

**SABRE INSURANCE  
COMPANY LIMITED  
2009**

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## **Reports and Accounts 2009**

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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

### **Registered Office**

Sabre House  
150 South Street  
Dorking  
Surrey  
RH4 2YY

### **Solicitors**

DLA  
3 Noble Street  
London  
EC2V 7EE

## Sabre Insurance Company Limited

### Chairman's Statement

For the year ended 31 December 2009.

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

2009 was an exceptional year for Sabre with pre-tax profit of £38.774 million on Gross Written Premium of £99.085 million. Included within this result is an improvement in prior year claims of £16.7m which has arisen following internal and external actuarial reviews of reserving levels. External actuarial consultants were appointed to review the reserves following several years of large surpluses on prior year claim development and the introduction of new HMRC regulations requiring insurers to hold reserves in line with best estimates plus a reasonable risk margin. Adjusting for the prior year development, the underlying performance continues to be strong and, we believe, better than most insurers in our sector.

While the vast majority of Sabre's investment portfolio is held in cash and low-yielding short-term gilts, a reasonable investment return for the year was achieved following a decision by directors to re-establish small portfolios of equities and corporate bonds early in the year.

Market conditions continued to improve as many insurers applied steep rate increases following poor underwriting results and reduced investment income.

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 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 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. At the balance sheet date only 2.4% of total cash and investments were held in equities, most 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.

Sabre staff are in large part responsible for the company's achievements in 2009 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 less than 3%.

While market conditions have improved, it is not clear how long this more benign environment will be sustained, consequently we will not relax our disciplined approach towards all aspects of our business, by maintaining it we expect that we can continue to outperform the market in 2010 and beyond.

**K J Morris**  
Chairman



## Sabre Insurance Company Limited

### Directors' Report

For the year ended 31 December 2009

The directors present their annual report and audited financial statements for Sabre Insurance Company Limited (the Company) for the year ended 31 December 2009

### 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	
	2009	2009	2009	2008
	£'000	£'000	£'000	£'000
United Kingdom	99,085	88,369	31,120	13,435
			<b>2009</b>	<b>2008</b>
			£'000	£'000
Profit on ordinary activities before tax			38,774	20,579
Tax on profit on ordinary activities			(10,763)	(5,784)
Dividends paid			(24,774)	(20,362)
<b>Profit retained for the financial year</b>			<b>3,237</b>	<b>(5,567)</b>
Balance sheet total assets			208,540	210,227
<b>Shareholder's funds</b>			<b>37,098</b>	<b>33,861</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 188,910 (2008 149,460)

## **Sabre Insurance Company Limited**

### **Directors' Report (continued) For the year ended 31 December 2009**

#### **Dividends**

Interim dividends of £24,774,000 were paid during the year (2008 £20,362,000) No final dividend has been declared (2008 NIL)

#### **Directors**

There were no changes of directorship in the year The directors of the Company are listed on page 3

#### **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 2009 represented approximately 1 day of average daily purchases through the year (2008 9 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 2009**

#### **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 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). 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.

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.

**Sabre Insurance Company Limited**

**Directors' Report (continued)**

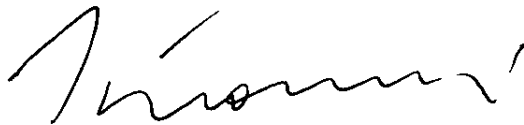
**For the year ended 31 December 2009**

**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

A handwritten signature in black ink, appearing to read 'K J Morris', is written over the printed name and title of the Secretary.



## **Sabre Insurance Company Limited**

### **INDEPENDENT AUDITORS' 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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 18. 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the company's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the company's 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.

#### **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 2009 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 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 by the company, 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.



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

17 March 2010

## **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 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 2009, 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 business being reinsured are earned.

#### **(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)**

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.

- (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. 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

#### **(j) 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

#### **(k) 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

## Sabre Insurance Company Limited

### Profit and Loss Account: Technical Account For the year ended 31 December 2009

	Note	2009 £'000	£'000	2008 £'000	£'000
Gross premiums written from continuing operations	1	99,085		87,020	
Outward reinsurance premiums		<u>(5,369)</u>		<u>(5,418)</u>	
			93,716		81,602
Change in the gross and net provision for unearned premiums			<u>(5,347)</u>		<u>(3,897)</u>
<b>Earned premiums, net of reinsurance</b>			<b>88,369</b>		<b>77,705</b>
Claims paid					
- Gross amount		(50,679)		(45,017)	
- Reinsurers' share		<u>759</u>		<u>1,807</u>	
		<u>(49,920)</u>		<u>(43,210)</u>	
Change in the provision for claims					
- Gross amount		16,178		(9,759)	
- Reinsurers' share		<u>(5,660)</u>		<u>4,844</u>	
		<u>10,518</u>		<u>(4,915)</u>	
<b>Claims incurred, net of reinsurance</b>	6		<b>(39,402)</b>		<b>(48,125)</b>
Net operating expenses	2		(17,847)		(16,145)
<b>Balance on technical account from continuing operations</b>			<b>31,120</b>		<b>13,435</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 2009

	Note	2009 £'000	2008 £'000	2008 £'000
<b>Balance on technical account from continuing operations</b>			<b>31,120</b>	<b>13,435</b>
Investment income	3	7,801	7,492	
Unrealised gains/(losses) on investments	3	(2,313)	827	
Realised gains/(losses) on investments	3	2,180	(1,166)	
Investment expenses and charges	3	<u>(14)</u>	<u>(9)</u>	
			7,654	7,144
<b>Profit on ordinary activities before taxation</b>	5		<b>38,774</b>	<b>20,579</b>
Taxation charge on profit on ordinary activities	7		(10,763)	(5,784)
<b>Profit on ordinary activities after taxation</b>			<b><u>28,011</u></b>	<b><u>14,795</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 2009

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

## Sabre Insurance Company Limited

### Balance Sheet

As at 31 December 2009

	Note	2009 £'000	2008 £'000	£'000
<b>ASSETS</b>				
<b>Investments</b>				
Land and buildings	9	7,136	7,136	
Other financial investments	9	<u>157,071</u>	<u>157,438</u>	
			164,207	164,574
<b>Reinsurers' share of technical provisions</b>				
Claims outstanding			15,114	20,774
<b>Debtors</b>				
Debtors arising out of direct insurance operations - intermediaries		8,154	8,713	
Debtors arising out of reinsurance operations		-	400	
Other debtors		<u>180</u>	<u>224</u>	
			8,334	9,337
<b>Other Assets</b>				
Tangible assets	10	361	408	
Cash at bank and in hand		<u>11,356</u>	<u>6,446</u>	
			11,717	6,854
<b>Prepayments and accrued income</b>				
Accrued interest		1,082	1,036	
Deferred acquisition costs		7,886	7,566	
Prepayments		<u>200</u>	<u>86</u>	
			9,168	8,688
<b>Total Assets</b>		<u>208,540</u>	<u>210,227</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 2009

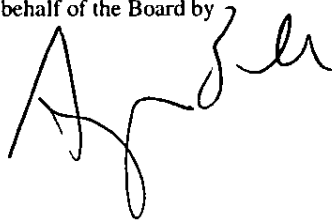
	Note	2009 £'000	2008 £'000	2008 £'000	£'000
<b>LIABILITIES</b>					
Called up share capital	11	20,000		20,000	
Share premium account	12	114		114	
Profit and loss account	12	<u>16,984</u>		<u>13,747</u>	
<b>Shareholder's Funds</b>	15		37,098		33,861
<b>Technical Provisions</b>					
Provision for unearned premiums		52,014		46,666	
Claims outstanding		<u>92,490</u>		<u>108,668</u>	
			144,504		155,334
<b>Creditors</b>					
Creditors arising out of direct operations		26		29	
Creditors arising out of reinsurance operations	14	9,770		9,619	
Other creditors including taxation and social security	13	<u>13,909</u>		<u>8,242</u>	
			23,705		17,890
<b>Accruals and deferred income</b>			3,233		3,142
<b>Total Liabilities</b>			<u>208,540</u>		<u>210,227</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 17 March 2010

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

	2009 £'000	2008 £'000
Gross premiums written - United Kingdom	<u>99,085</u>	<u>87,020</u>

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

	2009 Gross premiums written £,000	2009 Gross premiums earned £,000	2009 Gross claims incurred £,000	2009 Gross operating expenses £,000	2009 Re- insurance balance £,000
Motor insurance	£,000	£,000	£,000	£,000	£,000
Third Party Liability	6,942	5,814	3,206	1,107	954
Other	92,143	87,924	31,294	16,740	9,316
	<u>99,085</u>	<u>93,738</u>	<u>34,500</u>	<u>17,847</u>	<u>10,270</u>

	2008 Gross premiums written £,000	2008 Gross premiums earned £,000	2008 Gross claims incurred £,000	2008 Gross operating expenses £,000	2008 Re- insurance balance £,000
Motor insurance	£,000	£,000	£,000	£,000	£,000
Third Party Liability	5,922	4,727	4,673	918	(105)
Other	81,098	78,396	50,103	15,227	(1,128)
	<u>87,020</u>	<u>83,123</u>	<u>54,776</u>	<u>16,145</u>	<u>(1,233)</u>

#### 2) Net operating expenses

Technical account	2009 £,000	2008 £,000
Gross written commission	11,185	10,651
Other acquisition costs	4,170	3,817
Change in deferred acquisition costs	(374)	(1,371)
Administrative expenses	2,866	3,048
	<u>17,847</u>	<u>16,145</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 3) Investment return

	2009	2008
	£,000	£,000
<b>Investment income</b>		
Income from other investments	7,801	7,492
Unrealised gains/(losses) on investments	<u>(2,313)</u>	<u>827</u>
	<u>5,488</u>	<u>8,319</u>
<b>Investment expenses and charges</b>		
Gain/(loss) on the realisation of investments	2,180	(1,166)
Investment management expenses & interest	<u>(14)</u>	<u>(9)</u>
	<u>2,166</u>	<u>(1,175)</u>
<b>Total investment return</b>	<u>7,654</u>	<u>7,144</u>

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

	2009	2008
	£,000	£,000
Wages & salaries	3,406	3,332
Social Security costs	412	417
Other pension costs	<u>495</u>	<u>279</u>
	<u>4,313</u>	<u>4,028</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

	2009	2008
Management	11	11
Underwriting	38	37
Claims	58	57
Administration	<u>9</u>	<u>9</u>
	<u>116</u>	<u>114</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

	2009 £,000	2008 £,000
Fees	0	50
Emoluments	560	894
Contributions to defined contribution pension scheme	234	41
	<u>794</u>	<u>985</u>
Highest paid director		
Emoluments	148	243
Contributions to defined contribution pension scheme	116	21
	<u>264</u>	<u>264</u>

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

	2009 £,000	2008 £,000
Profit on ordinary activities before tax is stated after		
Depreciation charge for the year	140	138
Auditors' remuneration for audit services	72	72

Fees relating to non-audit services paid to the auditor by the group during the year were £45,000 (2008 £4,500)

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

	2009 £,000	2008 £,000
Claims paid net of reinsurance	49,920	43,210
Change in outstanding claims reserve		
Gross Amount		
Opening provision	(108,668)	(98,909)
Closing provision	92,490	108,668
Movement in provision	<u>(16,178)</u>	<u>9,759</u>
Reinsurance		
Opening provision	20,774	15,930
Closing provision	(15,114)	(20,774)
Movement in provision	<u>5,660</u>	<u>(4,844)</u>
Net claims incurred	<u>39,402</u>	<u>48,125</u>

The claims incurred figure is reduced by £16,718,000 (2008 £9,609,000) 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:

	2009 £,000	2008 £,000
Profit on ordinary activities before taxation	38,774	20,579
Profit on ordinary activities multiplied by Standard rate of Corporation Tax of 30%	-	1,543
Standard rate of Corporation Tax of 28%	10,857	4,322
	<u>10,857</u>	<u>5,865</u>
Effects of		
Expenses not deductible for corporation tax purposes	34	-
Capital allowances in excess of depreciation	(12)	(15)
Income not taxable	(99)	(67)
Timing differences	8	-
Current year U K corporation tax	<u>10,788</u>	<u>5,783</u>
Adjustment in respect of previous period	(28)	4
Current tax charge for the period (Note 7(b))	<u>10,760</u>	<u>5,787</u>
<b>Note 7(b)</b>	<b>2009</b>	<b>2008</b>
	<b>£,000</b>	<b>£,000</b>
<i>Current tax</i>		
Current year U K corporation tax	10,788	5,783
Adjustments in respect of previous periods	(28)	4
	<u>10,760</u>	<u>5,787</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	3	14
Adjustments in respect of prior periods	-	(4)
Effect of tax rate change on opening balance	-	(13)
Total deferred tax (Note 7(d))	<u>3</u>	<u>(3)</u>
Tax on profit on ordinary activities	<u>10,763</u>	<u>5,784</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

	2009 £,000	2008 £,000
Fixed asset timing differences	240	227
Short term timing differences	(38)	(28)
	<u>202</u>	<u>199</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 8) Dividends

Interim dividends of £24,774,000 (123.9 pence per share) were declared and paid in the year (2008)  
No final dividend has been declared (2008 NIL)

#### 9) Investments

	Current Value		Historical Cost	
	2009	2008	2009	2008
	£,000	£,000	£,000	£,000
<b>Land and buildings</b>				
Properties occupied by the company	2,021	2,021	1,950	1,950
Other investment properties	5,115	5,115	4,500	4,500
<b>Total land and buildings</b>	<b>7,136</b>	<b>7,136</b>	<b>6,450</b>	<b>6,450</b>
<b>Other financial investments</b>				
<b>Shares and other variable yield securities and units in unit trusts</b>				
- Listed	4,235	-	2,843	368
	<b>4,235</b>	<b>-</b>	<b>2,843</b>	<b>368</b>
<b>Debt securities and other fixed income securities</b>				
UK Government gilts, less than one year to maturity	96,880	524	96,690	509
UK Government gilts, one to five years to maturity	51,643	156,914	50,328	151,136
UK corporate bonds, one to five years to maturity	506	-	502	-
UK corporate bonds, one to five years to maturity	3,807	-	3,595	-
	<b>152,836</b>	<b>157,438</b>	<b>151,115</b>	<b>151,645</b>
<b>Total investments</b>	<b>164,207</b>	<b>164,574</b>	<b>160,408</b>	<b>158,463</b>

The investment properties were valued at open market value of £8.65 million on 31 July 2008 by Hughes Ellard Limited. Given the sharp fall in the commercial property values which has occurred in the period from July to December 2008, the directors, after considering appropriate indices of commercial property values, reduced the value of these properties by a further 17.5% to £7.136 million for the purposes of the 2008 accounts. No further adjustments to valuations have been made in 2009. All properties owned by the company are freehold.

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

#### 10) Tangible assets

	Fixtures & fittings £,000	Computer equipment £,000	Total £,000
<b>Cost</b>			
At 1 January 2009	478	814	1,292
Additions	37	56	93
Disposals	-	(290)	(290)
At 31 December 2009	<u>515</u>	<u>580</u>	<u>1,095</u>
<b>Depreciation</b>			
At 1 January 2009	364	520	884
Charge	46	94	140
Disposals	-	(290)	(290)
At 31 December 2009	<u>410</u>	<u>324</u>	<u>734</u>
<b>Net book value</b>			
At 31 December 2009	<u>105</u>	<u>256</u>	<u>361</u>
At 31 December 2008	<u>114</u>	<u>294</u>	<u>408</u>

#### 11) Share capital

	2009 £,000	2008 £,000
Authorised 20,000,000 (2008 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, issued and fully paid 20,000,000 (2008 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 2009	114	13,747	13,861
Transfer from profit and loss account Non-technical account	-	28,011	28,011
Dividends paid	-	(24,774)	(24,774)
Retained profit for the year	-	3,237	3,237
At 31 December 2009	<u>114</u>	<u>16,984</u>	<u>17,098</u>

## Sabre Insurance Company Limited

### Notes to the Accounts (continued)

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

	2009	2008
	£,000	£,000
Payable to parent company	6,217	4,053
Corporation tax	6,174	2,740
Deferred corporation tax provision	202	199
Other taxes	1,228	1,105
Other sundry creditors	88	145
	<u>13,909</u>	<u>8,242</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 £9,520,496 (2008 £9,618,909) 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

	2009	2008
	£,000	£,000
Net addition to shareholder's funds		
-Retained profit for the year	3,237	(5,567)
Opening shareholder's funds	<u>33,861</u>	<u>39,428</u>
Closing shareholder's funds	<u>37,098</u>	<u>33,861</u>

#### 16) Cash flow statement

As the Company was wholly owned within Binomial Group Limited at 31 December 2009, 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 2009, £5,000 was outstanding and is included in 'Other debtors'. The maximum amount outstanding during the year was £5,000 (2008 - £5,000).

#### **18) Ultimate parent undertaking**

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