

**SABRE INSURANCE
COMPANY LIMITED
31 December 2013**

Registered Number: 2387080

Sabre Insurance Company Limited

Reports and Accounts 2013

Contents

Page

- 3 Directors and Officers
- 4 Strategic Report
- 5 Directors' Report
- 8 Independent Auditors' Report
- 9 Statement of Accounting Policies
- 12 Profit and Loss Account: Technical Account
- 13 Profit and Loss Account: Non-technical Account
- 13 Statement of Total Recognised Gains and Losses
- 14 Balance Sheet
- 16 Notes to the Accounts

Sabre Insurance Company Limited

Directors and Officers

Directors

A Ball
K J Morris
T Webb
P Swords
J L Kavanaugh
P N O Robinson
S Quadrio Curzio (appointed 22 January 2014)
J Cronly (appointed 22 January 2014)
J Hosgood (appointed 22 January 2014)

Secretary

K J Morris

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

Sabre House
150 South Street
Dorking
Surrey
RH4 2YY

Sabre Insurance Company Limited

Strategic Report

For the year ended 31 December 2013

Sabre Insurance Company Limited is a motor insurer writing private car, commercial vehicle and taxi business in the UK.

2013 was, once again, an excellent year for Sabre with record pre-tax profit of £56.57 million on gross written premium of £140.0 million. The profit is significantly higher than for 2012 largely due to a superior underwriting result which resulted from higher than expected prior year reserve releases coupled with reduced loss frequency in the current underwriting year, albeit on gross written premium some £10.5 million below 2012.

Subsequent to year-end, the majority shareholding in Binomial Group Limited, the immediate and ultimate parent company of Sabre Insurance Company Limited, was acquired by private equity funds advised by BC Partners. Following the change of control we do not expect any significant change to the business.

The underwriting performance strengthened despite a background of falling market prices since the second half of 2012. More positively, the LASPO reforms, which include the banning of referral fees for personal injury cases and the reduction in fees for claimant representatives, were progressively introduced during 2013 and these appear to be having beneficial effects, both in terms of reduced personal injury frequency and lower costs settlements, although it is still too early to quantify these accurately.

The vast majority of Sabre's investment portfolio is held in cash and low-yielding short-term gilts, and consequently, investment returns were modest but predictable. A small part of the portfolio is held in two properties for which no revaluation was required, or considered necessary in 2013.

Market conditions deteriorated throughout the year, further weakening prices that had been falling since mid-2012. We suspect that the price reductions have been in part because of relatively strong underwriting performance of our competitors in 2012 and in part in anticipation of reduced claims costs following the implementation of LASPO. We expect the weakness in market conditions to persist for the first half of 2014, with rates likely to strengthen after that. Some uncertainty exists because of the Competition Commission study into private motor insurance, in particular as to the impact on credit hire and credit repair costs, but we anticipate the impact on Sabre to be small.

The main risks to Sabre are irrational competitor activity, volatility in claims, adverse development in claims reserves, a fall in asset values and credit risk in relation to reinsurers and other counterparties.

We mitigate the potential impact of competitor activity through our rigorous attitude towards controlling our pricing. The main Key Performance Indicator we use in our business tracks the strength of our current pricing and predicts the loss ratio outcome of business written. Additionally our underwriting department carefully monitors incoming business to ensure that it adheres to our underwriting guidelines.

Volatility in claims is controlled through the purchase of reinsurance. Significant contribution is also made by our claims department, the focus of which is rapid settlement of valid claims and active vigilance against fraud.

The risk of adverse developments in claims reserves is minimised by the long term stability of our claims management philosophy and regular actuarial reviews of claims development.

The composition of our investment portfolio has been designed to minimise risks of adverse movements in assets values. At the balance sheet date most of the investments were held in short-term government bonds or cash with no holdings in equities and only £3.3 million in property, equivalent to 1.31% of total investments. As a result of the portfolio composition we also consider liquidity risk and cash flow risk to be negligible.

To minimise credit risk we monitor the financial strength of our reinsurers and other counterparties to whom we are exposed and only contract with parties satisfying our criteria.

Although there have been considerable delays in the regulatory timetable for Solvency II, our preparations are well advanced and we anticipate being Solvency II compliant in the appropriate timeframe

Sabre staff are responsible for the company's achievements in 2013 and I and my fellow directors would like to take this opportunity to thank them for their hard work during the year. Staff turnover at 3%, excluding retirements and temporary workers, was lower than in 2012 and it was pleasing to note that no members of staff left to join a competitor.

Despite the weak market conditions and uncertainties, Jackson Implementation and Competition Commission enquiry, we will maintain our disciplined approach to pricing and to other aspects of our business and, by doing so, we expect that we will continue to outperform the market in 2014.

K Morris
Chairman

Sabre Insurance Company Limited

Directors' Report

For the year ended 31 December 2013

The directors present their annual report and audited financial statements for Sabre Insurance Company Limited (the Company) for the year ended 31 December 2013.

Principal Activity

The principal activity of the Company has for the year under review been, and continues to be, the transaction of motor vehicle insurance business and related investment of funds.

Profit and loss account - salient features

	Gross premiums written 2013 £'000	Net earned premiums 2013 £'000	Balance on technical account	
			2013 £'000	2012 £'000
United Kingdom	140,006	138,317	53,896	36,185
			2013 £'000	2012 £'000
Profit on ordinary activities before tax			56,576	39,249
Tax on profit on ordinary activities			(13,134)	(9,599)
Dividends paid			(22,513)	(28,308)
Profit retained for the financial year			20,929	1,342
Balance sheet total assets			335,983	319,913
Shareholder's funds			68,192	47,263

Full details of the results are set out on pages 12 and 13.

These results are discussed in the Strategic Report on page 4.

Policies in force

The policies in force at the balance sheet date decreased to 210,607 (2012: 212,790)

Dividends

Interim dividends of £22,513,000 were paid during the year (2012: £28,307,782). No final dividend has been declared (2012: NIL).

Creditor payment policy and practice

It is the Company's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

The amounts due to trade creditors as at 31 December 2013 represented approximately 2 days of average daily purchases through the year (2012: 1 day).

Resolutions

On 16 June 1997, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings and the laying of directors' reports, financial statements and auditors' reports before the members in general meeting.

Sabre Insurance Company Limited

Directors' Report (continued)

For the year ended 31 December 2013

Auditors

The Company has dispensed with the obligation to appoint auditors annually. Ernst & Young LLP have expressed their willingness to continue in office.

Financial Instruments

The financial risk management objectives of the Company in relation to financial instruments are set by the board of directors with a view to maintaining low volatility in investment performance. The majority of the financial instruments held by the Company are short term UK government bonds which are not considered subject to material credit risk, liquidity risk or cash flow risk. The composition of the investment portfolio by class of investment is designed to minimise price risk. Derivative instruments have not been used in the year and there were no derivatives held by the Company at year end.

Other business risks

The risks the Company is exposed to, and the related risk control processes, are described in the Strategic Report.

Directors

Following the change of control of Sabre Insurance Company Limited on 3rd January 2014, Stefano Quadrio Curzio, Joseph Cronly and Jonathan Hosgood became directors of Sabre Insurance Company Limited's parent company, Binomial Group Limited. All three subsequently became directors of Sabre Insurance Company Limited on 22 January 2014. Jonathan Hosgood and Stefano Quadrio Curzio resigned from the board of Binomial Group Limited on 21 January whilst Joseph Cronly resigned from the board of Binomial Group Limited on 20 January.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 4.

The Company has considerable financial resources and a diversity of customers and business sources across the UK motor insurance market. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors believe that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of 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 judgments and accounting estimates that are reasonable and prudent;
- state whether 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

Sabre Insurance Company Limited

Directors' Report (continued)

For the year ended 31 December 2013

Statement of Directors' responsibilities (continued)

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

K J Morris
Secretary

27 March 2014

Sabre Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SABRE INSURANCE COMPANY LIMITED

We have audited the financial statements of Sabre Insurance Company Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Denise Larnder (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 March 2014

Sabre Insurance Company Limited

Statement of Accounting Policies

(a) Basis of accounts

The accounts have been prepared on the basis of the accounting policies set out below. They have been prepared in accordance with Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP 2006). The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2013, as considered appropriate for an insurance company.

The results of the business are determined on an annual basis.

(b) Premiums

Written premiums are accounted for in the year they are notified. An additional adjustment is also made for new business and renewal premiums for risks inception in the current year, but not notified by the end of the accounting period. All premiums are shown gross of commission payable to intermediaries (where applicable) and are exclusive of taxes, duties and levies thereon. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related business being reinsured are accounted.

(c) Technical provisions

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 business, the ultimate cost of which cannot be known with certainty at the balance sheet date.

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

(ii) The provision of claims outstanding includes individual case estimates, an IBNR (incurred but not reported) 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 judgements 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 of claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims, 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 technical account - general business of later years.

Sabre Insurance Company Limited

Statement of Accounting Policies (continued)

(c) Technical provisions (continued)

- (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.

(d) 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.

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

Investment income consists of interest receivable for the year. Income is credited to the profit and loss account 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 and 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.

(f) Investment expenses and charges

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

(g) Taxation

The taxation charge in the Non Technical Account is based on the taxable profits for the year. It is group 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 timing 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.

(h) Valuation of investments

Investments are shown in the balance sheet as follows:

- (i) Listed securities and equities at mid market price at the balance sheet date less accrued interest where applicable.
- (ii) Investment properties at open market value, valued by qualified external surveyors. If there has been a material reduction in property values since the last valuation date then the directors will reduce the valuations having regard to appropriate indices of the movement in property market capital values.

Sabre Insurance Company Limited

Statement of Accounting Policies (continued)

(i) Tangible Assets

Expenditure on computer equipment and fixtures and fittings is capitalised and depreciated over 5 years, the estimated useful economic lives of the assets on a straight line basis. Depreciation is charged to the technical accounts and is included in administrative expenses.

(j) Pensions

For staff who were employees on 8 February 2002, the Company operates a non-contributory defined contribution group 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 group 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 profit and loss account in the period in which they become payable.

Sabre Insurance Company Limited

Profit and Loss Account: Technical Account For the year ended 31 December 2013

	Note	2013 £'000	£'000	2012 £'000	£'000
Gross premiums written from continuing operations	1	140,006		150,488	
Outward reinsurance premiums		<u>(10,486)</u>		<u>(9,915)</u>	
			129,520		140,573
Change in the net provision for unearned premiums			<u>8,797</u>		<u>12,008</u>
Earned premiums, net of reinsurance			138,317		152,581
Other technical income			1,493		1,045
Total technical income			<u>139,810</u>		<u>153,626</u>
Claims paid					
- Gross amount		(78,022)		(85,182)	
- Reinsurers' share		<u>2,412</u>		<u>3,416</u>	
		<u>(75,610)</u>		<u>(81,766)</u>	
Change in the provision for claims					
- Gross amount		(1,290)		(24,208)	
- Reinsurers' share		<u>13,444</u>		<u>11,146</u>	
		<u>12,154</u>		<u>(13,062)</u>	
Claims incurred, net of reinsurance	6		<u>(63,456)</u>		<u>(94,828)</u>
Net operating expenses	2		(22,458)		(22,613)
Balance on technical account for general business			53,896		36,185

The notes on pages 16 to 22 form an integral part of these accounts.

Sabre Insurance Company Limited

Profit and Loss Account: Non-technical Account For the year ended 31 December 2013

	Note	2013 £'000	£'000	2012 £'000	£'000
Balance on technical account for general business			53,896		36,185
Investment income	3	9,752		11,420	
Unrealised (losses)/gains on investments	3	(84)		1,954	
Realised (losses)/gains on investments	3	(6,964)		(10,301)	
Investment expenses and charges	3	<u>(24)</u>		<u>(9)</u>	
			2,680		3,064
Profit on ordinary activities before taxation	5		56,576		39,249
Taxation charge on profit on ordinary activities	7		(13,134)		(9,599)
Profit on ordinary activities after taxation			<u>43,442</u>		<u>29,650</u>

The notes on pages 16 to 22 form an integral part of these accounts.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2013

All recognised gains and losses are dealt with in the profit and loss account.

Sabre Insurance Company Limited

Balance Sheet

As at 31 December 2013

	Note	2013 £'000	£'000	2012 £'000	£'000
ASSETS					
Investments					
Land and buildings	9	3,300		3,300	
Other financial investments	9	248,245		241,682	
			251,545		244,982
Reinsurers' share of technical provisions					
Claims outstanding		39,647		26,203	
Provision for unearned premiums		4,676		4,434	
			44,323		30,637
Debtors					
Debtors arising out of direct insurance operations - policyholders		11,321		11,210	
Debtors arising out of direct insurance operations - intermediaries		7,592		7,822	
Other debtors		81		152	
			18,994		19,184
Other Assets					
Tangible assets	10	748		570	
Cash at bank and in hand		6,965		12,600	
			7,713		13,170
Prepayments and accrued income					
Accrued interest and rent		2,394		2,780	
Deferred acquisition costs		10,547		9,075	
Prepayments and accrued income		467		85	
			13,408		11,940
Total Assets			<u>335,983</u>		<u>319,913</u>

The notes on pages 16 to 22 form an integral part of these accounts.

Sabre Insurance Company Limited

Balance Sheet (continued)

As at 31 December 2013

	Note	2013 £'000	£'000	2012 £'000	£'000
LIABILITIES					
Capital and reserves					
Called up share capital	11	20,000		20,000	
Share premium account	12	114		114	
Profit and loss account	12	48,078		27,149	
Shareholder's Funds	15		68,192		47,263
Technical Provisions					
Provision for unearned premiums		68,809		77,364	
Claims outstanding		173,806		172,516	
			242,615		249,880
Creditors					
Creditors arising out of direct insurance operations		674		727	
Creditors arising out of reinsurance operations	14	12,903		12,196	
Other creditors including taxation and social security	13	8,818		7,064	
			22,395		19,987
Accruals and deferred income			2,781		2,783
Total Liabilities			<u>335,983</u>		<u>319,913</u>

The notes on pages 16 to 22 form an integral part of these accounts.

These financial statements were approved by the Board of directors on 27 March 2014.

Signed on behalf of the Board by:

Angus Ball

Director

Sabre Insurance Company Limited

Notes to the Accounts

1) Segmental analysis

a) Analysis of direct insurance by geographical segment.

	2013	2012
	£'000	£'000
Gross premiums written - United Kingdom	<u>140,006</u>	<u>150,488</u>

b) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance by class:-

	2013	2013	2013	2013	2013
	Gross premiums written	Gross premiums earned	Gross incurred claims	Gross operating expenses	Re- insurance balance
Motor insurance:	£,000	£,000	£,000	£,000	£,000
Third Party Liability	1,871	2,151	(2,922)	325	1,755
Other	138,135	146,652	82,235	22,133	(7,367)
	<u>140,006</u>	<u>148,803</u>	<u>79,313</u>	<u>22,458</u>	<u>(5,612)</u>

	2012	2012	2012	2012	2012
	Gross premiums written	Gross premiums earned	Gross incurred claims	Gross operating expenses	Re- insurance balance
Motor insurance:	£,000	£,000	£,000	£,000	£,000
Third Party Liability	2,782	5,856	1,488	815	(253)
Other	147,706	156,640	107,902	21,798	5,717
	<u>150,488</u>	<u>162,496</u>	<u>109,390</u>	<u>22,613</u>	<u>5,464</u>

2) Net operating expenses

Technical account	2013	2012
	£,000	£,000
Gross written commission	12,590	13,845
Acquisition costs	9,262	6,879
Change in deferred acquisition costs	(1,472)	(188)
Administrative expenses	2,078	2,077
	<u>22,458</u>	<u>22,613</u>

3) Investment return

	2013	2012
	£,000	£,000
Investment income		
Income from other investments	9,752	11,420
Unrealised gains/(losses) on investments	(84)	1,954
	<u>9,668</u>	<u>13,374</u>
Investment expenses and charges		
Loss on the realisation of investments	(6,964)	(10,301)
Investment management expenses & interest	(24)	(9)
	<u>(6,988)</u>	<u>(10,310)</u>
Total investment return	<u>2,680</u>	<u>3,064</u>

Sabre Insurance Company Limited

Notes to the Accounts (continued)

4) Staff costs & Directors' emoluments

	2013	2012
	£,000	£,000
Wages & salaries	5,603	5,105
Social Security costs	645	575
Other pension costs	399	386
	<u>6,647</u>	<u>6,066</u>

The average number of employees including executive directors during the year was as follows:

	2013	2012
Management	8	8
Underwriting	46	45
Claims	64	65
Administration	13	11
	<u>131</u>	<u>129</u>

The aggregate amount of emoluments paid to or receivable by directors during the year was as follows:

	2013	2012
	£,000	£,000
Fees	-	-
Emoluments	1,196	1,028
Contributions to defined contribution pension scheme	65	62
	<u>1,261</u>	<u>1,090</u>

Contributions were made to defined contribution pension schemes in the year on behalf of 2 Directors (2012: 2)

Highest paid director:

Emoluments	373	291
Contributions to defined contribution pension scheme	40	38
	<u>413</u>	<u>329</u>

5) Profit on ordinary activities before taxation

	2013	2012
	£,000	£,000
Profit on ordinary activities before tax is stated after:		
Depreciation charge for the year	225	200
Auditors' remuneration for audit services	99	95

Fees relating to non-audit services to the auditor accrued by the group during the year were £9,000 (2012: £10,000). These were in relation to tax compliance services.

Sabre Insurance Company Limited

Notes to the Accounts (continued)

6) Claims Incurred, Net of Reinsurance	2013	2012
	£,000	£,000
Claims paid net of reinsurance	75,610	81,766
Change in outstanding claims reserve		
Gross Amount		
Opening provision	(172,516)	(148,308)
Closing provision	173,806	172,516
Movement in provision	<u>1,290</u>	<u>24,208</u>
Reinsurance		
Opening provision	26,203	15,057
Closing provision	(39,647)	(26,203)
Movement in provision	<u>(13,444)</u>	<u>(11,146)</u>
Net claims incurred	<u>63,456</u>	<u>94,828</u>

The claims incurred figure is decreased by £18,379,000 (2012: £232,000) due to movement in the loss provision made at the beginning of the year for outstanding claims incurred in previous years and the loss provision shown at the end of the year in respect of such outstanding claims, less payments made during the year.

7) Taxation

a)	2013	2012
	£,000	£,000
<i>Current tax:</i>		
Current year U.K. corporation tax	12,028	9,552
Group relief payable	1,104	61
	<u>13,132</u>	<u>9,613</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	34	(3)
Effect of rate change	(32)	(11)
Total deferred tax (Note 7(d))	<u>2</u>	<u>(14)</u>
Tax on profit on ordinary activities	<u>13,134</u>	<u>9,599</u>

Sabre Insurance Company Limited

Notes to the Accounts (continued)

- b) The tax charged for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2013	2012
	£,000	£,000
Profit on ordinary activities before taxation	56,576	39,249
Profit on ordinary activities multiplied by:		
Standard rate of Corporation Tax of 23.25% (2012: 24.5%)	13,152	9,616
	<u>13,152</u>	<u>9,616</u>
Effects of:		
Expenses not deductible for corporation tax purposes	14	3
Capital allowances in excess of depreciation	(34)	(3)
Timing differences	-	(3)
Current tax charge for the period (Note 7(b))	<u>13,132</u>	<u>9,613</u>

- c) Factors that may affect future tax charges

There are no items the Company is aware of which will have a material impact on the future tax charge.

- d) Provision for deferred tax

The provided tax liability is made up as follows:

	2013	2012
	£,000	£,000
Fixed asset timing differences	231	231
Short term timing differences	(20)	(22)
	<u>211</u>	<u>209</u>

Reconciliation of opening to closing deferred tax:

	£,000
Deferred tax liability at 1 January 2013	209
Deferred tax charged to Profit and Loss account	<u>2</u>
Deferred tax liability at 31 December 2013	<u>211</u>

Finance Act 2013 provides for the main rate of Corporation Tax to be reduced. The Corporation Tax has been reduced to 21% with effect from 1 April 2014 and 20% from 1 April 2015.

As the 20% rate had been substantively enacted at the Balance Sheet date this rate has been applied in the measurement of the Company's deferred tax assets and liabilities as at 31 December 2013.

8) Dividends

Interim dividends of £22,513,000 (112.6 pence per share) were declared and paid in the year (2012: £28,307,782).

No final dividend has been declared (2012: NIL).

Sabre Insurance Company Limited

Notes to the Accounts (continued)

9) Investments

	Current Value		Historical Cost	
	2013	2012	2013	2012
	£,000	£,000	£,000	£,000
Land and buildings				
Properties occupied by the company	1,550	1,550	1,950	1,950
Other investment properties	1,750	1,750	4,500	4,500
	<u>3,300</u>	<u>3,300</u>	<u>6,450</u>	<u>6,450</u>
Debt securities and other fixed income securities:				
UK Government gilts, less than one year to maturity	196,628	189,052	202,098	194,479
UK Government gilts, one to five years to maturity	-	-	-	-
UK corporate bonds, less than one year to maturity	476	946	486	971
UK corporate bonds, one to five years to maturity	1,141	1,684	954	1,440
	<u>198,245</u>	<u>191,682</u>	<u>203,538</u>	<u>196,890</u>
UK Liquidity Funds	50,000	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total investments	<u>251,545</u>	<u>244,982</u>	<u>259,988</u>	<u>253,340</u>

The investment properties were valued at open market value of £3.30 million on 14 July 2011 by Hughes Ellard Limited.

10) Tangible assets

	Fixtures & fittings £,000	Computer equipment £,000	Total £,000
Cost			
At 1 January 2013	469	1,115	1,584
Additions	26	377	403
Disposals	-	-	-
At 31 December 2013	<u>495</u>	<u>1,492</u>	<u>1,987</u>
Depreciation			
At 1 January 2013	393	621	1,014
Charge	33	192	225
Disposals	-	-	-
At 31 December 2013	<u>426</u>	<u>813</u>	<u>1,239</u>
Net book value			
At 31 December 2013	<u>69</u>	<u>679</u>	<u>748</u>
At 31 December 2012	<u>76</u>	<u>494</u>	<u>570</u>

Sabre Insurance Company Limited

Notes to the Accounts (continued)

11) Share capital

	2013 £,000	2012 £,000
Authorised:		
20,000,000 (2012: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, issued and fully paid:		
20,000,000 (2012: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

12) Reserves

	Share Premium account £,000	Profit & loss account £,000	Total £,000
At 1 January 2013	114	27,149	27,263
Transfer from profit and loss account:			
Non-technical account	-	43,442	43,442
Dividends paid	-	(22,513)	(22,513)
Retained profit for the year	-	20,929	20,929
At 31 December 2013	<u>114</u>	<u>48,078</u>	<u>48,192</u>

13) Other creditors including taxation and social security

	2013 £,000	2012 £,000
Payable to/(from) parent company	530	(18)
Corporation tax	6,214	4,655
Deferred corporation tax provision (see note 7d)	211	209
Other taxes	1,738	2,187
Other sundry creditors	125	31
	<u>8,818</u>	<u>7,064</u>

14) Reinsurance

During 2001 the Company effected an unlimited aggregate excess of loss reinsurance policy with Norwich Union Insurance Limited, the effect of which is to limit the Company's exposure to any possible deterioration in reserves for claims occurring in 2001 and prior years. The reinsurance policy also protects the Company against any reinsurance bad debts in respect of these claims.

If the development of the 2001 and prior years is favourable and the aggregate losses fall below the attachment point of the reinsurance contract, there is an obligation in respect of this contract to pay an additional reinsurance premium to Norwich Union Insurance Limited.

Due to favourable development of claims on these years, an additional reinsurance premium of £9,765,580 (2012: £9,636,300) has been accrued (included in "creditors arising out of reinsurance operations"). The movement on the premium due for the current year of £129,280 is shown in the Technical Account under Outward Reinsurance Premiums. The additional premium is not due to be paid until all claims in respect of 2001 and prior years are finally settled.

Sabre Insurance Company Limited

Notes to the Accounts (continued)

15) Reconciliation of movements in shareholder's funds

	2013	2012
	£,000	£,000
Net addition to shareholder's funds		
-Retained profit for the year	20,929	1,342
Opening shareholder's funds	47,263	45,921
Closing shareholder's funds	<u>68,192</u>	<u>47,263</u>

16) Cash flow statement

As the Company was wholly owned within Binomial Group Limited at 31 December 2013, the cash flows of the Company are included in the consolidated cash flow statement of Binomial Group Limited. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from publishing a cash flow statement.

17) Related party transactions

As the Company is a wholly-owned subsidiary of Binomial Group Limited, it has taken advantage of the disclosure exemptions allowed by FRS 8 (paragraph 3 (c)) not to disclose transactions between group companies which are wholly owned within the group.

18) Post balance sheet event

On 3 January 2014, the entire shareholding and control of the ultimate parent company, Binomial Group Limited was transferred to Barb BidCo Limited (registered office 13-14 Esplanade, St Helier, Jersey, JE1 1BD), a company wholly owned by Barbados TopCo Limited (registered office Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GY1 4HY), a company incorporated in Guernsey. As a result of this transfer, Barbados TopCo Limited is now the ultimate parent undertaking. There are no financial effects of this transaction on the results for the year to 31 December 2013.

19) Ultimate parent undertaking

The immediate and ultimate parent undertaking at the balance sheet date was Binomial Group Limited, registered address 150 South Street, Dorking, Surrey, RH4 2YY (see note 18 - Post balance sheet event).