

**SABRE INSURANCE  
COMPANY LIMITED  
2006**

Registered No: 2387080

## **Reports and Accounts 2006**

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# **Sabre Insurance Company Limited**

## **Directors and Officers**

### **Directors**

K J Morris  
A Ball  
D W Warnock  
P Swords  
J L Kavanaugh  
P N O Robinson

### **Secretary**

K J Morris

### **Auditor**

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

## **Sabre Insurance Company Limited**

### **Chairman's Statement**

**For the year ended 31 December 2006.**

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

2006 was another excellent year for Sabre with pre-tax profit of £19.652 million on Gross Written Premium of £67.277 million. With a combined ratio of 77%, we expect to have comfortably outperformed most insurers in our sector. We recorded both record income and profit and ended the year with our highest ever level of net assets. This was against the background of a difficult market with rates still not keeping pace with inflation for much of the year, albeit with the final quarter showing some welcome signs of improvement.

Although it is by no means certain that we have turned the corner, the rate increases announced by both Norwich Union and by RBSI may indicate that we have passed the bottom of the insurance cycle in private motor. However, this could yet prove to be a false dawn and we will not be confident that we are operating in a more rational rating environment until we have seen further premium rises in the first half of 2007.

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

We mitigate the risk 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 vets incoming business to ensure that it adheres to our underwriting guidelines.

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

The risk of adverse developments in claims reserves are 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 asset values. Only 4.2% of total cash and investments were in equities at the balance sheet date; most of the remaining investments were cash or short term government bonds. As a result of the portfolio composition we also consider liquidity risk to be negligible.

To minimise credit risk we monitor the financial strength of our reinsurers and other material counterparties to whom we are exposed.

Additionally we have developed an internal capital model that satisfies the FSA requirements and assists us in business planning and risk control.

As I have alluded to above, Sabre staff are in large part responsible for the company's achievements in 2006 and I, and my fellow directors, would like to take this opportunity of thanking them for their hard work during the year. Staff turnover during the year excluding temporary staff and retirements was typically low at less than 10%.

There are some causes for optimism in the market at present, but this will not mean that we can relax our disciplined approach towards all aspects of our business; by maintaining it we expect that we can continue to outperform the market in 2007 and beyond.

## Sabre Insurance Company Limited

### Directors' Report

For the year ended 31 December 2006

The directors present their annual report and audited financial statements for Sabre Insurance Company Limited (the Company) for the year ended 31 December 2006.

### 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	Net earned premiums	Balance on technical account	
	2006	2006	2006	2005
	£'000	£'000	£'000	£'000
United Kingdom	67,277	52,689	12,117	4,367
			2006	2005
			£'000	£'000
Profit on ordinary activities before tax			19,652	14,838
Tax on profit on ordinary activities			(6,246)	(4,611)
Dividends paid			(9,000)	(9,500)
<b>Profit retained for the financial year</b>			<b>4,406</b>	<b>727</b>
Balance sheet total assets			179,572	178,400
<b>Shareholder's funds</b>			<b>34,862</b>	<b>30,456</b>

Full details of the results are set out on pages 13 and 14.  
These results are discussed in the Chairman's Statement on page 4.

### Policies in force

The policies in force at the balance sheet date increased to 114,367 (2005: 85,457)

## **Sabre Insurance Company Limited**

### **Directors' Report (continued)**

**For the year ended 31 December 2006**

#### **Dividends**

Interim dividends of £9,000,000 were paid during the year (2005: £9,500,000). A fourth quarter interim dividend of £2,400,000 (12.0 pence per share) has been proposed and paid in January 2007 (2005: £0). No final dividend has been declared (2005: NIL).

#### **European Monetary Union**

All business written is in £ Sterling and therefore there are no EMU costs.

#### **Director's interests**

The directors' interest in the share capital of the parent company, Binomial Group Limited are as follows:

	<b>As at 31 December 2006</b>
K J Morris	81,003 ordinary shares
A Ball	81,003 ordinary shares
J Kavanaugh	1,222 ordinary shares

Binomial Group Limited has issued ordinary share capital of 195,016 ordinary shares.

#### **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 2006 represented approximately 1 days of average daily purchases through the year (2005: 0 days).

#### **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.

#### **Auditors**

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

## **Sabre Insurance Company Limited**

### **Directors' Report (continued)**

**For the year ended 31 December 2006**

#### **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 been used in the year to mitigate risks and enhance returns, subject to strict control of exposures. Call option contracts, covered by shares within the investment portfolio, with a value of £185,192 (2005 - £nil) were sold in the year. Put options with a value of £40,400 (2005 - £nil) were sold in the year on shares which fitted the normal investment criteria at the option strike price. 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 Chairman's statement

#### **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).

The financial statements are required by law to 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 those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

## **Sabre Insurance Company Limited**

### **Directors' Report (continued)**

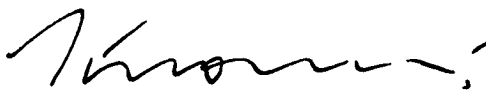
**For the year ended 31 December 2006**

#### **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/she is obliged to take as a director in order to have made himself/herself 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**





## Sabre Insurance Company Limited

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SABRE INSURANCE COMPANY LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

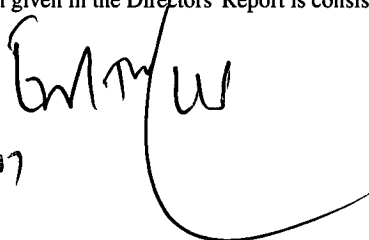
#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP  
London

26 March 2007



## **Sabre Insurance Company Limited**

### **Statement of Accounting Policies**

#### **(a) Basis of accounts**

The accounts have been prepared on the basis of accounting policies set out below. They have been prepared in accordance with section 255 of, and Schedule 9A to, the Companies Act 1985 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 2006, as considered appropriate for an insurance company.

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

#### **(b) Premiums**

Premiums are accounted for in the year the risk commences. An adjustment has been made for the overall effect of new business premiums, mid term adjustments and lapses of renewal premiums not processed in the year of risk inception. All premiums are shown gross of commission payable to intermediaries 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 direct or indirect reinsurance business being reinsured.

#### **(c) Claims**

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.

#### **(d) Technical provisions**

- (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 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.

## **Sabre Insurance Company Limited**

### **Statement of Accounting Policies (continued)**

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.

- (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.

#### **(e) 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.

#### **(f) 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.

#### **(g) Investment expenses and charges**

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

#### **(h) 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.

## **Sabre Insurance Company Limited**

### **Statement of Accounting Policies (continued)**

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.

#### **(i) 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.

#### **(j) Tangible Assets**

Expenditure on computer equipment, motor vehicle 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.

## Sabre Insurance Company Limited

### Profit and Loss Account: Technical Account For the year ended 31 December 2006

	Note	2006 £'000	£'000	2005 £'000	£'000
Gross premiums written from continuing operations	1	67,277		55,490	
Outward reinsurance premiums		<u>(5,782)</u>		<u>(6,532)</u>	
			61,495		48,958
Change in the gross and net provision for unearned premiums			<u>(8,806)</u>		<u>6,480</u>
<b>Earned premiums, net of reinsurance</b>			<b>52,689</b>		<b>55,438</b>
Claims paid					
- Gross amount		(35,462)		(41,677)	
- Reinsurers' share		<u>2,856</u>		<u>2,501</u>	
		<u>(32,606)</u>		<u>(39,176)</u>	
Change in the provision for claims					
- Gross amount		13,927		1,170	
- Reinsurers' share		<u>(9,189)</u>		<u>(185)</u>	
		<u>4,738</u>		<u>985</u>	
<b>Claims incurred, net of reinsurance</b>	6		<b>(27,868)</b>		<b>(38,191)</b>
Net operating expenses	2		(12,704)		(12,880)
<b>Balance on technical account from continuing operations</b>			<b>12,117</b>		<b>4,367</b>

The notes on pages 17 to 24 form an integral part of these accounts.

## Sabre Insurance Company Limited

### Profit and Loss Account: Non-technical Account For the year ended 31 December 2006

	Note	2006 £'000	£'000	2005 £'000	£'000
<b>Balance on technical account from continuing operations</b>			<b>12,117</b>		<b>4,367</b>
Investment income	3	9,046		11,153	
Unrealised gains/(losses) on investments	3	(1,469)		10,737	
Realised gains/(losses) on investments	3	(32)		(11,414)	
Investment expenses and charges	3	<u>(10)</u>		<u>(5)</u>	
			7,535		10,471
<b>Profit on ordinary activities before taxation</b>	5		<b>19,652</b>		<b>14,838</b>
Taxation charge on profit on ordinary activities	7		(6,246)		(4,611)
<b>Profit on ordinary activities after taxation</b>	5		<b><u>13,406</u></b>		<b><u>10,227</u></b>

The notes on pages 17 to 24 form an integral part of these accounts.

### Statement of Total Recognised Gains and Losses for the year ended 31 December 2006

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

## Sabre Insurance Company Limited

### Balance Sheet

As at 31 December 2006

	Note	2006 £'000	£'000	2005 £'000	£'000
<b>ASSETS</b>					
<b>Investments</b>					
Land and buildings	9	11,275		11,275	
Other financial investments	9	<u>130,426</u>		<u>125,177</u>	
			141,701		136,452
<b>Reinsurers' share of technical provisions</b>					
Claims outstanding			14,403		23,592
<b>Debtors</b>					
Debtors arising out of direct insurance operations - intermediaries					
		5,293		4,142	
Debtors arising out of outwards reinsurance operations					
		-		257	
Other debtors	17	<u>224</u>		<u>469</u>	
			5,517		4,868
<b>Other Assets</b>					
Tangible assets					
	10	263		302	
Cash at bank and in hand		<u>10,194</u>		<u>7,471</u>	
			10,457		7,773
<b>Prepayments and accrued income</b>					
Accrued interest and rent					
		1,431		694	
Deferred acquisition costs					
		5,974		4,940	
Other prepayments and accrued income		<u>89</u>		<u>81</u>	
			7,494		5,715
<b>Total Assets</b>			<u>179,572</u>		<u>178,400</u>

The notes on pages 17 to 24 form an integral part of these accounts.

## Sabre Insurance Company Limited

### Balance Sheet (continued)

As at 31 December 2006

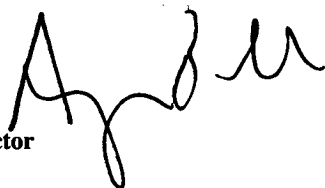
	Note	2006 £'000	£'000	2005 £'000	£'000
<b>LIABILITIES</b>					
Called up share capital	11	20,000		20,000	
Share premium account		114		114	
Profit and loss account	12	14,748		10,342	
<b>Shareholder's Funds</b>	15		34,862		30,456
<b>Technical Provisions</b>					
Provision for unearned premiums		36,240		27,434	
Claims outstanding		94,018		107,945	
			130,258		135,379
<b>Creditors</b>					
Creditors arising out of direct operations		32		32	
Creditors arising out of reinsurance operations	14	8,463		6,949	
Other creditors including taxation and social security	13	3,036		3,111	
			11,531		10,092
<b>Accruals and deferred income</b>			2,921		2,473
<b>Total Liabilities</b>			<u>179,572</u>	<u>178,400</u>	

The notes on pages 17 to 24 form an integral part of these accounts.

These financial statements were approved by the Board of directors on 26 March 2007.

Signed on behalf of the Board by:

Director





## Sabre Insurance Company Limited

### Notes to the Accounts

#### 1) Segmental analysis

##### a. Analysis of direct insurance by geographical segment.

	<b>2006</b>	<b>2005</b>
	£'000	£'000
Gross premiums written - United Kingdom	<u>67,277</u>	<u>55,490</u>

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

	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	Gross premiums written £,000	Gross premiums earned £,000	Gross incurred claims £,000	Gross operating expenses £,000	Re- insurance balance £,000
Motor insurance:	£,000	£,000	£,000	£,000	£,000
Third Party Liability	2,511	2,105	612	457	344
Other	64,766	56,367	20,922	12,247	11,770
	<u>67,277</u>	<u>58,472</u>	<u>21,534</u>	<u>12,704</u>	<u>12,115</u>

	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
	Gross premiums written £,000	Gross premiums earned £,000	Gross incurred claims £,000	Gross operating expenses £,000	Re- insurance balance £,000
Motor insurance:	£,000	£,000	£,000	£,000	£,000
Third Party Liability	1,880	1,890	678	393	71
Other	53,610	60,080	39,829	12,487	4,145
	<u>55,490</u>	<u>61,970</u>	<u>40,507</u>	<u>12,880</u>	<u>4,216</u>

#### 2) Net operating expenses

	<b>2006</b>	<b>2005</b>
	£,000	£,000
Technical account		
Gross written commission	8,344	7,610
Other acquisition costs	3,377	2,994
Change in deferred acquisition costs	(1,034)	644
Administrative expenses	<u>2,017</u>	<u>1,632</u>
	<u>12,704</u>	<u>12,880</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 3) Investment return

	<b>2006</b>	<b>2005</b>
	£,000	£,000
<b>Investment income</b>		
Income from other investments	9,046	11,153
Unrealised gains/(losses) on investments	<u>(1,469)</u>	<u>10,737</u>
	<u>7,577</u>	<u>21,890</u>
<b>Investment expenses and charges</b>		
Gain/(loss) on the realisation of investments	(32)	(11,414)
Investment management expenses & interest	<u>(10)</u>	<u>(5)</u>
	<u>(42)</u>	<u>(11,419)</u>
<b>Total investment return</b>	<u>7,535</u>	<u>10,471</u>

#### 4) Staff costs & Directors' emoluments

	<b>2006</b>	<b>2005</b>
	£,000	£,000
Wages & salaries	2,882	2,558
Social Security costs	359	313
Other pension costs	<u>261</u>	<u>244</u>
	<u>3,502</u>	<u>3,115</u>

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.

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

	<b>2006</b>	<b>2005</b>
Management	12	10
Underwriting	36	30
Claims	48	45
Administration	<u>11</u>	<u>16</u>
	<u>107</u>	<u>101</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 4) Staff costs & Directors' emoluments (continued)

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

	2006 £,000	2005 £,000
Fees	50	0
Emoluments	808	803
Contributions to defined contribution pension scheme	38	36
	<u>896</u>	<u>839</u>
Highest paid director:		
Emoluments	202	198
Contributions to defined contribution pension scheme	18	17
	<u>220</u>	<u>215</u>

#### 5) Profit on ordinary activities before taxation

	2006 £,000	2005 £,000
Profit on ordinary activities before tax is stated after:		
Depreciation charge for the year	126	103
Auditors' remuneration for audit services	54	61

There were no fees relating to non-audit services paid to the auditor during the year (2005 - £nil).

#### 6) Claims Incurred, Net of Reinsurance

	2006 £,000	2005 £,000
Claims paid net of reinsurance	32,606	39,176
Change in outstanding claims reserve		
Gross Amount		
Opening provision	(107,945)	(109,115)
Closing provision	94,018	107,945
Movement in provision	<u>(13,927)</u>	<u>(1,170)</u>
Reinsurance		
Opening provision	23,592	23,777
Closing provision	(14,403)	(23,592)
Movement in provision	<u>9,189</u>	<u>185</u>
Net claims incurred	<u>27,868</u>	<u>38,191</u>

The claims incurred figure is reduced by £14,721,000 (2005: £8,553,000) due to the favourable difference between 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.

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 7) Taxation

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

	2006 £,000	2005 £,000
Profit on ordinary activities before taxation	19,652	14,838
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 30% (2005:30%)	5,896	4,452
Effects of:		
Expenses not deductible for corporation tax purposes	8	5
Depreciation for period in excess of capital allowances	(16)	(35)
S107 technical reserve adjustments	451	258
Income not taxable	(115)	(105)
Timing differences	(6)	-
Current year U.K. corporation tax	<u>6,218</u>	<u>4,575</u>
Adjustment in respect of previous period	7	(93)
Current tax charge for the period (Note 6(b))	<u>6,225</u>	<u>4,481</u>
<b>Note 7(b)</b>	<b>2006</b>	<b>2005</b>
	£,000	£,000
<i>Current tax:</i>		
UK corporation tax at 30% (2005: 30%)	6,218	4,575
Adjustments in respect of previous periods	7	(93)
	<u>6,225</u>	<u>4,481</u>
<i>Deferred tax:</i>		
Accelerated capital allowances	15	44
Other timing differences	6	86
Total deferred tax (Note 6(d))	<u>21</u>	<u>130</u>
Tax on profit on ordinary activities	<u>6,246</u>	<u>4,611</u>

**Note 7(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.

**Note 7(d)** Provision for deferred tax

The provided tax liability is made up as follows:

	2006 £,000	2005 £,000
Accelerated capital allowances	216	201
Other deferred tax assets	(30)	(36)
	<u>186</u>	<u>165</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### Note 7(d) (continued)

The unprovided tax liability is made up as follows:

	2006 £,000	2005 £,000
Accelerated capital allowances	-	-
Other deferred tax assets	-	-
	<u>-</u>	<u>-</u>

#### 8) Dividends

Interim dividends of £9,000,000 (45.0 pence per share) were paid in the year (2005: £9,500,000).

A fourth quarter interim dividend of £2,400,000 (12.0 pence per share) has been proposed and paid in January 2007 (2005: £0).

#### 9) Investments

	Current Value		Historical Cost	
	2006 £,000	2005 £,000	2006 £,000	2005 £,000
<b>Land and buildings</b>				
Properties occupied by the company	2,525	2,525	1,950	1,950
Other investment properties	8,750	8,750	4,500	4,500
Total land and buildings	<u>11,275</u>	<u>11,275</u>	<u>6,450</u>	<u>6,450</u>
<b>Other financial investments</b>				
Shares and other variable yield securities and units in unit trusts:				
- Listed	6,375	7,944	5,049	6,436
	<u>6,375</u>	<u>7,944</u>	<u>5,049</u>	<u>6,436</u>
<b>Debt securities and other fixed income securities:</b>				
- Listed	124,051	117,233	126,062	117,957
	<u>124,051</u>	<u>117,233</u>	<u>126,062</u>	<u>117,957</u>
<b>Total investments</b>	<u>141,701</u>	<u>136,452</u>	<u>137,561</u>	<u>130,843</u>

The investment properties were valued at open market value on 25 November 2005 by Hughes Ellard Limited. All properties owned by the company are freehold.

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 10) Tangible assets

	Fixtures & fittings £,000	Motor vehicles £,000	Computer equipment £,000	Total £,000
<b>Cost</b>				
At 1 January 2006	347	-	472	819
Additions	8	-	79	87
Disposals	-	-	-	-
At 31 December 2006	<u>355</u>	<u>-</u>	<u>551</u>	<u>906</u>
<b>Depreciation</b>				
At 1 January 2006	216	-	301	517
Charge	42	-	84	126
Disposals	-	-	-	-
At 31 December 2006	<u>258</u>	<u>-</u>	<u>385</u>	<u>643</u>
<b>Net book value</b>				
At 31 December 2006	<u>97</u>	<u>-</u>	<u>166</u>	<u>263</u>
At 31 December 2005	131	-	171	302

#### 11) Share capital

	2006 £,000	2005 £,000
Authorised:		
20,000,000 (2005: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, issued and fully paid:		
20,000,000 (2005: 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 2006	114	10,342	10,456
Transfer from profit and loss account:			
Non-technical account	-	13,406	13,406
Dividends paid	-	(9,000)	(9,000)
At 31 December 2006	<u>114</u>	<u>14,748</u>	<u>14,862</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 13) Other creditors including taxation and social security

	<b>2006</b>	<b>2005</b>
	£,000	£,000
Payable to parent company	1,028	0
Corporation tax	1,114	2,316
Other taxes	875	659
Other sundry creditors	19	136
	<u>3,036</u>	<u>3,111</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 £8,445,823 (2005: £6,949,104) has been accrued (included in "creditors arising out of reinsurance operations"). This premium is not due to be paid until all claims in respect of 2001 and prior years are finally settled.

#### 15) Reconciliation of movements in shareholder's funds

	<b>2006</b>	<b>2005</b>
	£,000	£,000
Net addition to shareholder's funds		
-Retained profit for the year	4,406	727
Opening shareholder's funds	30,456	29,729
Closing shareholder's funds	<u>34,862</u>	<u>30,456</u>

#### 16) Cash flow statement

As the Company was wholly owned within Binomial Group Limited at 31 December 2006, 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.

## **Sabre Insurance Company Limited**

### **Notes to the Accounts (continued)**

#### **17) Related party transactions**

During 2002, an interest-free loan of £5,000 for the purchase of a vehicle was granted by the Company to P Swords on the same terms and conditions as were applicable to all eligible members of staff. As at 31 December 2006, £5,000 was outstanding and is included in 'Other debtors' (note 9). The maximum amount outstanding during the year was £5,000 (2005 - £5,000).

#### **18) Post balance sheet event**

In accordance with FRS21, these financial statements do not reflect the fourth quarter interim dividend payable of £2,400,000, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the period ended 31 December 2007.

#### **19) Ultimate parent undertaking**

The immediate and ultimate parent undertaking is Binomial Group Limited, registered address 150 South Street Dorking Surrey RH4 2YY.