of the tariff for claim types and how they are applied in duration and combination of injuries
- Uplift: specify the circumstances for uplift and the maximum percentage by which an award could be increased
- Medical Reporting: define appropriate evidence of injury and accreditation.

All of these will be subject to an affirmative resolution procedure, which means that the draft statutory instruments will be debated in both Houses of Parliament before they can come into effect.

Alongside the statutory instruments, there will be a significant IT build to support the presentation of claims by unrepresented claimants.

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

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



> The Board remains confident in the outlook for Sabre. We will continue to focus on our long-term and well established strategy to focus upon underwriting profitability against premium growth.

Competitor pricing activity
Given the number of legal and regulatory changes underway, which may impact market premium rates, there is a risk that more growth orientated companies will overestimate the benefits before correcting pricing levels at a later stage.

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

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

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

Our approach to this dynamic market will be to:

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

The timing and result of these various factors is uncertain but our strategy remains consistent. We will maintain our underwriting discipline and continue to price at a mid-70%s COR, treating volume as an output not target. We are confident that this approach will continue to deliver attractive returns in the short term, and positions us well to take advantage of growth opportunities at the right time.

Geoff Carter
Chief Executive Officer

Why invest in Sabre Insurance?

- A simple UK only, motor only insurer
- Long track record of market-leading underwriting performance, driven by an absolute focus on profitability over volume
- Unique business model focused on generating profit from underwriting activities, not ancillary products
- Extremely broad underwriting footprint, with unique skills in the higher premium market segments
- Very strong capital generation supports attractive dividends in all market conditions
- Market-leading expense base that can be rapidly flexed to take advantage of growth opportunities in attractive market conditions.

OUR STRATEGIC PRIORITIES

The Group intends to maintain underwriting discipline to drive 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 pillars of our success
Our strategy has been consistent for many years – we focus on underwriting private motor insurance in the UK.

1

UNDERWRITING PERFORMANCE

Continue to deliver market-leading underwriting performance

- 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 COR
- 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
- Maintaining our robust and effective claims management process and counter-fraud capabilities through continued investment in training and capacity.

2

RISK MANAGEMENT

Maintain a conservative approach to risk management

- 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
- A continued consistent approach to both reserving and claims management.

3

GROWTH

Target controlled growth over the long-term where market conditions allow

- Continued expansion into all risk segments through further investment in data enrichment and continued research into identifying relevant risk characteristics
- Controlled expansion 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
- Taking advantage of technological developments in the insurance market (for example, insurtech businesses).

4

OPERATIONS

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

- Allows us to maintain strategic focus
- Undertaking appropriate growth in employees using available space at our Dorking, Surrey site
- Retaining in-house functions where the Group has significant expertise
- Continuing to outsource to business partners 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.

5

DISTRIBUTION

Enhance broker relationships and continue to develop the Direct Brands

- 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
- Further improving the Direct Brands' customer proposition.

KEY PERFORMANCE INDICATORS

GROSS WRITTEN PREMIUM £'000

£210,017

2018	210,017
2017	210,736
2016	196,619

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's review pages 28-29.

LOSS RATIO %

48.5%

2018	48.5
2017	46.5
2016	47.7

Definition

Loss ratio measures net insurance claims, less claims handling expenses, relative to net earned premium 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's review pages 28-29.

EXPENSE RATIO %

22.1%

2018	22.1
2017	22.0
2016	21.6

Definition

The Group's expense ratio is a measure of total expenses (which comprises commission expenses and operating expenses), plus claims handling expenses, relative to NEP, expressed as a percentage.

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 COR of 80% or better.

Performance

See CFO's review pages 28-29.

COMBINED OPERATING RATIO %

70.6%

2018	70.6
2017	68.5
2016	69.3

Definition

The Group's combined ratio is the ratio of total expenses (which comprises commission expenses and operating expenses), plus net insurance claims relative to NEP, expressed as a percentage.

Aim

Sabre seeks to achieve a COR 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's review pages 28-29.

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.

How our KPIs link to Sabre's strategy

Sabre's strategic priorities are outlined on pages 18 and 19 of this report. The most fundamental of these is underwriting profitability, and as such Sabre's KPIs focus on measures of profitability, specifically loss ratio, expense ratio, combined operating ratio and adjusted profit after tax. As the Group is focused on managing risk, maintaining an appropriate solvency coverage is important, so Solvency Coverage Ratio is considered a KPI. The Group monitors its growth, and intends to grow when market conditions allow, as such the level of gross written premium forms a KPI. Effective deployment of capital is also considered an overarching element of Sabre's strategy, which is measured through Return on Tangible Equity.

ADJUSTED PROFIT AFTER TAX £'000

£50,069

2018	50,069
2017	53,288
2016	53,912

Definition

The Group's adjusted profit after tax measures profit from operations, net of tax, adjusted to offset the effect of amortisation of intangible assets and exceptional expenses excluding tax which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions).

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's review pages 28-29.

SOLVENCY COVERAGE RATIO %

213%

2018	213
2017	160
2016	128

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 to its SCR for the same period, expressed as a percentage.

Aim

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

Performance

See CFO's review pages 28-29.

RETURN ON TANGIBLE EQUITY %

54.4%

2018	54.4
2017	81.8
2016	96.3

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, 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's review pages 28-29.

PROFIT BEFORE TAX £'000

£61,363

2018	61,363
2017	55,512
2016	63,432

Definition

Profit before tax as presented on an IFRS basis represents the group's total income, less expenditure, before any tax charges or any other comprehensive income.

Aim

Through careful management of expenses and skilled underwriting, we intend to deliver sustainable profit growth over the medium term.

Performance

See CFO's review pages 28-29.

Reconciliation to IFRS Measures

A reconciliation between IFRS and non-IFRS measures is given on page 101.

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, and ensure fair customer outcomes. 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 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 as well as assurance through the Internal Audit function, oversight of external audit and oversight of the Group's compliance function. A separate Committee report can be found on pages 40 to 43 of this Annual Report.

Internal Audit

The Group's Internal Audit function, which is outsourced to BDO, 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 assumes 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.

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 Managers and Certification Regime ("SMCR") 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. The Group recognises that the reserves held in respect of incurred claims require a significant degree of judgement, and aims in all circumstances to hold reserves in accordance with the appropriate accounting or regulatory framework. The Group aims to calculate its reserves on a consistent basis over time.
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. The Group aims to hold all material exposures with strongly rated counterparties and to diversify such exposure where possible. Primarily, this relates to the Group's management of its exposure to reinsurers.
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. The Group aims to comply fully with all applicable laws and regulation, including General Data Protection Requirements ("GDPR"). Supply chain management is seen as key to ensuring operation risk is minimised, particularly where processes are outsourced to a third party. The risk of fraud or error is considered to be pervasive across all business areas, and as such all processes are developed in such a way as to minimise exposure to such risks.
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%.

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.

The Audit and Risk Committee has reviewed the current risk environment, including the evolving legal and regulatory framework around data protection and potential consumer harm in pricing. The Committee has also considered the evolving claims environment. All such risks are appropriately captured in the existing risk framework, therefore there have been no significant changes to the risk profile of the Group in 2018.

The Directors consider underwriting activity to present the most material risk to the Group, in particular the estimation risk of reserving and the ability to price premium correctly.

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. The financial security of reinsurers is considered when selecting panel members and reviewed on a regular basis.

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 an 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 pages 36 to 39. Through this, the Board maintains oversight of management and the Group's performance and financial position.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

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 employees.	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 primarily 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. IT systems are supported by a third party and hosted in external data centres. This creates a dependency on these suppliers.	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. The Group has sought to avoid any identifiable single points of failure, and maintains fail over solutions for all key services.
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. This is an area of increasingly complex regulation, including the General Data Protection Requirements ("GDPR").	The Group addresses issues such as the 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. Financial crime can include misappropriation of assets or fraudulent activity designed to misrepresent the financial performance or position of the Company.	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.

VIABILITY STATEMENT

Audit and Risk Committee

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 2021 (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.

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 2021.

CHIEF FINANCIAL OFFICER'S REVIEW

Maintaining underwriting discipline in a competitive market

"The Group has maintained pricing discipline throughout 2018 against a backdrop of significantly greater competitive pressure than in 2017.

Adam Westwood
Chief Financial Officer

Highlights

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

In challenging market conditions, the Group has succeeded in maintaining a flat premium of £210.0m against the prior year (£210.7m) while writing business to its target mid-70s combined operating ratio. The financial year, at 70.59% (2017: 68.5%) COR was significantly better than target, benefiting from disciplined current-year underwriting and positive prior-year reserve movements.

The result, including an investment return of £0.8m, is an adjusted profit after tax of £50.1m (2017: £53.3m). The decrease in profit against the prior-year is a consequence of an exceptional loss ratio in 2017 and an environment in 2018 not conducive to growth. In line with the Group's strategy, Sabre has elected not to chase volume at the expense of its COR. Adjusted profit after tax excludes amortisation and exceptional items.

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

Together with the interim dividend of 7.2 pence per share, the total dividend proposed in respect of 2018 is 20 pence per share, equal to approximately £50.2m.

The Group's Return on Tangible Equity was 54.5% for 2018, a reduction from 81.8% in 2017. While the decrease is somewhat impacted by the slight reduction in adjusted profit after tax, the primary reason for the reduction is the increase in average tangible equity held by the Group. At the start of 2017, the Group held significantly less excess capital with a regulatory capital ratio of 128%. The regulatory capital ratio as at 31 December 2018 was 211%, a result of the increase in preferred capital operating range at IPO and change in the timing of dividends paid.

Revenue

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

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

Other technical income continues to fall broadly in line with premium, with no significant change to the offering provided on Sabre's direct business. Customer instalment income continues to be generated from a relatively stable proportion of the Group's customers. The Group continues to be exposed to market value movements across its investment portfolio, which is primarily invested in UK Government bonds. A net investment return of £0.8m was recorded in 2018 against a loss of £0.7m in 2017. Sabre generally holds these investments to maturity, therefore any market value movements, which can generate in-year gains and losses, are unwound as the bonds regress towards par value.

Operating expenditure

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

Net claims incurred and net operating expenses are presented after reclassifying £6.5m (2017: £6.0m) of claims expenses from net claims incurred into operating expenses.

Net claims incurred can be considered as the current-year loss ratio of 59.2% (2017: 57.0%) less prior-year reserve movement of 10.7% (2017: 10.5%). The current-year loss ratio is reflective of the Group's continued focus on underwriting profitability. In line with prior years and the Group's expectation, the current accident-year loss ratio continues to exceed the Group's expected ultimate loss ratio and the actual financial-year loss ratio, reflective of the reserve held against relatively uncertain current-year claims.

Net operating expenses at £41.6m (2017: £41.0m) represent a consistent and stable expense base, having absorbed some additional operating expenditure as a result of the Group's IPO in December 2017. The Group continues to maintain tight control of costs, which remain heavily volume dependent due to the broker model and outsourced administration of the Group's direct business.

Taxation

In 2018 the Group incurred a tax charge of £11.8m (2017: £10.2m), an effective tax rate of 19.3%, as compared to an effective tax rate of 18.3% in 2017. The effective tax rate is equal to the prevailing UK corporation tax rate. The Group has not entered into any complex or unusual tax arrangements during the year.

Earnings per share

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

Basic earnings per share for 2018 is 19.9 pence compared to 14.5 pence for 2017. The number of shares has not changed materially during the year, which means that earnings per share is proportionate to profit after tax.

Cash and investments

	2018	2017
UK Government bonds	**£287.1m**	£243.5m
Corporate bonds	**£0.5m**	£0.5m
Cash and cash equivalents	**£22.8m**	£34.4m

The Group continues to hold a low risk investment portfolio and cash reserves sufficient to meet its future claims liabilities. The increase in cash and financial investments against the previous year is a result of the build-up of excess capital during the year, much of which is intended to be distributed to shareholders via an ordinary and special dividend.

Insurance liabilities

	2018	2017
Gross insurance liabilities	**£215.8m**	£242.4m
Reinsurers' share of insurance liabilities	**£82.6m**	£103.0m
Net insurance liabilities	**£133.2m**	£139.4m

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

Leverage

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

Dividends

The Directors have proposed a total dividend of 20 pence per share in respect of 2018, consisting of the interim dividend of 7.2 pence per share, an ordinary dividend of 6.8 pence per share and a special dividend of 6.0 pence per share. The total amount proposed to be distributed to shareholders by way of dividends for 2018 is therefore £50.0m, equal to 100% of the Group's adjusted profit after tax. Excluding the capital required to service this dividend, the Group's SCR coverage ratio at 31 December 2018 would be 161%. This is consistent with the Group's policy to pay an ordinary dividend of 70% of profit after tax, and to consider passing excess capital to shareholders by way of a special dividend.

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

Our people

159

EMPLOYEES

79/159

EMPLOYEES HAVING BEEN WITH THE COMPANY FOR 10 YEARS OR MORE

The Group operates out of one site in Dorking and, as at 31 December 2018, employed 159 people.

The Company recognises that 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. We are proud to say that 79 out of our 159 employees have been with the Company for 10 or more years.

Communication is key to fostering this environment, with Geoff Carter, the CEO, conducting employee briefing and Q&A sessions throughout the year and his direct reports engaging with their teams on a regular basis, including appraisals which take place twice a year. During the course of 2018, the Company introduced an all-employee survey which will become an annual exercise. Employees were asked to complete in a questionnaire about their experience of working at Sabre. The response rate was 57%, which we hope to increase in 2019. Of those who responded, 94% felt that Sabre met the standards expected from an employer and over 88% would recommend Sabre as a place to work.

Also, during 2018 the Board appointed Ian Clark as the Non-executive Director responsible for engaging with employees.

In addition to the Company's Code of Conduct (which can be found on our website at www.sabreplc.co.uk/about-us/code-of-conduct/), 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. Emphasis is also placed on employee wellbeing, where all employees are offered an annual health and wellbeing check, flu vaccinations, free fruit and to participate in the Government's cycle to work scheme.

The Company offers ongoing training to all employees and external courses for newly promoted employees where appropriate, as well as encouraging employees 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.

As a result of the Share Incentive Plan introduced at the time of the Listing all employees as at 31 December 2017 were shareholders and further details of this plan, the Save As You Earn and Long Term Incentive Plans introduced for employees in 2018 can be found in the Directors' Remuneration Report set out on pages 46 to 61 of this Annual Report.

The Nomination Committee has reviewed the position regarding diversity at Board level and across the Group as at 31 December 2018. During 2018 the Board approved a formal diversity policy. The Company is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to our organisation. We encourage equality and diversity among our workforce, whilst eliminating unlawful discrimination.

Sabre's diversity policy aims:

- To promote equality, fairness and respect for all our employees
- To ensure that the Company does not discriminate an individual, specifically due to their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality, and ethnic or national origin), religion or belief, sex (gender) and sexual orientation
- To avoid all forms of unlawful discrimination.

The Company is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to our organisation. We encourage equality and diversity among our workforce, whilst eliminating unlawful discrimination.

The % of women working within Sabre:

	As at 31 December 2018	**As at 31 December 2017**
Number and % of women on the Board	**2/7 29%**	2/7 29%
Number and % of women on the Executive Committee	**1/5 20%**	0 0%
Number and % of women on the Leadership Team	**3/7 43%**	1/5 20%
Number and % of women in Senior Management roles (report to the Executive Committee)	**8/21 38%**	6/18 33%
Number and % of women working at Sabre	**71/159 45%**	66/153 42%

One of the results of the Company's focus on its people is the high employee retention rates that have been achieved. As of 31 December 2018, 79 out of the total headcount of 159 employees have been employed for over 10 years, and a further 30 employees 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.

Communities

Employees are encouraged to support local charities, and do so through events throughout the year, with employee-run initiatives including bake sales and raffles. During the year ended 31 December 2018 employees raised over £1,200 which was matched by the Group. In addition to matching employee donations, the Group supported local charities and schools. Total donations by the Group during the financial year ending 31 December 2018 amounted, in aggregate, to £4,512 (2017: £1,500). Towards the end of 2018, the employees launched Sabre's Charity Employee Committee, which will increase the Company's charitable activities and donations.

Some of the causes Sabre and its employees have supported during 2018:

- Macmillan Cancer Support (charity) – the World's Biggest Coffee Morning donation
- Save the Children (charity) – Christmas Jumper Day donation
- Alzheimer's Society (charity) – employee raffle donation
- St Barnabas House (charity) – employee raffle donation
- Other local charities – employees and corporate donations.

The Group also supports local schools by providing work experience for students, 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.

The environment and emissions

Sabre recognises that its business has an impact on the environment, and further recognises the importance of reducing that impact. Sabre does this by following current best practice wherever possible regarding reducing the Company's impact on the environment.

The GHG emissions data for the Group for the period from 1 January 2018 to 31 December 2018 is set out below.

The emissions data is measured in tonnes of carbon dioxide equivalent ("tCO_2e") 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_2e	**2018**	**2017**
Scope 1	**0**	0
Scope 2	**104**	138
Total footprint (Scope 1 and Scope 2)	**104**	138
Number of employees	**159**	151
tCO_2e per employee	**0.7**	0.9

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 offices in Dorking where its employees 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 Company 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
- Recycling bins
- Electric charging points for electric and hybrid vehicles
- During 2018 the Company removed all plastic cups and cutlery from its kitchens.

The Board is committed to the highest standards of corporate governance. The Board has worked hard to ensure application of all the main principles of the UK Corporate Governance code.

Patrick Snowball
Chairman

CHAIRMAN'S GOVERNANCE LETTER

Following the Company's first full year operating as a listed entity on the London Stock Exchange, it is my pleasure to present our second Corporate Governance Report. This report explains our current governance framework, how we have applied the provisions of the Code and includes committee reports from the Audit and Risk Committee, Nomination Committee and Remuneration Committee.

Governance

The Board is committed to the highest standards of corporate governance. Whilst the Group was already regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA") prior to the Listing, the governance practices in place were 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.

The Board has worked hard to ensure application of all the main principles of the UK Corporate Governance Code. During the year Andy Pomfret was appointed as Senior Independent Director, and has significantly contributed to the Board during this period.

Also during the year, the Board appointed Anneka Kingan as Company Secretary and Head of Internal Audit, in recognition of the need to split the role from the Chief Financial Officer to ensure independence of the role and to strengthen the Board's commitment to strong corporate governance.

The Board

The Board of Directors consists of seven directors, who have 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. During the year, the Company announced that Matthew Tooth (the nominated Non-executive Director for funds advised by BC Partners ("BCP") under the relationship agreement between Sabre and BCP) resigned from the Board. On behalf of the Board, I would like to thank Matthew for his contribution to Sabre, both during its time as a private business and through its main market listing on the London Stock Exchange. We wish him the very best going forward. I am pleased to confirm that all of the Non-executive Directors who serve on the Sabre Insurance Group plc Board are independent, in line with good corporate governance.

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.

During the year the Board held its first Board Effectiveness Review, reviewing the work of the Board, the Committees and each Director. The review was held internally and run by myself with support from the Company Secretary. More information on the process, the conclusions and recommendations can be found on page 38 of the Governance Report. The Board have agreed to conduct an external Board evaluation within two years.

2019 Annual General Meeting

The Company's 2019 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, which will be held at 10am on 23 May 2019 at the Company's offices at Old House, 142 South Street, Dorking, RH4 2YY.

Patrick Snowball
Chairman

27 March 2019

BOARD OF DIRECTORS

PATRICK SNOWBALL
CHAIRMAN

Patrick Snowball was appointed a Non-executive Director of Sabre Insurance Group plc in September 2017 (when the Company was incorporated) and Chairman of the Company in November 2017, and has been a Non-executive Director of Sabre Insurance Company Limited since July 2017. In 2018 Patrick was appointed as Non-executive Chairman of Provident Financial plc and served as Chairman of IntegraFin Holdings plc from 2017 to 2018.

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.

Committee Membership

N

GEOFF CARTER
CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR

Geoff Carter was appointed Director and Chief Executive Officer of Sabre Insurance Group plc in September 2017 (when the Company was incorporated) and has been a Director of Sabre Insurance Company Limited since December 2015. Geoff joined as Chief Operating Officer in November 2015 and became Chief Executive Officer in May 2017.

Prior to joining the Group, Geoff 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.

ADAM WESTWOOD
CHIEF FINANCIAL OFFICER, EXECUTIVE DIRECTOR

Adam Westwood was appointed Director and Chief Financial Officer of Sabre Insurance Group plc in September 2017 (when the Company was incorporated), has been a Director and Chief Financial Officer of Sabre Insurance Company Limited since September 2016, and joined as Financial Controller in 2014.

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. Adam holds a BSc (Hons) degree in Physics and Business Studies from the University of Warwick.

ANDY POMFRET
SENIOR INDEPENDENT DIRECTOR, NON-EXECUTIVE DIRECTOR

Andy Pomfret was appointed Director and Senior Independent Director of Sabre Insurance Group plc in February 2018. 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 2014.

During the last five years Andy has been a non-executive director of several companies (both quoted and unquoted). He is currently a director of Sanne Group plc and three investment trusts (Aberdeen New Thai, Miton Micro-cap and ICG Enterprise Trust). He was also a founder member of the Prudential Regulation Authority Practitioner Panel. Andy holds an MA from Queens' College, Cambridge.

Committee Membership

A N R

CATHERINE BARTON
NON-EXECUTIVE DIRECTOR

Catherine Barton was appointed a Non-executive Director of Sabre Insurance Group plc in October 2017.

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. Catherine's most recent executive experience is from Bupa where she worked as Commercial and Finance Director of the UK business from 2015 to 2017 and as General Manager for Bupa Dental Care in 2018. 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.

Committee Membership

A N R

IAN CLARK
NON-EXECUTIVE DIRECTOR

Ian Clark was appointed a Non-executive Director in September 2017 (when the Company was incorporated) and has been a Non-executive Director of Sabre Insurance Company Limited since May 2014.

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 Mighty Quin Consulting Limited, a company through which he provides strategic advice within the insurance industry.

Committee Membership

A N R

REBECCA SHELLEY
NON-EXECUTIVE DIRECTOR

Rebecca Shelley was appointed a Non-executive Director of Sabre Insurance Group plc in October 2017.

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 to 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 an MBA in International Business and Marketing from Cass Business School.

Committee Membership

A N R

Key to committees

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- Chairman of Committee

Board changes that occurred during the year

Matthew Tooth – Non-executive Director (resigned with effect 18 June 2018)

Matthew Tooth was appointed as Non-executive Director in September 2017 (when the Company was incorporated) and Non-executive Director of Sabre Insurance Company Limited since September 2016. 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. Matthew was not independent in his role as Non-executive Director as he was appointed pursuant to the Relationship Agreement described on page 64 of this Annual Report.

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 and supports the principles laid down in the UK Corporate Governance Code (the "Code"), as issued by the Financial Reporting Council. The Board considers that the Company became compliant with all of the principles and provisions of the Code during the financial year ended 31 December 2018. To ensure the Group was fully compliant with the principles of the Code, during the year Andy Pomfret was appointed to the Board as Senior Independent Director ("SID"), the Board reviewed and addressed their training and development needs, and a Board Effectiveness Review evaluating the performance of the Board, its Committees, and the Company Chairman was completed.

A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code.

Leadership

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

As at 31 December 2018, the Board comprised seven Directors: the Chairman, two Executive Directors, and four Non-executive Directors ("NEDs"), all of whom were independent. During the year there were two changes to the Board. Firstly, Andy Pomfret was appointed to the Board as SID and as NED, and secondly, Matthew Tooth, the NED appointed by funds advised by BC Partners (pursuant to the Relationship Agreement described on page 64 of this Annual Report) left the Board.

The independence of the NEDs is reviewed annually in accordance with the criteria set out within the Code. The Board considers Catherine Barton, Ian Clark, Andy Pomfret and Rebecca Shelley to be independent in accordance with Provision B.1.1 of the Code. Accordingly, over half the Board excluding the Chairman was independent as at 31 December 2018.

All of the Directors bring strong judgement to the Board's deliberations. During the year the Board was of sufficient size and diversity that the balance of skills and experience was considered to be appropriate for the requirements of the business.

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 www.sabreplc.co.uk/about-us/code-of-conduct/).

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 meets six times a year with supplementary meetings as required. There is a planned cycle of activities, managed through a schedule of matters, and a formal agenda for each meeting. Minutes and a follow-up list of matters arising from each meeting are maintained. Verbal updates are provided by each Committee Chairman at the following Board Meeting. 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 Chief Executive Officer

The Company considered that Patrick Snowball was independent on his appointment as Chairman.

The roles of the Chairman and the Chief Executive Officer ("CEO") are different and their separate responsibilities are set out in writing, recognised 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 NEDs
- 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
- 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 NEDs are responsible for ensuring the Board and its Committees fulfil their responsibilities. The NEDs 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
Andy Pomfret was appointed as SID in February 2018. 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
- Meeting with the NED 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 Audit and Risk Committee
- The Nomination Committee
- The Remuneration Committee
- The Disclosure Committee.

The terms of reference of these Committees were approved by the Board, reviewed annually and are available on the Company's website at www.sabreplc.co.uk/about-us/corporate-governance/

The Committee reports are set out on pages 40 to 61.

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. During the year Patrick Snowball, the Chairman, stepped down as a member of the Audit and Risk Committee and the Remuneration Committee, with effect 21 March 2018, when Andy Pomfret was appointed to both Committees. Upon joining the Board, Andy Pomfret was also appointed to the Nomination and Disclosure Committees. 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
The attendance of directors at Board and committee meetings held in the financial year ended 31 December 2018 are illustrated in the table below.

The activities of the Board during the year are set out below and the reports from each of these Committees (other than the Disclosure Committee) are set out on pages 40 to 61 of this Annual Report.

At the meetings of the Board in the financial year ended 31 December 2018, the Board met seven times, during which they reviewed and approved:

- The performance of the Company
- The announcement relating to the financial year ending 31 December 2017
- The 2018 Annual Report and Accounts, including the Committee reports, viability and going concern statements
- The Notice of Meeting and Proxy Form for the 2018 AGM
- The Half Year Results and Trading Statements
- The Company's strategy
- The payment of the interim dividend
- The 2019 budget.

In addition to this above, the Board regularly received updates, reports and presentations from other senior employees including the Chief Actuary, Claims Director, Head of IT and Head of HR.

Attendance by Directors at Board and Committee

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Catherine Barton	7/7	5/5	3/3	6/6
Geoff Carter	7/7	n/a	n/a	n/a
Ian Clark	7/7	5/5	2/3	5/6
Andy Pomfret	5/5	3/3	1/1	4/4
Rebecca Shelley	7/7	4/5	2/3	6/6
Patrick Snowball	7/7	2/2	3/3	2/2
Matthew Tooth	3/5	n/a	n/a	n/a
Adam Westwood	7/7	n/a	n/a	n/a

GOVERNANCE REPORT
CONTINUED

Board effectiveness

Board composition

The Board is 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. During the year, the Board has been further strengthened by the appointment of Andy Pomfret as NED, and Anneka Kingan as Company Secretary. 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 year, the Chairman and the NEDs met without the Executive Directors at the end of each Board meeting, and the NEDs met without the Chairman present.

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 advisers, and visits to the Company's office in Dorking.

The ongoing professional development of the Directors has been reviewed by the Board and its Committees. The Chairman will review and agree training and development needs with each of the Directors during each year. Directors 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, and are encouraged to continue their own professional development through attendance at seminars and conferences.

Information and advice

Directors are provided with appropriate documentation one week in advance of each Board and Committee meeting. During the year, an online platform for Board and Committee papers was procured, ensuring timely access to accurate information for the Directors. All Directors have access to the advice and services of the Company Secretary for information and guidance, who is responsible for ensuring that all Board procedures have been complied with. Directors may also obtain independent professional advice at the Company's expense if they believe it may be required in the furtherance of their duties. No such advice was sought by any Director during the year.

Time commitment

As part of the appointment process and their annual review the NEDs each confirm that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively and Directors are expected 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 NED of the Company.

The Board is satisfied that the Chairman and each NED 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, Chairman and individual Directors. During the year a formal annual review of the performance of the Board, its Committees, Chairman and individual directors was completed. This year the process consisted of an internally run exercise led by the Chairman and assisted by the Company Secretary. The appraisal questionnaire used as part of the process was wide ranging and included questions covering the Board, the Committees and Chairman's performance. Individual Director performance was reviewed by the Chairman.

The appraisal confirmed that the Board, its Committees and the Chairman were operating effectively. The feedback was discussed with the Board and the Chairman. It was agreed that steps would be taken to invite Senior Management to attend parts of meetings and to develop a Management Risk Committee.

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 (in compliance of Code provision B.7.1) notwithstanding the Company only entering the FTSE 250 in December 2018.

Further details regarding the terms of appointment and remuneration for the Executive and NEDs are set out in the Directors' Remuneration Report (on pages 46 to 61) 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 are compiled based on disclosures made by the Director. These are updated and reviewed on an annual 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.

Modern Slavery Act 2015

As part of Sabre's commitment to preventing bribery and corruption, the Group has an Anti-Bribery and Corruption Policy, which is reviewed and approved annually by the Board. In addition to this Sabre has considered the Modern Slavery Act 2015. Sabre has a zero tolerance approach to any form of slavery and human trafficking and confirms to the best of its knowledge that there is no slavery or human trafficking within its supply chain. The Company's Modern Slavery Statement is reviewed and approved by the Board on an annual basis and can be found on the Company's website www.sabreplc.co.uk/modern-slavery-statement/.

Whistleblowing arrangements

The Company has a policy which enables and encourages employees to report in confidence any possible improprieties in either financial reporting or other matters. During the year the Audit and Risk Committee agreed to outsource these arrangements, which will come into effect in 2019.

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 in 2013) can be found in the Directors' Remuneration Report on pages 46 to 61.

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. Subsequent to the Company's Listing, the CEO, CFO and Company Secretary continue to engage with shareholders through investor presentations, conferences and roadshows, ensuring they are up to date with the views of the Company's shareholders. These views are regularly shared with the Board, and the Chairman and the SID remain available to meet shareholders to discuss any issues or concerns they may have.

The Board keeps shareholders informed primarily by way the Annual Report, Half Year Results, Trading Statements 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/investors/regulatory-news/.

The holdings of our major shareholders can be found on page 63 of this Annual Report. During the year, the Company's largest shareholder at Listing, the BC Partners Group ("BCP"), completely sold down their shareholding in the Company. The relationship between the Group and BCP was governed by the Relationship Agreement described on page 64 of this Annual Report and ensured that the Company was capable of carrying on its business independently of the BCP and its associates. The Relationship Agreement terminated with effect of BCP selling their shareholding.

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 2019 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

Catherine Barton
Committee Chairman

COMMITTEE MEMBERS

Committee members	Meeting attendance
Catherine Barton (Committee Chairman)	5/5
Ian Clark	5/5
Andy Pomfret – appointed to the Committee in May 2018	3/3
Rebecca Shelley	4/5
Patrick Snowball – resigned from the Committee in May 2018	2/2

The Committee

The Audit and Risk Committee was in place throughout the financial year ended 31 December 2018, was chaired by Catherine Barton, and comprises of the four 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 and were independent as required under section B2.1 of the UK Corporate Governance Code (the "Code"). The Board considers that Catherine Barton has the appropriate financial expertise, as required by section C3.1 of the Code, as Catherine is a Fellow of the Institute of Actuaries and has held executive roles, including Commercial and Finance Director in another company. In addition to this, both Andy Pomfret and Ian Clark have recent and relevant financial experience, and the make-up of the Committee ensures that it is able to fulfil its duties. Details of the experience of all members of the Committee are included on pages 34 to 35.

Members to the Committee are appointed by the Board, on the recommendation of the Nomination Committee and the Chairman of the Audit and Risk Committee. Appointments are made for an initial period of three years, which can then be followed by an additional two further three year periods. During the year and upon his appointment to the Board, Andy Pomfret joined the Committee, and at the same time Patrick Snowball left the Committee. There were no other changes during the year to the membership of the Committee.

Both the Chief Executive Officer and Chief Financial Officer (who is also the Chief Risk Officer) are invited to attend meetings, unless they have a conflict of interest. In addition, the External Audit Partner, the Internal Audit Partner and the Company Secretary and Head of Internal Audit are invited to attend the Committee meetings, providing there is no conflict of interest. Other relevant people from the Company may also be invited to attend all of or part of a meeting to provide deeper insight into the Company and issues. Either immediately prior to the meeting or immediately after the meeting, the Committee Chairman meets with either the External Audit Partner or the Internal Audit Partner. These private meetings alternate at each meeting, and allow the auditors to have direct and regular access to the Committee Chairman.

The Committee Chairman also held individual meetings with Adam Westwood, who is the Chief Financial Officer and Chief Risk Officer, and Anneka Kingan who is the Company Secretary and Head of Internal Audit.

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. The terms of reference of the Committee can be found on the Company's website www.sabreplc.co.uk/about-us/corporate-governance/ or obtained from the Company Secretary.

During the year, the Committee reviewed its effectiveness, as part of the Group's Board Effectiveness Review. The Committee agreed that the Committee was effective.

Committee's role and responsibilities

The Audit and Risk Committee meets at least four times a year, and as and when required. The Committee is responsible for monitoring the integrity of the financial statements of the Company, for providing effective governance over the appropriateness of the Group's financial reporting and advising the Board on the Group's overall risk appetite.

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.
- **Reserves 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 includes reviewing and monitoring the effectiveness of the procedures for the identification, assessment and reporting of risk as well as setting, and monitoring adherence to, a risk appetite that defines the nature and extent of the risks that the Group is facing and should be willing to take in achieving its strategic objectives. It also includes oversight of the processes by which risk-based capital requirements, and the Group's solvency position, is determined and monitored.
- **Compliance** – this 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 and for ensuring fair customer outcomes.
- **Internal audit** – this 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 employees may in confidence raise concerns about possible improprieties regarding financial reporting and other matters.
- **Internal controls** – this 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 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 auditor's 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 during the year

During the financial year, the Committee held five meetings. Each Committee meeting held during the year had a particular specific focus. During the year, the Committee focused on:

- A review of the results of the external auditor's work for Half Year and the Half Year Statement
- The External Audit Plan
- The Internal Audit Plan and the appointment of BDO as Internal Auditor
- Key areas of focus in advance of the commencement of the year-end audit.

During the year, the Committee addressed its responsibilities by:

- Reviewing the external auditor's 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 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 Board, which agreed to recommend to shareholders, the reappointment of Ernst & Young ('EY') as the Group's external auditor
- Recommending to the Board, which adopted the recommendation, the appointment of BDO as the Group's outsourced internal audit service provider
- Recommending to the Board, which adopted the recommendation, the appointment of an external company to provide the Company's whistleblowing hotline
- 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 external auditor effectiveness review
- Reviewing the ongoing professional development of Committee members
- Reviewing its terms of reference.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

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 auditor. The Chair of the Committee met with the Group's Chief Actuary without other members of 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. Share-based payments

The Group operates two Employee Benefit Trusts ("EBTs") and has implemented a number of share schemes since listing on the London Stock Exchange. The Committee has confirmed that the appropriate accounting policies have been selected and applied in respect of the establishment of the EBTs and share schemes operated during the year.

3. 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. The Committee has reviewed the effectiveness of the Group's risk management and internal control 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 auditor. 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 has a formal process of internal audit, and during the year BDO were appointed to run the Group's Internal Audit programme. BDO perform audits on a rolling basis across the Group. The reports are made available in summary form to the Committee and in detailed form to the Committee Chairman, Chief Financial Officer, Chief Risk Officer, the Company Secretary and Head of Internal Audit, and relevant members of Management.

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 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.

External audit effectiveness and independence

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

Overall effectiveness of the external audit process is dependent upon open communication between the Group and the auditor, 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.

The effectiveness of the financial year ended 31 December 2017 and half year ended 30 June 2018 external audit process was formally assessed during the year by the Committee. Feedback was sought from various participants in the process (primarily the Committee, Chief Financial Officer, Chief Executive Officer and the Company's Senior Accountant). The effectiveness of the audit partner, the audit team, their approach to audits, including planning and execution, communication, support and value were assessed and discussed. Overall the effectiveness of the external audit process was assessed as performing as expected.

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 auditor's independence or objectivity. Certain services cannot be provided by the external auditor or members of its network without the possibility of compromising its independence and as such are not permitted to be provided by the external auditor. 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 auditor in the past three years. During the year, EY and its subsidiaries charged the Group £175,000 (2017: £170,000) for audit and audit-related services, and received a total fee during the financial year of £250,000 (2017: £705,000). 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 2018, 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 Limited and of the previous parent companies of Sabre Insurance Company Limited since 2001. Given that Sabre Insurance Company Limited, the principal subsidiary of the Group, is considered a Public Interest Entity ("PIE"), the transitional rules under the EU legislation require Sabre Insurance Company Limited to run a tender process for the external audit by 2023, after which Sabre Insurance Company Limited will be required to change its external auditors. It is anticipated, given the material nature of Sabre Insurance Company Limited 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 Limited in 2016.

On behalf of the Audit and Risk Committee

Catherine Barton
Chairman of the Audit and Risk Committee

27 March 2019

NOMINATION COMMITTEE REPORT

Patrick Snowball
Committee Chairman

COMMITTEE MEMBERS

Committee members	Meeting attendance
Patrick Snowball (Committee Chairman)	3/3
Catherine Barton	3/3
Ian Clark	2/3
Andy Pomfret (appointed to the Committee in May 2018)	1/1
Rebecca Shelley	2/3

The Nomination Committee was in place throughout the financial year ended 31 December 2018, was chaired by the Company Chairman, Patrick Snowball, and comprises the four 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 and were independent as required under section B2.1 of the UK Corporate Governance Code. Three Committee meetings were held in the year ended 31 December 2018.

The Chief Executive Officer ("CEO") may also be invited to attend meetings, unless this presents a conflict of interest. During the year, the CEO either attended partially or fully all of the Committee meetings. The Company Secretary and Head of HR may be invited, but only as appropriate and only if this does not present a conflict of interest. The Committee is supported by executive search consultants as and when required.

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/about-us/corporate-governance and are reviewed by the Committee on an annual basis.

Role of the Committee

The Committee meets a minimum of twice a year and as required.

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, managed through a schedule of matters, to ensure that it addresses its responsibilities in the current financial year.

Activities during the year

During the financial year ending 31 December 2018, the Committee held three meetings. During these meetings, the Committee:

- Oversaw the recruitment and appointment process of Andy Pomfret as Senior Independent Director, using an independent search firm, Korn Ferry
- Reviewed the position regarding succession planning and talent management for the Executive Directors and senior management of the Company and its principal subsidiary Sabre Insurance Company Limited
- Reviewed and approved for recommendation to the Board a formal diversity policy
- Approved the Nomination Committee Report in the Annual Report for the year ended 31 December 2017
- Reviewed the ongoing professional development of Committee members and the induction of new Directors
- Discussed the balance of skills and experience on the Board and considered if any changes were necessary
- Reviewed and approved the Committee's Terms of Reference
- Reviewed and recommended the election of Directors at the Company's 2018 Annual General Meeting
- Reviewed the annual Committee's evaluation responses.

On behalf of the Nomination Committee

Patrick Snowball
Chairman of the Nomination Committee

27 March 2019

REMUNERATION COMMITTEE REPORT

Rebecca Shelley
Committee Chairman

COMMITTEE MEMBERS

Committee members	Meeting attendance
Rebecca Shelley (Committee Chairman)	6/6
Catherine Barton	6/6
Ian Clark	5/6
Andy Pomfret – appointed to the Committee with effect May 2018	4/4
Patrick Snowball – resigned from the Committee in May 2018	2/2

Directors' Remuneration Report

Annual statement from the Remuneration Committee Chair

On behalf of the Board, I am pleased to present to you the Remuneration Committee's Report for the year ended 31 December 2018. Against a backdrop of competitive market conditions, Sabre's Management Team has delivered on the Group's strategy, generating a strong underwriting result and have built a solid foundation for profitable growth in future years.

Introduction

This Report has been prepared in accordance with the Directors' Remuneration Reporting Regulations for UK incorporated companies set out in Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). The Committee's role is to ensure that Senior Management is appropriately incentivised to deliver sustainable growth to shareholders over the long-term. The Committee has supported 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.

What is in this report?

The report is presented in three sections:

- Remuneration Committee Report and the Remuneration Committee Chair's Annual Statement
- The Directors' Remuneration Policy (the "Policy")
- The Annual Report on Remuneration – this sets out the remuneration outcomes for 2018 and how the Policy will be implemented during 2019. This report will be subject to an advisory shareholder vote at the 2019 AGM.

The Remuneration Committee

The Remuneration Committee was in place throughout the financial year ended 31 December 2018, was chaired by Rebecca Shelley, and comprises the four 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 and were independent as required under section B2.1 of the UK Corporate Governance Code. Six Committee meetings were held in the year ended 31 December 2018.

The Chief Executive Officer ("CEO") may also be invited to attend meetings, unless this presents a conflict of interest, for example when his own remuneration is discussed. Members of the Committee do not have any personal interests in the topics discussed at the Committee, except as shareholders in the Company. No Director is involved in the decisions setting his or her own remuneration. During the year, the CEO either attended partially or fully all of the Committee meetings. The Company Secretary and Head of Human Resources may be invited, but only as appropriate and only if this does not present a conflict of interest. The Chairman of the Committee also meets separately with the Chief Executive Officer and the Company Secretary.

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/about-us/corporate-governance and are reviewed by the Committee on an annual basis.

Statement of shareholder voting at the 2018 AGM

The following tables show the results of shareholder voting relating to remuneration at the AGM held on 24 May 2018:

Resolution Report to approve the Directors' Remuneration Policy

	Total number of votes	% of votes cast
For (including discretionary)	150,130,716	99.20
Against	1,214,214	0.83
Total votes cast (excluding withheld votes)	151,344,930	100
Votes withheld	665,223	n/a
Total votes cast (including withheld votes)	152,010,153	n/a

Resolution Report to approve the Directors' Remuneration Report

	Total number of votes	% of votes cast
For (including discretionary)	150,021,694	99.96
Against	58,822	0.04
Total votes cast (excluding withheld votes)	150,080,516	100
Votes withheld	1,929,636	n/a
Total votes cast (including withheld votes)	152,010,152	n/a

Role of the Committee

The Committee meets a minimum of twice a year and as required. The Committee has a planned cycle of activities, managed through a schedule of matters, to ensure that it addresses its responsibilities in the current financial year.

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 and setting and approving the achievement of their performance conditions. The fees of the Non-executive Directors are approved by the Company Chairman and the Executive Directors.

Activities during the year

During the financial year ending 31 December 2018, the Committee held six meetings. During these meetings, the Committee:

- Approved the prior year Directors' Remuneration Report, and reviewed shareholder comments and AGM on the Report
- Set the grant levels, and the financial and individual performance conditions for the awards made under the 2018 Short Term Incentive Plan
- Set the financial performance conditions and grant levels for the awards 2018 Long Term Incentive Plan
- Reviewed the salaries of the Executive Directors, with new salaries effective from 1 April 2019
- Reviewed the Company's Save As You Earn employee contribution levels, and increased to £500 per calendar month, with effect from 2019
- Reviewed the Company's Share Incentive Plan and opened up the Plan to employee contributions, matched by the Company, with every three shares purchased by employees, the Company will match with one additional share
- Reviewed and approved the Committee's Terms of Reference
- Recommended to the Board the appointment of Ian Clark as the Non-executive Director to engage with employees.

Committee Advisers

Deloitte LLP ("Deloitte") is the appointed Committee remuneration adviser, and was reappointed by the Committee during the year. Advisers attend the Committee meetings as appropriate, and provide advice on executive remuneration, best practice and market updates. The Committee evaluates the support provided by its advisers annually and is comfortable that the advisers detailed did not have any connection with the Company that may have impaired their independence. The total fees paid to Deloitte in relation to the remuneration advice provided to the Committee during the year were £126,250, excluding VAT (2017: £1,700). Fees were charged on a time and materials basis. During the year the wider Deloitte firm also provided corporate tax advisory services.

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 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 expected of a quoted company. The Policy was approved by over 99% of shareholders at last year's Annual General Meeting ("AGM"), and will remain in force for the financial year ending 31 December 2019.

The Policy's key features are:

- **Salaries, benefits and pensions** at a level to attract, incentivise and retain high-calibre employees
- **Annual Bonus Plan** to incentivise and reward the delivery of annual corporate and individual, financial and non-financial targets
- **Bonus Deferral** to ensure the alignment of Executive Directors with shareholders' interests, a portion of the annual bonus is deferred into shares, which are released two years post their grant
- **Long Term Incentive Plan ("LTIP")** to reward Executive Directors and Senior Management for the creation of long-term and sustainable shareholder value
- **Shareholding requirements for Executive Directors** to further align Executive Directors with shareholders' interests
- **Malus and clawback provisions** applied to awards made under the Annual Bonus Plan and LTIP to further embed pay for performance.

REMUNERATION COMMITTEE REPORT
CONTINUED

Executive remuneration in 2018

The Remuneration Committee discussed and approved the remuneration outcomes in respect of 2018 shortly after the year end. Whilst the Committee has the ability to use discretion to adjust awards made under both the Long Term and Short Term Incentive Plans, the Committee considered the outcomes under the Short Term Incentive Plan for 2018 were aligned with the Company's performance. Further details and the performance conditions for the awards made under the Company's LTIP and STIP can be found on pages 55 to 61. The Group has a well-defined strategy, whereby the profitability of business written is prioritised under all market conditions. During 2018, the motor insurance market appeared to soften, with premium increases being lower than claims inflation. Under these conditions, Sabre's strategy is to maintain pricing discipline in order to preserve margins and build a strong base to allow growth when market prices start to increase. In 2018, despite such competitive conditions, Sabre achieved a premium level broadly in line with 2017 while keeping the combined operating ratio on business written within our preferred range.

Executive remuneration in 2019

When determining the remuneration arrangements for the coming year, the Committee, whilst mindful that base salaries should remain competitive, also took into consideration the strong individual performance of the Executive Directors over the year, the changes to their roles since listing and the growth and extension of their responsibilities as the Company continues to mature.

The Committee has reviewed the salary levels of the Executive Directors and concluded that an increase should be made to both the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") with effect 1 April 2019 (by 6.3% for the CEO and 11.1% for the CFO) to recognise the performance of both individuals as executive directors of a listed company in our first full year following our IPO.

Given Adam Westwood's progression in his role as CFO the Committee determined that his salary had ceased to appropriately reflect his experience and the growing complexity of the role. As set out in last year's report, the CFO's salary is still significantly below the comparator market range. As such the Committee reserves the right to make increases above those granted to all employees as the CFO continues to develop in the role.

Reflecting the Committee's commitment to a remuneration framework which aligns Executive Directors with long-term value creation, as in 2018 the grants under the 2019 LTIP for the CEO will be 125% of salary, and for the CFO this will be 100% of salary. The performance conditions for these awards can be found on page 61. The Committee has implemented a two year post-vesting holding period for the awards made to the Executive Directors under the LTIP, for awards made from 1 January 2019, aligning the Company with the UK Corporate Governance Code. The Committee reviewed the bonus levels for 2019 under the Company's Short Term Incentive Plan and concluded that both the CEO and CFO's maximum bonus for 2019 should be increased, within policy limits, to 125% of their salary. Whilst the performance conditions for these awards are deemed to be commercially sensitive, the Committee is satisfied that they are appropriately stretching, and they will be disclosed in the 2019 Annual Remuneration Report.

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. The Committee believes in the engagement and motivation of the workforce. As a result, during the year the Committee decided to increase the maximum employee monthly contribution to the Company's Save As You Earn Plan from £250 to £500 and expanded the Company's Share Incentive Plan to allow for employee contributions and employer matched shares, at a ratio of 3:1, where for every three shares an employee purchases, the Company matches with one free share. These increases will come into effect during 2019. Also during the year and in line with best practice, the Committee appointed Ian Clark as the Non-executive Director to represent employees. An engagement programme of meetings and lunches with Ian for employees will be held throughout 2019, with the intention of building a greater communication channel for employees to the Board.

Whilst the Group currently has fewer than 250 employees, and so is not required to submit a formal statement on its gender pay gap, our intention is to be transparent. As such, we will make a statement available on our corporate website during 2019.

Shareholder engagement

Sabre and the Remuneration Committee are committed to maintaining an ongoing dialogue with shareholders on the issues of remuneration and welcome any feedback you may have, via the Company Secretary.

We look forward to your support on the resolution relating to remuneration at the Company's Annual General Meeting on 23 May 2019.

On behalf of the Remuneration Committee

Rebecca Shelley

Rebecca Shelley
Chairman of the Remuneration Committee

27 March 2019

DIRECTORS' REMUNERATION POLICY

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

Our approach

The Executive Directors' remuneration has five main components: a base salary, benefits, employer pension contributions, a performance-related annual bonus (Short Term Incentive Plan) and awards made under the Company's Long Term Incentive Plan. Directors are also entitled to participate in both of the 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:

1

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 employees with those of shareholders and, where appropriate, other key stakeholders.

2

PAY FOR PERFORMANCE

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

3

LONG-TERM ALIGNMENT

There will be an appropriate balance of remuneration to the delivery of longer-term performance targets. In determining the Company's Remuneration Policy, the Committee has taken into account the relevant regulatory and governance principles.

DIRECTORS' REMUNERATION POLICY
CONTINUED

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

Policy table

Element and link to strategy	Operation	Opportunity	Performance measures
Salary			
To attract, incentivise and retain Executive Directors of a high-calibre.	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. 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.	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. There are however specific circumstances in which the Committee could award increases outside this range which may include: – A change in the Executive Director's role and/or responsibilities – Performance and/or development in role of the Executive Director – A significant change in the Group's size, composition and/or complexity. 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. Current salaries for the Executive Directors are set out in the Annual Report on Remuneration.	None.
Benefits			
To provide a benefits package to recruit and retain Executive Directors of a high-calibre.	The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to Sabre's all employees and the external market. Benefits currently include (but are not limited to) life insurance and private medical insurance. 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.	As the costs of benefits are dependent on the Executive Director's 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.	None.
Pension			
To support the Company's strategy of recruiting and retaining Executive Directors of a high-calibre for the long term.	The Group may make employer pension contributions to a registered pension plan (or such other arrangement the Committee considers has the same economic effect) set up for the benefit of each of the Executive Directors. Alternatively, an Executive Director may be awarded some/all of the contribution as an equivalent cash allowance in lieu of pension contributions.	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. Details of the current contribution levels are set out in the Annual Report on Remuneration.	None.

Element and link to strategy	Operation	Opportunity	Performance measures
Short Term Incentive Plan ("STIP") – Annual bonus and Deferred Bonus Plan ("DBP")			
To incentivise and reward the delivery of annual corporate and/or individual financial and non-financial targets. To align the interests of Executive Directors with shareholders through the deferral of a portion of the bonus into shares.	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. 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). Malus and clawback provisions will apply (see section below for further details).	The maximum bonus opportunity for Executive Directors is 125% of base salary. Actual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of that year.	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 incentivise delivery of the Company's strategy. At least half of the annual bonus will be based on financial measures. Performance measures may include strategic and/or personal objectives. No payments will be made under each performance element of the bonus for less than threshold performance, at which 25% of bonus is payable.
Long Term Incentive Plan ("LTIP")			
To incentivise and reward delivery of the Group's longer-term strategic objectives for the business.	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. The Committee may determine that awards may be subject to a post-vesting holding period before any underlying shares may be sold. Malus and clawback provisions will apply to unvested and vested awards respectively (see section below for further details). **For awards made under the LTIP, with effect 1 January 2019, the Committee have implemented a two year post-vesting holding period for awards made to the Executive Directors.**	The maximum award in respect of any financial year will be 175% of salary. Actual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of that year.	The majority of performance measures used to assess performance under the LTIP will be financial. A portion will be based on relative Total Shareholder Return. No payments will be made under each performance condition of the LTIP for less than threshold performance, at which 25% of the award vests, rising to 100% for maximum performance.
All-employee share plans			
To align the Executive Directors with the wider workforce.	Executive Directors are eligible to participate in any all-employee share plans in place, which are operated in line with HMRC guidance. These are currently a share acquisition and free share plan, known as a UK Share Incentive Plan, ("SIP"), and a savings-related share option plan, known as the Save As You Earn ("SAYE") Plan.	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.	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. 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.	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. 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. 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.	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.

DIRECTORS' REMUNERATION POLICY
CONTINUED

Notes to the policy table

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 on the prior pages 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.

Selection of performance conditions

For the Short Term Incentive Plan ("STIP"), the Committee believes that a mix of financial and non-financial targets is most appropriate. 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 Long Term Incentive Plan ("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 relative Total Shareholder Return ("TSR").

Terms common to the DBP and LTIP

Awards under the DBP and LTIP may:

- be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect
- 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
- 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
- be settled in cash at the Committee's discretion
- 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 STIP and LTIP. 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
- 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:

- In the case of LTIP awards, the start of the performance period and ending on the fifth anniversary of the date of grant
- In the case of STIP (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.

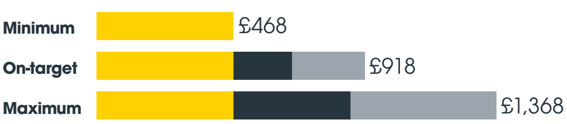
Remuneration scenario charts

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

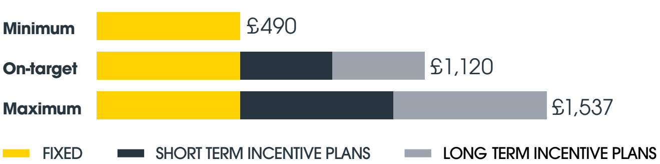
Pay scenario	Basis of calculation
Minimum	Fixed pay only consisting of salary, benefits and pension
On-target	Fixed pay, plus the potential value of the annual bonus at target (50% of the maximum for 2018, 60% of the maximum for 2019) and the LTIP award vesting at threshold (25% of the maximum)
Maximum	Fixed pay, plus the maximum potential opportunity for the annual bonus (100% of the maximum) and the LTIP award vesting (100% of the maximum)

Remuneration scenario graph for illustrative purposes, based on the CEO's remuneration package:

2018 (£'000)



2019 (£'000)



All scenarios exclude share price growth and dividends.

These graphs are for illustrative purposes. They include the LTIP grants, which were made in 2018 but will not vest until 2021.

Remuneration Policy for new Executive Directors

The Committee intends to set any new Executive Director's remuneration package in line with the Policy outlined earlier in this section. In recognition of the changes in the corporate governance environment, the Committee will align the Company's pension contributions for any newly appointed Executive Director with that of the average employee.

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 wishes 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.

Service agreements and exit payment policy

In line with the UK Corporate Governance Code Provision B.7.1, all directors are subject to re-election annually at the Company's Annual General Meeting.

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	21 months
Andy Pomfret	28/02/2018	3 months	26 months
Catherine Barton	04/10/2017	3 months	21 months
Ian Clark	21/09/2017	3 months	21 months
Rebecca Shelley	04/10/2017	3 months	21 months

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 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.

Short Term Incentive Plan ("STIP") – Annual Bonus and Deferred Bonus Plan ("DBP")

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.

Long Term Incentive Plan ('LTIP')

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 value 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 participate in some form of share-based incentive. 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 be investors in the Group, all eligible employees were offered an award of free shares under the Share Incentive Plan. The Company operated both a Save As You Earn ("SAYE") Plan and a Share Incentive Plan ("SIP") 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. The Company also has appointed Ian Clark as the Non-executive Director to represent employee opinions at the Board.

ANNUAL REPORT ON DIRECTORS' 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 2018

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) the following parts of the Annual Report on Directors' Remuneration are audited:

- The single total figure of remuneration for each Directors, including pension entitlements, STIP and LTIP outcomes for the financial year ended 31 December 2018
- Share plan awards granted during the year ended 31 December 2018
- Directors' external appointments
- Payments to past Directors and payments for loss of office
- Directors' shareholdings and share interests.

All other parts of the Annual Report on Directors' Remuneration are unaudited.

Single figure of remuneration (audited)

The table below sets out the total remuneration received by Executive Directors and Non-executive Directors in respect of financial year ended 31 December 2018. As the Company listed during 2017, the payments referenced under the 2017 columns relate from the period of 11 December 2017 to 31 December 2017.

	£'000s													
	Salary		Taxable benefits		Pension		Short Term Incentive Plan[1]		Long Term Incentive Plan[2]		IPO Award		Total remuneration	
Individual	**2018**	**2017**	**2018**	**2017[3]**	**2018**	**2017**	**2018[4]**	**2017[5]**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Executive Directors														
Geoff Carter	**400**	22[6]	**15[7]**	0	**53**	2	**292**	9	**0**	0	**n/a**	217	**760**	251
Adam Westwood	**225**	12[8]	**2**	0	**20**	1	**165**	4	**0**	0	**n/a**	217	**412**	235
Executive Director Total	**625**	34	**17**	0	**73**	3	**457**	13	**0**	0	**n/a**	435	**1,172**	486
Non-executive Directors														
Patrick Snowball	**150**	8[9]	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	100	**150**	108
Andy Pomfret	**59[10]**	0	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	0	**59**	0
Catherine Barton	**70**	4[9]	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	0	**70**	4
Ian Clark	**60**	3[9]	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	0	**60**	3
Rebecca Shelley	**70**	4[9]	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	0	**70**	4
Matthew Tooth	**28[11]**	3[12]	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	0	**28**	3
Non-executive Director Total	**437**	22	**0**	0	**0**	0	**0**	0	**0**	0	**n/a**	100	**437**	122
Total	**1,062**	56	**17**	0	**73**	3	**457**	13	**0**	0	**n/a**	535	**1,609**	607

1 Awards made under the Short Term Incentive Plan ('STIP') may be subject to recovery and withholding provisions in line with the Company's Remuneration Policy.
2 Awards made under the Long Term Incentive Plan ('LTIP') may be subject to recovery and withholding provisions in line with the Company's Remuneration Policy. There were no awards under the Company's Long Term Incentive Plan ('LTIP') due to vest during the financial year ended 31 December 2018.
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 Awards made under the STIP are paid for performance over the relevant financial year. Details of the performance targets and performance against the targets for the 2018 STIP awards are detailed on page 56. Consistent with the terms of the 2018 Remuneration Policy, 50% of the bonus earned in relation to the financial year ended 31 December 2018 is deferred into the Company's shares for two years, with the balance payable in cash. These shares will be held in the Sabre Group Employees' Share Trust.
5 The entire 2017 bonus was payable in cash.
6 Geoff Carter was employed by the Company with effect from 11 December 2017.
7 Taxable benefits include payment in lieu of holiday not taken.
8 Adam Westwood was employed by the Company with effect from 11 December 2017.
9 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.
10 Andy Pomfret was appointed as Senior Independent Director on 28 February 2018 and therefore his fees have been pro-rated for the period from 28 February to 31 December 2018.
11 Matthew Tooth resigned as a Non-executive Director with effect 18 June 2018 and therefore his fees have been pro-rated for the period from 1 January 2018 to 18 June 2018.
12 Matthew Tooth was a non-independent Non-executive Director. His fees were paid to BC Partners LLP as part of a Relationship Agreement and were pro-rated for the period 11 December to 31 December 2017.

ANNUAL REPORT ON DIRECTORS' REMUNERATION
CONTINUED

Base salary

The Executive Directors' salaries were reviewed at the time of the Group's Admission and no change was made to their salaries during the 2018 financial year.

Base salary	Salary (£)
Geoff Carter	400,000
Adam Westwood	225,000

Details of the salaries that will apply in 2019 are provided on page 60.

2018 Short Term Incentive Plan

Framework and outcomes for the financial year ended 31 December 2018

For the financial year ended 31 December 2018, the Executive Directors were eligible to participate in the Company's Short Term Incentive Plan ("STIP") with performance conditions aligned with Sabre's strategic priorities. Awards were made subject to the maintenance of a satisfactory risk, compliance and internal control environment during the performance period.

The maximum annual bonus opportunity was 100% of salary for Geoff Carter and 100% for Adam Westwood.

The STIP was based 60% on financial targets and 40% on non-financial targets.

In reviewing the payout under the personal element of the STIP, the Committee took into account the successful launch of the business to the public market, the additional responsibilities for the Executive Directors, and the continued focus on the business to deliver strong results.

The range of personal targets set for Geoff Carter and Adam Westwood, and the Committee's assessment of their performance against them are detailed to the right.

Geoff Carter	Weighting as a % of personal target bonus opportunity	Actual performance
Objective		
Successfully manage the business into public ownership, including governance, reporting, investor and analyst relationships. Performance will be assessed via an annual IR audit.	75%	85%
Agree succession plan for senior management and recruit new permanent roles required.	25%	85%
Total % for personal objectives	100%	85%

Adam Westwood	Weighting as a % of personal target bonus opportunity	Actual performance
Objective		
Successfully manage the enhanced reporting requirements of a publicly owned business, including timely production of the Annual Report and Accounts, and Half Year Report.	75%	85%
Maintain appropriate processes and controls within the Group's Finance function to allow continued efficient processing and accurate financial reporting.	25%	85%
Total % for personal objectives	100%	85%

The objectives detailed above for both Geoff Carter and Adam Westwood were 85% achieved, resulting in 85% of the personal element of the STIP being payable. Based on the Company and individual performance detailed above, the total bonus earned by Geoff Carter was 73% of the maximum opportunity, and the total bonus earned by Adam Westwood was 73% of the maximum opportunity.

Awards under the STIP for 2019 will be based on a combination of financial and non-financial measures as described on page 60.

The range of financial targets set and actual performance against the targets is detailed below:

		Performance targets				
Financial Measure	Weighting as a % of total bonus opportunity	Threshold	Target	Stretch	Actual performance	Actual bonus payable as a % of total bonus opportunity
Adjusted Profit After Tax	40%	£47.7m	£53m	£58.3m	£50.07m	16.7%
Return on tangible equity ("ROTE")[1]	20%	56%	62%	67%	66%	18.5%

1 Return on tangible equity as calculated here takes into account the average balance sheet position adjusted to reflect dividends declared in respect of the financial year for which the calculation is made.

The range of non-financial targets set and actual performance against the targets is detailed below:

		Performance targets				
Non-financial Measure	Weighting as a % of total bonus opportunity	Threshold	Target	Stretch	Actual performance	Actual bonus payable as a % of total bonus opportunity
Customer	25	>9/12 months standards achieved	10/12 months standards achieved	12/12 months standards achieved	12	25%
Individual	15	See above	See above	See above		12.75%

Long Term Incentive Plan ("LTIP")

Vesting of awards under the LTIP in the financial year ended 31 December 2018

Shortly prior to Admission, shareholders approved the introduction of the Sabre 2017 LTIP. No awards under the LTIP were due to vest in 2018.

Granting of awards under the LTIP in the financial year ended 31 December 2018

In line with the Company's Directors' Remuneration Policy, both Geoff Carter and Adam Westwood were granted awards (125% and 100% respectively) under the Company's LTIP during the financial year ended 31 December 2018.

The performance conditions applicable to these awards are detailed below. 50% of the award is subject to a challenging cumulative underlying Earnings Per Share ("EPS") target to be achieved in the financial year ended 31 December 2021. 50% of the award is subject to a performance target comparing the Company's Total Shareholder Return ("TSR") against the TSR of the companies of the FTSE 250, excluding investment trusts and companies in the extractive industries over the three years commencing 1 January 2018.

The performance targets for the 2018 LTIP are detailed below:

EPS

Vesting %	Cumulative underlying EPS
Threshold – 25%	57.2 pence
Target – 50%	60.2 pence
Maximum – 100%	66.2 pence
Straight line basis	Between Threshold and Maximum

TSR

Vesting %	Sabre TSR vs TSR Comparators
Threshold – 25%	Median
Target – 50%	Straight line vesting
Maximum – 100%	Upper quartile
Straight line basis	Between Threshold and Maximum

Awards will be subject to malus and clawback provisions.

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 to the London Stock Exchange in December 2017. 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.

No further IPO awards were made in 2018 or are expected to be going forward.

External appointments (audited)

Neither of the Executive Directors currently holds a paid external appointment.

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 Save As You Earn ("SAYE") 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 ten 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 at 31 December 2018, Sabre was operating within these limits.

Details of the awards granted on 21 June 2018 are set out below:

Executive Director	Basis of award	Face-value[1]	Shares over which awards were granted[1,2]	Threshold vesting (% of award)	Performance period	Performance measure
Geoff Carter	125% of salary	£500,000	186,289	25%	1 January 2018 to 31 December 2020	Cumulative underlying EPS (50%) and relative TSR performance condition (50%)
Adam Westwood	100% of salary	£225,000	83,830	25%	1 January 2018 to 31 December 2020	Cumulative underlying EPS (50%) and relative TSR performance condition (50%)

1 Calculated using the average share price of the five working days immediately preceding the date of grant of £2.684.
2 Awards granted as conditional awards

ANNUAL REPORT ON DIRECTORS' REMUNERATION
CONTINUED

Outstanding share awards (audited)

Details of outstanding awards are as follows. The performance targets for the LTIP can be found on page 57.

Save As You Earn ("SAYE") Plan

Director	1 January 2018	Granted during the year	Option Price (£)	Exercised during the year	Lapsed	Market price at exercise date (£)	31 December 2018	Date of grant	Share price on date of grant (£)	Exercisable period	Gain on exercise (£'000)
Geoff Carter	0	4,293	2.096	0	0	n/a	4,293	24 May 2018	2.650	24 May 2021 to 24 November 2021	n/a
Adam Westwood	0	4,293	2.096	0	0	n/a	4,293	24 May 2018	2.650	24 May 2021 to 24 November 2021	n/a

Long Term Incentive Plan ("LTIP")

Director	1 January 2018	Granted during the year	Option Price (£)	Exercised during the year	Lapsed	Market price at exercise date (£)	31 December 2018	Date of grant	Share price on date of grant (£)	Vesting date	Gain on exercise (£'000)
Geoff Carter	0	186,289	n/a	0	0	n/a	186,289	21 June 2018	2.67	After the release of the results for the year ended 31 December 2020	0
Adam Westwood	0	83,830	n/a	0	0	n/a	83,830	21 June 2018	2.67	After the release of the results for the year ended 31 December 2020	0

Directors' shareholdings and share interests (audited)

To further align Executive Directors with shareholders, the Committee has shareholding requirements for the 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 2018 are set out in the table below:

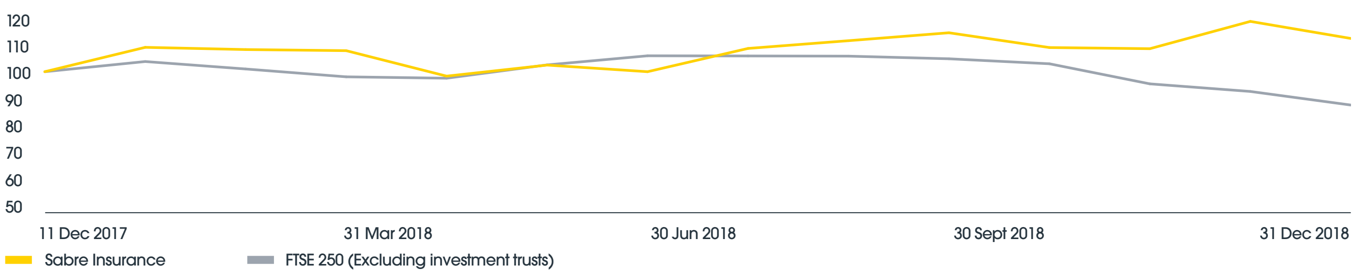
Director	Number of unvested shares subject to performance	Number of shares held as at 31 December 2018	Number of shares held as at 31 December 2017	Shareholding requirement as a % of salary	Shareholding as a % of salary achieved at 31 December 2018[1]
Current Directors					
Geoff Carter	186,289	**1,965,372**	1,965,372	200%	**1341%**
Adam Westwood	83,830	**842,303**	842,303	200%	**1022%**
Patrick Snowball	n/a	**105,288**	105,288	n/a	**n/a**
Andy Pomfret	n/a	**43,478**	n/a	n/a	**n/a**
Catherine Barton	n/a	**0**	0	n/a	**n/a**
Ian Clark	n/a	**265,761**	265,761	n/a	**n/a**
Rebecca Shelley	n/a	**0**	0	n/a	**n/a**
Past Directors					
Matthew Tooth	n/a	**n/a**	0	n/a	**n/a**

1 Calculated using a share price of £2.73 (as at 31 December 2018).

Company performance – relative Total Shareholder Return

The graph below shows Sabre's relative Total Shareholder Return ("TSR") performance from Admission to 31 December 2018 against the TSR performance of the FTSE 250 Index (excluding investment trusts and extractive industries). This is a broad equity market index, which we considered to be the most appropriate comparator.

TSR PERFORMANCE VS FTSE 250 EXCLUDING INVESTMENT TRUSTS SINCE IPO

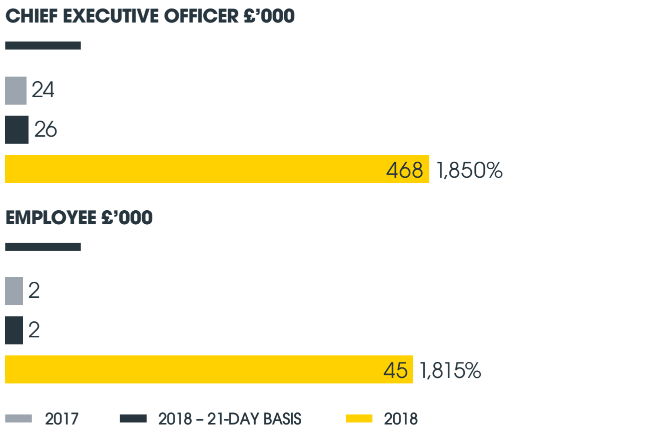


The following table shows the Chief Executive Officer's remuneration for current and prior years:

	2018 (£)	2017 (£)
Single figure of remuneration	760K	251K
Annual bonus payout (as a % of maximum opportunity)	73.0%	n/a
LTIP vesting (as a % of maximum opportunity)	n/a	n/a

Percentage change in Chief Executive Officer's remuneration

The graph below shows the change in CEO annual cash, defined as salary, taxable benefits, and annual bonus, compared to the average employee for 2017, 2018 on a 21-day basis (for comparison) and 2018 (for completeness).



The figures for 2017 represent the cash paid to the CEO and employees for the 21 days which Sabre was listed for in 2017, where as the cash paid in 2018 represents the entire year.

CEO Annual Cash	2018 £'000	2017 £'000	% Change (Annualised)	Average for other employees % change
Salary and pension	453	24	9%	7%
Taxable benefits	15	0	n/a	0%
Annual variable	292	9	87%	5%
Total	760	33	33%	7%

Arrangements for the wider workforce

The Committee seeks to align the remuneration of the Executive Directors and Senior Management with consistency in 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. In 2018 the Committee increased the maximum monthly contribution under the SAYE Plan and expansion of the SIP to include employee contributions, which is matched by the Company at a 3:1 ratio. All employees receive a salary at or above the National Living Wage, and all full time employees are eligible to receive a performance-related bonus.

CEO ratio

Although not required, the Committee considers it important, ahead of the new reporting requirements, to be transparent and is disclosing the Company's CEO to employee pay ratios. The ratio compares the total remuneration of Geoff Carter, the Chief Executive Officer, as set out in the Directors' Remuneration Report, against the remuneration of the median employee, as well as employees in the lower and upper quartiles. We will build up our reporting of these figures over time to cover a ten year rolling basis.

The ratios were calculated using the Option A methodology, which uses the pay and benefits of all UK employees. The employee pay data used was based on the total remuneration of all of Sabre's full time employees as at 31 December 2018. The CEO's pay is as per the single total figure of remuneration for 2018, as disclosed on page 59.

The Committee has considered the pay data and believes that the pay of the CEO fairly reflects pay at the relevant quartiles among Sabre's employees.

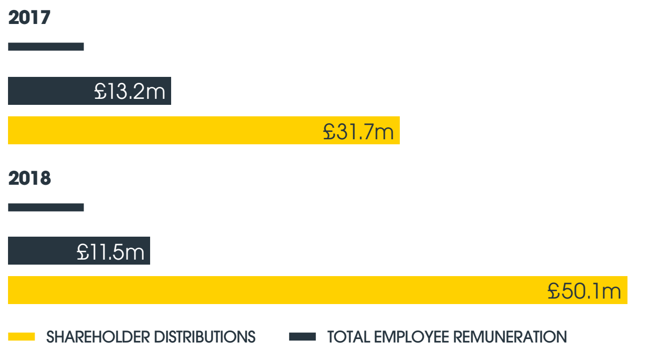
Year	CEO's Remuneration (£'000)	Pay Ratio		
		25th percentile	50th percentile	75th percentile
2018	760	29.4: 1.0	19.5: 1.0	13.2: 1.0
		Remuneration Values		
		25th percentile	50th percentile	75th percentile
		£25,849	£39,107	£57,667

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	2018	2017[3]
Shareholder distributions	£50.1[2]	£31.7m
Total employee remuneration[1]	£11.5m	£13.2m

1 Total personnel cost.
2 Includes the interim, special and final dividends declared in respect for the financial year ended 31 December 2018.
3 2017 figures include pre-IPO distributions and personnel costs, under the Group's previous structure.



ANNUAL REPORT ON DIRECTORS' REMUNERATION
CONTINUED

Implementation of the Policy in 2019

Salaries

The Executive Directors' salaries were reviewed during the year. There was no increase to the salaries during 2018, however the Committee, after consulting external benchmarking data of similar sized organisations and the Group's comparators, decided to increase the Executive Directors' salaries in 2019 as detailed below. These increases are intended to reflect the broadening of both the CEO and CFO's roles and responsibilities since listing, and will come into effect 1 April 2019. When determining the remuneration arrangements for the coming year, the Committee, whilst mindful that base salaries should remain competitive, also took into consideration the strong individual performance of the Executive Directors over the year, the advancement of their roles since listing and the growth and extension of their responsibilities. Given Adam Westwood's progression in his role as CFO, the Committee determined that his salary had ceased to appropriately reflect his experience and the growing complexity of his role. As set out in last year's report, the CFO's salary remains 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.

	Salary as at 1 April 2019	Salary as at 31 December 2018	Increase
Geoff Carter	**£425,000**	£400,000	6.3%
Adam Westwood	**£250,000**	£225,000	11.1%

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.

Chairman and Non-executive Director fees

During the year the Committee reviewed the Chairman's fee in light of the time commitment required of the role, and agreed to no change in 2019.

During the year the Chairman, Chief Executive Officer and Chief Financial Officer reviewed the Non-executive Directors' fees in light of the time commitment required of the role, and agreed to no change in 2019. In recognition of the importance of the role in ensuring communications between employees and the Board and the additional responsibilities the role entails, it was decided that the Designated Employee Representative Non-executive Director would receive an additional fee of £10,000.

The fees which will apply in 2019 are as follows:

Role	Fee (£) 2019	Fee (£) 2018
Chairman fee (all-inclusive fee)	**150,000**	£150,000
Non-executive Director base fee	**60,000**	£60,000
Senior Independent Director fee	**10,000**	£10,000
Committee Chairman fee	**10,000**	£10,000
Designated Employee Representative Non-executive Director	**10,000**	n/a
Committee member fee	**None**	None

The Chairman and Non-executive Directors' fees for the financial year ended 31 December 2019 are therefore:

Director	Reason for fee	Total annual fee (£)
Patrick Snowball	Company Chairman	150,000
Andy Pomfret	Non-executive Director Senior Independent Director	70,000
Catherine Barton	Non-executive Director Audit and Risk Committee Chairman	70,000
Ian Clark	Non-executive Director Designated Employee Representative Non-executive Director	70,000
Rebecca Shelley	Non-executive Director Remuneration Committee Chairman	70,000

Pension

The maximum employer contribution is 17% of salary. For 2019, 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. The Committee will keep under review the contribution levels to Executive Directors in comparison to the workforce.

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 125% of salary for 2019. This is within the Company's Remuneration Policy, and reflects the increase in size and scope of the roles post the Company's IPO. The award for on-target performance will be 60% of maximum. The Committee considers it appropriate to increase the maximum and on-target awards for 2019 as the bonus targets are appropriately stretching. Although performance conditions are deemed commercially sensitive, they will be disclosed in the 2019 Annual Remuneration Report.

The performance measures approved by the Committee at the beginning of the performance period 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 2019 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 2019.

The vesting of the awards will be assessed against a combination of cumulative underlying EPS growth and relative TSR. The conditions will operate independently. Awards will vest after three years and will be further subject to a two-year holding period post-vesting to align with the UK Corporate Governance Code.

The EPS condition will be measured based on total EPS for the three years ending 31 December 2021 with the TSR condition measuring Sabre's relative performance versus the companies in the FTSE 250 (excluding investment trusts and extractive industries).

The EPS condition (50% of the award) approved by the Committee at the beginning of the performance period will be as follows:

Vesting % of EPS element	EPS at 31 December 2021
Threshold – 25%	54.5 pence
Target – 60%	60.6 pence
Maximum – 100%	66.7 pence
Straight line basis	Between Threshold and Target And Target and Maximum

The TSR condition (50% of the award) approved by the Committee at the beginning of the performance period will be as follows:

Vesting % of TSR element	Three-year TSR relative to the FTSE 250 (excluding investment trusts and extractive industries) constituents at 31 December 2021
Threshold – 25%	Median
Target – 60%	Straight line vesting
Maximum – 100%	Upper quartile
Straight line basis	Between Threshold and Target And Target and Maximum

With regards to the choice of metrics, EPS aligns the Executive Directors with delivering key long-term profitable growth, with TSR providing alignment with shareholders in that vesting will only take place for creating above median returns.

Rebecca Shelley
Chairman of the Remuneration Committee

27 March 2019

DIRECTORS' REPORT

The Directors' Report for the period ended 31 December 2018 comprises the report set out on pages 62 to 64 and Directors' and Officers' Statement on page 65 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 to 9;
- the CEO's Review on pages 14 to 17; and
- the Principal Risks and Uncertainties on pages 22 to 26;
- the Viability Statement on pages 27;
- the CFO's Review on pages 28 to 29; and
- the Corporate Social Responsibility report on pages 30 to 31.

The Chairman's Governance Letter and the Governance Report on pages 33 to 39 and including the reports of the Audit and Risk, Nomination and Remuneration Committees on pages 46 to 61.

Corporate structure and principal activity

The Company's principal and only trading subsidiary is a motor insurance underwriter. Sabre Insurance Group plc 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.

Directors

The Directors who served throughout the year are as follows:

Executive Directors
Geoff Carter – Chief Executive Officer
Adam Westwood – Chief Financial Officer

Non-executive Directors
Patrick Snowball – Chairman
Catherine Barton
Ian Clark
Andy Pomfret – appointed 28 February 2018
Rebecca Shelley
Matthew Tooth – resigned 18 June 2018

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 Companies Act 2006 (the "Companies Act") and related legislation. Prior to the disposal of their entire shareholding in the Company, funds advised by BC Partners had an agreement (the "Relationship Agreement") with Sabre, which allowed them to appoint a Non-executive Director to the Board (as discussed on page 64 of this Annual Report).

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 61 and the contracts are available for inspection by shareholders at the Company's registered office.

Non-executive Director appointments

Non-executive Directors are appointed pursuant to a letter of appointment, except in the case of Matthew Tooth, who was appointed pursuant to the terms of the Relationship Agreement. Matthew Tooth's appointment ceased with effect 18 June 2018. 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' and Officers' Liability 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 61 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 2018, 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").

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 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 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 the annual general meeting (the "Meeting") of the Company on 24 May 2018, 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. At the 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 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. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2019 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 2019 AGM. No shares have been bought under this authority. The Board is proposing to renew this authority at the 2019 AGM, however the Company does not have any current intention to purchase any of its own ordinary shares.

Directors' interests in shares

The Directors who held office as at 31 December 2018 had the following interests (including family interests) in the ordinary shares of the Company:

Name of Director	31 December 2018	31 December 2017
Catherine Barton	**0**	0
Geoff Carter	**1,965,372**	1,965,372
Ian Clark	**265,761**	265,761
Andy Pomfret	**43,478**	n/a
Rebecca Shelley	**0**	0
Patrick Snowball	**105,288**	105,288
Matthew Tooth	**n/a**	0
Adam Westwood	**842,303**	842,303

The Directors, as employees and potential beneficiaries, have an interest in 278,705 shares held by the Sabre Insurance Group Employee Benefit Trust at 31 December 2018.

As at the last practicable date prior to the publication of this Annual Report, 27 March 2019 the Sabre Insurance Group Employee Benefit Trusts held 874,396 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 61 of this Annual Report.

There were no changes in the interests of Directors between 31 December 2018 and 27 March 2019, As in line with the Company's Remuneration Policy, half of the value received under the Group's Bonus Plan by Geoff Carter and Adam Westwood for the year ended 31 December 2018 will be deferred into shares, held in Sabre Insurance Group Employee Benefit Trust.

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 www.sabreplc.co.uk/investors/regulatory-news/.

At 31 December 2018, 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
Aviva plc and its subsidiaries	21,635,858	8.65
Prudential PLC	13,426,259	5.37
Companies owned by Old Mutual plc	12,870,464	5.14
Kayne Anderson Rudnick Investment Management, LLC	9,982,298	3.99

During the period between 31 December 2018 and 27 March 2019, being the latest practicable date prior to publication of this Annual Report, the Company was notified that on 1 March 2019 Kayne Anderson Rudnick Investment increased their holding to 10,132,344 ordinary shares which equals 4.05% of the voting rights.

DIRECTORS' REPORT
CONTINUED

Relationship Agreement

In connection with the Listing, CIE Management IX Limited, BC European Capital IX Limited and BC Partners Holdings Limited (together, the "funds advised by BC Partners") and the Company entered into a relationship agreement on 23 November 2017 (the "Relationship Agreement"), the purpose of which was to ensure the Company is capable of carrying on its business independently of the funds advised by BC Partners and its associates. The Relationship Agreement continued until the funds advised by BC Partners 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, and therefore ended on 5 September 2018, when BC European Capital IX Fund Limited sold their shareholdings in the Group.

The Relationship Agreement entitled the funds advised by BC Partners to nominate one person to be a Non-executive Director of the Company for so long as the BC Partners Group held in aggregate at least 10% of the ordinary shares and set 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 as long as Matthew Tooth (or another person) was appointed as a Non-executive Director by the BC Partners Group, the Company paid 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 (£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 www.sabreplc.co.uk/investors/ipo/.

Results and dividends

The audited accounts for the year ended 31 December 2018 are set out on pages 71 to 100. The Group profit for the year after tax was £49.6m (2017: £45.3m).

The Directors recommend a final dividend of 6.8 pence (2017: 0 pence) and a special dividend of 6.0 pence (2017: 0 pence). The total dividend for the year, including the proposed final and special dividends, is 20 pence (2017: 0 pence).

Significant agreements and change of control

Since the termination 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

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).

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 79 of this Annual Report.

Post-balance sheet events

There are no post-balance sheet events required to be disclosed in the financial statements.

Charitable and political donations

The donations made by the Group to the charities referred to on page 31 of this Annual Report amounted, in aggregate, to £4,512 (2017: £1,500).

The Group made no political donations during the year (2017: £0).

The Annual General Meeting (the "AGM")

The 2019 AGM will be held at 10am on 23 May 2019. Full details about the 2019 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/investors/annual-general-meeting/.

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 auditor

The auditor of the Company, Ernst & Young LLP ("EY"), has 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 2019 AGM.

Statement of disclosure of information to the auditor

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.

Supplier payment policy

The Group's policy is to agree payment terms with suppliers when entering into each transaction to ensure that suppliers are made aware if the terms of payment and abide by the terms of payment. Trade creditors of the Group (consolidated) at 31 December were 21 days (2017: 14 days) purchases, based on the average daily amount invoiced by suppliers during the year.

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 on page 27 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.

By order of the Board

Anneka Kingan
Company Secretary
27 March 2019

DIRECTORS' AND OFFICERS' RESPONSIBILITIES STATEMENT

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.

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
- 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
- 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.

This responsibility statement was approved by the Board of Directors on 27 March 2019 and is signed on its behalf by:

Geoff Carter
Chief Executive Officer

Adam Westwood
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

to the members of
Sabre Insurance Group plc

Opinion

In our opinion:

- Sabre Insurance 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 2018 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 Financial Position as at 31 December 2018	Statement of Financial Position as at 31 December 2018
Consolidated Statement of Comprehensive Income for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Statement of Cash Flows for the year then ended
Consolidated Statement of Cash Flows for the year then ended	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.

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 24 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 65 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 27 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)
Audit scope	– We performed an audit of the complete financial information of the Group Function and Sabre Insurance Company Limited. – The components where we performed full audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
Materiality	– Overall group materiality of £3.1m which represents 5% of profit before tax ('PBT') excluding exceptional costs.

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 (£215.8m gross and £141.6m net, PY comparative £242.4m gross and £139.4m net value).

Refer to the Audit Committee Report (page 40); Accounting policies (page 75); and Note 7 of the Consolidated Financial Statements (page 85).

Management is required to make an estimation of Insurance liabilities (which includes both claims outstanding and IBNR).

This estimate consists of a provision for additional development of the insurance liabilities reported by insureds, 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 in determining the insurance liabilities. This could lead to these liabilities not falling within a reasonable range of possible estimates, resulting in a misstatement in the financial statements.

Furthermore, insurance liabilities are subject to manipulation as until pending case files are closed an element of estimation is required to account for these liabilities, coupled with the use of inaccurate underlying data.

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 specialists 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 effectiveness of key controls within the process. We evaluated the competence and capabilities 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, using standard actuarial techniques. We also reviewed management's paid claims projections. We considered whether the insurance liabilities held as at 31 December 2018 fell within a reasonable range of estimates.

Tests of detail: To assess the completeness and accuracy of the paid and incurred claims data used to project insurance liabilities as part of the test of claims we 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 paid and outstanding claims we corroborated the paid claims and outstanding back to supporting 3rd party evidence. For paid claims this included invoices, which we traced back to bank statements. For a sample of outstanding claims we obtained supporting calculations and 3rd party correspondence to corroborate the year-end balances. We also held discussions with claims handlers to further understand the background of the claims.

Key observations communicated to the Audit Committee

We consider that Management's judgements in respect of the valuation of insurance liabilities 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

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 is the principal trading entity within the Group, and Group function. We performed an audit of the complete financial information of Sabre Insurance Company Limited and group function ("full scope components"), which was selected based on its size or risk characteristics representing 100% of profit before tax, revenue and assets.

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 £3.1 million (2017: £3.2 million): which is 5% of profit before tax. 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 75% (2017: 50%) of our planning materiality, namely £2.3 million (2017: £1.6 million). We have set performance materiality at the higher end of the range for 2018 compared to the prior period when we used the lower end of the range due to increased sensitivity as a result of the Company's initial public offering ('IPO') in December 2017. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit difference do not exceed our materiality of £3.1 million 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 Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2017: £0.2 million), 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 1–65, other than the financial statements and our auditor's report thereon. Other information in the annual report comprises the Strategic Report and the Governance Report, the latter of which includes;

- Chairman's governance letter
- Board of Directors
- Governance Report
- Audit & Risk Committee Report
- Nomination Committee Report
- Directors' Remuneration Report
- Directors' Report and Responsibilities Statement

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 41** – the statement given 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.

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 65, 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.
- In respect of irregularities – considered to be non-compliance with laws and regulations – our objective is to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised 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 company law and tax legislation, and the financial reporting framework. Our consideration 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'), the Financial Conduct Authority ('FCA'), and the UK Listing Authority Rules.
- We obtained a general understanding of how the 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 Group 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 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 period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2017 to 31 December 2018.
- 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 report to the audit committee.

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.

Ernst & Young LLP

Stuart Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 March 2019

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 2018

	Notes	2018 £'k	2017 £'k
Gross earned premium	4	**208,622**	203,139
Reinsurance premium ceded	4	**(20,387)**	(16,273)
Net earned premium		**188,235**	186,866
Investment return	5	**777**	(749)
Instalment income		**4,143**	3,837
Other operating income	6	**1,761**	1,893
Total income		**194,916**	191,847
Insurance claims	7	**(72,245)**	(151,456)
Insurance claims recoverable from reinsurers	7	**(25,616)**	58,544
Net insurance claims		**(97,861)**	(92,912)
Commission expenses		**(16,429)**	(16,884)
Operating expenses	8	**(18,762)**	(18,110)
Total expenses		**(35,191)**	(34,994)
Operating profit before exceptional items and amortisation of intangible assets		**61,864**	63,941
Exceptional items	9	**–**	(7,542)
Amortisation of intangible assets	23	**(501)**	(887)
Profit before tax		**61,363**	55,512
Tax charge	10	**(11,795)**	(10,169)
Profit for the year attributable to the owners of the Company		**49,568**	45,343
Other comprehensive income			
Items which will not be reclassified to profit and loss:			
Revaluation gain on owner-occupied property	5	**620**	–
Tax charge on other comprehensive income	10	**(118)**	–
Total other comprehensive income for the year		**502**	–
Total comprehensive income for the year attributable to the owners of the Company		**50,070**	45,343
Basic earnings per share (pence per share)	30	**19.90**	14.50
Diluted earnings per share (pence per share)	30	**19.77**	14.50

The attached notes on pages 75 to 96 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

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

The attached notes on pages 75 to 96 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2019.

Signed on behalf of the Board of Directors by:

Adam Westwood
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 2018

	Notes	2018 £'k	2017 £'k
Net cash generated from operating activities before investment of insurance assets		**48,744**	60,666
Cash used by investment of insurance assets		**(42,334)**	(10,490)
Net cash generated from operating activities	29	**6,410**	50,176
Cash flows from investing activities			
Purchases of property, plant and equipment		**(61)**	(77)
Net cash used by investing activities		**(61)**	(77)
Cash flows from financing activities			
Issue of ordinary share capital		**–**	205,333
Redemption of preference shares		**–**	(202,719)
Corporate reorganisation		**–**	2,916
Dividends paid		**(17,951)**	(31,696)
Net cash used by financing activities		**(17,951)**	(26,166)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**34,425**	10,492
Net (decrease)/increase in cash and cash equivalents		**(11,602)**	23,933
Cash and cash equivalents at the end of the year		**22,823**	34,425

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 2018

	Notes	Ordinary shareholders' equity £'k	Preference share capital £'k	Share premium account £'k	Own shares £'k	Merger reserve £'k	Share-based Payments reserve £'k	Retained earnings £'k	Total equity £'k
Balance at 1 January 2017		**45,396**	**202,719**	**–**	**–**	**–**	**–**	**(35,299)**	**212,816**
Profit for the year		–	–	–	–	–	–	45,343	45,343
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	45,343	45,343
Establishment of Sabre Insurance Group plc		250	–	–	–	–	–	(250)	–
Dividends		–	–	–	–	–	–	(31,696)	(31,696)
Corporate reorganisation		(45,397)	(202,719)	205,241	1	48,404	–	–	5,530
Balance at 31 December 2017		**249**	**–**	**205,241**	**1**	**48,404**	**–**	**(21,902)**	**231,993**
Profit for the year		–	–	–	–	–	–	49,568	49,568
Other comprehensive income		–	–	–	–	–	–	502	502
Total comprehensive income		–	–	–	–	–	–	50,070	50,070
Charge in respect of share-based payments	31	–	–	–	–	–	1,036	–	1,036
Capital reduction	21	–	–	(205,241)	–	120	–	205,121	–
Dividends	13	–	–	–	–	–	–	(17,951)	(17,951)
Balance at 31 December 2018		**249**	**–**	**–**	**1**	**48,524**	**1,036**	**215,338**	**265,148**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

Corporate information

Sabre Insurance Group plc is a company incorporated in England and Wales. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England. The nature of the Group's operations is the writing of general insurance for motor vehicles. The Company's principal activity is that of a holding company.

1. Accounting policies

1.1 Corporate reorganisation

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

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

1.2 Basis of preparation

These financial statements present the Sabre Insurance Group plc Group financial statements for the year ended 31 December 2018, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, as well as the comparatives.

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

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

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

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

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

As permitted by IFRS 4 Insurance Contracts, the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts. The Group has applied IFRS 15: Revenue from contracts with customers when preparing the financial statements. The new standard has no material impact on the financial statements.

1.3 Summary of significant accounting policies

(a) Premiums

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

(b) Insurance liabilities

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

(i) Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.

1. Accounting policies continued

(ii) The provision for claims outstanding includes individual case estimates, an incurred but not reported ("IBNR") provision and a provision for related claims handling costs. When claims are initially reported, case estimates are set at fixed levels based on previous average claims settlements. As soon as sufficient information becomes available, the case estimate is amended by a claim handler within the Claims Department to reflect the expected ultimate settlement cost of the claim, including external claims handling costs. The case estimate will be amended throughout the life of a claim as further information emerges. Case estimates generally do not allow for possible reductions in our liability due to contributory negligence, favourable court judgments or settlements until these are known to a high probability.

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

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

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

(c) Deferred acquisition costs

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

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

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

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

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

(e) Investment expense and charges

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

(f) Taxation

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

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

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

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

(g) Valuation of investments

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

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

(h) Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

(r) Share-based payments

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

(s) Earnings per share

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

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

At the date of authorisation of these financial statements, the following standards and interpretations were assessed to be relevant and are effective for annual periods beginning on or after 1 January 2019:

Description	Effective date (period beginning)
IFRS 16 Leases	1 January 2019
IFRS 9 Financial Instruments	1 January 2021 (Deferred elected)
IFRS 17 Insurance Contracts	1 January 2021

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

The Group has not early adopted these standards and their impact is yet to be fully assessed. However, based on the Directors' current assessment, the impact is not expected to be significant.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 and which was endorsed by the EU in 2016. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and is effective for annual periods beginning on or after 1 January 2018. The Board does not anticipate that the introduction of this standard would have a material impact on the Group's financial results. In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the adoption of IFRS 17, the forthcoming accounting standard for insurance contracts. The amendments to IFRS 4 include a deferral approach that provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until 1 January 2021. The Group is eligible to apply the temporary exemption from IFRS 9 because its activities are entirely connected with insurance. As at 31 December 2015, all the Group's gross liabilities arising from contracts are within the scope of IFRS 4. Since 31 December 2015 there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption. Sabre Insurance Plc as a standalone entity has no impact from IFRS 9.

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

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

	Group		Company	
Asset type	Fair value £'000	Fair value change £'000	Fair value £'000	Fair value change £'000
Financial assets managed and evaluated on a fair value basis				
Corporate	518	(29)	–	–
Sovereign	286,624	43,140	–	–
Total financial assets managed and evaluated on a fair value basis	**287,142**	**43,111**	**–**	**–**
Financial assets meeting the SPPI test				
Cash and cash equivalent	22,822	(11,423)	1,208	1,208
Total financial assets meeting SPPI test	**22,822**	**(11,423)**	**1,208**	**1,208**

IFRS 17 Insurance Contracts

The effective date for IFRS 17 is 1 January 2021. Following the issuance of the full and final version of IFRS 17, the Group plans to perform a detailed impact assessment of the implementation of IFRS 17 and IFRS 9 on its results, financial position and cash flows during 2019.

IFRS 16 Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019 and has not yet been endorsed by the EU. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This is in contrast to the current standard which differentiates between operating and finance leases. The Group's current analysis is that this will not have a material impact on the Group's results, given the Group holds no lease assets or liabilities.

2. Critical accounting estimates and judgements

2.1 Valuation of insurance contracts

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

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

The gross carrying value at the reporting date of insurance liabilities is £215,757k (2017: £242,388k).

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

3. Risk management

3.1 Risk and capital management

The Board of Directors has ultimate responsibility for ensuring that the Group has sufficient funds to meet its liabilities as they fall due. The Group carries out detailed modelling of its assets and liabilities and the key risks to which these are exposed. This modelling includes the Group's own assessment of its capital requirements for solvency purposes.

The Group has continued to manage its solvency with reference to the Solvency Capital Requirement ("SCR") calculated using the Standard Formula. The Group has developed sufficient processes to ensure that the capital requirements under Solvency II are not breached, including the maintenance of capital at a level higher than that required through the Standard Formula. In previous years Sabre Insurance Company Limited managed its capital position on both a Solvency II basis and on the previous regulatory basis. The Group considers its capital position to be its net assets on a Solvency II basis and monitors this in the context of the Solvency II SCR. As at 31 December 2018, the Company holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

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

3. Risk management continued

The Solvency II position of the Group is given below:

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

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

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

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

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

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

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

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

The Group's capital management objectives are:

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

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

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

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

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

3.2.1 Underwriting

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

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

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

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

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

Key assumptions

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

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

Sensitivities

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

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

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

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

3. Risk management continued

3.2.2 Financial risks

(1) Counterparty credit risk

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

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

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

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

Overdue debt

At 31 December 2018	Neither past due nor impaired £'k	Past due 1-90 days £'k	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
Reinsurance assets	82,435	–	–	–	82,435
Deferred tax assets	217	–	–	–	217
Insurance and other receivables	37,786	–	2	–	37,788
Corporate bonds	518	–	–	–	518
UK Government debt	286,624	–	–	–	286,624
Cash at bank and in hand	22,823	–	–	–	22,823
Total	430,403	–	2	–	430,405

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

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

Exposure by credit rating

At 31 December 2018	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
Reinsurance assets	–	62,696	19,739	–	–	–	82,435
Deferred tax assets	–	–	–	–	–	217	217
Insurance and other receivables	–	–	–	–	–	37,788	37,788
Corporate bonds	–	–	–	518	–	–	518
UK Government debt	–	286,624	–	–	–	–	286,624
Cash at bank and in hand	–	93	–	22,730	–	–	22,823
Total	**–**	**349,413**	**19,739**	**23,248**	**–**	**38,005**	**430,405**

At 31 December 2017	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
Reinsurance assets	–	83,408	27,080	–	–	–	110,488
Deferred tax assets	–	–	–	–	–	20	20
Insurance and other receivables	–	–	–	–	–	38,511	38,511
Corporate bonds	–	–	–	547	–	–	547
UK Government debt	–	243,484	–	–	–	–	243,484
Cash at bank and in hand	–	6,796	–	27,629	–	–	34,425
Total	**–**	**333,688**	**27,080**	**28,176**	**–**	**38,828**	**427,475**

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

(2) Liquidity risk

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

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

At 31 December 2018	Total £'k	Within 1 year £'k	1 – 3 years £'k	3 – 5 years £'k	5 – 10 years £'k	Over 10 years £'k
Corporate bonds	518	518	–	–	–	–
UK Government debt	286,624	182,923	81,768	17,879	4,054	–
Cash and cash equivalents	22,822	22,822	–	–	–	–
Total	**309,965**	**206,264**	**81,768**	**17,879**	**4,054**	**–**

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

At 31 December 2017	Total £'k	Within 1 year £'k	1 – 3 years £'k	3 – 5 years £'k	5 – 10 years £'k	Over 10 years £'k
Corporate bonds	547	–	547	–	–	–
UK Government debt	243,483	105,951	93,146	34,666	9,720	–
Cash and cash equivalents	34,425	34,425	–	–	–	–
Total	**278,455**	**140,376**	**93,693**	**34,666**	**9,720**	**–**

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

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

3. Risk management continued

(3) Investment concentration risk

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

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

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

At 31 December 2018	Corporate £'k	Sovereign £'k	Total £'k
UK	518	286,624	287,142
Total	**518**	**286,624**	**287,142**

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

(4) Interest rate risk

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

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

The Group has no significant concentration of interest rate risk.

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

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

	Increase/(decrease) in profit after tax		Increase/(decrease) in total equity	
At 31 December	2018 £'k	2017 £'k	2018 £'k	2017 £'k
Interest rate				
Impact of a 100 basis point increase in interest rates on financial investments	**(2,350)**	(1,984)	**(2,350)**	(1,984)
Owner-occupied property				
Impact of a 15% decrease in property markets	**–**	(515)	**(493)**	(515)

3.2.3 Operational risk

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

4. Net earned premium

	2018 £'k	2017 £'k
Gross earned premium:		
Gross written premium	**210,017**	210,736
Movement in unearned premium reserve	**(1,395)**	(7,597)
	208,622	203,139
Reinsurance premium ceded:		
Premium payable	**(21,129)**	(19,017)
Movement in unearned premium reserve	**742**	2,744
	(20,387)	(16,273)
Total	**188,235**	186,866

Information is reported to the chief operating decision makers and the Board on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board. The Company provides only one product to clients, which is motor insurance, which is written solely in the UK. The Company has no other lines of business, nor does it operate outside of the UK. The Gross Written Premium for the year is £210,017. Other income are relates to auxiliary products and services, including marketing and administration fees, all relating to the motor insurance business. Refer to Note 6. The Group does not have a single client which accounts for more than 10% of revenue.

5. Investment return

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

6. Other operating income

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

7. Net insurance claims

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

As at 31 December 2018

8. Operating expenses

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

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

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

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

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

Wages and salaries of £4,199k (2017: £4,916k) have been classified as part of claims handling expenses (Note 7). Wages and salaries include a net movement in deferred acquisition costs (Note 16) of £407k (2017: (£246k)).

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

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

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

9. Exceptional items

	2018 £'k	2017 £'k
Discounted shares issued to employees	**–**	1,513
Management bonus on IPO	**–**	1,000
IPO costs	**–**	5,029
Total	**–**	7,542

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

10. Tax charge

	2018 £'k	2017 £'k
Current taxation:		
Charge for the year	**11,992**	10,194
	11,992	10,194
Deferred taxation (Note 12):		
Origination and reversal of temporary differences	**(197)**	(25)
Effect of tax rate change on opening balance	**–**	–
Over-provision in respect of the previous year	**–**	–
	(197)	(25)
Current taxation	**11,992**	10,194
Deferred taxation (Note 12)	**(197)**	(25)
Tax charge for the year	**11,795**	10,169

Tax recorded in Other Comprehensive Income is as follows.

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

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

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

11. Current tax

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

12. Deferred tax

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

	Provisions and other temporary differences £'k	Depreciation in excess of capital allowances £'k	Share-based payments £'k	Total £'k
At 1 January 2018	25	(5)	–	20
Credit to the income statement on continuing operations	(8)	8	197	197
At 31 December 2018	**17**	**3**	**197**	**217**

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

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

13. Dividends

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

14. Property, plant and equipment

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

14. Property, plant and equipment continued

The Company holds two owner occupied properties, Sabre House and the Old House, which are both managed by the Company. The properties are measured at fair value which is arrived at on the basis of a valuation carried out on 16 October 2018 by Hurst Warne and Partners LLP. The valuation was carried out on an open-market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. The fair value measurement of owner occupied property of £4,055k (2017: £3,435k) has been categorised as a Level 3 fair value based on the non-observable inputs to the valuation technique used. The following table shows a reconciliation to the closing fair value for the Level 3 owner occupied property at valuation:

	Owner occupied £'k
At 31 December 2017	3,435
Purchase	–
Revaluation	620
At 31 December 2018	**4,055**

15. Reinsurance assets

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

16. Deferred acquisition costs

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

17. Insurance and other receivables

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

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

18. Prepayments, accrued income and other assets

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

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

19. Financial investments

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

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

20. Cash and cash equivalents

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

21. Share capital

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

All shares are unrestricted and carry equal voting rights.

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

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

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

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

22. Goodwill

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

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

The Group performed its annual impairment test as at 31 December 2018 and 31 December 2017. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2018 and 31 December 2017, the Group's securities were traded on a liquid market, therefore market value could be used as a definitive indicator of market capitalisation.

Key assumptions

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

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

The Directors conclude that the recoverable amount of the business unit would remain in excess of its carrying value even after reasonably possible changes in the key inputs and assumptions affecting its market value, such as a significant fall in demand for its product or a significant adverse change in the volume of claims and increase in other expenses, before the recoverable amount of the business units would reduce to less than its carrying value. Therefore the Directors are of the opinion that there are no indicators of impairment as at 31 December 2018. Goodwill is categorised as Level 1 under the IFRS hierarchy.

23. Intangible assets

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

Upon acquisition of Binomial Group Limited in January 2014 the acquired client book of business was recognised as an intangible asset with a fair value of £14,833k in line with IFRS. As at 31 December 2018, the remaining life was determined to be zero years.

24. Insurance liabilities, unearned premium reserve

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

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

Gross insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	Total £'k
Estimate of ultimate claims costs:										
At end of accident year	77,415	98,735	103,139	84,939	75,649	103,599	111,518	165,707	120,077	
One year later	74,349	95,818	103,989	70,567	65,639	90,133	100,935	131,803		
Two years later	77,740	90,631	94,297	63,197	62,039	82,537	94,294			
Three years later	73,686	84,962	92,478	65,313	60,301	79,845				
Four years later	72,141	81,715	97,170	68,763	59,149					
Five years later	71,540	80,514	94,150	64,290						
Six years later	74,822	80,738	88,795							
Seven years later	72,660	80,511								
Eight years later	72,656									
Current estimate of cumulative claims	72,656	80,511	88,795	64,290	59,149	79,845	94,294	131,803	120,077	
Cumulative payments to date	(69,308)	(80,174)	(81,032)	(54,206)	(54,642)	(66,726)	(70,269)	(64,200)	(45,986)	
Liability recognised in balance sheet	**3,348**	**337**	**7,764**	**10,084**	**4,507**	**13,119**	**24,025**	**67,604**	**74,091**	**204,849**
2009 and prior										**7,376**
Claims handling provision										**3,502**
Total										**215,757**

Net insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	Total £'k
Estimate of ultimate claims costs:										
At end of accident year	61,912	94,171	89,901	77,316	74,609	97,288	104,808	106,478	111,433	
One year later	69,055	90,742	81,403	64,071	65,639	85,814	93,664	96,446		
Two years later	72,475	87,494	75,938	59,301	60,953	81,164	87,824			
Three years later	69,649	81,950	73,606	57,739	59,741	77,869				
Four years later	68,001	78,509	74,304	56,947	59,008					
Five years later	67,100	77,534	72,731	56,892						
Six years later	66,926	77,496	72,624							
Seven years later	66,791	77,266								
Eight years later	66,791									
Current estimate of cumulative claims	66,791	77,266	72,624	56,892	59,008	77,869	87,824	96,446	111,433	
Cumulative payments to date	(65,626)	(76,928)	(71,408)	(53,732)	(54,642)	(66,638)	(70,269)	(64,200)	(45,986)	
Liability recognised in balance sheet	**1,166**	**338**	**1,216**	**3,161**	**4,367**	**11,231**	**17,555**	**32,246**	**65,447**	**136,726**
2009 and prior										**1,326**
Claims handling provision										**3,502**
Total										**141,554**

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 2017	182,941	(46,783)	136,158
Cash paid for claims during the year	(85,942)	2,332	(83,610)
Increase/(decrease) in liabilities:			
Arising from current-year claims	167,670	(59,229)	108,441
Arising from prior-year claims	(22,281)	682	(21,599)
At 31 December 2017	242,388	(102,998)	139,390
Claims reported	297,477	(122,644)	174,833
Incurred but not reported	(58,195)	19,646	(38,549)
Claims handling provision	3,106	–	3,106
At 31 December 2017	242,388	(102,998)	139,390
Cash paid for claims during the year	**(92,434)**	**3,177**	**(89,257)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**122,100**	**(8,645)**	**113,455**
Arising from prior-year claims	**(56,297)**	**34,263**	**(22,034)**
At 31 December 2018	**215,757**	**(74,203)**	**141,554**
Claims reported	**284,491**	**(96,138)**	**188,353**
Incurred but not reported	**(72,236)**	**21,935**	**(50,301)**
Claims handling provision	**3,502**	**–**	**3,502**
At 31 December 2018	**215,757**	**(74,203)**	**141,554**

25. Trade and other payables, including insurance payables

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

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

26. Accruals

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

All accruals are due to be paid within one year.

27. Classification and valuation of financial assets

The following table summarises the classification of financial instruments:

	Financial assets/liabilities					
	At fair value £'k	AFS £'k	Loans and receivables £'k	At amortised cost £'k	Non-financial assets/ liabilities £'k	2018 £'k
Financial investments	287,142	–	–	–	–	**287,142**
Total assets	**287,142**	**–**	**–**	**–**	**–**	**287,142**

Fair value measurement

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

28. Corporate reorganisation

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

29. Notes to the consolidated cash flow statement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
As at 31 December 2018

30. Earnings per share

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

	2018	2017
The calculations for basic and diluted earnings per share are based on the following figures:		
Profit on ordinary activities after tax (£'k)	**49,568**	45,343
Preference dividend (£'k)	**–**	9,358
Basic weighted average number of shares (number in thousands)	**249,125**	248,229
Diluted weighted average number of shares (number in thousands)	**250,704**	248,234
Basic earnings per share (pence per share)	**19.90**	14.50
Diluted earnings per share (pence per share)	**19.77**	14.50

31. Share-based payments

The Group has chosen to reward its employees through various share-based payment schemes. This note describes the different schemes used to facilitate those share-based payments and the charges recognised, and to be recognised, in the consolidated statement of comprehensive income. A one-off expense of £2,513k was been recorded in the income statement in 2017 in respect of pre-IPO share-based payments outside of these schemes. These are disclosed in Note 8.

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

	2018	2017
Equity settled plans		
Long Term Incentive Plan ("LTIP") with no performance conditions	**590**	–
Long Term Incentive Plan ("LTIP") with performance conditions	**306**	–
Share Incentive Plan ("SIP")	**120**	–
Save As You Earn ("SAYE")	**20**	–
Total	**1,036**	–

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

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

The terms and conditions of the grants are as follows:

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

Vesting conditions

The vesting conditions are defined as:

- Two years' service – an employee must remain in employment until the second anniversary from the grant date
- Three years' service – an employee must remain in employment until the third anniversary from the grant date
- Five years' service – an employee must remain in employment until the fifth anniversary from the grant date.

Further details of equity compensation plans can be found in the Directors' Remuneration Report on pages 46 to 48. The total gain on Directors' exercises of share-option plans during the period was £nil (2017: £nil).

Share Incentive Plan ("SIP")

On 29 December 2017, Free Share awards were granted with a vesting period of three years from the award date. Vesting is unconditional for participants still in service at the vesting date. Participants will also receive Dividend Shares which represent the value of reinvested dividends which would have accrued over the vesting period on the shares in the Free Share award. No Partnership or Matching shares had been awarded by 31 December 2018.

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

Reconciliation of movement in the number of SIP awards

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

Long Term Incentive Plan ("LTIP")

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

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

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

Reconciliation of movement in the number of LTIP Awards without performance conditions

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

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

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

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

	2018		2017	
	Number of awards	Weight average exercise (price)	Number of awards	Weight average exercise (price)
Outstanding at 31 December 2017	–	–	–	–
Granted	572,649	Nil	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding at 31 December 2018	**572,649**	**Nil**	**–**	**–**

31. Share-based payments continued

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

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

32. Related parties

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

Name	Principle Business	Registered Address
Binominal Group Limited	Intermediate holding company	Sabre House, 150 South Street, Dorking, Surrey, United Kingdom, RH4 2YY
Sabre Insurance Company Limited	General insurance business	As above
Barbados Topco Limited	Non-Trading	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY
Barb IntermediateCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Barb HoldCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Barb MidCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Barb BidCo Limited	Non-Trading	13–14 Esplanade, St Helier, Jersey, JE1 1EE
Other controlled entities		
EBT – UK SIP	Trust	Ocorian, 26 New Street, St Helier, Jersey, JE2 3RA
The Sabre Insurance Group Employee Benefit Trust	Trust	26 New Street, St Helier, Jersey, JE2 3RA

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

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

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

During the period ended 31 December 2018, the Group donated no shares to the EBTs (2017: 1,315,538). While an amount of these shares were sold on admission, 213,792 shares were retained in the UK EBT in relation to the SIP and 576,169 shares were retained in the Jersey EBT in relation to the LTIP. The total value of the shares gifted to the EBTs by Sabre Insurance Group plc on admission was £3,025k.

Key Management compensation

Key Management includes Executive Directors, Non-executive Directors and other senior management personnel. Further details of Directors' shareholdings and remuneration can be found in the Directors' Remuneration Report on pages 46 to 48.

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

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

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

The notes on pages 99 and 100 form part of these financial statements.

These financial statements were approved by the Board on 27 March 2019 and signed on its behalf.

Adam Westwood
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2018

	Notes	Share capital £'k	Share premium £'k	Own shares	Merger reserve £'k	Share-based payments reserve £'k	Retained earnings £'k	Total £'k
Balance as at 21 September 2017		–	–	–	–	–	–	–
Issue of preference share capital		50	–	–	–	–	–	50
Redemption of share capital		(50)	–	–	–	–	–	(50)
Issue of ordinary shares		250	205,241	–	–	–	–	205,491
Corporate reorganisation		(1)	–	1	369,395	–	–	369,395
Profit/(loss) for the period		–	–	–	–	–	(4,047)	(4,047)
Balance as at 31 December 2017		**249**	**205,241**	**1**	**369,395**	**–**	**(4,047)**	**570,839**
Profit for the period		–	–	–	–	–	23,836	23,836
Capital reduction	6	–	(205,241)	–	119	–	205,122	–
Share-based payment reserve	9	–	–	–	–	1,036	–	1,036
Dividend paid		–	–	–	–	–	(17,951)	(17,951)
Balance as at 31 December 2018		**249**	**–**	**1**	**369,514**	**1,036**	**206,960**	**577,760**

PARENT COMPANY STATEMENT OF CASH FLOWS

As at 31 December 2018

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

As at 31 December 2018

1. Accounting policies

1.1 Basis of preparation

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

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

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

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

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

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

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

1.2 Summary of significant accounting policies

(a) Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment.

(b) Dividend income

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

2. Taxation

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

3. Investments

Investment in subsidiary undertakings

	2018 £'k	2017 £'k
As at 1 January 2018	**576,000**	–
Additions	**1,037**	576,000
As at 31 December 2018	**577,037**	576,000

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

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

The registered office of each subsidiary is disclosed within Note 32 of the consolidated Group accounts.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

As at 31 December 2018

4. Debtors

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

5. Creditors

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

6. Share capital and reserves

Full details of the share capital and capital reserves of the Company are set out in Note 21 to the Consolidated Financial Statements.

7. Dividends

Full details of the dividends paid and proposed by the Company are set out in Note 13 to the Consolidated Financial Statements.

8. Related parties

Sabre Insurance Group plc, which is incorporated in England and Wales, is the ultimate parent undertaking of the Sabre Insurance Group of companies.

The following balances were outstanding with related parties at year end:

	2018 £'k	2017 £'k
Due to Barbados Topco Limited	**482**	–
Due to Sabre Insurance Company Limited	**32**	1,870
	514	1,870

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

9. Share-based payments

Full details of share-based compensation plans are provided in Note 31 to the Consolidated Financial Statements.

10. Risk management

The risks faced by the Company, arising from its investment in subsidiaries, are considered to be the same as those presented by the operations of the Group. Details of the key risks and the steps taken to manage them are disclosed in Note 3 to the Consolidated Financial Statements.

11. Directors and key management remuneration

The Directors and key management of the Group and the Company are the same. The aggregate emoluments of the Directors are set out in Note 8 to the Consolidated Financial Statements, the compensation for key management is set out in Note 8 to the Consolidated Financial Statements and the remuneration and pension benefits payable in respect of the highest paid Director are included in the Directors' Remuneration Report in the Governance section of the Annual Report and Accounts.

APPENDIX – FINANCIAL RECONCILIATIONS

Adjusted Profit Before Tax

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

Adjusted Profit After Tax

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

Loss Ratio

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

Expense Ratio

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

Combined Operating Ratio

	2018 £'k	2017 £'k	2016 £'k
Total expenses	**35,191**	34,994	33,488
Net insurance claims	**97,861**	92,912	92,721
	133,052	127,906	126,209
Net earned premium	**188,235**	186,866	182,107
Combined operating ratio	**70.6%**	68.4%	69.3%

Solvency Coverage Ratio

	2018 £'k	2017 £'k	2016 £'k
Solvency II net assets	**130,019**	97,873	74,283
Solvency capital requirement	**60,995**	61,087	57,852
Solvency coverage ratio	**213.3%**	160.2%	128.4%

APPENDIX – FINANCIAL RECONCILIATIONS CONTINUED

Solvency Coverage Ratio – Post-Dividend

	2018 £'k	2017 £'k	2016 £'k
Solvency II net assets	**130,019**	97,873	74,283
Less: Final dividend expected	**(32,000)**	–	–
Solvency II net assets inc. dividend	**98,019**	97,873	74,283
Solvency capital requirement	**60,995**	61,087	57,852
Solvency coverage ratio	**160.8%**	160.2%	128.4%

Return on Tangible Equity

	2018 £'k	2017 £'k	2016 £'k
IFRS net assets at year end	**265,148**	231,993	212,816
Less:			
Intangible assets at year end	**(156,279)**	(156,279)	(156,279)
Goodwill at year end	**–**	(501)	(1,388)
Closing tangible equity	**108,869**	75,213	55,149
Opening tangible equity	**75,213**	55,149	56,813
Average tangible equity	**92,064**	65,181	55,981
Adjusted profit after tax	**50,069**	53,290	53,912
Return on tangible equity	**54.4%**	81.8%	96.3%

Return on Opening SCR

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

SHAREHOLDER INFORMATION

Shareholder Profile as at 31 December 2018

Range of holdings	Number of shareholders	% of total shareholders	Ordinary shares	% of issued share capital
1-100	3	0.93	146	0.00
101-1,000	27	8.39	15,965	0.01
1,001-10,000	78	24.22	300,278	0.12
10,001-100,000	74	22.98	2,717,663	1.09
100,001-1,000,000	97	30.12	37,996,564	15.20
1,000,001-highest	43	13.36	208,969,384	83.58
Total	**322**	**100**	**250,000,000**	**100**

Category	Number of shareholders	% of total shareholders	Ordinary shares	% of issued share capital
Private individuals	15	4.66	5,701,877	2.28
Nominee companies	236	73.29	207,381,808	82.95
Limited and public limited companies	58	18.01	36,113,622	14.45
Other organisations and banks	13	4.04	802,693	0.32
Total	**322**	**100**	**250,000,000**	**100**

Share Price

London Stock Exchange, pence per 0.01 pence share

Highest	296 pence (11 January 2018)
Lowest	235 pence (4 April 2018)

Financial Calendar

Full Year Results	28 March 2019
Trading Update	23 May 2019
Annual General Meeting	23 May 2019
Half Year Results	30 July 2019
Trading Update	10 October 2019

Dividend Calendar

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

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

Dividend mandates

Shareholders who wish dividends to be paid directly into a bank or building society should contact the Company's Registrar, Equiniti Limited, for a dividend mandate form. This method of payment removes the risk of delay or loss of dividend cheques in the post and ensures that your account is credited on the due date.

Electronic communications

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering you will need your shareholder reference number which can be found on your share certificate or proxy form. Please contact Equiniti Limited if you require any assistance or further information. Equiniti Limited's shareholder helpline is 0371 384 2030 (UK), +44 121 415 7047 (International) and 0371 384 2255 (Mini Com).

Cautionary note regarding forward-looking statements

This Annual Report includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules, Disclosure and Transparency Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date of this Annual Report.

DIRECTORS, ADVISERS AND OTHER INFORMATION

Directors

Patrick Snowball
Chairman

Geoff Carter
Chief Executive Officer

Adam Westwood
Chief Financial Officer

Andy Pomfret
Senior Independent Director
and Non-executive Director
(Appointed 28 February 2018)

Catherine Barton
Non-executive Director

Ian Clark
Non-executive Director

Rebecca Shelley
Non-executive Director

Matthew Tooth
Non-executive Director
(Resigned with effect 18 June 2018)

Company Secretary

Anneka Kingan

Registered Office

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Surrey,
RH4 2YY

Registration number

10974661

Website

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E14 5LB

Numis Securities Limited
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10 Paternoster Square,
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EC4M 7LT

Principle bankers

National Westminster Bank plc
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London,
EC4Y 1AE

Registrars

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